

LAKSON EQUITY 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

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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. Daniel Scott Smaller
Mr. Zahid Zakiuddin
Mr. Jacques John Visser

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

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road,
Karachi - 75530, Pakistan



Bankers to the Fund

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
Silk Bank Limited
Sindh Bank Limited
United 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

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

Rating by PACRA

1 Year : 4-Star (Good)
3 Year : 3-Star (Average)
5 Year : 3-Star (Average)
AM2+ : Asset Manager Rating by PACRA



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 Equity Fund ("LEF") is pleased to submit its review report together with Condensed Interim Financial Information for the period ended September 30, 2017

Fund Objective

The objective of the Fund is to provide long term capital appreciation by investing mainly in equity and related listed securities. Investments will be made in companies of substance, financial strength and demonstrably superior management skills with some exposure given to smaller capitalized value stocks.

Fund Profile

LEF is an actively managed open-end equity fund. LEF maintain an average exposure of 70% of Net Assets in listed equity securities. The asset allocation to different sectors and stocks is made on the basis of relative attractiveness of each sector and individual stocks in that particular sector. The allocations may change from time to time keeping in view the market conditions, opportunities, political and economic factors. LEF is allowed to borrow up to 15% of Net Assets to meet redemptions however LEF did not utilize this facility during the period under review.

Fund performance

The LEF provided a return of -10.7% for 1QFY18 vs. -10% of the benchmark. The fund fell short of last year's return of 7.2% for the same period. LEF maintained an aggressive stance in 1QFY18 with an average equity exposure of 90%.

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, with the exception of 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.

Equity Market Review

The KSE30 total return index posted a negative return of 5.75% in 1QFY18 amidst political uncertainty, deteriorating fiscal indicators and foreign selling of USD90m. In terms of average volumes traded the index saw a decrease of 21% QoQ as the volumes averaged 54.16m shares in 1QFY18 against average volumes of 68.39m in 4QFY17. Value traded clocked in at PKR5.86b in 1QFY18 as against value traded of 8.88b in 4QFY17 registering a QoQ decline of 34%. PPL, POL and PSO were the top performers for the period under review with returns of 21%, 20% and 20% respectively whereas HCAR, HBL and LUCK were the major losers with negative returns of 35%, 29% and 29% respectively.

Participant wise, insurance companies were the net buyers with a net buy of USD 49.4m followed by banks with a net buy of USD 33.6m. Mutual funds offloaded their holdings and were the net sellers of USD 37.6m. Sector wise, Food was the best performing sector followed by Beverages with returns of 10% and 7% respectively. Household Goods and Construction & Materials were the worst performing sectors with negative returns of 29% and 27% respectively due to unimpressive results and fear of breakdown in the pricing arrangement in the cement sector.

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.

Visualizing 5 years earnings CAGR of more than 10% and an attractive trading multiple, Pakistan stock market should deliver decent return in the near term, in our view. Key triggers include China Pakistan Economic Corridor (CPEC) related activity and growth in consumer spending. Moreover, liquidity is expected to remain high due to low interest rates, possible amnesty schemes and expected foreign inflows after Pakistan's upgrade to Emerging Market. LEF will maintain a cautious stance in the upcoming quarter, looking for short term downturn to cherry pick in sectors that are trading at a discount to their fundamental valuations. The fund will allocate its portfolio prudently in line with the themes that will be dominant in FY18.

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 ایکویٹی فنڈ

30 ستمبر 2017 کو ختم ہونے والی مدت کے لیے

مینجمنٹ کمپنی کے ڈائریکٹرز کی جائزہ رپورٹ

لیکسن انویسٹمنٹس لینڈ کے بورڈ آف ڈائریکٹرز، لیکسن ایکویٹی فنڈ ("LEF") کی مینجمنٹ کمپنی، مختصر عہدوری مالیاتی گھوشیوں کے ساتھ 30 ستمبر 2017 کو ختم ہونے والی مدت کے لیے اپنی جائزہ رپورٹ جمع کراتے ہوئے خوشی محسوس کرتے ہیں۔

فنڈ کا مقصد

لیکسن ایکویٹی فنڈ کا مقصد بنیادی طور پر ایکویٹی اور متعلقہ سٹریٹجیوں میں انویسٹمنٹس کے ذریعے طویل مدتی خطیر منافع جات حاصل کرنا ہے۔ یہ انویسٹمنٹس ممتاز، مالیاتی طاقت اور ثابت شدہ اعلیٰ انتظامی مہارت کی حامل کمپنیوں میں کی جائیں گی جب کہ کچھ حصہ مختصر سرمایہ جاتی قدر والے اسٹاکس کے لیے مختص کیا جائے گا۔

فنڈ کا تعارف

LEF ایک فعال انداز میں چلایا جانے والا اوپن اینڈ ایکویٹی فنڈ ہے۔ LEF خالص اثاثوں کا کم از کم 70% حصہ لہذا ایکویٹی سیکورٹیز میں رکھتا ہے۔ مختلف شعبوں اور اسٹاکس میں اثاثے کو ہر شعبے اور اس مخصوص شعبے میں انفرادی اسٹاکس متعلقہ کشش کی بنیاد پر مخصوص کیا جاتا ہے۔ یہ تخصیص مارکیٹ کے حالات، مواقع، سیاسی اور اقتصادی عوامل کو پیش نظر رکھتے ہوئے وقتاً فوقتاً تبدیل کی جاسکتی ہے۔ LEF کو ریڈی میٹھو کی تکمیل کے لیے خالص اثاثوں کے 15 فی صد تک قرض لینے کی اجازت ہے، تاہم LEF نے اس سہولت کو زیر جائزہ مدت کے دوران استعمال نہیں کیا۔

فنڈ کی کارکردگی

LEF نے بیچ مارک 10% کے مقابلے میں مالی سال 2018 کی پہلی سہ ماہی کے لیے 10.7% منافع پیدا کیا۔ فنڈ اسی مدت کے لیے گزشتہ سال کے 7.2% منافع سے پیچھے رہا۔ LEF نے 90% اوسط ایکویٹی سرمایہ کاری کے ساتھ مالی سال 2018 کی پہلی سہ ماہی میں ایک جارحانہ موقف برقرار رکھا۔

فی شیئر آمدنی (EPU)

فی شیئر آمدنی (EPU) ظاہر نہیں کی گئی ہے کیوں کہ ہم محسوس کرتے ہیں کہ EPU شراکت کرنے کے لیے موزوں اوسط پونٹس 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 بیرونیوں کی اوسط مقامی قیمتوں میں گراؤ کا نتیجہ تھا جو سہ ماہی کے دوران کروڑ آئل کی بین الاقوامی قیمتوں کے ساتھ 3.7% کم ہوئیں، جیسا کہ عرب لائٹ میں سہ ماہی بہ سہ ماہی بنیاد پر 3.0% گراؤ آئی۔ مزید برآں، SBP کے مالیاتی پالیسی بیان کے مطابق غذائی ایشیا کی وافر سپلائی نے افراط زر کو کم رکھا۔

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، سر



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 اخراجات 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 مال کی درآمدات میں 1.9 ارب امریکی ڈالر کا نمایاں بھپ ہے۔ درآمدات کے بڑے محرکات مشینری، پیٹرولیم، گروپ اور لوہا اور اسٹیل ہیں۔ مزید برآں پاکستانی روپے کی قدر میں جلد 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 روکنے 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 121.4 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 جھٹکا دیکھنے میں آئی۔ مالی سال 2017 کی چوتھی سہ ماہی میں 104.75 روپے کے مقابلے میں اس سہ ماہی میں امریکی ڈالر اور 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 کوپیشن سپورٹ کی بندش کی وجہ سے بلا ٹیکس آمدنی میں کمی کے باوجود بہتری آئی۔

ایکویٹی مارکیٹ کا جائزہ

KSE30 کے مجموعی ریٹرن انڈیکس نے مالی سال 2018 کی پہلی سہ ماہی میں سیاسی غیر یقینی، غیر متوازن اور خراب مالیاتی اشاروں اور 90 ملین امریکی ڈالر کی بیرون ملک فروخت کی وجہ سے 5.75% کا منفی منافع جمع کرایا۔ لین دین کے اوسط حجم کے حوالے سے انڈیکس میں سہ ماہی بہ سہ ماہی 21% کمی دکھائی گئی جیسے کہ مالی سال 2017 کی چوتھی سہ ماہی میں 68.39 ملین کے مقابلے میں مالی سال 2018 کی پہلی سہ ماہی میں 54.16 ملین کے اوسط حجم شیئر کیے۔ مالی سال 2018 کی پہلی سہ ماہی میں لین دین کا حجم 5.86 بلین روپے رہا جو کہ مالی سال 2017 کی چوتھی سہ ماہی میں 8.88 بلین روپے تھا، یعنی سہ ماہی بہ سہ ماہی 34% کمی رجسٹر ہوئی۔ POL، PPL اور PSO کی کارکردگی زیر جائزہ مدت کے دوران بالترتیب 21%، 20% اور 20% منافع کے ساتھ سب سے نمایاں رہی جبکہ HBL، HCAR اور LUCK نے بالترتیب 35%، 29% اور 29% منفی منافع کے ساتھ سب سے زیادہ نقصان ظاہر کیا۔

شراکت کے اعتبار سے انشورنس کمپنیز 49.4 ملین امریکی ڈالر کی مجموعی خریداری کے ساتھ خاص خریدار ہیں، اس کے بعد ٹیکس 33.6 ملین امریکی ڈالر کے خالص خرید اٹھ رہے۔ میچوئل فنڈز اپنی ہولڈنگز میں کمی کے ذریعے 37.6 ملین امریکی ڈالر کے خالص فروخت کنندہ رہے۔ سیکٹرز کے لحاظ سے فوڈ نے سب سے اچھی کارکردگی کا مظاہرہ کیا اور اس کے بعد بیورو سیکٹرز رہا جس نے بالترتیب 10% اور 7% منافع ظاہر کیا۔ گھریلو مصنوعات اور تعمیرات و میٹریلز کی کارکردگی انتہائی مایوس کن رہی، جس نے غیر متاثرکن نتائج اور ہیٹ سیکٹرز میں قیمتیں متعین کرنے کے نظام میں خرابی کی وجہ سے بالترتیب 29% اور 27% کا منفی منافع ظاہر کیا۔



مستقبل کا منظر نامہ

ریٹیل سیکٹور میں متاثر کن ترقی اور زرعی شعبے میں محکمہ اضافے سے پاکستان کا GDP مالی سال 2018 میں اندازاً 5.7% تک پہنچنے 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 جزی مراعات کے حجم اور اسکوپ میں اضافہ کیا جا رہا ہے۔ اس اقدام سے خسارے میں 3 بلین سے 4 بلین امریکی ڈالر تک کمی 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۔

پانچ سال کی 10% سے زائد آمدنی کے ساتھ مرکب سالانہ شرح نمو (CAGR) اور پرکشش تجارتی ماحول کو ذہن میں رکھتے ہوئے، ہماری رائے میں پاکستان اسٹاک ایکسیچینج کو مستقبل قریب میں شان دار منافع جات مہیا کرنے چاہئیں۔ اہم محرکات میں چائینا پاکستان اکنامک کارڈیور (CPEC) سے متعلق سرگرمیاں اور صارفین کی طرف سے خریداری میں اضافہ شامل ہے۔ مزید برآں کم شرح سود، مملکت انٹرنیٹ اسکیمز اور پاکستان کی ایمر جگ مارکیٹ تک ترقی کے بعد غیر ملکی سرمایے کی متوقع آمد کے نتیجے میں بیلو بیڈی بلنڈ رہنے کی توقع ہے۔ LEF آئندہ سہ ماہی میں متناظر لاٹھریل برقرار رکھے گا اور ایسے سیکٹرز میں مختصر مدتی سرمایہ کاری کر کے موقع سے فائدہ اٹھانے کی جستجو میں رہے گا جن کی بنیادی قدر و قیمت کے مقابلے میں رعایتی دام پر فروخت ہو رہی ہو۔ فنڈ مالی سال 2018 میں غالب رجحانات کے مطابق اپنا پورٹ فولیو وائش مندی سے مختصر کرے گا۔

اظہار تشکر

یہ بورڈ اپنے قابل قدر انویسٹرز، سیکوریٹیز اینڈ ایکسیچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینٹریل ڈیپازٹری کمیٹی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسیچینج 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 اطراف بورڈ

چیف ایگزیکٹو آفیسر

ڈائریکٹر

تاریخ: 16 اکتوبر 2017



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

| | Note | September 30, 2017 (Unaudited) | June 30, 2017 (Audited) |
|---|------|--------------------------------------|-------------------------------|
| Assets | | (Rupees) | |
| Bank balances | 6 | 305,792,993 | 211,565,577 |
| Investments | 7 | 3,229,217,129 | 3,928,175,055 |
| Dividend and profit receivable | | 24,018,413 | 11,808,824 |
| Advances and deposits | | 2,665,711 | 2,650,000 |
| Receivable against sale of marketable securities | | 19,098,530 | 184,290,034 |
| Total assets | | 3,580,792,776 | 4,338,489,490 |
| Liabilities | | | |
| Payable to the Management Company | 8 | 27,825,994 | 29,427,571 |
| Remuneration payable to the Trustee | | 424,688 | 504,769 |
| Annual fee payable to Securities and Exchange Commission of Pakistan | | 905,803 | 3,771,056 |
| Accrued expenses and other liabilities | 9 | 41,637,600 | 80,803,114 |
| Payable against purchase of marketable securities | | 2,495,494 | 7,192,750 |
| Total liabilities | | 73,289,579 | 121,699,260 |
| Contingencies and commitments | 10 | | |
| Net assets | | 3,507,503,197 | 4,216,790,230 |
| Unit holders' fund (as per the statement attached) | | 3,507,503,197 | 4,216,790,230 |
| | | (Number of units) | |
| Number of units in issue (face value: Rs 100 per unit) | | 30,016,234 | 32,210,062 |
| | | (Rupees) | |
| Net assets value per unit | | 116.8535 | 130.9153 |

The annexed notes from 1 to 14 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 (Rupees) | 2016 |
|--|------|--------------------------------|----------------------------|
| Income | | | |
| (Loss) / gain on sale of held for trading investments - net | | (75,129,034) | 32,094,704 |
| Unrealised (loss) / gain on revaluation of held for trading investments - net | 7.1 | (382,776,432) (457,905,466) | 173,148,479 205,243,183 |
| Dividend income on held for trading investment | | 27,481,260 | 19,988,311 |
| Return / markup on: - bank balances | | 6,057,286 | 5,261,077 |
| Element of income and capital gains in prices of units sold less those in units redeemed - net | | - | 27,791,531 |
| | | (424,366,920) | 258,284,102 |
| Expenses | | | |
| Remuneration of the Management Company | | 19,069,529 | 15,536,846 |
| Sindh Sales Tax on remuneration of the Management Company | | 2,479,039 | 2,019,790 |
| Remuneration of the Trustee | | 1,362,250 | 1,162,654 |
| Annual fee to the Securities and Exchange Commission of Pakistan | | 905,803 | 738,000 |
| Auditors' remuneration | | 82,657 | 82,656 |
| Fees and subscription | | 80,179 | 78,412 |
| Printing charges | | 5,041 | 5,041 |
| Brokerage expenses | | 1,041,160 | 1,402,217 |
| Settlement charges | | 155,774 | 157,358 |
| Bank and other charges | | - | 5,331 |
| | | 25,181,432 | 21,188,305 |
| Net (loss) / income for the period before taxation | | (449,548,352) | 237,095,797 |
| Taxation | 11 | - | - |
| Net (loss) / income for the period after taxation | | (449,548,352) | 237,095,797 |
| Sep 30, 2017 | | | |
| Allocation of Net Income for the period: | | | |
| Less : Income already paid on units redeemed | | | 97,314,442 |
| Accounting income available for distribution-carried to Distribution account: | | | |
| Relating to capital gains / (loss) | | (358,781,947) | |
| Excluding capital gains | | 6,548,036 | |
| Accounting income available for distribution | | | (352,233,910) |

The annexed notes from 1 to 14 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 (loss) / income for the period | (449,548,352) | 237,095,797 |
| Other comprehensive income for the period | - | - |
| Total comprehensive (loss) / income for the period | <u>(449,548,352)</u> | <u>237,095,797</u> |

The annexed notes from 1 to 14 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) | |
| Net assets as at beginning of the period | 4,216,790,230 | 2,837,684,442 |
| Amount received on issuance of 6,403,411 (2016: 1,585,127) units | 768,153,328 | 188,514,736 |
| Amount paid on redemption of 8,597,239 (2016: 106,489) units | (1,027,892,009) | (12,859,326) |
| | (259,738,681) | 177,111,741 |
| Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net | - | (27,791,531) |
| Total comprehensive (loss) / income for the period | (449,548,352) | 237,095,797 |
| Net assets as at end of the period | <u>3,507,503,197</u> | <u>3,222,644,117</u> |
| Net assets value per unit at beginning of the period | <u>130.9153</u> | <u>114.3295</u> |
| Net assets value per unit at end of the period | <u>116.8535</u> | <u>122.5393</u> |
| Distribution during for the period: | | |
| Undistributed income brought forward comprises of: | | |
| - Realised Gain | 743,719,379 | 156,449,151 |
| - Unrealised Gain | 252,064,627 | (200,259,690) |
| | <u>995,784,006</u> | <u>(43,810,539)</u> |
| Accounting income available for distribution: | | |
| -Relating to capital gains | (358,781,947) | - |
| -Excluding capital gains | 6,548,036 | - |
| | <u>(352,233,910)</u> | <u>-</u> |
| Total comprehensive income for the period | - | 237,095,797 |
| Distributions during the period: | - | - |
| Undistributed (loss) / income carried forward | <u>643,550,096</u> | <u>193,285,258</u> |
| Undistributed income carried forward comprises of: | | |
| - Realised Gain | 1,026,326,528 | 20,136,779 |
| - Unrealised (Loss) / Gain | (382,776,432) | 173,148,479 |
| | <u>643,550,096</u> | <u>193,285,258</u> |

The annexed notes from 1 to 14 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) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) / income for the period | (449,548,352) | 237,095,797 |
| Adjustments for: | | |
| Loss / (gain) on sale of held for trading investments - net | 75,129,034 | (32,094,704) |
| Unrealised loss / (gain) on revaluation of held for trading investments - net | 382,776,432 | (173,148,479) |
| Element of (income) / loss and capital (gains) / losses in prices of units sold less those in units redeemed - net | - | (27,791,531) |
| | <u>8,357,114</u> | <u>4,061,083</u> |
| Decrease / (Increase) in assets | | |
| Investments | 241,052,461 | 55,498,894 |
| Dividend and profit receivable | (12,209,589) | (15,092,325) |
| Receivable against sale of marketable securities | 165,191,504 | (40,612,343) |
| Advances and deposits | (15,711) | - |
| | <u>394,018,664</u> | <u>(205,774)</u> |
| (Decrease) / Increase in liabilities | | |
| Payable to the Management Company | (1,601,577) | 707,175 |
| Remuneration payable to the Trustee | (80,081) | 26,054 |
| Annual fee payable to Securities and Exchange Commission of Pakistan | (2,865,253) | (2,058,836) |
| Payable against purchase of marketable securities | (4,697,256) | 47,181,398 |
| | <u>(48,409,681)</u> | <u>45,669,073</u> |
| Net cash generated from operating activities | <u>353,966,097</u> | <u>49,524,382</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of units | 768,153,328 | 188,514,736 |
| Payments on redemption of units | (1,027,892,009) | (12,859,326) |
| Net cash (used in) / generated from financing activities | <u>(259,738,681)</u> | <u>175,655,410</u> |
| Net increase in cash and cash equivalents during the period | 94,227,416 | 225,179,792 |
| Cash and cash equivalents at beginning of the period | 211,565,577 | 237,216,971 |
| Cash and cash equivalents at end of the period | <u><u>305,792,993</u></u> | <u><u>462,396,763</u></u> |

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



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

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** The Lakson Equity Fund (the "Fund") was established under the Trust Deed executed on 2 September 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 18 September 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).
- 1.2** 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, while the Head Office is in the Lakson Square building No.2 , Karachi.
- 1.3** 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 "Equity Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and it primarily invests in listed equity securities and other avenues of investment, which include cash or near cash instruments, cash in bank accounts (excluding TDR) and treasury bills not exceeding 90 days maturity and any other investment authorised by SECP.

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

- 1.4** Pakistan Credit Rating Company Limited (PACRA) has upgraded the rating of the Management Company of the Fund to the new scale 'AM2+' (stable outlook) vide its report dated 15 May 2017(2016: AM2 as on 08 June 2016).

1 Year : 4-Star (Good)
3 Year : 3-Star (Average)
5 Year : 3-Star (Average)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with applicable 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, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Rules, the Regulations or directives issued by the SECP differ with the requirements of IFRS, the Rules, the Regulations or the directives issued by the SECP shall prevail.

These condensed interim financial informations do not include all the information required for a complete set of annual financial statements and should be 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 this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.

2.3 Functional and presentation currency

These Condensed interim financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupees.

2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments are measured at fair value.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of condensed interim financial information requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the Management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2017.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial informations are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 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.



5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended 30 June 2017.

| | | September 30, 2017 (Unaudited) | June 30, 2017 (Audited) |
|-------------------------------------|-------------|---|-------------------------------|
| | Note | (Rupees) | |
| 6. BANK BALANCES | | | |
| In profit and loss sharing accounts | 6.1 | 305,604,679 | 211,549,573 |
| Current Account | | 188,314 | 16,004 |
| | | <u>305,792,993</u> | <u>211,565,577</u> |

6.1 These accounts carry profit at the rates of 3.75% to 6.40% (June 30, 2017: 3.75% to 6.40%) per annum.

7. INVESTMENTS

At fair value through profit or loss
- held for trading

| | | | |
|--------------------------|-----|-----------------------------|----------------------|
| Listed equity securities | 7.1 | <u>3,229,217,129</u> | <u>3,928,175,055</u> |
|--------------------------|-----|-----------------------------|----------------------|



7.1 At fair value through profit or loss - held for trading
Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

| Name of investee company | Period ended September 30, 2017 | | | | | Rupees | | Market value as percentage of total investments | Market value as percentage of net assets | Par value of shares held as a percentage of total paid up capital of the investee company |
|---|---------------------------------|-----------------------------|---|----------------------------|----------------------------------|--|---|---|--|---|
| | Holding as at July 01, 2017 | Purchased during the period | Bonus / right shares received during the year | Disposed during the period | Holding as at September 30, 2017 | Carrying value before revaluation as of September 2017 | Market value as of September 30, 2017 (after revaluation) | | | |
| Commercial Banks | | | | | | | | | | |
| Allied Bank Limited | 456,800 | - | - | - | 456,800 | 40,938,416 | 39,965,432 | (972,984) | 1.24 | 0.04 |
| Bank Al-Habib Limited | 2,317,917 | - | - | - | 2,317,917 | 131,541,790 | 133,512,019 | 1,970,229 | 4.13 | 0.21 |
| Bank Al-Falah Limited | 1,404,600 | 16,500 | - | - | 1,421,100 | 57,131,935 | 60,283,062 | 3,151,127 | 1.87 | 0.09 |
| Habib Bank Limited | 876,226 | - | - | 485,800 | 390,426 | 105,079,254 | 70,579,404 | (34,506,850) | 2.19 | 0.03 |
| JS Bank Limited | 5,000,500 | - | - | - | 5,000,500 | 47,954,290 | 42,904,290 | (5,050,000) | 1.33 | 0.06 |
| MCB Bank Limited | 793,952 | - | - | 111,500 | 682,452 | 143,908,374 | 142,632,468 | (975,906) | 4.42 | 0.07 |
| Meezan Bank Limited | 1,526,089 | 17,000 | - | - | 1,655,074 | 121,936,906 | 116,709,814 | (5,223,092) | 3.61 | 0.16 |
| United Bank Limited | 899,800 | 3,500 | - | 116,300 | 786,000 | 184,975,400 | 149,473,620 | (35,501,780) | 4.63 | 0.06 |
| | | | | | | 833,166,870 | 756,046,109 | (77,118,761) | 23.41 | 21.56 |
| Chemicals | | | | | | | | | | |
| Archroma Pakistan Limited | 97,800 | 1,000 | - | - | 98,800 | 70,414,201 | 64,911,600 | (5,502,601) | 2.01 | 0.29 |
| ICI Pakistan Limited | 65,150 | 3,700 | - | - | 68,850 | 75,087,612 | 62,902,737 | (12,184,875) | 1.95 | 0.07 |
| | | | | | | 145,501,813 | 127,814,337 | (17,687,476) | 3.96 | 3.64 |
| Fertilizers | | | | | | | | | | |
| Engro Corporation Limited (7.1.1) | 627,968 | - | - | 206,300 | 421,668 | 137,425,818 | 127,803,354 | (9,622,464) | 3.96 | 0.08 |
| | | | | | | 137,425,818 | 127,803,354 | (9,622,464) | 3.96 | 3.64 |
| Pharma & Bio Tech | | | | | | | | | | |
| The Searf Company Limited (7.1.2) | 4,412 | - | - | - | 4,412 | 2,258,856 | 1,782,095 | (476,761) | 0.06 | 0.00 |
| | | | | | | 2,258,856 | 1,782,095 | (476,761) | 0.06 | 0.05 |
| Textile Composite | | | | | | | | | | |
| Gul Ahmed Textile Mill Limited | 999,826 | 21,800 | - | - | 1,021,626 | 41,735,869 | 40,088,604 | (1,647,266) | 1.24 | 0.29 |
| Kohinoor Textile Mills Limited | 302,000 | 81,700 | 23,022 | - | 406,722 | 39,806,022 | 34,468,001 | (5,338,021) | 1.07 | 0.14 |
| Nishat Mills Limited | 931,900 | 96,000 | - | - | 1,027,900 | 162,069,016 | 149,148,290 | (12,920,726) | 4.62 | 0.29 |
| Lucky Cement Company Limited (7.1.1) | 250,897 | 2,100 | - | 35,500 | 217,497 | 181,542,474 | 122,924,954 | (58,617,520) | 3.81 | 3.50 |
| D.G Khan Cement Company Limited | 809,375 | 13,100 | - | 222,450 | 600,025 | 127,425,492 | 88,119,672 | (39,305,820) | 2.73 | 0.14 |
| Maple Leaf Cement Factory Limited | 358,900 | 29,000 | - | 48,488 | 436,388 | 42,596,559 | 33,436,010 | (9,160,549) | 1.04 | 0.08 |
| Kohat Cement Company Limited | 524,100 | - | - | 130,028 | 394,072 | 90,344,947 | 59,092,037 | (31,249,910) | 1.83 | 0.26 |
| Pioneer Cement Company Limited | 729,442 | - | - | 170,600 | 558,842 | 72,649,460 | 50,262,249 | (22,387,211) | 1.56 | 0.25 |
| | | | | | | 758,169,839 | 577,542,817 | (180,627,022) | 17.88 | 16.47 |
| Power Generation & Distribution | | | | | | | | | | |
| K-Electric Limited (Face value of Rs. 3.5 each) | 12,372,388 | - | - | 7,637,900 | 4,734,488 | 32,667,967 | 33,330,796 | 662,829 | 1.03 | 0.02 |
| The Hub Power Company Limited | 1,247,888 | 364,600 | - | - | 1,612,488 | 190,363,420 | 180,292,283 | (10,071,137) | 5.58 | 0.14 |
| | | | | | | 233,031,367 | 213,623,079 | (19,408,288) | 6.62 | 6.09 |



| Name of investee company | Number of Shares | | | | Period ended September 30, 2017 | | | | Rupees | | | Par value of shares held as a percentage of total paid up capital of the investee company |
|---|-----------------------------|-----------------------------|---|----------------------------|----------------------------------|---|--|--------------------------------|---|--|------|---|
| | Holding as at July 01, 2017 | Purchased during the period | Bonus / Right shares received during the year | Disposed during the period | Holding as at September 30, 2017 | Carrying value before revaluation as of 30 September 2017 | Market value as of 30 September 2017 (after revaluation) | Unrealised gain / (loss) - net | Market value as percentage of total investments | Market value as percentage of net assets | (%) | |
| Oil and Gas Exploration Companies | | | | | | | | | | | | |
| Mari Petroleum Company Limited (7.1.2) | 92,980 | 11,800 | - | - | 104,780 | 165,621,466 | 157,694,948 | (7,926,518) | 4.88 | 4.50 | 0.10 | |
| Oil and Gas Development Company Limited (7.1.2) | 1,058,900 | 202,600 | - | 70,000 | 1,191,500 | 169,213,333 | 177,104,560 | 7,891,227 | 5.48 | 5.05 | 0.03 | |
| Pakistan Oilfield Limited | 75,250 | 62,600 | - | 10,200 | 127,650 | 60,002,662 | 67,914,906 | 7,912,224 | 2.10 | 1.94 | 0.05 | |
| Pakistan Petroleum Limited (7.1.1) | 467,580 | 345,400 | - | 13,100 | 799,880 | 127,814,037 | 139,731,037 | 11,916,979 | 4.33 | 3.98 | 0.04 | |
| | | | | | | 522,851,539 | 542,445,451 | 19,793,912 | 16.80 | 15.47 | | |
| Oil and Gas Marketing Companies | | | | | | | | | | | | |
| Pakistan State Oil Company Limited | 395,150 | - | - | 128,700 | 266,450 | 103,209,408 | 117,706,952 | 14,497,545 | 3.65 | 3.36 | 0.10 | |
| Attock Petroleum Limited | 64,210 | - | - | - | 64,210 | 40,223,070 | 40,178,123 | (44,947) | 1.24 | 1.15 | 0.08 | |
| Sui Northern Gas Pipeline Limited | 1,147,867 | 25,700 | - | 151,700 | 1,021,867 | 152,001,015 | 136,787,117 | (15,213,898) | 4.24 | 3.90 | 0.16 | |
| | | | | | | 295,433,493 | 294,672,132 | (761,361) | 9.13 | 8.40 | | |
| Food & Personal Care Products | | | | | | | | | | | | |
| Al-Shaher Corporation Limited | 969,821 | - | - | 405,400 | 564,421 | 22,638,926 | 17,846,982 | (4,791,944) | 0.55 | 0.51 | 0.40 | |
| | | | | | | 22,638,926 | 17,846,982 | (4,791,944) | 0.55 | 0.51 | | |
| Cable and Electrical Goods | | | | | | | | | | | | |
| Pak Elektron Limited | 897,569 | - | - | 330,100 | 567,469 | 62,603,180 | 43,099,271 | (19,503,909) | 1.33 | 1.23 | 0.11 | |
| | | | | | | 62,603,180 | 43,099,271 | (19,503,909) | 1.33 | 1.23 | | |
| Technology and Communication | | | | | | | | | | | | |
| Systems Limited | 698,374 | 15,600 | - | - | 713,974 | 54,250,452 | 55,361,544 | 1,111,092 | 1.71 | 1.58 | 0.64 | |
| | | | | | | 54,250,452 | 55,361,544 | 1,111,092 | 1.71 | 1.58 | | |
| Automobile and Parts | | | | | | | | | | | | |
| Thal Limited (Face value of Rs. 5 each) | 64,200 | - | - | - | 64,200 | 38,907,126 | 35,380,620 | (3,526,506) | 1.10 | 1.01 | 0.08 | |
| | | | | | | 38,907,126 | 35,380,620 | (3,526,506) | 1.10 | 1.01 | | |
| Automobile Assemblers | | | | | | | | | | | | |
| Pak Suzuki Motor Company Limited | 112,250 | - | - | 4,250 | 108,000 | 84,278,880 | 49,428,360 | (34,850,520) | 1.53 | 1.41 | 0.13 | |
| Milhat Tractors Limited | 55,550 | 400 | - | - | 55,950 | 76,875,154 | 69,841,826 | (7,033,328) | 2.16 | 1.99 | 0.13 | |
| Indus Motor Company Limited | 79,360 | - | - | 8,120 | 71,240 | 127,776,004 | 122,591,217 | (5,184,847) | 3.60 | 3.50 | 0.09 | |
| | | | | | | 288,390,098 | 241,861,403 | (47,088,695) | 7.49 | 6.90 | | |
| Engineering | | | | | | | | | | | | |
| Mughal Iron & Steel Industries Limited | 624,600 | - | - | 69,000 | 555,600 | 44,853,588 | 31,791,432 | (13,062,156) | 0.98 | 0.91 | 0.44 | |
| International Steels Limited | 688,144 | 105,900 | - | 77,900 | 716,144 | 91,460,117 | 86,746,523 | (4,713,594) | 2.69 | 2.47 | 0.16 | |
| International Industries Limited | 109,716 | 32,300 | - | - | 142,016 | 50,771,698 | 44,213,051 | (9,558,647) | 1.28 | 1.17 | 0.12 | |
| Crescent Steel & Allied Products Limited | - | 216,100 | - | - | 216,100 | 39,938,761 | 34,184,859 | (5,753,902) | 1.06 | 0.97 | 0.07 | |
| | | | | | | 277,024,164 | 193,935,865 | (83,088,299) | 6.01 | 5.53 | | |
| Total as at 30 September 2017 | | | | | | 3,611,983,561 | 3,229,217,129 | (382,776,432) | 100.00 | 92.07 | | |
| Total cost as at 30 September 2017 | | | | | | 3,625,940,401 | | | | | | |
| Total as at 30 June 2017 | | | | | | 3,676,110,428 | 3,928,175,055 | 252,064,627 | 100.00 | 93.16 | | |
| Total cost as at 30 June 2017 | | | | | | 3,625,940,401 | | | | | | |



7.1.1 Following shares have been pledged with National Clearing Company of Pakistan Limited:

| | September 30 2017 | June 30 2017 | September 30 2017 | June 30 2017 |
|--|---------------------------------------|-------------------------|------------------------------|-------------------------|
| | ----- (Number of shares) ----- | | ----- (Rupees) ----- | |
| Engro Corporation Limited | 85,000 | 85,000 | 25,762,650 | 27,702,350 |
| Oil and Gas Development Company Limited | 70,000 | 70,000 | 10,404,800 | 9,848,300 |
| Pakistan Petroleum Limited | 330,000 | 330,000 | 57,647,700 | 48,886,200 |
| Lucky Cement Company Limited | 50,000 | 50,000 | 28,259,000 | 41,813,000 |
| | 535,000 | 535,000 | 122,074,150 | 128,249,850 |

7.1.2 Finance Act, 2014 had introduced tax on bonus shares issued by the Companies. Most Equity Funds including the Fund have challenged the applicability of withholding tax provision on bonus shares before Honourable High Court of Sindh ("the Court") on various legal grounds and have sought relief from the Court. In the Fund's case, up to the year end, tax in the shape of 4,412 shares of The Searle Company Limited (June 2017: 4,412 shares) and 1,010 Shares of Mari Petroleum Limited (2016: 1,010 shares) had been withheld by CDC. Market value of these shares as at 30 June 2017 amounted to Rs. 3.302 millions (30 June 2017: 3.850 million) and are included in the Fund's investments in these financial statements.

| Note | September 30, 2017 (Unaudited) | June 30, 2017 (Audited) |
|------|---|--|
| | (Rupees) | |

8. PAYABLE TO THE MANAGEMENT COMPANY

| | | | |
|---|-----|-------------------|------------|
| Remuneration payable to the Management Company | 8.1 | 5,872,781 | 7,290,106 |
| Sindh Sales Tax on Management Company's remuneration | 8.3 | 3,462,889 | 3,647,142 |
| Federal Excise Duty on Management Company's remuneration | 8.4 | 18,483,430 | 18,483,430 |
| Sales load payable to the Management Company | | 6,894 | 6,894 |
| | | 27,825,994 | 29,427,572 |

8.1 Under the provisions of Non-Banking Finance Companies and Notified Entities Regulations 2008, an Asset Management Company shall be entitled to remuneration equal to an amount not exceeding 2% of average annual net assets. Management Company has charged remuneration at 2% per annum based on the daily net assets of the Fund during the year ended 30 June 2017. Remuneration is paid to the Management company in arrears on a monthly basis.

8.2 As per the clause 60(s) of the Non-Banking Finance Companies and Notified Entities Regulation, 2008 fees and expenses for registrar services, accounting, operation and valuation services relating to the Fund up to maximum of 0.1% of the average annual net assets of the Fund or actual expenses, whichever is less, shall be charged to the Fund by the Management Company.

However, above mentioned expenses were not charged by the Management Company to the Fund during the period under audit. Had the above expenses been charged to the Fund, these would not have been material.



- 8.3** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2016: 14%) on Management Company's remuneration. Above liability includes Rs. 2,699,429 (30 June 2017: Rs. 2,699,429) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 8.4 below. Had the provision on FED not been made, Net Asset Value per unit of the Fund as at 30 September 2017 would have been higher by Re. 0.0899 (30 June 2017: Re. 0.0838) per unit.
- 8.4** As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs. 18.843 million. Had the provision not been made, NAV per unit of the Fund as at 30 September 2017 would have been higher by Re. 0.6158 (30 June 2017: Re. 0.5738) per unit.

9. ACCRUED EXPENSES AND OTHER

| | Note | September 30, 2017 (Unaudited) (Rupees) | June 30, 2017 (Audited) |
|---|------|--|-------------------------------|
| Withholding tax payable on dividend (subsequently paid) | | - | 40,107,594 |
| Sindh workers' welfare fund | 9.1 | 38,096,893 | 38,096,893 |
| Brokerage payable | | 3,032,510 | 1,992,358 |
| Auditors' remuneration | | 288,876 | 206,219 |
| Fee payable to Central Depository Company of Pakistan Limited | | 3,617 | 22,925 |
| Fee payable to National Clearing Company of Pakistan Limited | | 6,669 | 11,120 |
| Other liabilities | | 209,035 | 249,481 |
| | | <u>41,637,600</u> | <u>80,686,590</u> |

- 9.1** Provision for Sindh Workers' Welfare Fund is being made on a daily basis going forward pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence WWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISS / mutual funds excluded from the applicability of SWWF, but as a matter of abundant caution management has recorded SWWF with effect from the date of the applicability of the SWWF Act, 2014 (i.e. with effect from 01 July 2014).



Furthermore, on 10 November 2016, Honourable Supreme Court of Pakistan (SCP) passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition with the SCP against the said judgment, which is pending hearing. While the petitions filed by the Collective Investment Schemes (CISs) on the matter are still pending before the Sindh High Court (SHC), the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) have taken legal and tax opinions on the impact of the SCP's judgement on the CISs petition before the SHC. Both the legal and tax advisors consulted were of the view that the SCP's judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Pursuant to above MUFAP recommended that the entire provision of Rs. 19.867 million against WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017.

Above decisions regarding the reversal and the recognition of WWF and SWWF were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and SECP vide its letter dated 01 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective. Accordingly, the Fund has recorded these adjustments in its books on 12 January 2017.

The total provision for SWWF till 30 September 2017 is Rs. 38.096 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 September 2017 would have been higher by Re. 1.27 per unit.

10. CONTINGENCIES AND COMMITMENTS

The fund had no contingency or commitment at the period end except as disclosed in note 7.1.2.

11. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to 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 statement.

12. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, Habib Bank AG Zurich Switzerland being the Custodian, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company and the holding company, key management personnel, other funds being managed by the Management Company and entities having holding 10% or more in the units of the Fund as at 30 September 2017. It also includes staff retirement funds of the above related parties / connected persons.



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:

12.1 Balance as at period / year ended

| | September 30, 2017 (Unaudited) | June 30, 2017 (Audited) |
|--|---|--|
| | (Rupees) | |
| Lakson Investments Limited - Management Company of the Fund | | |
| Remuneration payable (including the Sindh sales tax and federal excise duty amounting to Rs. 21.946 million (30 June 2016: Rs. 22.131 million)*) | <u>27,819,100</u> | <u>29,420,678</u> |
| Sales load payable | <u>6,894</u> | <u>6,894</u> |

*Sales tax and FED is paid / payable to the management company for onward payment to the Government.

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

| | | |
|----------------------------|----------------|----------------|
| Remuneration payable | <u>424,688</u> | <u>504,769</u> |
| Security deposit | <u>100,000</u> | <u>100,000</u> |
| Settlement charges payable | <u>3,617</u> | <u>206,219</u> |



12.2 Details of units held, issued and redeemed by the related parties / connected persons

| | Period ended September 30, 2017 | | | | | |
|--|------------------------------------|--------------------------------|--|------------------------------|--------------------------------|---|
| | Number of Units | | | Rupees | | |
| | Number of units as at 01 July 2017 | Units redeemed during the year | Number of holdings at the year ended 30 September 2017 | Units issued during the year | Units redeemed during the year | Balance at the year ended 30 September 2017 (Investment at current NAV) |
| Lakson Investments Limited - Management Company of the Fund | 1,185,566 | - | 1,185,566 | 155,208,729 | - | 155,208,729 |
| Directors, Chief Executive and their spouse and minors | 12,490,259 | 9,274.07 | (4,715,569.70) | 17,215,103 | 1,140,000 | (550,000,000) |
| Other key management personnel | 15,500 | 822.08 | (8,437.50) | 24,760 | 2,029,187 | (1,063,077) |
| Associated companies / undertakings of the Management Company | | | | | | |
| - Century Insurance Company Limited | 2,793,706 | - | 2,793,706 | 365,738,859 | - | 365,738,859 |
| - Siza Service (Private) Limited | 2,859,158 | 1,714,752.62 | - | 4,573,911 | 200,000,000 | - |
| - Premier Fashions (Private) Limited | 1,601,928 | 857,376.31 | - | 2,459,304 | 100,000,000 | - |
| - Siza (Private) Limited | - | 1,838,321.25 | - | 1,838,321 | 214,412,415 | - |
| | | | | | | 3,241,408 |
| | | | | | | 2,253,720,343 |
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| | | | | | | 321,950,561 |
| | | | | | | 240,664,378 |
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| | | | | | | 321,950,561 |
| | | | | | | |



September 30,
2017 2016
(Unaudited)
(Rupees)

12.2 Transactions during the period

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

| | | |
|--|-------------------|-------------------|
| Remuneration to the Management Company | <u>19,069,529</u> | <u>15,536,846</u> |
| Sindh sales tax on remuneration of Management Company * | <u>2,479,039</u> | <u>2,019,790</u> |

*Sales tax and FED is paid / payable to the management company for onward payment to the Government.

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

| | | |
|-----------------------------|------------------|------------------|
| Remuneration for the period | <u>1,362,250</u> | <u>1,162,654</u> |
| Settlement charges | <u>39,550</u> | <u>142,582</u> |

12.3 This reflects the position of related party / connected person status that existed as at September 30, 2017.

12.4 Remuneration payable to the Management Company and the Trustee has been determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.

12.5 Purchase and redemption of the Fund's unit by related parties / connected persons are recorded at the applicable net asset value per unit. Other transactions are at agreed rates.

13. TOTAL EXPENSE RATIO

In the current period, Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, required that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the quarter ended 30 September 2017 is 2.64% which includes 0.39% representing the government levies, (comprising of Workers Welfare Fund and SECP fee, etc.). As per the NBFC Regulation total expense ratio of the Equity Scheme shall be capped up to 4%.

14. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the 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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F +92.21 3568.1653

Lakson Investments Limited

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