

LAKSON ASSET ALLOCATION DEVELOPED MARKETS FUND
Quarterly Report (30 September 2012)



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

CONTENTS

Fund's Information	1
Review Report of the Directors of the Management Company	2
Condensed Interim Statement of Assets and Liabilities	5
Condensed Interim Income Statement	6
Condensed Interim Statement of Comprehensive Income	7
Condensed Interim Distribution Statement	8
Condensed Interim Statement of Movement in Unit Holders' Fund	9
Condensed Interim Cash Flow Statement	10
Notes to and forming part of the Condensed Interim Financial Information	11

Fund's Information

Management Company

Lakson Investments Limited
Head Office
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phone: (9221) 3569.8000
Fax: (9221) 3568.1653
Web site: www.li.com.pk
E-mail: info@li.com.pk

Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. A. Aziz H. Ebrahim
Mr. Mahomed J. Jaffer
Mr. Sher Afgan Malik
Mr. Muhammad Abdul Qadir
Mr. Daniel Scott Smaller
Mr. Zahid Zakiuddin

Chief Financial Officer & Company Secretary of the Management Company

Mr. Amir Mobin

Audit Committee

Mr. Zahid Zakiuddin - Chairman
Mr. A. Aziz H. Ebrahim
Mr. Iqbal Ali Lakhani
Mr. Sher Afgan Malik

Human Resource and Remuneration Committee

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani
Mr. Daniel Scott Smaller

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B, S.M.C.H.S,
Main Shahra-e-Faisal,
Karachi, Pakistan.

Auditors

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block C,
Lakson Square, Building No. 1,
Sarwar Shaheed Road,
Karachi - 74200.

Bankers to the Fund

Allied Bank Limited
Barclays Bank PLC, Pakistan
Habib Metropolitan Bank Limited
Habib Bank AG Zurich

Legal Adviser

Fazleghani Advocates
F-72/1, Block 8, KDA-5,
Kehkashan, Clifton,
Karachi, Pakistan.

Registrar

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

Rating by PACRA

AM3+ : Management Company Quality Rating

Review Report of the Directors of the Management Company For the First Quarter Ended September 30, 2012

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Asset Allocation Developed Markets Fund ("LAADMF") is pleased to submit its review report together with Condensed Interim Financial Statements for the first quarter ended September 30, 2012.

Fund Objective

The investment objective of the Lakson Asset Allocation Developed Markets Fund is to provide long-term capital appreciation by investing in a mix of domestic debt and Developed Markets Securities.

Fund Profile

The LAADMF is an open end asset allocation scheme. The Scheme is managed using an active investment management style which focuses on an analysis of the macro factors such as government policies, global economic data, commodities prices and supply/demand dynamics. The Scheme switches exposure between the domestic Government Securities and the Developed Markets securities based on the outlook of the Investments Team of the performance of the Developed Markets. The Scheme may overweight or underweight countries relative to its benchmark for Developed Markets investments, the MSCI World Index. Exposure of the Scheme in the fixed income securities is managed through duration and yield curve management by shifting between different maturities of the Government Securities.

Fund performance

During the first quarter of FY13 the LAADMF has provided a return of 2.68% compared to the Benchmark (70% 6-month T-Bills + 30% MSCI World Index) return of 3.90%. As of September 30, 2012, the LAADMF is invested 69% in T-Bills, 6% in USD Deposits, 4% Cash and 21% in Developed Markets Equities through iShares MSCI Emerging World ETF. As of September 30, 2012 the LAADMF has PKR 342 million in assets under management.

Earning per Unit (EPU)

EPU has not been disclosed as we feel the determination of weighted average units for calculating EPU is not practicable for open end funds.

Economic Review

Pakistan continues to face tough economic challenges emanating from record low investment, depleting foreign exchange reserves, acute energy shortages and a poor law and order situation. The fiscal year 2012-13 ("FY13") started off with sluggish performance of the Large Scale Manufacturing ("LSM") sector, as it reported MoM decline of 1.4% and posted meager YoY growth of 0.6% in Jul '12. Major sectors that witnessed deterioration included Textiles, down 0.8% YoY, and Fertilizers, down 16.2% YoY. The energy sector which has the third highest weight of 5.5% in the index posted a decline of 4.0% YoY during Jul '12 as circular debt acutely hampered the operating capacity of the entire energy chain.

On the positive side, the headline Consumer Price Index ("CPI") based inflation slowed down to average 9.15% YoY during 1QFY13, providing the State Bank of Pakistan ("SBP") with the room to cut the benchmark discount rate by 150 bps to 10.5%. The central bank expects this rate cut to incentivize investment by the private sector as the private sector credit off-take stood at a dismal PKR 18 billion during FY12 vis-à-vis PKR 173 billion in FY11, recording a massive decline of 89% YoY.

During 2MFY13, the Current Account ("CA") posted a surplus of USD 919 million, compared to a deficit of USD 261 million recorded in the same period last year. The sizable improvement in the current account position was underpinned by a 2.35x YoY expansion in the incoming services account payments on the back of the recent reimbursement of USD 1.1 billion under the Coalition Support Fund. Inward remittances, too continued to post consistent improvement as they stood at USD 2.46 billion during 2MFY13, up 2% YoY when compared to the same period last year. On other hand, trade account balance continued to be weak while Foreign Direct Investment ("FDI") declined by another 67% YoY to USD 33 million during 2MFY12.

Foreign exchange reserves of the country settled at USD 14.8 billion as of September 21, 2012, declining by USD 443 million from the June 30, 2012 level of USD 15.28 billion. The decline was primarily attributed to the repayment of USD 395 million to the IMF during the quarter. However Pak Rupee managed to hold ground as it depreciated by a meager 0.3% during 1QFY13, after posting a hefty depreciation of 10.0% during FY12.

Money supply, as measured by M2, grew 0.5% during July 1, 2012 to September 7, 2012 to stand at PKR 7.64 trillion. The stock of net domestic government borrowing for budgetary support was up 5.1% or PKR 194 billion to reach PKR 3.99 trillion. Out of this, net government borrowing from the SBP (cash basis) stood at PKR 1.56 trillion as of September 7, 2012 (down by 8.4% during the period) while net government borrowing from scheduled banks mounted to PKR 2.43 trillion (up 16.1% during the period). This shows that the government has been benefitting from aggressive bank participation in the Treasury bills to retire part of its borrowing from the SBP. While positive from inflationary perspective, the increasing government borrowing from scheduled banks has been regarded as the main source of lower private sector credit offtake and consequent higher crowding out effect.

Fixed Income Market Review

Increasing government borrowing kept the money market tight, however the reduction in discount rate allowed overnight repo rates to average 10.51% during the 1QFY13 compared to an average of 11.22% witnessed during 4QFY12. The SBP supported the market liquidity through frequent Open Market Operations ("OMOs") which clocked in a weekly average of PKR 330 billion during the quarter under review. The SBP conducted six Treasury Bills ("T-bill") auctions during 1QFY13 and accepted PKR 1.9 trillion worth of bids, substantially exceeding its target of PKR 1.5 trillion and maturities of PKR 1.5 trillion.

The average yields for 3M, 6M and 12M T-bills, nevertheless adjusted downwards by 85 bps, 90 bps and 91 bps respectively on QoQ basis as they incorporated the impact of 150 bps decline in the discount rate during the quarter. Similarly, the benchmark 6-month KIBOR also declined by 81 bps QoQ to average 11.20% during 1QFY13 versus 4QFY12. Through three Pakistan Investment Bond ("PIB") auctions conducted during the 1QFY13 period, the government raised PKR 115 billion.

Despite the increase of 0.5% in the money supply, the banking sector reported a decline of PKR 127 billion in its deposits to PKR 6.3 trillion by the end of Aug '12.

Developed Markets Review

While global economic environment remained challenging, the MSCI World index rallied 6.1% during 1QFY13 on the back of aggressive incremental quantitative easing announced by various central banks. The Euro region stood out as the most notable outperformer as MSCI Europe edged up 8.1%, supported in part by the recovery in Euro (against the US Dollar). US equities, which account for roughly half of the MSCI World, rose 5.8% during the quarter under review. Japan stood out as the key underperformer as its benchmark index (Nikkei 225) declined 1.5% during 1QFY13.

In an effort to counter slowing growth and contain unemployment, the US Federal Reserve announced the initiation of another round of quantitative easing (commonly referred to as QE-3) whereby it will expand its holding of long-term securities with open-ended purchases of USD 40 billion of mortgage debt a month. While most global analysts had already predicted the move, it was the open-ended nature of the program that positively surprised the markets. The Fed also extended its commitment of holding federal funds rate near zero till at least mid 2015, compared to earlier guidance of late 2014.

Economic growth in the UK also fell below government targets, as a result of which the Bank of England raised its asset-purchase target by GBP 50 billion (USD 78 billion) to GBP 375 billion. Similarly, the Eurozone continued to post economic deterioration as unemployment rate in the 17 countries block rose to an all time high of 11.2%. The European Central Bank ("ECB") thus cut its key interest rate by 25 bps to a record low of 0.75% and brought its overnight deposit rate to zero in order to encourage banks to invest their money in the economy rather than stash it with the ECB. Later on, the ECB also announced an unlimited bond-purchase program to regain control of interest rates in the Euro area and fight speculation of a currency breakup.

Finally, Bank of Japan increased its asset purchase program twice during 1QFY13, by a cumulative JPY 15 trillion to JPY 55 trillion (USD 126 billion) to counter an increasing danger of contraction.

Future Outlook

As per Economist Intelligence Unit ("EIU"), a range of factors have recently conspired to render Pakistan's external position increasingly precarious in the short term. They believe that the country is likely to seek financial assistance from the IMF within the next 12-18 months to avert a balance-of-payments crisis. The energy crisis in the country has become significant and continues to dampen economic growth. Moreover, the approaching general elections and a potential change of guard are adding to overall uncertainty regarding economic policy. In the absence of foreign inflows, external account is expected to come under pressure once the significant IMF debt repayment starts in 2HFY13.

On the positive side, the SBP has cut the discount rate by a cumulative 350 bps since the beginning of FY12. With the market expectations converging on another rate cut in October, the ongoing monetary easing appears to be a major upside risk to the EIU and IMF economic forecasts. Continued decline in interest rates will not only ease fiscal deficit but should also go a long way in reviving investment and economic activity in the country.

For global economy, the approaching fiscal cliff in the US is being termed as the biggest near term threat. This refers to the large predicted reduction in budget deficit and the end to tax incentives as specific Bush-era laws expire by Dec '12. Thus while most global economic pundits expect the US government to avert the fiscal cliff, unforeseen political hurdles are projected to tip the US and the world back into recession in 2013.

Acknowledgment

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

For and on Behalf of the Board

Babar Ali Lakhani
Chief Executive Officer

Dated: October 19, 2012

**Condensed Interim Statement of Assets and Liabilities
As at September 30, 2012**

	Note	30 September 2012 (Unaudited)	30 June 2012 (Audited)
		(Rupees)	
ASSETS			
Bank balances	6	35,305,692	59,236,658
Investments	7	308,834,283	271,498,821
Mark-up receivable		82,029	80,152
Prepayment		22,438	-
Deferred formation cost		2,031,196	2,158,342
Total assets		<u>346,275,638</u>	<u>332,973,973</u>
LIABILITIES			
Payable to the Management Company		3,168,457	3,146,109
Payable to the Trustee		55,457	53,530
Annual fee payable to the Securities and Exchange Commission of Pakistan		79,790	217,866
Accrued expenses and other liabilities	8	936,282	650,390
Total liabilities		<u>4,239,986</u>	<u>4,067,895</u>
NET ASSETS		<u>342,035,652</u>	<u>328,906,078</u>
UNITHOLDERS' FUND (as per statement of movement in Unit holders' Fund)		<u>342,035,652</u>	<u>328,906,078</u>

CONTINGENCIES AND COMMITMENTS

(Number of units)

Number of units in issue	<u>3,313,993</u>	<u>3,090,618</u>
--------------------------	------------------	------------------

(Rupees)

Net assets value per unit	<u>103.2095</u>	<u>106.4208</u>
---------------------------	-----------------	-----------------

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Condensed Interim Income Statement (Unaudited)
For the Quarter Ended September 30, 2012**

	(Rupees)
INCOME	
Mark-up income	6,610,831
Capital gain on sale of investments - net	774,710
Dividend income	358,406
Exchange gain on foreign currency deposits	69,291
Unrealised appreciation in the fair value of investments classified as 'held for trading' - net	3,721,794
	<u>11,535,032</u>
EXPENSES	
Remuneration of the Management Company	1,948,547
Remuneration of the Trustee	167,978
Annual fee to the Securities and Exchange Commission of Pakistan	79,790
Custody charges	29,993
Auditors' remuneration	65,516
Fees and subscription	7,561
Printing charges	15,123
Brokerage, settlement and bank charges	79,743
Amortisation of deferred formation cost	127,147
Workers' Welfare Fund	185,184
	<u>2,706,582</u>
Net income from operating activities	8,828,450
Element of income and capital gains included in the prices of units issued less those in units redeemed - net	245,582
Net income for the period	<u><u>9,074,032</u></u>

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Director

**Condensed Interim Statement of Comprehensive Income (Unaudited)
For the Quarter Ended September 30, 2012**

	(Rupees)
Net income for the period	9,074,032
Other comprehensive income	-
Total comprehensive income for the period	<u>9,074,032</u>

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Director

**Condensed Interim Distribution Statement (Unaudited)
For the Quarter Ended September 30, 2012**

	(Rupees)
Undistributed income at the beginning of the year - realised	19,244,105
Undistributed income at the beginning of the year - unrealised	600,139
Undistributed income at the beginning of the year	<u>19,844,244</u>
Less: Final distribution as issue of bonus units at the rate of Rs 5.9153 per unit approved on July 04, 2012	<u>(18,281,935)</u> 1,562,309
Total comprehensive income for the year	9,074,032
Undistributed income at the end of the year	<u>10,636,341</u>
Undistributed income at the end of the year - realised	6,914,547
Undistributed income at the end of the year - unrealised	3,721,794
Undistributed income at the end of the year	<u>10,636,341</u>

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Director

**Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited)
For the Quarter Ended September 30, 2012**

	(Rupees)
Net assets value per unit at the beginning of the period	328,906,078
Cash received on issue of 48,367 units	5,000,000
Cash paid on redemption of 6,892 units	(698,876)
	4,301,124
Element of income and capital gains included in the prices of units issued less those in units redeemed - net	(245,582)
Less: Final distribution as issue of bonus units at the rate of Rs 5.9153 per unit approved on July 04, 2012	(18,281,935)
Issue of 181,900 bonus units as final distribution	18,281,935
Total comprehensive income for the period	9,074,032
Net assets at the end of the period	<u>342,035,652</u>
Net assets value per unit at the beginning of the period	<u>106.4208</u>
Net assets value per unit at the end of the period	<u>103.2095</u>

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Director

**Condensed Interim Cash Flow Statement (Unaudited)
For the Quarter Ended September 30, 2012**

(Rupees)

CASH FLOW FROM OPERATING ACTIVITIES

Net income for the period **9,074,032**

Adjustments for non-cash charges and other items:

Capital gain on sale of investments - net **(774,710)**

Amortisation of deferred formation cost **127,147**

Unrealised diminution in the fair value of investments
classified as 'held for trading' - net **(3,721,794)**

Element of income and capital gains included in the prices
of units issued less those in units redeemed - net **(245,582)**

4,459,093

Increase in assets

Investments - net **(32,838,959)**

Mark-up receivable **(1,877)**

Prepayment **(22,438)**

(32,863,274)

Increase in liabilities

Payable to the Management Company **22,348**

Payable to the Trustee **1,927**

Annual fee payable to the Securities and
Exchange Commission of Pakistan **(138,076)**

Accrued expenses and other liabilities **285,892**

172,091

Net cash used in operating activities **(28,232,090)**

CASH FLOW FROM FINANCING ACTIVITIES

Cash received from issue of units **5,000,000**

Cash paid on redemption of units **(698,876)**

Net cash generated from financing activities **4,301,124**

Net increase in cash and cash equivalent during the period **(23,930,966)**

Cash and cash equivalent at the beginning of the period **59,236,658**

Cash and cash equivalent at the end of the period **35,305,692**

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Director

**Notes to and Forming Part of the Condensed Interim
Financial Information (Unaudited)
For the Quarter Ended September 30, 2012**

1. LEGAL STATUS AND NATURE OF BUSINESS

Lakson Asset Allocation Developed Markets Fund (the "Fund") was established under Trust Deed executed on May 30, 2011 between Lakson Investments Limited as its Management Company and Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a notified entity on July 7, 2011 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulation). The Management Company of the Fund has been licensed by SECP as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund has commenced its operations on October 11, 2011. The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore.

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

The Fund is authorized to invest in government securities, deposits and foreign currency deposits with local or foreign banks etc. in Pakistan. Further, as allowed by SECP and SBP, the Fund can invest up to 30% of the net assets outside Pakistan subject to a maximum limit of USD 15 million. The investments authorized outside Pakistan include exchange traded funds based on equities/debt with exposure in the developed markets, index tracker funds tracking different developed markets, actively managed developed markets funds, equities and debt securities of companies with exposure in developed markets, foreign currency deposits etc.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information has been presented in condensed form in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the period ended 30 June 2012.

This condensed interim financial information comprise of condensed interim statement of assets and liabilities as at 30 September 2012 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holder's fund, and notes thereto, for the quarter ended 30 September 2012.

This unaudited condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest rupees.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended 30 June 2012.

4. ACCOUNTING ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to financial statements as at and for the period ended 30 June 2012.

5. FINANCIAL RISK MANAGEMENT

The Fund financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the period ended 30 June 2012.

		30 September 2012 (Unaudited)	30 June 2012 (Audited)
	Note	(Rupees)	
6. BANK BALANCES			
In local currency			
In profit and loss sharing accounts	6.1	13,488,484	9,764,031
In foreign currency			
In current account	6.2	21,817,208	49,472,627
		<u>35,305,692</u>	<u>59,236,658</u>
6.1	These carry mark-up rates ranging from 6.00% to 9.00% (30 June 2012: 6.00% to 10.25%) per annum.		
6.2	This represents USD denominated current account maintained in foreign country.		
7. INVESTMENTS - financial assets at fair value through profit or loss - held for trading			
In local currency			
Government securities	7.1	237,674,908	222,419,575
In foreign currency			
Exchange traded fund	7.2	71,159,375	49,079,246
		<u>308,834,283</u>	<u>271,498,821</u>

7.1 Government securities

	Number of treasury bills				Balance as at September 30, 2012			Market value as a percentage of netassets of the Fund	Market value as a percentage of total investments
	Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at the end of the period	Cost	Market value	Unrealized diminution		
Treasury Bills - 3 months (face value of Rs. 100,000 each)	2,250	4,200	6,450	-	-	-	-	0.00%	0.00%
Treasury Bills - 6 months (face value of Rs. 100,000 each) 6.1.1	-	3,480	1,000	2,480	237,439,457	237,674,908	235,451	69.49%	76.96%
Treasury Bills - 12 months (face value of Rs. 100,000 each)	-	1,000	1,000	-	-	-	-	0.00%	0.00%
Total				September 30, 2012:	237,439,457	237,674,908	235,451	69.49%	76.96%
				June 30, 2012:	222,446,129	222,419,575	(26,554)	67.62%	81.92%

7.1.1 These represent 6 months Government Treasury bills carrying a fixed mark-up rate ranging from 11.8742% to 11.9201 per annum and will mature between March 07, 2013 to March 21, 2013. The face value of Treasury Bills held as at September 30, 2012 amounted to Rs. 248 million.

7.2 Exchange traded fund: Foreign investment

	Number of treasury bills				Balance as at September 30, 2012			Market value as a percentage of netassets of the Fund	Market value as a percentage of total investments
	Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at the end of the period	Cost	Market value	Unrealized diminution		
Ishares MSCI World Plc	19,805	7,310	-	27,115	67,673,032	71,159,375	3,486,343	20.80%	23.04%
				June 30, 2012:	48,452,553	49,079,246	626,693	14.92%	18.08%
Total Investments				September 30, 2012:	305,112,489	308,834,283	3,721,794	90.29%	100.00%
				June 30, 2012:	270,898,682	271,498,821	600,139	82.54%	100.00%

30 September 2012 (Unaudited) **30 June 2012 (Audited)**
(Rupees)

8. ACCRUED AND OTHER LIABILITIES

Auditors' remuneration		265,516	200,000
Custody fee payable		35,474	15,405
Workers' Welfare Fund	8.1	590,169	404,985
Others		45,123	30,000
		936,282	650,390

8.1 Workers' Welfare Fund

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

After June 30, 2010 a clarification was issued by the Ministry of Labour and Manpower (the

Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) vide its letter dated October 06, 2010 to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. However, the FBR vide its letter dated January 04, 2011 has cancelled its earlier letter dated October 06, 2010 ab initio and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

After June 30, 2011 the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the High Court of Sindh.

In view of above stated facts and considering the vagaries of litigation, the Management Company as a matter of abundant caution has decided to make the provision for WWF amounting to Rs. 0.590 million upto September 30, 2012. If the same had not been so recorded, the net assets value per unit of the Fund would have been higher by Re 0.18.

9. TAXATION

The Fund's income is exempt from Income Tax as per Clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the year end by this Fund to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, no provision has been made in this condensed interim financial information.

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, Habib Bank AG Zurich being the Custodian, SIZA Services (Private) Limited being the holding company of the Management Company, associated companies of the Management Company, key management personnel, other funds being managed by the Management Company and entities having holding more than 10% in the units of the Funds as at September 30, 2012.

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

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

	30 September 2012 (Unaudited)	30 June 2012 (Audited)
	(Rupees)	
10.1 Balance as at period end		
Lakson Investments Limited - Management Company		
Remuneration payable	<u>643,298</u>	<u>620,950</u>
Sales load payable	<u>2,959</u>	<u>2,959</u>
Preliminary and formation cost payable	<u>2,522,200</u>	<u>2,522,200</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	<u>55,457</u>	<u>53,530</u>
Habib Bank AG Zurich - Custodian		
Bank deposits	<u>21,817,208</u>	<u>49,472,627</u>
Custody fee payable	<u>35,474</u>	<u>15,405</u>
Directors of the Management Company Babar Ali Lakhani		
Units held as at the period ended 3,206 (30 June 2012: 6,056) units	<u>330,907</u>	<u>644,475</u>
*Represents 3,206 (30 June 2012: 6,056) units held by minor son Mr. Hassan Ali Lakhani.		
Associated companies / undertakings of the Management Company		
SIZA (Private) Limited		
Units held as at the period ended 1,421,873 (30 June 2012: 1,342,839) units	<u>146,750,790</u>	<u>142,906,046</u>
Lakson Business Solutions Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 4,131 (30 June 2012: 3,901) units	<u>426,342</u>	<u>415,172</u>
Princeton Travels (Private) Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 4,237 (30 June 2012: 4,001) units	<u>437,274</u>	<u>425,817</u>
Lakson Investments Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 2,224 (30 June 2012: 2,101) units	<u>229,569</u>	<u>223,554</u>
Tritex Cotton Mills Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 2,860 (30 June 2012: 2,701) units	<u>295,160</u>	<u>287,427</u>

	30 September 2012 (Unaudited)	30 June 2012 (Audited)
	(Rupees)	
Tetley Clover (Private) Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 7,414 (30 June 2012: 7,002) units	<u>765,229</u>	<u>745,180</u>
Clover (Pakistan) Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 16,947 (30 June 2012: 16,005) units	<u>1,749,094</u>	<u>1,703,269</u>
Clover (Pakistan) Limited - Employees Gratuity Fund		
Units held as at the period ended 9,003 (30 June 2012: 8,503) units	<u>929,206</u>	<u>904,862</u>
Century Insurance Company Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 12,710 (30 June 2012: 12,004) units	<u>1,311,821</u>	<u>1,277,452</u>
GAM Corporation (Private) Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 33,894 (30 June 2012: 32,010) units	<u>3,498,188</u>	<u>3,406,539</u>
SIZA Foods (Private) Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 20,125 (30 June 2012: 19,006) units	<u>2,077,049</u>	<u>2,022,632</u>
Hassanali Karabhai Foundation - Employees Contributory Provident Fund Trust		
Units held as at the period ended 6,355 (30 June 2012: 6,002) units	<u>655,910</u>	<u>638,726</u>
Colgate Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 229,844 (30 June 2012: 217,068) units	<u>23,722,088</u>	<u>23,100,590</u>
Colgate Palmolive (Pakistan) Limited - Employees Gratuity Fund		
Units held as at the period ended 86,854 (30 June 2012: 82,026) units	<u>8,964,107</u>	<u>8,729,255</u>
SIZA Services (Private) Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 9,533 (30 June 2012: 9,003) units	<u>983,865</u>	<u>958,089</u>

	30 September 2012 (Unaudited)	30 June 2012 (Audited)
	(Rupees)	
Cyber Internet Services Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 46,604 (30 June 2012: 44,014) units	<u>4,810,009</u>	<u>4,683,991</u>
Sybird (Private) Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 14,829 (30 June 2012: 14,004) units	<u>1,530,457</u>	<u>1,490,361</u>
Accuray Surgicals Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 37,072 (30 June 2012: 35,011) units	<u>3,826,143</u>	<u>3,725,902</u>
Merit Packaging Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 48,723 (30 June 2012: 46,014) units	<u>5,028,645</u>	<u>4,896,899</u>
Merit Packaging Limited - Employees Gratuity Fund		
Units held as at the period ended 19,065 (30 June 2012: 18,006) units	<u>1,967,731</u>	<u>1,916,178</u>
Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust		
Units held as at the period ended 179,003 (30 June 2012: 169,053) units	<u>18,474,806</u>	<u>17,990,782</u>
Century Paper & Board Mills Limited - Employees Gratuity Fund		
Units held as at the period ended 96,386 (30 June 2012: 91,029) units	<u>9,947,972</u>	<u>9,687,344</u>
Century Insurance Company Limited		
Units held as at the period ended 370,716 (30 June 2012: 350,110) units	<u>38,261,432</u>	<u>37,259,015</u>
Others		
Connected Person due to holding more than 10% outstanding units		
Bank deposits	<u>13,453,489</u>	<u>9,739,796</u>
Profit receivable	<u>82,029</u>	<u>80,152</u>
Units held as at the period ended 529,147 (30 June 2012: 499,735) units	<u>54,612,973</u>	<u>53,182,198</u>

	Quarter ended September 30, 2012
10.2 Transactions during the period	
Lakson Investments Limited - Management Company	
Remuneration during the period	<u>1,948,547</u>
Central Depository Company of Pakistan Limited - Trustee	
Remuneration during the period	<u>167,978</u>
Habib Bank AG Zurich - Custodian	
Brokerage and settlement charges	<u>65,410</u>
Custody charges	<u>29,993</u>
Bank charges	<u>12,311</u>
Directors of the Management Company	
Babar Ali Lakhani	
Issue of bonus units: 356 units	<u>35,823</u>
Redemption of units - 3,206 units	<u>327,798</u>
Associated companies / undertakings of the Management Company	
SIZA (Private) Limited	
Issue of bonus units: 79,033 units	<u>7,943,298</u>
Lakson Business Solutions Limited - Employees Contributory Provident Fund Trust	
Issue of bonus units: 230 units	<u>23,077</u>
Princeton Travels (Private) Limited - Employees Contributory Provident Fund Trust	
Issue of bonus units: 235 units	<u>23,669</u>
Lakson Investments Limited - Employees Contributory Provident Fund Trust	
Issue of bonus units: 124 units	<u>12,426</u>
Tritex Cotton Mills Limited - Employees Contributory Provident Fund Trust	
Issue of bonus units: 159 units	<u>15,976</u>
Tetley Clover (Private) Limited - Employees Contributory Provident Fund Trust	
Issue of bonus units: 412 units	<u>41,420</u>
Clover (Pakistan) Limited - Employees Contributory Provident Fund Trust	
Issue of bonus units: 942 units	<u>94,675</u>
Clover (Pakistan) Limited - Employees Gratuity Fund	
Issue of bonus units: 500 units	<u>50,296</u>

	Quarter ended September 30, 2012
Century Insurance Company Limited - Employees Contributory Provident Fund Trust Issue of bonus units: 706 units	<u><u>71,006</u></u>
GAM Corporation (Private) Limited - Employees Contributory Provident Fund Trust Issue of bonus units: 1,884 units	<u><u>189,349</u></u>
SIZA Foods (Private) Limited - Employees Contributory Provident Fund Trust Issue of bonus units: 1,119 units	<u><u>112,426</u></u>
Hassanali Karabhai Foundation - Employees Contributory Provident Fund Trust Issue of bonus units: 353 units	<u><u>35,503</u></u>
Colgate Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust Issue of bonus units: 12,776 units	<u><u>1,284,025</u></u>
Colgate Palmolive (Pakistan) Limited - Employees Gratuity Fund Issue of bonus units: 4,828 units	<u><u>485,207</u></u>
SIZA Services (Private) Limited - Employees Contributory Provident Fund Trust Issue of bonus units: 530 units	<u><u>53,254</u></u>
Cyber Internet Services Limited - Employees Contributory Provident Fund Trust Issue of bonus units: 2,590 units	<u><u>260,355</u></u>
Sybrid (Private) Limited - Employees Contributory Provident Fund Trust Issue of bonus units: 824 units	<u><u>82,840</u></u>
Accuray Surgicals Limited - Employees Contributory Provident Fund Trust Issue of bonus units: 2,061 units	<u><u>207,101</u></u>
Merit Packaging Limited - Employees Contributory Provident Fund Trust Issue of bonus units: 2,708 units	<u><u>272,190</u></u>
Merit Packaging Limited - Employees Gratuity Fund Issue of bonus units: 1,060 units	<u><u>106,509</u></u>

	Quarter ended September 30, 2012
Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust	
Issue of bonus units: 9,950 units	<u><u>1,000,001</u></u>
Century Paper & Board Mills Limited - Employees Gratuity Fund	
Issue of bonus units: 5,358 units	<u><u>538,462</u></u>
Century Insurance Company Limited	
Issue of bonus units: 20,606 units	<u><u>2,071,007</u></u>
Others	
Connected Person due to holding more than 10% outstanding units	
Profit on bank deposits	<u><u>352,079</u></u>
Bank charges	<u><u>1,400</u></u>
Issue of bonus units: 29,412 units	<u><u>2,956,080</u></u>

11. GENERAL

This condensed interim financial information was authorized for issue on October 19, 2012 by the Board of Directors of the Management Company.

Since the Fund has commenced its operations on October 11, 2011, comparative figures are not available for this condensed interim financial information.

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

Chief Executive Officer

Director



A Lakson Group Company

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

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