LAKSON EQUITY FUND
Annual Report 2019

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CONTENTS

Vision

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.

Mission

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.

Fund's Information

Management Company	Lakson Investments Limited Head Office Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi-74200, Pakistan. Phone: (9221) 3840.0000 Fax: (9221) 3568.1653 Web site: www.li.com.pk E-mail: info@li.com.pk
Board of Directors of the Management Company	Mr. Iqbal Ali Lakhani - Chairman Mr. Babar Ali Lakhani - Chief Executive Officer Mr. Jamil Ahmed Mughal Mr. Amin Mohammed Lakhani Mr. Jacques John Visser Ms. Roxanne Davies (From April 22, 2019) Ms. Gaite Ali (From April 22, 2019) Ms. Kathleen Kennedy Townsend (From April 22, 2019) Mr. Daniel Scott Smaller (Upto April 22, 2019) Mr. Zahid Zakiuddin (Upto April 22, 2019) Mr. Mahomed J. Jaffer (Upto April 22, 2019)
Chief Financial Officer & Company Secretary of the Management Company	Mr. Salman Shafiq Hashmi
Audit Committee	Mr. Jacques John Visser - Chairman (From April 22, 2019) Mr. Amin Mohammed Lakhani Mr. Iqbal Ali Lakhani Mr. Jamil Ahmed Mughal Mr. Zahid Zakiuddin (Upto April 22, 2019)
Human Resource and Remuneration Committee	Ms. Gaite Ali - Chairman (From April 22, 2019) Mr. Babar Ali Lakhani Mr. Daniel Scott Smaller (Upto April 22, 2019)
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 Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited JS Bank Limited National Bank of Pakistan Silk Bank Limited Sindh Bank Limited Telenor Microfinance Bank Limited United Bank Limited U Microfinance Bank Limited
Legal Adviser	Fazleghani Advocates F-72/I, Block 8, KDA-5, Kehkashan, Clifton, Karachi, Pakistan.
Registrar	Lakson Investments Limited Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi-74200, Pakistan
Distributors	Metro Capital Pvt. Limited Ismail Iqbal Securities BMA Capital Management Limited 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 : 3-Star 3 Year : 3-Star 5 Year : 3-Star AM2+ : Asset Manager Rating by PACRA

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Equity Fund ('LEF' or 'Fund') is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2019.

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.

Principal activities

The Fund is an actively managed open-end equity fund and is listed on Pakistan Stock Exchange Limited. LEF maintains 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.

Development and Performance Review

The LEF closed FY19 on a muted noted, with a return of -20.3% vs -18.8% of the benchmark, underperforming the benchmark by 1.5%. The LEF provided a return of -14.7% (BM: -11.7%) during 4QFY19. As of June 28, 2019, the fund had 85.8% exposure in equities and 13.8% in cash. Sector allocation is skewed towards Commercial Banks (27.1%), Oil & Gas Exploration (21.9%), Chemicals (17.8%), Oil & Gas Marketing (4.3%), Construction & Materials (4.6%), Electricity (1.9%) and others (8.2%).

Loss Per Unit (LPU)

LPU is not being disclosed as we feel determination of weighted average units for calculating LPU is not practicable for open end funds.

Reason for loss

The fund underperformed the market in FY19, when the KSE 100 decreased by 19.1%. Since the LEF has a high correlation with its benchmark, the downward movement resonated in the portfolio, causing a decline of 20.27%. Exposure in underperforming sectors, such as Cements and Steel, aided in the underperformance. Given these factors, the Board has not proposed any distribution for the year ended June 30, 2019.

Principal Risk and Uncertainties

The economic instability, rising current account deficit, declining FX reserves, higher than expected inflation, PKR devaluation, lower than expected financial aid by both unilateral/bilateral donor agencies, further monetary tightening and worsening of external relations remains a risk for all business sectors in Pakistan.

These aforementioned risks could push both the foreign and local investors to liquidate their investments, which may affect the financial market adversely and may affect the Fund's profitability as well.

Asset Manager and Fund Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at "AM2+". The PACRA has given the one year, three years and five years performance ranking of "3-Star" to LEF.

Additional Matters

1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.

3. Proper books of accounts of the Fund have been maintained.

4. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

5. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.

6. The system of internal control is adequate and sound in design and has been effectively implemented and monitored.

7. There are no significant doubts upon the Fund's ability to continue as a going concern.

8. Key financial data has been summarized in this Annual Report.

9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in these financial statements.

10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.

11. The pattern of unit holding as at June 30, 2019 is given in note No. 22.1 of the Financial Statements.

12. A performance table / key financial data is annexed to this annual report.

External Auditor
The existing auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants have completed five years with the Fund. The Non-Banking Finance Companies and Notified Entities Regulations, 2008 stipulates that all the open-end collective investment schemes shall change their external auditors every five years. Therefore, to continue the trend of adopting the best industry practices, the Board of Directors, on the recommendations of the Audit Committee, has proposed to change the auditors of the Fund and appoints M/s. BDO Ebrahim & Co., Chartered Accountants for the year ending June 30, 2020.

ECONOMY REVIEW
The economy continued to remain weak with large scale manufacturing index down 3.5% YoY in 11MFY19. The decline during the period was driven by food, beverages and tobacco sector followed by petroleum products, pharmaceuticals, automobiles and iron and steel products. The external position improved slightly through the year as imports were curtailed coming down to USD 54.5bn, down 9.9% YoY with steep declines in machineries and transport groups. Exports came down slightly as well decreasing 1% YoY to USD 23.0bn. Foreign exchange reserves remained under pressure throughout the year, slipping from USD 16.4bn at end of 2018 to USD 14.4bn at end of 2019. Rupee remained weak during the weak declining aggressively. It depreciated 24% during the year from PKR 121.50/USD at the end of 2018 to PKR 160.05/USD at the end of 2019.

Inflation also remained higher climbing month on month. It averaged 7.3% YoY during the year compared to 3.9% in fy18. And fiscal deficit continued to worsen with the 9MFY19 deficit recorded at 5.0% of GDP compared to 4.3% in 9MFY18 and 6.6% for the full year in 2018.

Equity Market Review
The KSE-100 Index lost 19% in FY19 to close out the fiscal year at 33,901pts, extending a downturn that has now been in place since 1HFY18. Despite elections taking place on time and the PTI forming government with a large majority, concerns on the economy continued to hold sway, particularly as there was uncertainty on the timing and severity of an IMF program. An IMF program has been belatedly entered into recently, but the macroeconomic adjustment process over the last 18 months has seen interest rates rise by 650bps and the exchange rate depreciate by about 35% vs. the US$. This subdued sentiment was reflected by the All Share Volume dropping 11%yoy to 155mn shares in

FY19. Foreign investors have turned net buyers over the last six months but, across full-year FY19, net FPI outflow clocked in at US$355mn (mostly in the heavyweight Banks and Oil & Gas sectors). On the local front, Insurance companies and Individuals were large buyers across FY19, but Mutual Funds turned sellers (-US$145mn), perhaps due to a switch into fixed income instruments.

All sectors except for Textile closed in the red in FY19. The most heavily impacted sectors were Engineering (Steel), Oil Marketing, Pharmaceuticals, Autos, Food, and Cements, with all losing more than 30% of their respective value across the fiscal year (Engineering lost as much as 60%). Despite the hefty foreign selling, Banks (-13%) managed to outperform the broader Index, given their margin expansion in a rising interest rate environment. Textile (+4%) was the only sector to gain, perhaps due to its export-oriented nature which benefits from PKR depreciation.

Future Outlook

Early into FY20, the market's sentiment still remains depressed. However, as clarity emerges in the next few months on (i) interest rates, (ii) the FATF decision and (iii) relations with the US, it is possible that the stock market takes a sustainable turn for the positive from 2QFY20 onwards.

Economic growth is expected to remain weak in FY20 given high levels of interest rates and inflation. GDP growth rate is forecasted at 2.5% by the central bank.

Pakistan officially entered into the IMF program near the end of the fiscal year for Extended Fund Facility of USD 6bn which will help unlock USD 38bn in external borrowing and grants over the next few years and help support the fiscal position. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. Exports are likely to grow in FY20 on the back of a weaker currency compared to peers and measures to boost exports. Import growth will be contained on the back of higher duties on luxury goods.

Inflation is expected to increase to low double digits, 11-13% for FY20 according to various sources, before declining in FY21. Impact of rupee depreciation and pass on of the electricity and gas tariffs are key reasons behind the increase. Interest rates are expected to stay elevated and peak within the first half before declining in the second half of the fiscal year.

For FY19, the deficit is expected to cross 8%. This is expected to be curtailed next year with aggressive tax collection targets.

Acknowledgment

The Board is thankful to its valued investors, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the management of the Pakistan Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

For and on behalf of the Board

Chief Executive Officer **Director**

Dated: September 03, 2019
Karachi

لیکسن ایکویٹی فنڈ

30 جون 2019ء کو ختم ہونے والے سال کے لیے

مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن ایکویٹی فنڈ ("LEF" یا فنڈ) کی مینجمنٹ کمپنی 30 جون 2019ء کو ختم ہونے والے سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

فنڈ کا مقصد

اس فنڈ کا مقصد بنیادی طور پر ایکوئٹی اور متعلقہ درج سیکیورٹیز میں سرمایہ کاری کر کے طویل مدتی سرمایے کی تعریف فراہم کرنا ہے مادہ، مالی طاقت اور نمایاں طور پر اعلیٰ انتظامی مہارت کی کمپنیوں میں سرمایہ کاری کی جائیگی جس میں چھوٹے سرمایہ مالیت والے اسٹاکوں کو کچھ نمائش دی گئی ہے۔

نمایاں سرگرمیاں

LEF ایک فعال انداز میں چلایا جانے والا اوپن اینڈ ایکویٹی فنڈ ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ LEF خالص اثاثوں کا کم از کم 70% حصہ لسٹڈ ایکویٹی سیکیورٹیز 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 جا سکتی ہے۔ LEF کو ریڈیمپشنز 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۔

پیش رفت اور کارکردگی کا جائزہ

LEF نے بینچ مارک منافع %18.8- کے مقابلے میں %20.3- منافع کے ساتھ ایک نا قابلِ ذکر کارکردگی سے مالی سال 2019 کا اختتام کیا اور بینچ مارک سے %1.5 کم تر کارکردگی کا مظاہرہ کیا۔ LEF نے مالی سال 2019 کی چوتھی سہ ماہی میں %14.7- منافع فراہم کیا (بینچ مارک -11.7%)۔ 28 جون 2019 کے مطابق فنڈ ایکویٹی میں %85.8 اور کیش میں %13.8 سرمایہ کاری رکھتا ہے۔ شعبہ جاتی تفویض کا جھکاؤ اس طرح ہے کمرشل بینکس (27.1%)، آئل اینڈ گیس ایکسپلوریشن (21.9%)، کیمیکلز (17.8%)، آئل اینڈ گیس مارکیٹنگ (4.3%)، کنسٹرکشن اینڈ میٹریلز (4.6%)، الیکٹریسٹی (1.9%) اور دیگر (8.2%)۔

فی یونٹ نقصان (LPU)

فی یونٹ نقصان (LPU) ظاہر نہیں کیا گیا ہے کیوں کہ ہم محسوس کرتے ہیں کہ LPU شمار کرنے کے لیے تخمینہ شدہ اوسط یونٹس کا تعین اوپن اینڈ فنڈز کے لیے قابل عمل نہیں ہے۔

نقصان کی وجہ

مالی سال 2019 میں فنڈ نے مارکیٹ کے مقابلے میں کم تر کارکردگی کا مظاہرہ کیا جب KSE100 میں 19.1% کمی ہوئی۔ چوں کہ LEF کا اپنے بینچ مارک کے ساتھ گہرا تعلق ہے، چناں چہ پستی کی جانب حرکت کی بازگشت پورٹ فولیو تک پہنچی جس کے نتیجے میں 20.27% کمی ہوئی۔ کم تر کارکردگی دکھانے والے شعبوں، مثلاً سیمنٹس، اور اسٹیل میں سرمایہ کاری نے کم تر کارکردگی میں اضافہ کیا۔ ان عوامل کے پیش نظر بورڈ نے 30 جون 2019 کو ختم ہونے والے سال کے لیے منافع کی تقسیم کی تجویز پیش نہیں کی۔

اہم خطرات وخدشات

اقتصادی عدم استحکام، بڑھتا ہوا کرنٹ اکاؤنٹ خسارہ، زرِمبادلہ کے کم ہوتے ذخائر، توقع سے زیادہ افراطِ زر، روپے کی قدر میں کمی، یک طرفہ / دوطرفہ قرض فراہم کنندہ ایجنسیز، دونوں کی طرف سے توقع سے کم مالی امداد، مزید مالیاتی سختی اور بگڑتے خارجہ تعلقات پاکستان میں تمام کاروباری شعبوں کے لیے ایک خطرہ بنے ہوئے ہیں۔

مذکورہ بالا خطرات غیرملکی اور مقامی سرمایہ کاروں، دونوں کو اپنی سرمایہ کاریاں تحلیل کرنے پر مجبور کر سکتے ہیں جس کے مالیاتی مارکیٹ پر منفی اثرات پڑ سکتے ہیں اور فنڈ کی منافع کمانے کی صلاحیت بھی متاثر ہو سکتی ہے۔

ایسیٹ مینیجر اینڈ فنڈ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے مینجمنٹ کمپنی کی ایسیٹ مینیجر ریٹنگ "AM2+" پر برقرار رکھی ہے۔ PACRA نے LEF کو ''3 اسٹار'' کی ایک سالہ اور تین سالہ اور ''3 اسٹار'' کی پانچ سالہ پرفارمنس ریٹنگ دی ہے۔

اضافی معاملات

1- مینجمنٹ کمپنی کے ڈائریکٹرز کی تفصیل اس سالانہ رپورٹ میں ظاہر کی گئی ہے۔

2- مینجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز کے فنڈ میں نقل وحرکت کی منصفانہ عکاسی کرتے ہیں۔

3- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

4- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے اور شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

5- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشن) رولز 2003 کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینٹیٹیز ریگولیشنز، 2008 (NBFC ریگولیشنز)، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ ڈائریکٹیوز اور فنڈ کی تشکیلی دستاویزات کے تقاضوں کی پیروی کی گئی ہے اور ان سے کسی بھی انحراف کی مناسب انداز میں نشان دہی کی گئی ہے۔

6- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

7- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک وشبہات نہیں ہیں۔

8-اہم مالیاتی ڈیٹا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔

9-ٹیکسز، ڈیوٹیز، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کردی گئی ہیں۔

10-پروویڈنٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارہ فنڈ پر قابلِ اطلاق نہیں ہے جیسا کہ ایسے اخراجات مینجمنٹ کمپنی کی طرف سے برداشت کیے جاتے ہیں۔

11-30 جون 2019 کے مطابق یونٹ ہولڈنگ کا پیٹرن مالیاتی گوشواروں کے نوٹ نمبر 22.1 میں دیا گیا ہے۔

12- کارکردگی کی جدول/اہم اقتصادی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

بیرونی آڈیٹر

موجودہ آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے فنڈ کے ساتھ پانچ سال مکمل کر لیے ہیں۔ نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینٹیٹیز ریگولیشنز 2008 مشروط کرتا ہے تمام اوپن اینڈ کلیکٹیو اینویسٹمنٹ اسکیمز ہر پانچ سال بعد اپنے بیرونی آڈیٹرز تبدیل کریں۔ لہٰذا انڈسٹری کی بہترین طریق کار اپنانے کا رجحان جاری رکھتے ہوئے، آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے فنڈ کے آڈیٹرز تبدیل کرنے اور میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی 30 جون 2020ء کو ختم ہونے والے سال کے لیے تقرری کی تجویز پیش کی ہے۔

معاشی جائزہ

مالی سال 2019 کے 11 ماہ میں لارج اسکیل مینوفیکچرنگ انڈیکس میں سال بہ سال بنیاد پر 3.5% کی کے ساتھ معیشت بدستور کمزور رہی۔ پیٹرول پروڈکٹس، فارماسیوٹیکلز، آٹوموبائلز اور آئرن اور اسٹیل پروڈکٹس اور ان کے بعد فوڈ، بیوریجز اور ٹوبیکو سیکٹر اس مدت کے دوران گراوٹ کا محرک رہے۔ سال کے دوران بیرونی صورتِ حال قدرے بہتر ہوئی جیسا کہ درآمدات محدود رکھی گئیں جو 54.5 ارب امریکی ڈالر تک نیچے آئیں، جیسا کہ مشینریز اور ٹرانسپورٹ گروپس میں سالانہ بنیاد پر 9.9% کی زبردست کمی ہوئی۔ برآمدات میں بھی تھوڑی کی ہوئی جو سال بہ سال بنیاد پر 1% گراوٹ کے ساتھ 23.0 ارب امریکی ڈالر رہیں۔ زرِمبادلہ کے ذخائر پورے سال کے دوران دباؤ میں رہے اور 2018 کے آخر میں 16.4 ارب امریکی ڈالر سے 2019 کے آخر میں 14.4 ارب امریکی ڈالر تک گر گئے۔ پاکستانی روپیہ کمزور رہا اور اس کی قدر میں تیزی سے کمی ہوئی۔ سال کے دوران اس کی قدر میں 2018 کے اختتام پر 121.50 روپے فی امریکی ڈالر سے 2019 کے آخر تک 160.05 روپے فی امریکی ڈالر تک کمی ہوئی۔ مہنگائی بھی مہینے میں زیادہ رہی اس سال کے دوران اس کی اوسط اوسطاً 7.3 فیصد ہے جو سال 18 کے 3.9 فیصد تھی۔ جب کہ مالیاتی خسارہ مسلسل بگڑتا رہا اور مالی سال 2018 کے 9 ماہ میں 4.3% اور 2018 کے پورے سال کے لیے 6.6% کے مقابلے میں 2019 کے پہلے 9 ماہ میں GDP کا 5.0% خسارہ ریکارڈ کیا گیا۔

ایکویٹی مارکیٹ کا جائزہ

KSE-100 انڈیکس مالی سال 2019 میں 19% نقصان کے ساتھ 33,901 پر بند ہوا اور اس طرح پستی کا وہ رجحان آگے بڑھا جو مالی سال 2018 کے پہلے نصف سے موجود ہے۔ انتخابات کے بروقت انعقاد اور پی ٹی آئی کے بڑی اکثریت کے ساتھ حکومت قائم کرنے کے باوجود معیشت پر خدشات برقرار رہے، خصوصاً ایک آئی ایم ایف پروگرام کے وقت اور شدت پر بے یقینی کا دور دورہ رہا۔ حال ہی میں تاخیر کے ساتھ ایک آئی ایم ایف پروگرام میں شمولیت اختیار کی ہے لیکن گزشتہ 18 ماہ کے دوران مجموعی معاشی ایڈجسٹمنٹ کے عمل نے شرح سود میں 650 بنیادی پوائنٹس کا اضافہ اور امریکی

ڈالر کے مقابلے میں شرح مبادلہ میں تقریباً 35% کی گراوٹ دیکھی۔

مالی سال 2019 میں تمام شیئرز کا حجم سال بہ سال بنیاد پر 11 فیصد کمی کے ساتھ 155 ملین شیئرز تک گرنے سے بے دلی کے اس جذبے کی عکاسی ہوتی ہے۔ غیر ملکی سرمایہ کاروں گذشتہ چھ ماہ کے دوران خالص خریداروں میں تبدیل ہوئے لیکن پورے مالی سال 2019 کے دوران، ایف پی آئی کا خالص اخراج 355 ملین امریکی ڈالر (زیادہ تر بڑے بینکوں اور تیل و گیس کے شعبوں میں) ریکارڈ کیا گیا ہے۔ مقامی محاذ پر، پورے 2019 میں انشورنس کمپنیاں اور افراد بڑے خریدار تھے، لیکن میوچل فنڈز فروخت کنندگان میں بدل گئے (145- ملین ڈالر)، ممکنہ طور پر فکسڈ انکم انسٹرومنٹس کی طرف منتقلی کے سبب۔

ماسوائے ٹیکسٹائل کے تمام شعبوں نے خسارے میں مالی سال 2019 کا اختتام کیا۔ سب سے زیادہ شدت سے متاثر ہونے والے شعبے انجینیرنگ (اسٹیل)، آئل مارکیٹنگ، فارماسیوٹیکلز، آٹوز، فوڈ اور سیمنٹ رہے جنہوں نے پورے مالی سال میں اپنی متعلقہ قدر کے 30% سے زائد کا نقصان اٹھایا (انجینیرنگ کا خسارہ 60% رہا)۔ بھاری غیر ملکی فروخت کے باوجود، بینکس (13%-) سود کی بڑھتی شرح کے ماحول میں اپنے منافع میں اضافے کی بدولت بالحاظ کارکردگی وسیع تر انڈیکس کو پیچھے چھوڑنے میں کامیاب رہے۔

ٹیکسٹائل (4%+) منافع کمانے والا واحد شعبہ تھا جس کی وجہ غالباً اس کی برآمدات سے ہم آہنگ نوعیت ہے جسے پاکستانی روپے کی قدر میں کمی سے فائدہ پہنچتا ہے۔

مستقبل کی توقعات

مالی سال 2019 کے ابتدا میں مارکیٹ بدستور مایوسی کے جذبات کا شکار ہے، تاہم آئندہ چند ماہ میں (i) شرح سود (ii) FATF کا فیصلہ (iii) امریکا کے ساتھ تعلقات کے حوالے سے صورتِ حال واضح ہونے پر یہ ممکن ہے کہ اسٹاک مارکیٹ مالی سال 2020 کی دوسری سہ ماہی کے بعد سے پائیدار بنیاد پر مثبت رخ پر چل پڑے۔

شرح سود کی بلند سطح اور افراطِ زر کے پیش نظر مالی سال 2020 میں معاشی نمو کمزور رہنے کی توقع ہے۔ مرکزی بینک کی طرف سے جی ڈی پی کی شرح نمو 2.5 فی صد رہنے کی پیش گوئی کی گئی ہے۔

پاکستان 6 ارب ڈالر کی توسیع شدہ فنڈ کی سہولت کے لئے مالی سال کے اختتام کے قریب آئی ایم ایف کے پروگرام میں باضابطہ طور پر داخل ہوا ہے جس سے آئندہ چند سالوں میں بیرونی قرضے اور گرانٹ میں 38 ارب ڈالر کی آمد کا راستہ کھلنے میں مدد ملے گی اور مالیاتی حالات میں مدد ملے گی۔ مالیاتی صورتِ حال بدستور کمزور ہے ٹیکس کی بنیاد میں وسعت کے ذریعے ٹیکس آمدنی کی پیداوار میں اضافہ کے ہدف کے ساتھ ٹیکس اصلاحات کی بدولت اس میں بہتری کی توقع ہے۔ مالیاتی صورتِ حال بدستور کمزور ہے ٹیکس کی بنیاد میں وسعت کے ذریعے ٹیکس آمدنی کی پیداوار میں اضافہ کے ہدف کے ساتھ ٹیکس اصلاحات کی بدولت اس میں بہتری کی توقع ہے۔

مقابل ممالک کے مقابلے میں کمزور کرنسی اور برآمدات کو فروغ دینے کے اقدامات کی بدولت مالی سال 2019 میں برآمدات بڑھنے کا امکان ہے۔

اشیائے تعیش پر بھاری ڈیوٹیز کی بدولت درآمدی نمو محدود رہے گی۔

مختلف ذرائع کے مطابق مالی سال 2021 میں کمی سے قبل 2020 کے لئے افراطِ زر کی شرح میں نچلے دہرے ہندسوں، 11 تا 13 فیصد تک اضافہ متوقع ہے۔ روپے کی قدر میں کمی کے اثرات اور بجلی اور گیس کے نرخوں میں اضافے کی منتقلی اس اضافے کے پیچھے اہم وجوہات ہیں۔ مالی سال کے دوسرے نصف حصے میں کمی سے پہلے سود کی شرح بلند رہنے اور پہلے نصف کے اندر بلند ترین سطح چھو لینے کی توقع ہے۔

مالی سال 2019 کے لیے خسارہ 8 فی صد سے تجاوز کر جانے کی توقع ہے۔ ٹیکس جمع کرنے کے جارحانہ اہداف کے ساتھ اگلے سال اس کے قابو میں آنے کی

توقع ہے۔

اظہار تشکر

یہ بورڈ اپنے قابل قدر انویسٹرز، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینٹرل ڈپازیٹری کمپنی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسچینج لمیٹڈ کا، ان کے مسلسل تعاون اور مدد پر شکر گزار ہے۔ منیجمنٹ کمپنی کے ڈائریکٹرز فنڈ کی ترقی اور دانش مند انتظام و انصرام کے لیے منیجمنٹ کمپنی کی ٹیم کی محنت اور کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے و منجانب بورڈ

چیف ایگزیکٹیو آفیسر | ڈائریکٹر

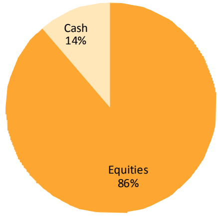
تاریخ: 3 ستمبر 2019

REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2019

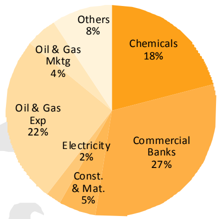
Fund Facts

Fund Type	Open-End
Category	Equity Fund
Net Assets (PKR Mil.)	3,293
NAV (28.06.2019)	91.0823
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	KMPG Taseer Hadi & Co.
Management Fee	2.00%
Front End Load	3.00%
Back End Load	None
Launch Date	November 13, 2009
Benchmark	KSE-30 Index
Dealing Days	Mon-Fri
Cut-Off Time	04:00 PM
Asset Manager Rating	AM2+ by PACRA (29.8.2019)

Asset Allocation



Sectorwise Exposure



Fund Performance	**LEF**	**KSE-30**
FY19	-20.27%	-18.18%
June-19	-6.45%	-6.58%
2 Months	-9.64%	-7.61%
3 Months	-14.71%	-11.74%
6 Months	-11.71%	-4.87%
12 Months	-20.27%	-18.18%
CY18-YTD	-11.71%	-4.87%
3 Year	-12.06%	-13.19%
5 Year	20.54%	-7.93%
Since Inception	192.84%	174.27%

Investment Committee

Babar Ali Lakhani	Chairman
Kashif Mustafa	
Mustafa O. Pasha, CFA	
Shahbaz Ashraf, CFA	
Hassan Bin Nasir	
Junaid Arshad, ACCA	
Uzair Nasir Rasheed	

Investment Objective

The investment objective of the Lakson Equity Fund ("LEF") 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.

The LEF achieved its investment objective by building a diverse portfolio comprising of fundamentally strong stocks that offered high growth potential in the form of capital appreciation and/or high dividend yields. The LEF did not take exposure in any speculative stocks and only stocks with the potential to perform in the present, challenging economic environment were selected.

Investment Strategy

The LEF invests in fundamentally sound stocks based on the recommendations of its team of equity analysts and market dynamics. The asset allocation to different sectors and different stocks in the same sector remained dynamic, keeping in view the market conditions, opportunities and the relative attractiveness of each sector and individual stocks. The asset allocation pattern of the LEF changed from time to time keeping in view the market conditions, opportunities, political and economic factors. The LEF aims to build a diverse portfolio ranging across companies deemed the most attractive among peers. Companies with high earnings potential despite a weak economic outlook were sought, resulting in a portfolio that was heavily invested with stocks offering high dividend yields and lower price to earnings multiples relative to the market. The LEF adopted a combination of top-down and bottom-up methodologies to invest in fundamentally sound stocks.

Economic Review

The economy continued to remain weak with large scale manufacturing index down 3.5% YoY in 11MFY19. The decline during the period was driven by food, beverages and tobacco sector followed by petroleum products, pharmaceuticals, automobiles and iron and steel products. The external position improved slightly through the year as imports were curtailed coming down to USD 54.5bn, down 9.9% YoY with steep declines in machineries and transport groups. Exports came down slightly as well decreasing 1% YoY to USD 23.0bn. Foreign exchange reserves remained under pressure throughout the year, slipping from USD 16.4bn at end of 2018 to USD 14.4bn at end of 2019. Rupee remained weak during the weak declining aggressively. It depreciated 24% during the year from PKR 121.50/USD at the end of 2018 to PKR 160.05/USD at the end of 2019.

Inflation also remained higher climbing month on month. It averaged 7.3% YoY during the year compared to 3.9% in fy18. And fiscal deficit continued to worsen with the 9MFY19 deficit recorded at 5.0% of GDP compared to 4.3% in 9MFY18 and 6.6% for the full year in 2018.

Outlook

Economic growth is expected to remain weak in FY20 given high levels of interest rates and inflation. GDP growth rate is forecasted at 2.5% by the central bank.

Pakistan officially entered into the IMF program near the end of the fiscal year for Extended Fund Facility of USD 6bn which will help unlock USD 38bn in external borrowing and grants over the next few years and help support the fiscal position. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. Exports are likely to grow in FY20 on the back of a weaker currency compared to peers and measures to boost exports. Import growth will be contained on the back of higher duties on luxury goods.

Inflation is expected to increase to low double digits, 11-13% for FY20 according to various sources, before declining in FY21. Impact of rupee depreciation and pass on of the electricity and gas tariffs are key reasons behind the increase. Interest rates are expected to stay elevated and peak within the first half before declining in the second half of the fiscal year.

For FY19, the deficit is expected to cross 8%. This is expected to be curtailed next year with aggressive tax collection targets.

Equity Market Review

The KSE-100 Index lost 19% in FY19 to close out the fiscal year at 33,901pts, extending a downturn that has now been in place since 1HFY18. Despite elections taking place on time and the PTI forming government with a large majority, concerns on the economy continued to hold sway, particularly as there was uncertainty on the timing and severity of an IMF program. An IMF program has been belatedly entered into recently, but the macroeconomic adjustment process over the last 18 months has seen interest rates rise by 650bps and the exchange rate depreciate by about 35% vs. the US$. This subdued sentiment was reflected by the All Share Volume dropping 11%yoy to 155mn shares in FY19. Foreign investors have turned net buyers over the last six months but, across full-year FY19, net FPI outflow clocked in at US$355mn (mostly in the heavyweight Banks and Oil & Gas sectors). On the local front, Insurance companies and Individuals were large buyers across FY19, but Mutual Funds turned sellers (-US$145mn), perhaps due to a switch into fixed income instruments.

All sectors except for Textile closed in the red in FY19. The most heavily impacted sectors were Engineering (Steel), Oil Marketing, Pharmaceuticals, Autos, Food, and Cements, with all losing more than 30% of their respective value across the fiscal year (Engineering lost as much as 60%). Despite the hefty foreign selling, Banks (-13%) managed to outperform the broader Index, given their margin expansion in a rising interest rate environment. Textile (+4%) was the only sector to gain, perhaps due to its export-oriented nature which benefits from PKR depreciation.

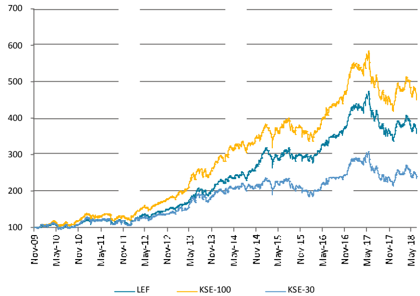
Fund Performance

The LEF closed FY19 on a muted noted, with a return of -20.3% vs -18.8% of the benchmark, underperforming the benchmark by 1.5%. The LEF provided a return of -14.7% (BM: -11.7%) during 4QFY19. As of June 28, 2019, the fund had 85.8% exposure in equities and 13.8% in cash. Sector allocation is skewed towards Commercial Banks (27.1%), Oil & Gas Exploration (21.9%), Chemicals (17.8%), Oil & Gas Marketing (4.3%), Construction & Materials (4.6%), Electricity (1.9%) and others (8.2%).

Performance Table	FY19	FY18
Net Assets - Beginning (PKR Mil.)	3,235	4,217
Net Assets - Ending (PKR Mil.)	3,293	3,235
Highest Offer Price (PKR)	124.2959	135.3738
Lowest Offer Price (PKR)	92.9168	107.8971
Highest Redemption Price (PKR)	120.6756	131.4308
Lowest Redemption Price (PKR)	90.2104	104.7544
Beginning NAV - Ex-Div. (PKR)	114.2367	130.9153
Interim Distributions (PKR)	-	-
Final Distribution (PKR)	-	-
Ending NAV - Ex-Div. (PKR)	91.0784	114.2367
Return	-20.27%	-12.70%
Net Income / (Loss) (PKR Mil.)	(799.00)	(523.00)

Distributions	FY19	FY18
Final Distribution	-	-
NAV before Distribution	91.0784	114.2367
NAV after Distribution	91.0784	114.2367
Distribution Date	Nil	Nil

LEF vs. Benchmark



Future Outlook

Early into FY20, the market's sentiment still remains depressed. However, as clarity emerges in the next few months on (i) interest rates, (ii) the FATF decision and (iii) relations with the US, it is possible that the stock market takes a sustainable turn for the positive from 2QFY20 onwards.

Economic growth is expected to remain weak in FY20 given high levels of interest rates and inflation. GDP growth rate is forecasted at 2.5% by the central bank.

Pakistan officially entered into the IMF program near the end of the fiscal year for Extended Fund Facility of USD 6bn which will help unlock USD 38bn in external borrowing and grants over the next few years and help support the fiscal position. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. Exports are likely to grow in FY20 on the back of a weaker currency compared to peers and measures to boost exports. Import growth will be contained on the back of higher duties on luxury goods.

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For FY19, the deficit is expected to cross 8%. This is expected to be curtailed next year with aggressive tax collection targets.

Circumstances Materially Affecting Interests of Unit Holders

PACRA maintained the Asset manager Rating of Lakson Investments to 'AM2+' during FY19.

As of June 30, 2019, the LEF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 38.1 million. If the same were not made the NAV per unit of the LEF would be higher by PKR 1.0535. If the LEF would not have made the WWF provisions for the period, the year to date return of LEF for FY19 would be higher by 0.0%.

Other Disclosures

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 30, 2019, the LEF does not employ leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	5	198
101 - 500	7	1,573
501 - 1,000	7	4,651
1,001 - 5,000	17	45,356
5,001 - 10,000	4	25,991
10,001 - 50,000	18	487,937
50,001 - 100,000	6	386,648
100,001 - 500,000	11	2,916,268
500,001 - 1,000,000	2	1,350,557
1,000,001 - 5,000,000	11	30,941,671
5,000,001 - above	0	-
	88	**36,160,850**

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED
Head Office
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON EQUITY FUND

Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Lakson Equity Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 in accordance with the provisions of the following:

(i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;

(ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and

(iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 20, 2019

CENTRAL DEPOSITORY COMPANY

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of Lakson Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Lakson Equity Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2019, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

S.#	Key audit matters	How the matter was addressed in our audit
1	**Valuation of Investments** Refer to note 7 to the financial statements for the details of investments and the accounting policy in note 5.1 to the financial statements. At 30 June 2019, the Fund had investments in equity of Rs. 2,912.44 million classified as at "Fair value through profit or loss". It represents 88.43% of net assets value of the Fund as of that date. We identified the valuation of investments as a key audit matter because of its significance in relation to the net asset value of the Fund.	Our audit procedures to assess the valuation of investments included the following: - obtained an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments; and - assessed on a sample basis whether the investments were valued at fair value based on the rates quoted on the Pakistan Stock Exchange as at 30 June 2019

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner responsible for the audit resulting in this independent auditor's report is Amyn Pirani.

Date: September 30, 2019

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

Statement of Assets and Liabilities
As at June 30, 2019

	Note	2019	2018
		(Rupees)	
Assets			
Bank balances	6	**474,086,705**	574,381,423
Investments	7	**2,912,440,149**	2,724,525,859
Dividend and other receivables	8	**628,177**	5,599,775
Mark-up accrued on bank balances		**5,578,294**	4,283,429
Advances and deposits	9	**2,650,000**	10,150,000
Receivable against sale of investments		-	18,765,382
Total assets		**3,395,383,325**	3,337,705,868
Liabilities			
Payable to the Management Company	10	**27,518,116**	27,471,148
Remuneration payable to the Trustee	11	**405,763**	406,947
Annual fee payable to the Securities and Exchange Commission of Pakistan	12	**3,248,271**	3,333,685
Accrued expenses and other liabilities	13	**39,818,405**	39,232,962
Payable against purchase of investments		**30,917,039**	32,759,230
Total liabilities		**101,907,594**	103,203,972
Contingencies and commitments	15		
Net assets		**3,293,475,731**	3,234,501,896
Unit holders' fund (As per statement attached)		**3,293,475,731**	3,234,501,896
		(Number)	
Number of units in issue	16	**36,160,850**	28,314,022
		(Rupees)	
Net assets value per unit		**91.0784**	114.2367

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer **Chief Financial Officer** **Director**

Income Statement
For the year ended June 30, 2019

	Note	2019	2018
		(Rupees)	
Income			
Loss on sale of investment at fair value through profit or loss - net		**(241,285,382)**	(268,924,481)
Unrealised loss on revaluation of investment at fair value through profit or loss	7.1	**(671,600,098)**	(344,182,385)
Dividend income on investments at fair value through profit or loss		**166,853,772**	150,959,348
Mark-up on bank balances -at amortised cost		**40,022,446**	33,134,667
		(706,009,262)	(429,012,851)
Expenses			
Remuneration of the Management Company	10.1	**68,384,637**	70,182,848
Sindh Sales Tax on remuneration of the Management Company	10.2	**8,890,003**	9,123,770
Remuneration of the Trustee	11	**4,993,732**	5,095,331
Annual fee to the Securities and Exchange Commission of Pakistan	12	**3,248,271**	3,333,685
Auditors' remuneration	17	**267,912**	255,361
Fees and subscription		**1,015,603**	442,403
Printing charges		**20,340**	109,678
Brokerage expenses		**5,710,238**	4,467,470
SECP supervisory fee		**2,500**	2,500
Settlement charges		**811,393**	716,149
Bank and other charges		**38,067**	52,765
Total expenses		**93,382,694**	93,781,960
Net loss for the year before taxation		**(799,391,956)**	(522,794,811)
Taxation		-	-
Net loss for the year after taxation		**(799,391,956)**	(522,794,811)

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer	**Chief Financial Officer**	**Director**

Statement of Comprehensive Income
For the year ended June 30, 2019

	2019	2018
	(Rupees)	
Net loss for the year after taxation	**(799,391,956)**	(522,794,811)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**(799,391,956)**	(522,794,811)

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer	**Chief Financial Officer**	**Director**

Statement Of Movement in Unit Holders' Fund
For the year ended June 30, 2019

	Year ended 2019			Year ended 2018		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	---(Rupees)---					
Net assets at beginning of the year	2,761,512,701	472,989,195	3,234,501,896	3,221,006,224	995,784,006	4,216.790,230
Issuance of 11,996,048 units (2018: 8,309,763)						
- Capital value	1,370,388,937	-	1,370,388,937	1,087,875,117		1,087,875,117
- Element of loss	(62,542,283)	-	(62,542,283)	(102,538,509)		(102,538,509)
Total proceeds on issuance of units	1,307,846,654	-	1,307,846,654	985,336,608	-	985,336,608
Redemption of 4,149,220 units (2018: 12,205,803)						
- Capital value	(473,993,200)	-	(473,993,200)	(1,597,926,338)		(1,597,926,338)
- Element of income	24,512,337	-	24,512,337	153,096,207		153,096,207
Total payments on redemption of units	(449,480,863)	-	(449,480,863)	(1,444,830,131)	-	(1,444,830,131)
Total comprehensive (loss) for the year	-	(799,391,956)	(799,391,956)	-	(522,794,811)	(522,794,811)
Net assets as at end of the year	3,619,878,492	(326,402,761)	3,293,475,731	2,761,512,701	472,989,195	3,234,501,896
Undistributed income brought forward:						
- Realized income		817,171,580			743,719,379	
- Unrealized (loss) / income		(344,182,385)			252,064,627	
		472,989,195			995,784,006	
Accounting income available for distribution:						
Relating to capital gains		-			-	
Excluding capital gains		-			-	
		-			-	
Net (loss) for the year after taxation		(799,391,956)			(522,794,811)	
Undistributed (loss)/income at end of the year		(326,402,761)			472,989,195	
Undistributed income brought forward:						
- Realized income		345,197,337			817,171,580	
- Unrealized loss		(671,600,098)			(344,182,385)	
Undistributed (loss)/income at end of the year		(326,402,761)			472,989,195	
Net assets value per unit at beginning of the year			114.2367			130.9153
Net assets value per unit at end of the year			91.0784			114.2367

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer	Chief Financial Officer	Director

Statement of Cash Flow
For the year ended June 30, 2019

	2019	2018
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	**(799,391,956)**	(522,794,811)
Adjustments for:		
Unrealised loss on revaluation of investment at fair value through profit or loss - net	**671,600,098**	344,182,385
Mark-up on bank balances - at amortised cost	**(40,022,446)**	(33,134,667)
Dividend income on investment at fair value through profit or loss	**(166,853,772)**	(150,959,348)
	(334,668,076)	(362,706,441)
Decrease / (increase) in assets		
Investments	**(859,514,389)**	859,466,811
Other receivables	**(469,547)**	(3)
Advances and Deposits	**7,500,000**	(7,500,000)
Receivable against sale of investments	**18,765,382**	165,524,652
	(833,718,554)	1,017,491,460
(Decrease) / Increase in liabilities		
Payable to the Management Company	**46,968**	(1,956,423)
Remuneration payable to the Trustee	**(1,184)**	(97,822)
Annual fee payable to Securities and Exchange Commission of Pakistan	**(85,414)**	(437,371)
Payable against purchase of investments	**(1,842,191)**	25,566,480
Dividend payable	-	(116,524)
Accrued expenses and other liabilities	**585,443**	(41,453,628)
	(1,296,378)	(18,495,288)
Profit received on bank balances - at amortised cost	**38,727,581**	29,517,081
Dividend income on investment at fair value through profit or loss	**172,294,918**	156,502,557
Net cash flows from operating activities	**(958,660,509)**	822,309,369
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	**1,307,846,654**	985,336,608
Payments on redemption of units	**(449,480,863)**	(1,444,830,131)
Net cash flows from financing activities	**858,365,791**	(459,493,523)
Net (decrease) / increase in cash and cash equivalents	**(100,294,718)**	362,815,846
Cash and cash equivalents at beginning of the year	**574,381,423**	211,565,577
Cash and cash equivalents at end of the year	**474,086,705**	574,381,423

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer | **Chief Financial Officer** | **Director**

Notes to and forming part of the Financial Statements
For the year ended June 30, 2019

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

The Fund is categorised as "Equity Scheme" as per the Circular 07 of 2009 issued by 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 The Pakistan Credit Rating Company Limited (PACRA) has maintained asset manager rating of the Management Company of the Fund to the scale 'AM2+' (stable outlook) dated 29 August 2019 (2018: AM2+ as on 27 February 2019).

On 29 Aug 2019, PACRA assigned following rankings to the Fund based on the performance review for the period ended 30 June 2019 (trailing 12 months for 1 Year ranking, trailing 36 months for 3 Year ranking, and trailing 60 months for 5 Year ranking.)

1 Year : 3-Star (Average)
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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the fund's functional and presentation currency. All amount have been rounded off to the nearest of rupees, unless otherwise indicated.

2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

(a) classification of financial assets (Note 5.1.1 / 5.1.2)
(b) impairment of financial assets (Note 5.1.7 / 5.1.8)
(c) provisions (Note 5.8)
(d) element of income (Note 5.6)

3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Funds's financial statements.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of the standard is not likely to have any impact on Fund's financial statements.

- Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Fund's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Fund's financial statements.

- 'Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of amendments is not likely to have an impact on Fund's financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Fund's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, the Fund now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Fund's financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when the Fund increases its interest in a joint operation that meets the definition of a business. The Fund remeasures its previously held interest in a joint operation when it obtains control of the business. The Fund does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  - IAS 23 Borrowing Costs - the amendment clarifies that the Fund treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

  The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Fund's financial statements.

4. CHANGES IN ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to periods presented except for the change in accounting policy as described below.

SECP vide SRO 229(1)/2019 has deferred the applicability of IFRS 9 for reporting period / year ending on or after 30 June 2019. However, the said SRO has also allowed early adoption of IFRS 9 for companies that wish to do so. Thus as allowed under the above mentioned SRO, the Fund has early adopted IFRS 9 'Financial instruments' from 01 July 2018. The Fund also adopted IFRS 15 Revenue from contracts wit customers' from 01 July 2018. A number of other new standards are effective from 01 July 2018 but they do not have a material effect on the Fund's Financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / markup calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, markup and other investment income and related assets and liabilities recognised by the fund. Accordingly, there is no impact on comparative information either.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below. The impact of adopting the standard is set out in note 5.12.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Therefore its adoption did not have a significant effect on the Fund's accounting policies relating to the liabilities.

ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Fund has classified its financial assets as measured at: FVTPL or amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for debt securities measured at amoritised cost there are impairment requirements. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated 24 October 2012.

iii)Transition

The change in accounting policy resulting from the adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. However, there is no impact of the changes in accounting policies on the Fund's financial position except for the classification of assets and liabilities of the comparative period.

As the Fund presents the movement in Unitholders Fund on net assets basis, there is no impact of the changes on net assets of the Funds. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not compareable to information presented for 2019 under IFRS 9.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.12.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Financial assets

5.1.1 Classification (Policies applicable before 1 July 2018)

The Fund classifies its financial assets in the following categories: loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. The Management Company determines the appropriate classification of its financial assets at the time of initial recognition and re-evaluates their classification on a regular basis.

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

b) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

5.1.2 Classification (Policies applicable after 1 July 2018)

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Fund's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the fund's stated objective for managing the financial assets is achieved and how cash flows are realised

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

5.1.3 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

5.1.4 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

5.1.5 Subsequent measurement (Policies applicable before 1 July 2018)

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

a) Basis of valuation of Government Securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the 'income statement'.

b) Loans and receivables

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest rate method.

5.1.6 Subsequent measurement (Policies applicable after 1 July 2018)

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets is determined as follows:

a) Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

5.1.7 Impairment of financial assets (Policies applicable before 1 July 2018)

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

a) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

5.1.8 Impairment of financial assets (Policies applicable after 1 July 2018)

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and quanlitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.

5.1.9 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

5.1.10 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5.1.11 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

5.1.2 Trade date accounting

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Fund. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

5.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

5.3 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors / Management Company during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

5.4 Net assets value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

5.5 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.

- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss ' are included in the income statement in the period in which they arise.

- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

5.6 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed.

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on the issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per the guidelines provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. Income already paid on redemption of units during the year are taken separately in the statement of movement in unitholders' fund.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

5.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among 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.

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 Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

5.8 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

5.9 Dividend distribution

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted for the effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

5.10 Other assets

Other assets are stated at cost less impairment losses, if any.

5.11 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the conversion of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the income statement.

5.12 Earnings per unit (EPU)

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

5.13 Formation cost

This represents expenses incurred on the formation of the Fund. As permitted in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, these expenses are being amortised to the income statement over a period of not less than five years i.e. effective from 11 October 2011.

5.14 Financial assets and financial liabilities

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the Fund’s financial assets as at 1 July 2018.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Listed equity securities	(a)	Held for trading	Mandatory at FVTPL	2,724,525,859	2,724,525,859
Bank balances	(b)	Loans and receivables	Amortised cost	574,381,423	574,381,423
Return receivable on bank balances	(b)	Loans and receivables	Amortised cost	4,283,429	4,283,429
Dividend and other receivable	(b)	Loans and receivables	Amortised cost	5,599,775	5,599,775
Security deposits	(b)	Loans and receivables	Amortised cost	2,650,000	2,650,000
Receivable against sale of investments	(b)	Loans and receivables	Amortised cost	18,765,382	18,765,382
				3,330,205,868	3,330,205,868

(a) Listed equity securities and debt securities classified as financial assets at fair value through profit or loss held for trading have been measured at fair value with value changes continue to be recognised in income statement.

(b) These financial assets classified as 'loans and receivables' have been classified as amortised cost.

6. BANK BALANCES

	Note	2019	2018
		(Rupees)	
Current accounts		**7,840**	7,908
Profit and loss sharing accounts	6.1	**474,078,865**	574,373,515
		474,086,705	574,381,423

6.1 These carry mark-up rates ranging from 10.25% to 13.5% (30 June 2018: from 4.00% to 7.30%) per annum.

7 INVESTMENTS

At fair value through profit or loss

	Note	2019	2018
Listed equity securities	7.1	**2,912,440,149**	2,724,525,859

7.1 At fair value through profit or loss

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

Sectors / Companies	Holding as at July 01, 2018	Purchased during the year	*Bonus shares / letter of right received during the year	Disposed during the year	Holding as at June 30, 2019	Carrying value before revaluation as of June 30, 2019	Market value as of 30 June 2019 (after revaluation)	Unrealised gain / (loss) - net	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
	----- Number of Shares -----					----- (Rupees) -----			----- (%) -----		
Commercial Banks											
Allied Bank Limited	-	-	-	-	-	-	-	-	-	-	-
Bank Al-Habib Limited	267,938	-	-	267,938	-	-	-	-	-	-	-
Bank Al-Falah Limited	753,600	3,173,700	167,450*	798,500	3,741,250	187,647,608	163,081,088	(19,561,520)	5.60	4.95	0.71
Habib Bank Limited	961,126	1,300,400	-	447,700	1,813,826	275,839,624	205,433,933	(70,405,691)	7.05	6.24	0.12
JS Bank Limited	-	-	-	-	-	-	-	-	-	-	-
MCB Bank Limited	1,043,952	206,700	-	460,380	790,272	156,253,717	137,862,950	(18,390,767)	4.73	4.19	0.07
Meezan Bank Limited	469,775	-	7,307*	477,082	-	-	-	-	-	-	-
United Bank Limited	931,350	1,164,550	-	563,300	1,532,600	239,175,633	225,874,588	(13,301,045)	7.76	6.86	0.13
Bank of Punjab	-	12,160,705		1,960,416	10,200,289	127,458,549	93,332,644	(34,125,905)	3.20	2.83	0.39
Askari Bank Limited	-	5,158,000		211,500	4,946,500	116,679,990	93,538,315	(23,141,675)	3.21	2.84	0.39
						1,098,050,121	**919,123,518**	**(178,926,603)**	**32**	**28**	
Chemicals											
Archroma Pakistan Limited	61,800	-	-	61,800	-	-	-	-	-	-	-
Engro Polymer & Chemicals	1,138,700	4,022,469	384,273	2,789,100	2,756,342	93,292,914	74,310,980	(18,981,934)	2.55	2.26	0.03
ICI Pakistan Limited	88,900		-	49,240	39,660	31,787,490	21,117,760	(10,669,730)	0.73	0.64	0.00
LOTCHEM	-	6,306,500		460,000	5,846,500	85,771,809	89,159,125	3,387,316	3.06	2.71	0.39
						210,852,212	**184,587,865**	**(26,264,348)**	**6.34**	**5.60**	
Fertilizers											
Engro Corporation Limited (7.1.1)	557,768	266,800	58,437*	113,300	769,705	216,968,647	204,433,382	(12,535,265)	7.02	6.21	0.01
Engro Fertilizers Limited	1,082,700	1,413,900		1,231,000	1,265,600	88,410,904	80,960,432	(7,450,472)	2.78	2.46	0.01
Fauji Fertilizers Bin Qasim Limited	177,400	1,768,500		1,070,400	875,500	33,991,423	15,048,865	(18,942,558)	0.57	0.46	0.01
Fauji Fertilizer Company Limited	711,000	782,000	-	131,500	1,361,500	134,324,054	118,722,800	(15,601,254)	4.08	3.60	0.01
						473,695,028	**419,165,479**	**(54,529,549)**	**14.39**	**12.73**	
Pharma & Bio Tech											
The Searl Company Limited (7.1.2)	5,294	-	794*	-	6,088	**1,797,313**	**892,257**	**(905,056)**	**0.03**	**0.03**	0.00
Textile Composite											
Gul Ahmed Textile Mill Limited	633,426	-	-	633,426	-	-	-	-	-	-	-
Kohinoor Textile Mills Limited	-	-	-	-	-	-	-	-	-	-	-
Nishat Mills Limited	667,800	378,900	-	332,000	714,700	98,640,187	66,710,098	(31,930,089)	2.29	2.03	0.02
						98,640,187	**66,710,098**	**(31,930,089)**	**2.29**	**2.03**	
Cement											
Lucky Cement Company Limited (7.1.1)	147,514	297,800	-	131,600	313,714	146,905,665	119,358,766	(27,546,899)	4.10	3.62	0.01
D.G Khan Cement Company Limited	280,973	532,000		812,973	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	706,400	2,662,537	-	1,838,890	1,530,047	63,724,101	36,552,823	(27,171,278)	1.26	1.11	0.03
Kohat Cement Company Limited	248,972	-	-	248,972	-	-	-	-	-	-	-
Pioneer Cement Company Limited	741,942	432,500		1,174,442	-			-	-	-	-
				755,642		**210,629,766**	**155,911,589**	**(54,718,177)**	**5.35**	**4.73**	
Power Generation & Distribution											
Hub Power Company	1,200,488	344,000	78,281	897,460	725,309	63,121,412	57,118,084	(6,003,328)	1.96	1.73	0.01
Nishat Power Limited	-	231,000	-	-	231,000	6,375,275	6,361,740	(13,535)	0.22	0.19	0.01
						69,496,687	**63,479,824**	**(6,016,863)**	**2.18**	**1.93**	

Sectors / Companies	Holding as at July 01, 2018	Purchased during the year	*Bonus shares / letter of right received during the year	Disposed during the year	Holding as at June 30, 2019	Carrying value before revaluation as of June 30, 2019	Market value as of 30 June 2019 (after revaluation)	Unrealised gain / (loss) - net	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
	---------- Number of Shares ----------					---------- (Rupees) ----------			---------- (%) ----------		
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited (7.1.2)	78,416	20,640	8,157*	900	106,313	138,902,925	107,304,900	(31,598,025)	3.68	3.26	0.01
Oil and Gas Development Company Limited (7.1.1)	1,310,766	1,108,625	-	191,500	2,227,891	332,216,671	292,945,388	(39,271,283)	10.06	8.89	0.05
Pakistan Oilfield Limited	112,050	214,200	19,650*	82,400	263,500	122,061,444	106,952,015	(15,109,429)	3.67	3.25	0.01
Pakistan Petroleum Limited (7.1.1)	653,884	1,007,400	134,307*	163,500	1,632,091	286,315,013	235,722,903	(50,592,110)	8.09	7.16	0.01
						879,496,053	**742,925,206**	**(136,570,847)**	**25.51**	**22.56**	
Oil and Gas Marketing Companies											
Attock Petroleum Limited	102,910	18,200	20,582*	19,900	121,792	58,663,202	35,138,210	(23,524,992)	1.21	1.07	0.00
Pakistan State Oil Company Limited (7.1.2)	377,786	117,800	47,017*	448,400	94,203	23,654,886	15,979,655	(7,675,231)	0.55	0.49	0.00
Sui Northern Gas Pipeline Limited	916,467	1,252,200	-	758,384	1,410,283	118,884,066	98,000,566	(20,883,500)	3.36	2.98	0.00
						201,202,154	**149,118,431**	**(52,083,723)**	**5.12**	**4.53**	
Food & Personal Care Products											
Fauji Foods Limited		3,662,900		2,495,651	1,167,249	36,094,861	15,396,014	(20,698,847)	0.53	0.47	0.02
						36,094,861	**15,396,014**	**(20,698,847)**	**0.53**	**0.47**	
Cable and Electrical Goods											
Pak Elektron Limited	1,664,000	176,064	-	1,840,064	-	-	-	-	-	-	
Technology and Communication											
Systems Limited	810,474	-	31,385*	496,620	345,239	31,768,302	33,132,587	1,364,285	1.14	1.01	0.28
Automobile and Parts											
Thal Limited	103,150	8,000	-	23,900	87,250	41,203,284	31,764,235	(9,439,049)	1.09	0.96	0.06
Automobile Assemblers											
Agriauto Industries Limited		151,200	-		151,200	35,892,693	30,233,952	(5,658,741)	1.04	0.92	0.20
Millat Tractors Limited	2,753	-	-	2,753	-	-	-	-	-	-	
Pak Suzuki Motor Company Limited	-	-	-	-	-	-	-	-	-	-	
						35,892,693	30,233,952	(5,658,741)	1.04	0.92	
Engineering											
International Industries Limited	108,766	403,600	-	114,500	397,866	67,268,727	30,663,533	(36,605,194)	1.05	0.93	0.03
International Steels Limited	1,133,844	833,500	-	1,109,900	857,444	66,513,927	34,049,101	(32,464,826)	1.17	1.03	0.02
Amreli Steels Limited					-			-	-	-	-
Mughal Iron & Steel Industries Limited	624,600	78,700	-	703,300	-	-	-	-	-	-	-
						133,782,655	64,712,634	(69,070,020)	2.22	1.96	
Paper and Board											
Cherat Packaging Company Limited	107,400	448,000	49,080*	166,900	437,580	61,438,919	35,286,460	(26,152,459)	1.21	1.07	0.11
						61,438,919	35,286,460	(26,152,459)	1.21	1.07	
Total as at 30 June 2019						**3,584,040,236**	**2,912,440,149**	**(671,600,098)**	**100.00**	**88.43**	
Total cost as at 30 June 2019						**2,917,508,312**					
Total as at 30 June 2018						3,068,708,248	2,724,525,859	(344,182,385)	100.00	84.23	
Total cost as at 30 June 2018						2,917,508,312					

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

	2019	2018	**2019**	2018
	------(Number of shares)------		**--------(Rupees)--------**	
Engro Corporation Limited	**85,000**	85,000	**22,576,000**	26,678,100
Oil and Gas Development Company Limited	**70,000**	70,000	**9,204,300**	10,893,400
Pakistan Petroleum Limited	**330,000**	330,000	**47,661,900**	70,917,000
Lucky Cement Company Limited	**50,000**	50,000	**2,095,500**	25,396,500
	535,000	535,000	**81,537,700**	133,885,000

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 6,088 shares of The Searle Company Limited (2018: 5,294 shares), 3,173 shares of Pakistan State Oils Company Limited (2018: 2,644) and 1,111 shares of Mari Petroleum Limited (2018: 1,010 shares) had been withheld by CDC. Market value of these shares as at 30 June 2019 amounted to Rs. 2.55 millions (30 June 2018: 4.160 million) and are included in the Fun these financial statements.

	Note	**2019**	2018
		(Rupees)	
8. DIVIDEND AND OTHER RECEIVABLES			
- Dividend receivable		**156,555**	5,597,701
- Withoholding tax recoverable		**471,621**	2,074
		628,177	5,599,775
9. ADVANCES AND DEPOSITS			
Security deposits with:			
- National Clearing Company of Pakistan Limited		**2,550,000**	2,550,000
- Central Depository Company of Pakistan Limited		**100,000**	100,000
Advances against:			
- Pre - IPO Subscription		-	7,500,000
		2,650,000	10,150,000
10. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable to the Management Company	10.1	**5,600,325**	5,558,759
Sindh Sales Tax on Management Company's remuneration	10.2	**3,427,467**	3,422,065
Federal Excise Duty on Management Company's remuneration	10.3	**18,483,430**	18,483,430
Sales load payable to the Management Company		**6,894**	6,894
		27,518,116	27,471,148

10.1 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 2019. Remuneration is paid to the Management company in arrears on a monthly basis.

10.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2018: 13%) on Management Company's remuneration. Above liability includes Rs. 2,699,429 (2018: Rs. 2,699,429) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 10.3 below. Had the provision on FED not been made, Net Asset Value per unit of the Fund as at 30 June 2019 would have been higher by Re. 0.0747 (2018: Re. 0.0953) per unit. The amount is payable to the management company for onwards payment to the Government

10.3 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 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 up 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 June 2019 would have been higher by Re. 0.5111 (2018: Re. 0.6528) per unit.

The amount is payable to the management company, if any, for onwards payment to the Government.

10.4 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 have not been 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.

11 REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed as follows:

- Net assets up to 1 billion	Rs. 0.7 million or 0.20% per annum of the daily average net assets of the Fund, which ever is higher.
- Net assets exceeding Rs 1 billion	Rs 2 million plus 0.10% per annum of the daily average net assets of the Fund exceeding Rs 1 billion.

The remuneration is paid to the trustee in arrears on a monthly basis.

12 ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Company is required to pay SECP an amount at the rate of 0.095% per annum of the average daily net assets of the fund in accordance with the regulation 62 of the NBFC Regulation 2008.

	Note	2019	2018
		(Rupees)	
13. ACCRUED EXPENSES AND OTHER LIABILITIES			
Payable to Sindh workers' welfare fund	13.1	**38,096,893**	38,096,893
Capital gain tax payable		-	534,460
Brokerage payable		**987,392**	359,234
Auditors' remuneration		**176,818**	164,975
Fee payable to National Clearing Company of Pakistan Limited		**30,000**	40,000
Other liabilities		**20,000**	20,000
Fee payable to Central Depository Company of Pakistan Limited		**13,773**	17,400
Withholding tax payable		**493,529**	-
		39,818,405	39,232,962

13.1 Provision for Sindh Workers' Welfare Fund is being made on a daily basis 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 certain 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 the 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).

Total provision for SWWF till 30 June 2018 is Rs. 38.069 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2019 would have been higher by Re. 1.05 (2018: Re. 1.35) per unit.

13.2 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.

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 1 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.

Pursuant to above and on the recommendation of the MUFAP the entire provision of Rs. 19.867 million against WWF held by the CISs till 30 June 2015, had been reversed on 12 January 2017.

14. TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide its 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 year ended 30 June 2019 is 2.73% which includes 0.41% representing the government levies, (comprising of Sindh Workers Welfare Fund and SECP fee, etc.). As per the NBFC Regulation total expense ratio of the Equity Scheme shall be caped up to 4%.

15 CONTINGENCIES AND COMMITMENTS

The Fund had no contingency or commitment at the year end except as those mentioned elsewhere in these financial statements

16 NUMBER OF UNITS IN ISSUE

	Note	2019	2018
		(Number)	
Total outstanding as of 1 July		**28,314,022**	32,210,062
Issued during the year	16.1	**11,996,048**	8,309,763
Redemptions during the year	16.2	**(4,149,220)**	(12,205,803)
Total units in issue as of 30 June		**36,160,850**	28,314,022

16.1 Includes 6.3265 million (2018: 4.006 million) units on the conversion of units from the related funds.

16.2 Includes 3.0091 million (2018: 2.079 million) units on the conversion of units to the related funds.

17. AUDITORS' REMUNERATION

	Note	2019	2018
		(Rupees)	
Annual audit fee		**157,500**	157,500
Fee for the review of half yearly financial statements		**59,535**	52,500
Fee for the review of statement of compliance with the best practices of Code of Corporate Governance		-	-
Report on the statement of income and expenses		-	-
Out of pocket and sales tax expenses		**50,877**	45,361
		267,912	255,361

18. 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, 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. However, since the Fund has incurred loss during the year, no provision for taxation has been made.

19. 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, 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 also include entities having holding 10% or more in the units of the Fund as at 30 June 2019. It also includes staff retirement funds of the above related parties / connected persons.

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

19.1 Details of balance with related parties / connected persons at the year end

	Note	2019	2018
		(Rupees)	
Lakson Investments Limited - Management Company of the Fund			
Remuneration payable (including the Sindh Sales Tax and Federal Excise Duty amounting to Rs. 21.91 million (2018: Rs. 21.905 million)) *	19.1	**27,511,222**	27,464,254
Sales load payable		**6,894**	6,894
Central Depository Company of Pakistan Limited - Trustee of the Fund			
Remuneration payable (including Sindh Sales tax of Rs.45,653 (2018: 46,814))*	19.1	**405,763**	406,947
Security deposit		**100,000**	100,000
Settlement charges payable		**13,773**	40,000

19.2 Details of transaction with related parties / connected persons for the year end

	2019	2018
Lakson Investments Limited - Management Company of the Fund		
Remuneration for the year	**68,384,637**	70,182,848
Sindh sales tax on remuneration of Management Company *	**8,890,003**	9,123,770
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the year (including Sindh Sales Tax of Rs.574,500 (2018: Rs. 586,188))*	**4,993,732**	5,095,331
Settlement charges for the year	**212,978**	201,420

* Sales tax is paid / payable to the management company for onwards payment to the Government.

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

	Year ended June 30, 2019							
	Number of Units				Rupees			
	Number of units as at 01 July 2018	Units issued during the year	Units redeemed during the year	Number of holdings at the year ended 30 June 2019	Balance as at July 01, 2018	Units issued during the year	Units redeemed during the year	Balance at the year ended 30 June 2019 (Investment at current NAV)
Lakson Investments Limited - Management Company of the Fund	836,717	940	-	837,657	95,583,789	106,893	-	76,292,428
Directors, Chief Executive and their spouse and minors	7,784,965	194,964	369,027	7,610,903	889,328,746	18,438,622	39,831,625	693,188,870
Other key management personnel	13,108	76,468	592	88,984	1,497,457	8.228,927	66,474	8,104,483
Associated companies / undertakings of the Management Company								
Century Insurance Company Limited	2,793,706	-	968,156	1,825,550	319,143,754	-	100,000,000	166,268,140
Siza Service (Private) Limited	4,573,911	-	-	4,573,911	522,508,455	-	-	416,584,461
Premier Fashions (Private) Limited	2,459,304	-	-	2,459,304	280,942,808	-	-	223,989,502
Siza Private Limited	1,838,321	-	-	1,838,321	210,003,753	-	-	167,431,358
Century Insurance Company Limited Employees Contributory Provident Fund		29,774		29,774	-	2,321,821	1,707,892	2,711,792
Century Insurance Company Limited Employees Contributory Provident Fund	-	38,321		38,321	-	3,103,059	-	3,490,215
Colgate Palmolive Pakistan Limited Employees Contributory Provident Fund	-	387,239	-	387,239		16,818,121	-	35,269,099
Colgate Palmolive Pakistan Limited Employees Gratuity Fund	-	328,502	-	328,502		29,920,699	-	29,919,437
Siza Foods Private Limited Employees Contributory Provident Fund	10,067	43,107	-	53,174	1,149,973	4,233,807	-	4,843,004
Accuracy Surgical Limited Employees Contributory Provident Fund	14,006	22,435	-	36,441	1,599,999	2,103,652	-	3,318,966
Cyber Internet Services (Pvt.) Ltd. Employees Contributory Provident Fund	15,756	126,770	-	142,526	1,799,913	12,540,283	-	12,981,018
Gam Corporation Private Limited Employees Contributory Provident Fund	22,759	52,218	-	74,977	2,599,913	4,981,299	-	6,828,771
Lakson Business Solutions Limited Employees Contributory Provident Fund	1,263	-	-	1,263	144,281	-	-	115,032
Century Paper & Board Mills Limited Employees Contributory Provident Fund	140,057	257,454	-	397,511	15,999,649	24,400,000	-	36,204,694
Century Paper & Board Mills Limited Employees Gratuity Fund	60,400	238,406	-	298,806	6,899,897	23,357,984	-	27,214,783
Sybrid Private Limited Employees Contributory Provident Fund	-	32,396	-	32,396	-	1,291,428	-	2,950,601
Merit Packaging Limited Employees Contributory Provident Fund	23,635	35,704	-	59,339	2,699,984	3,368,751	-	5,404,484
Merit Packaging Limited Employees Gratuity Fund	9,454	14,844	-	24,298	1,079,994	1,431,666	-	2,213,023
Princeton Traveles Limited Employees Contributory Provident Fund	-	5,496	-	5,496		561,058	-	500,574
Siza Services Private Limited Employees Contributory Provident Fund	-	24,775	-	24,775	-	2,486,456	-	2,256,459
Hasanali Karabhai Foundation Employees Contributory Provident Fund	-	17,040	-	17,040	-	1,726,917	-	1,551,956
Sindh Province Pension Fund (Being more than 10% unit holding)	3,217,393	1,027,102.00	-	4,244,495	367,544,380	100,000,000	-	386,581,831

	Year ended June 30, 2018							
	Number of Units				Rupees			
	Number of units as at 01 July 2017	Units issued during the year	Units redeemed during the year	Number of holdings at the year ended 30 June 2018	Balance as at July 01, 2017	Units issued during the year	Units redeemed during the year	Balance at the year ended 30 June 2018 (Investment at current NAV)
Lakson Investments Limited - Management Company of the Fund	1,185,566	-	348,849	836,717	155,208,729		40,000,000	95,583,789
Directors, Chief Executive and their spouse and minors	12,490,259	10,276	4,715,570	7,784,965	1,635,166,004	1,260,000	550,000,000	889,328,746
Other key management personnel	15,500	822	3,214	13,108	2,029,187	100,000	397,167	1,497,457
Associated companies / undertakings of the Management Company								
- Century Insurance Company Limited	2,793,706	-	-	2,793,706	365,738,859	-	-	319,143,754
- Siza Service (Private) Limited	2,859,158	1,714,753	-	4,573,911	374,307,527	200,000,000	-	522,508,455
- Premier Fashions (Private) Limited	1,601,928	857,376	-	2,459,304	209,716,885	100,000,000	-	280,942,808
- Siza Private Limited	-	1,838,321	-	1,838,321	-	214,412,415	-	210,003,753
- Siza Foods Private Limited Employees Contributor	-	10,067	-	10,067	-	1,150,000	-	1,149,973
- Accuracy Surgical Limited Employees Contributory	-	14,006	-	14,006	-	1,600,000	-	1,599,999
- Cyber Internet Services (Pvt.) Ltd. Empl. CPFT	-	15,756	-	15,756	-	1,800,000	-	1,799,913
- Gam Corporation Private Limited Employees Contributory	-	22,759	-	22,759	-	2,600,000	-	2,599,913
- Lakson Business Solutions Limited Employees Contributory	-	1,263	-	1,263	-	144,246	-	144,281
- Century Paper & Board Mills Limited ECPFT	-	140,057	-	140,057	-	16,000,000	-	15,999,649
- Century Paper & Board Mills Limited EGF	-	60,400	-	60,400	-	6,900,000	-	6,899,897
- Merit Packaging Limited ECPFT	-	23,635	-	23,635	-	2,700,000	-	2,699,984
- Merit Packaging Limited EGF	-	9,454	-	9,454	-	1,080,000	-	1,079,994
- Sindh Province Pension Fund (Being more than 10% unit holding)	3,217,393	-	-	3,217,393	421,205,994			367,544,380

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

19.5 Purchase and redemption of the Fund's unit by related parties / connected persons are recorded at the applicable net asset value per unit. Dividend income are recorded at the rates and amount declared by the investee entities. Other transactions are at agreed rates.

20. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- credit risk (refer note 20.1)
- liquidity risk (refer note 20.2)
- market risk (refer note 20.3)
- operational risk (refer note 20.4)

Risk management framework

The Asset Management company's board of directors has overall responsibility for the establishment and oversight of the Fund's risk management framework.

Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily setup to be performed based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. The policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The audit committee oversees how management monitors compliance with the Fund's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Asset purchases and sales are determined by the Fund’s Investment Manager, who has been authorised to manage the distribution of the assets to achieve the Fund’s investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Committee. In instances where the portfolio has diverged from target asset allocations, the Fund’s Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

20.1 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balances, receivable against sale of marketable securities and security deposits and dividend receivable on securities

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations. Before making investment decisions, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

- Analysing of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.

- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.

- Cash is held only with reputable banks with high quality external credit enhancements.

- Investment transactions are carried out with a large number of brokers, whose credit worthiness is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.

Exposure to credit risk

The maximum exposure to credit risk as at 30 June 2019 was as follows:

	2019		2018	
	Balance as per the Statement of Asset and Liabilities	**Maximum Exposure**	Balance as per the Statement of Asset and Liabilities	Maximum Exposure
	----------------------------**(Rupees)**		----------------------------	
Bank balances (including profit due)	**479,665,000**	**479,665,000**	578,664,852	578,664,852
Investments	**2,912,440,149**	**-**	2,724,525,859	-
Dividend receivable	**156,555**	**156,555**	5,599,775	5,599,775
Deposits and Advances (Central Depository Company Of Pakistan and National Clearing Company Limited)	**2,650,000**	**2,650,000**	10,150,000	10,150,000
Receivable against sale of investments	**-**	**-**	18,765,382	18,765,382
	3,394,911,704	**482,471,555**	3,337,705,868	613,180,009

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investments in equity securities of Rs. 2,912,440,149 (2018: Rs. 2,724,525,859) do not carry credit risk.

Bank balances

The Fund's cash and cash equivalent at 30 June 2019 with banks had the following credit ratings:

Rating	**2019**	2018	**2019**	2018
	(Rupees)		**(%)**	
AAA	**237,405**	11,946,619	**0.05**	2.06
AA+	**52,070,344**	43,080,732	**10.86**	7.44
A+	**178,706,103**	-	**37.26**	0.00
AA	**19,865**	35,309	**0.00**	0.01
AA-	**246,542,161**	473,431,203	**51.40**	81.81
A	**2,064,520**	-	**0.43**	0.00
A-	**24,604**	50,170,990	**0.01**	8.67
Total balance including profit due	**479,665,000**	578,664,852	**100.00**	100.00

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affects the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	2019		2018	
	(Rupees)	**(%)**	(Rupees)	(%)
Commercial banks (including profit due)	479,665,000	99.32	578,664,852	94.37
National Clearing Company of Pakistan Limited	2,550,000	0.53	21,317,456	3.48
Central Depository Company of Pakistan- security deposit	100,000	0.02	100,000	0.02
Oil and Gas sector-Dividend Receivable	156,555	0.03	5,597,701	0.91
Other - Pre IPO Advance	-	0.00	7,500,000	1.22
	482,943,176	100.00	613,180,009	100.00

Past due and impaired assets and collaterals held

None of the financial assets of the Fund are past due or impaired as at 30 June 2019.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

20.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund aims to maintain the level of cash and cash equivalents and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six working days from the date of the redemption request.

In addition, the Fund is entitled to borrow, with prior approval of trustee, for meeting redemptions. No such borrowings were made during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment with in 90 days of such borrowings.

In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

Maturity analysis for financial liabilities

Following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

	2019	
	Contractual cash flows	
Non-derivative financial liabilities (excluding unit holders' fund)	**Carrying amount**	**Less than 3 month**
	----------- (Rupees) -----------	
Payable to the Management Company	**5,607,219**	5,607,219
Remuneration payable to the Trustee	**405,763**	405,763
Accrued expenses and other liabilities	**1,227,983**	1,227,983
Payable against purchase of investments	**30,917,039**	30,917,039
	38,158,004	38,158,004
Unit holders' fund	**3,293,475,731**	3,293,475,731

	2018	
	Contractual cash flows	
	Carrying amount	Less than 3 month
Non-derivative financial liabilities (excluding unit holders' fund)	----------- (Rupees) -----------	
Payable to the Management Company	5,565,653	5,565,653
Remuneration payable to the Trustee	406,947	406,947
Accrued expenses and other liabilities	601,609	601,609
Payable against purchase of investments	32,759,230	32,759,230
	39,333,439	39,333,439
Unit holders' fund	3,234,501,896	3,234,501,896

* excluding provision for workers' welfare fund, federal excise duty on Management Company's remuneration, annual fee payable to Securities and Exchange Commission of Pakistan and Sindh Sales Tax payable on Management Company's remuneration.

Above financial liabilities do not carry any mark-up.

20.3 Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risks

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to interest rate risk and equity price risk.

20.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Risk management procedures are the same as those mentioned in the credit risk management.

Exposure to interest rate risk

Interest rate profile of the Fund's interest-bearing financial instruments is as follows:

	2019	2018
	(Rupees)	
Variable-rate instrument		
Financial assets (bank balances)	**474,078,867**	574,373,515

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs. 4,740,789 (2018: Rs. 5,743,735). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Above bank balances are reprised by the bank after changes in the State Bank of Pakistan's policy rate and do not have any contractual maturity.

None of the other assets and Fund's liabilities are exposed to interest rate risk.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

		---------- June 30, 2019 ----------		
	Interest rate %	Exposed to interest rate risk	Not exposed to interest rate risk	Total
		No later than one year		
	Note	---------- Rupees ----------		
Financial assets				
Bank balances	6.1	**474,078,867**	**5,586,134**	**479,665,000**
Investments		**-**	**2,912,440,149**	**2,912,440,149**
Dividend receivable		**-**	**156,555**	**156,555**
Security deposit		**-**	**2,650,000**	**2,650,000**
Receivable against sale of investments		**-**	**-**	**-**
		474,078,867	**2,920,832,838**	**3,394,911,704**

		---------- June 30, 2018 ----------		
	Interest rate %	Exposed to interest rate risk	Not exposed to interest rate risk	Total
		No later than one year		
	Note	---------- Rupees ----------		
Financial assets				
Bank balances	6.1	574,373,515	4,291,337	578,664,852
Investments		-	2,724,525,859	2,724,525,859
Dividend and other receivable		-	5,599,775	5,599,775
Advances and deposits		-	10,150,000	10,150,000
Receivable against sale of investments		-	18,765,382	18,765,382
		574,373,515	2,763,332,353	3,337,705,868

20.3.2 Other market price risk

The Fund is exposed to equity price risk i.e. the risk of unfavourable changes in the fair value of equity securities as a result changes in the levels of Pakistan Stock Exchange Index and the value of individual shares, which arises from investments measured at fair value through income statement.

The management of the Fund monitors the proportion of equity securities in its investment portfolio based on market indices. The Fund's policy is to manage price risk through diversification and selection of securities within the specified limits set by internal risk management guidelines or the requirements of NBFC regulations. The Fund manages those risk by limiting exposure to any single investee company to the extent of 10% of the issued capital of that investee company and the net assets of the Fund with overall limit of 30% or index weight whichever is higher subject to maximum of 35% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations).

The Fund also manages its exposure to price risk by reviewing portfolio allocation as frequently as necessary and at least once a quarter from the aspect of allocation within industry and individual stock within that allocation. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. The primary goal of the Fund's investment strategy is to maximise investment returns.

Details of the Fund's investment in industrial / economic sector are given in note 7.1.

Sensitivity analysis - Equity price risk

All of the Fund's listed equity investments are listed on Pakistan Stock Exchange Limited. For such investments classified as at fair value through income statement the impact on income statement and unit holders' fund, due to a 5% increase or decrease in the fair values of the equity investments, would have been an increase or decrease of Rs. 145,622,007 (2018: Rs. 136,226,293).

20.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

20.5 Unit holder's fund risk management

The Fund's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to continue as a going concern so that it can continue to provide returns to its unit holders. Management monitors the return on capital as well as the level of dividends to unit holders and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

20.6 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).

- Unobservable inputs for the asset or liability (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		2019						
		Carrying amount				Fair Value		
On-balance sheet financial instruments		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Total
		---------- (Rupees) ----------						
Financial assets measured at fair value								
Listed equity securities	7	2,912,440,149	-	-	2,912,440,149	2,912,440,149	-	2,912,440,149
Financial assets not measured at fair value								
Bank balances - Held at amortised cost	6	-	474,086,706	-	474,086,706	-	-	-
Dividend receivable		-	156,555	-	156,555	-	-	-
Security deposit		-	2,650,000	-	2,650,000			
Receivable against sale of investment		-	-	-	-			
Return receivable on bank balances		-	5,578,294	-	5,578,294	-	-	-
investments		-	482,471,555	-	482,471,555	-	-	-
Financial liabilities not measured at fair value								
Payable to the Management Company	10	-	-	5,607,219	5,607,219	-	-	-
Remuneration payable to the Trustee	11	-	-	405,763	405,763	-	-	-
Accrued expenses and other liabilities				1,227,983	1,227,983			
Payable against purchase of investments		-	-	30,917,039	30,917,039	-	-	-
		-	-	38,158,004	38,158,004	-	-	-

On-balance sheet financial instruments		2018						
		Carrying amount				Fair Value		
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Total
		-- (Rupees) --						
Financial assets measured at fair value								
Listed equity securities	7	2,724,525,859	-	-	2,724,525,859	2,724,525,859	-	2,724,525,859
Financial assets not measured at fair value								
Bank balances - Held at amortised cost	6.1	-	574,381,423	-	574,381,423	-	-	-
Dividend and other receivable		-	5,599,775	-	5,599,775	-	-	-
Advance and deposit		-	10,150,000	-	10,150,000	-	-	-
Receivable against sale of investments		-	18,765,382	-	18,765,382	-	-	-
Return receivable on bank balances					4,283,429			
investments		-	613,180,009	-	608,896,580	-	-	-
Financial liabilities not measured at fair value								
Payable to the Management Company	10	-	-	5,565,653	5,565,653	-	-	-
Remuneration payable to the Trustee	11	-	-	406,947	406,947	-	-	-
Accrued expenses and other liabilities		-	-	601,609	601,609	-	-	-
Payable against purchase of investments		-	-	32,759,230	32,759,230	-	-	-
		-	-	39,333,439	39,333,439	-	-	-

20.6.1 The Fund has not disclosed the fair values for the financial assets and financial liabilities (other than investments), as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of their fair values.

21 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Dividend payable	Total
	------------------- (Rupees in '000) -------------------			
Opening balance as at 1 July 2018	-	-	-	-
Receivable against issuance of units	1,307,846,655	-	-	1,307,846,655
Payable against redemption of units	-	(449,480,863)	-	(449,480,863)
	1,307,846,655	(449,480,863)	-	858,365,792
Amount received on issuance of units	(1,307,846,655)	-	-	(1,307,846,655)
Amount paid on redemption of units	-	449,480,863	-	449,480,863
	(1,307,846,655)	449,480,863	-	(858,365,792)
Closing balance as at 30 June 2019	-	-	-	-

22 SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

22.1 Unit holding pattern of the Fund

Category	Number of Investors	Investment Amount	% of Total net assets
	June 30, 2019		
		(Rupees)	
Individual investor	**42**	**295,481,923**	**8.97**
Associated Companies and Directors	**31**	**1,839,112,305**	**55.84**
Banks and DFIs	**0**	**-**	**-**
NBFC's (Management Company)	**1**	**76,292,448**	**2.32**
Retirement Funds	**7**	**1,020,043,137**	**30.97**
Other Corporate investors	**7**	**62,545,918**	**1.90**
Total	**88**	**3,293,475,731**	**100.00**

Category	Number of Investors	Investment Amount	% of Total net assets
	June 30, 2018		
		(Rupees)	
Individual investor	44	25,669,600	0.79
Associated Companies and Directors	22	2,113,635,157	65.35
Banks and DFIs	0	-	-
NBFC's (Management Company)	1	135,435,134	4.19
Retirement Funds	6	763,062,969	23.59
Other Corporate investors	5	196,699,035	6.08
Total	78	3,234,501,896	100.00

22.2 List of top 10 brokers by percentage of commission paid

Name of Broker	Commission paid (Percentage %) 2019
Shajar Capital Limited	**14.57%**
Arif Habib Limited	**13.03%**
Foundation Securities	**12.52%**
Ismail Iqbal Securities (Private) Limited	**10.23%**
Inter Market Securities Limited	**9.47%**
Topline Securities Limited	**9.05%**
Alfalah Securities (Private) Limited	**8.22%**
Taurus Securities	**7.26%**
Elixir Securities Pakistan (Private) Limited	**6.03%**
Insight Securities (Private) Limited	**5.05%**

	2018
Inter Market Securities Limited	10.50%
Arif Habib Limited	10.46%
BMA Capital Management Limited	8.95%
Ismail Iqbal Securities (Private) Limited	8.15%
Topline Securities Limited	7.81%
Foundation Securities	7.43%
Alfalah Securities (Private) Limited	7.10%
Insight Securities (Private) Limited	6.39%
Taurus Securities	5.87%
Elixir Securities Pakistan (Private) Limited	5.74%

22.3 Particulars of the Investment Committee and Fund manager

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani (Chairman Investment Committee)
- Mr. Kashif Mustafa
- Mr. Mustafa O. Pasha (Chief Investment Officer)
- Mr. Shahbaz Ashraf
- Mr. Hassan Bin Nasir
- Mr. Junaid Arshad
- Mr. Uzair Nasir Rasheed

Mr. Babar Ali Lakhani - Chief Executive Officer

Mr. Lakhani has over nineteen years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges of Pakistan. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University.

Mr. Lakhani is a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young Presidents' Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative.

Mr. Kashif Mustafa – Executive Director and COO

Mr. Mustafa has more than twelve years of experience working in the financial markets of Pakistan with local & international brokerage houses, and leading Asset Management Companies. Mr. Mustafa's experience includes; Financial Analysis, Equity Research, Investment Advisory and Business Development.

Before Lakson Investments, Mr. Mustafa worked for Askari Investments and Crosby Securities Pakistan Limited as Vice President and Head of Sales & Business Development respectively. He frequently appears on the media and has been featured on Express, Business Plus, CNBC, GEO, PTV, Aaj TV, Sindh TV & KTN. Mr. Mustafa did his graduation in Mathematics and Masters in Economics.

Mr. Mustafa O. Pasha, CFA – Chief Investment Officer

Mr. Pasha has over eleven years of experience in the asset management and investment advisory industry. He did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and obtained his CFA charter in 2012.

At Lakson Investments he is responsible for driving out performance of all fixed income portfolios against their respective benchmarks by formulating the investment outlook and implementing strategy through asset allocation. As a member of the Investment Committee he is a key member of the team that develops and executes the investment strategy for both fixed income and equity portfolios.

He was previously associated with BMA where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised fixed income/money market investments across all mutual funds and institutional/HNW accounts advised by BMA. He is also managing:

Lakson Equity Fund
Lakson Islamic Tactical Fund

Mr. Muhammad Shahbaz Ashraf

Mr. Ashraf has approximately 11 years of experience, primarily in Research. Prior to joining Lakson Investments, he was associated with Askari Investment Management, Foundation Securities Ltd and Taurus Securities. Mr. Ashraf's last assignment was at Arif Habib Limited as Head of Research. He holds a Master's degree in Business Management and is a Chartered Financial Analyst.

Mr. Hassan Bin Nasir

Mr. Hassan Bin Nasir has over ten years of experience and currently holds positions of Vice President – Fixed Income in Lakson Investments Limited. He completed his Masters in Business Administration in Finance major from Bahria University, Pakistan. He has immense experience in managing portfolios across Collective Investment Schemes, Separate Managed Accounts with Strong Fixed Income background, investment strategy and trading experience in instruments including, Government Securities, Corporate Debt Securities, Banking Products and Shariah Compliant Corporate Debt Securities. He is managing the following funds:

- Lakson Income Fund
- Lakson Money Market Fund
- Lakson Asset Allocation Developed Market Fund

Mr. Junaid Arshad

Mr. Arshad an ACCA member, having over eleven years of experience in the asset management industry and currently holds the position of Manager Compliance. He possess sound Knowledge of financial management, tax regulations, financial procedures, and NBFC Rules & Regulations. He was actively involved in system development and implementation during his stay at different organizations. He was previously associated with JS Investments and Alfalah Investments as a finance professional.

Mr. Uzair Nasir Rasheed - Risk Management Professional

Mr Uzair Nasir has approximately 3 years of experience and is a risk management professional at Lakson Investments. His responsibility is to ensure Effective & sound management of the various risks in the Investment portfolio. Prior to joining Lakson he was associated with the National Bank of Pakistan as Team Leader, Business Risk Review (BRR). He is a member of ACCA (UK) and a finalist of both CFA & FRM programs.

22.4 Directors meeting attendance

2019

Name of directors	Meeting Attended	July 03, 2018	August 15, 2018	October 13, 2018	February 21, 2019	April 22, 2019
Mr. Iqbal Ali Lakhani	2	✓	✓	✗	✗	✗
Mr. Babar Ali Lakhani	5	✓	✓	✓	✓	✓
Mr. Mahomed J. Jaffer	3	✗	✓	✓	✓	N/A
Mr. Jacques John Vesser	4	✗	✓	✓	✓	✓
Mr. Daniel Scott Smaller	1	✗	✗	✗	✓	N/A
Mr. Zahid Zakiuddin	2	✗	✓	✓	✗	N/A
Mr. Amin Mohammed Lakhani	4	✓	✗	✓	✓	✓
Mr. Jamil Ahmed Mughal	5	✓	✓	✓	✓	✓
Ms. Gaite Ali	1	N/A	N/A	N/A	N/A	✓
Ms. Kathleen Kennedy Townsend	0	N/A	N/A	N/A	N/A	✗
Ms. Roxanne Davies	0	N/A	N/A	N/A	N/A	✗
		4	**6**	**6**	**6**	**5**

22.5 Rating of the Fund and the management company

Details of the ratings of the Fund and the management company are given in note 1.4.

23. GENERAL

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 03, 2019.

Performance Table	FY19	FY18	FY17	FY16	FY15	FY14
Net Assets - Beginning (PKR Mil.)	3,235	4,217	2,838	3,178	960	121
Net Assets - Ending (PKR Mil.)	3,293	3,235	4,217	2,838	3,178	960
Net Asset value per share	91.0784	114.2367	130.9153	114.3295	104.3209	105.4434
Selling Price for units	93.8108	117.6638	134.8428	117.7594	107.4506	108.6067
Repurchase Price for units	91.0784	114.2367	130.9153	114.3295	104.3209	105.4434
Highest Offer Price (PKR)	124.2959	135.3738	167.6648	121.8957	142.6266	157.9072
Lowest Offer Price (PKR)	92.9168	107.8971	117.7529	99.1471	103.3220	107.1618
Highest Redemption Price (PKR)	120.6756	131.4308	162.7813	118.3453	138.4724	153.3079
Lowest Redemption Price (PKR)	90.2104	104.7544	114.3232	96.2593	100.3126	104.0405
Beginning NAV - Ex-Div. (PKR)	114.2367	130.9153	114.3295	108.3722	105.9924	115.1534
Interim Distributions (PKR)	Nil	Nil	13.3237	1.0348	26.2618	46.2157
Final Distribution (PKR)	Nil	Nil	-	-	-	-
Ending NAV - Ex-Div. (PKR)	91.0784	114.2367	128.2755	112.3955	103.9399	104.2886
Return	-20.27%	-12.70%	26.40%	10.60%	23.93%	32.15%
Net Income / (loss) (PKR Mil.)	(799)	(523)	1,031	250	591	312
Income Distribution	Nil	Nil	391	25	509	298
Accumulated Capital Growth	(326)	473	996	356	131	49
Average Annual return of the Fund						
One Year	-20.27%	-12.74%	26.40%	10.57%	23.93%	32.15%
Two year	-30.43%	10.30%	19.87%	48.84%	31.89%	42.51%
Three year	-12.06%	21.99%	24.40%	27.02%	43.10%	34.32%
Since inception (November 13,2009)	192.83%	267.29%	42.04%	35.13%	35.71%	30.87%

Distributions	FY19	FY18	FY17	FY16	FY15	FY14
Interim Distribution	Nil	Nil	13.3237	1.0348	26.2618	46.2157
Final Distribution	Nil	Nil		-	-	-
NAV before Distribution	Nil	Nil	141.5992	113.4303	130.2017	150.5043
NAV after Distribution	Nil	Nil	128.2755	112.3955	103.9399	104.2886
Distribution Date	Nil	Nil	22-Jun-17	27-Jun-16	25-Jun-15	24-Jun-14

Disclaimer

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

During FY19

Summary of Actual Proxy voted by CIS:

	Resolutions	For	Against	Abstain*
Number	2	2	-	-
(%ages)		100%	-	-

Note: The proxy voting policy of the Lakson Equity Fund (LEF) is available on the website of Lakson Investments Limited, the Management Company. A detailed information regarding actual proxies voted by the Management Company in respect of the Lakson Equity Fund (LEF) is also available without charge upon request to all unit holders.

A Lakson Group Company

Lakson Investments Limited
Lakson Square, Building No. 2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan
T +92.21 3569.8000
F +92.21 3568.1653

Lakson Investments Limited
(Regulated by the DFSA as a Representative Office)
Level 15, Gate Building
DIFC, P.O. Box 507054
Dubai, U.A.E.
T +971.4 401.9284
F +971.4 401.9578