

LAKSON EQUITY FUND

Quarterly Report (30 September 2012)



LAKSON INVESTMENTS

WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN

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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 Shakra-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
Askari Bank Limited
Bank Al-Falah Limited
Deutsche Bank AG
Faysal Bank Limited
Habib Metropolitan Bank Limited
Soneri Bank Limited
United Bank Limited

Legal Adviser

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

Registrar

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

Distributors

Adam Securities (Pvt.) Limited
Alfalah Securities (Pvt.) Limited
Burj Capital Limited
Cyan Limited
Elixir Securities (Pvt.) Limited
Pearl Securities (Pvt.) Limited
Vector Capital (Pvt.) Limited

Rating by PACRA

2 Star (Normal) : Fund Performance Ranking
AM3+ : Management Company Quality Rating

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

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

Fund Objective

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

Fund Profile

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

Fund performance

During the first quarter the assets under management of the LEF increased by 8.9% to PKR 159 million. The LEF posted an absolute return of 9.14% in the first quarter compared to the KSE-30 Index return of 9.29% and KSE-100 Index return of 11.91%. The LEF underperformed the KSE-30 Index by 15bps and the KSE-100 Index by 2.77%. As of September 30, 2012, the LEF is invested 88% in equities.

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 '13 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.

Equity Market Review

Pakistan equities continued their momentum from last fiscal year as investors cherished the robust growth in corporate profitability, consistent ease in inflation and surprise cut in policy discount rate. The benchmark KSE100 rallied 11.9% during 1QFY13, taking the index close to its all-time high level, last seen in Apr '08. Foreign investors also continued to be net buyers in the market as net foreign portfolio investment was recorded at USD 93 million during the quarter. Average daily traded volumes however dropped 34% QoQ to stand at 140 million shares during 1QFY13 due to the seasonal slowdown in trading activity during Ramadan.

Telecommunication, Cement, Electricity and Oil & Gas sectors stood out as the notable outperformers. Interest in telecom sector was seen on the back of establishment of International Clearing House ("ICH") which is projected to augment revenues for fixed-line segment while rally in cement companies was supported by higher retention prices, lower coal prices and decline in interest rates. On the other hand, momentum in the energy chain companies continued on the back of robust corporate profitability, higher dividend payouts, depreciation in Pak Rupee and strong international oil prices.

The key underperformers for the quarter remained Commercial Banks and Fertilizer sectors. The former lost ground as ongoing monetary easing has started to hurt banking spreads which dipped below 7% for the first time since Jun '08. Fertilizer sector, on the other hand, remained out of favor due to higher gas load shedding and unprecedented government subsidy on imported urea.

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 Pakistan equities, the decline in interest rates is projected to further propel the corporate earnings which have been showing consistent double-digit growth over the last three years. This disconnect between the country's headline economic numbers and corporate profitability has already allowed KSE100 to stand near its all-time high, last seen in Apr '08. However given the underlying growth in earnings, the equity valuations today are far more attractive when compared

to 2008 levels, thereby keeping the room open for Pakistan equities to maintain their position as the best performing market in the global arena.

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

Dated: October 19, 2012

Babar Ali Lakhani
Chief Executive Officer

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

Assets	Note	30 September 2012 (Unaudited) (Rupees)	30 June 2012 (Audited)
Bank balances	6	14,668,775	33,980,089
Investments	7	140,875,809	111,611,150
Dividend and mark-up receivables		1,152,131	347,074
Receivable against sale of investments		1,051,350	-
Security deposits and prepayments		2,664,959	2,650,000
Deferred formation cost		572,547	640,601
Total assets		<u>160,985,571</u>	<u>149,228,914</u>
Liabilities			
Payable to the Management Company		460,941	415,037
Payable to the Trustee		58,352	58,680
Annual fee payable to Securities and Exchange Commission of Pakistan		37,308	136,716
Payable against purchase of investments		-	1,869,014
Accrued expenses and other liabilities	8	1,371,733	1,028,895
Total liabilities		<u>1,928,334</u>	<u>3,508,342</u>
Net assets		<u>159,057,237</u>	<u>145,720,572</u>
Unit holders' funds		<u>159,057,237</u>	<u>145,720,572</u>
		(Number)	
Number of units in issue		<u>1,442,466</u>	<u>1,299,300</u>
		(Rupees)	
Net assets value per unit		<u>110.2675</u>	<u>112.1531</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

	Note	2012	2011
Income		(Rupees)	
Capital gain on sale of investments - net		3,832,295	3,411
Dividend income		1,643,150	1,847,172
Mark-up income		464,904	356,067
		5,940,349	2,206,650
Unrealised appreciation / (diminution) in the fair value of investments classified as 'held for trading' - net	7.1	9,621,910	(1,326,049)
		15,562,259	880,601
Expenses			
Remuneration of the Management Company		1,366,634	1,241,418
Remuneration of the Trustee		176,439	175,956
Annual fee to Securities and Exchange Commission of Pakistan		37,308	33,889
Brokerage, settlement and bank charges		211,393	124,224
Amortisation of deferred formation cost		68,054	67,868
Auditors' remuneration		60,493	56,557
Fees and subscription		30,246	30,163
Printing charges		15,123	15,082
Workers' Welfare Fund	8.1	274,904	2,707
		2,240,594	1,747,864
Net income / (loss) from operating activities		13,321,665	(867,263)
Element of income and capital gains in prices of units sold less those in units redeemed - net		148,623	999,929
Net Income for the period		13,470,288	132,666

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**

	2012	2011
	(Rupees)	
Net income for the period	13,470,288	132,666
Other comprehensive income	-	-
Total comprehensive income for the period	<u>13,470,288</u>	<u>132,666</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

	2012	2011
	(Rupees)	
Undistributed income at the beginning of the period - realised	15,210,747	18,537,681
Undistributed income at the beginning of the period - unrealised	579,786	3,299,441
Undistributed income at the beginning of the period	15,790,533	21,837,122
Less: final distribution as issue of bonus units at the rate of Rs 11.1215 (2011: Rs 17.4453) per unit approved on 4 July 2012 (2011: 4 July 2011)	(14,450,169)	(19,391,671)
	1,340,364	2,445,451
Total comprehensive income for the period	13,470,288	132,666
	14,810,652	2,578,117
Undistributed income at the end of the period - realised	5,188,742	3,904,166
Undistributed income / (accumulated loss) at the end of the period - unrealised	9,621,910	(1,326,049)
Undistributed income at the end of the period	14,810,652	2,578,117
	14,810,652	2,578,117

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**

	2012	2011 (Rupees)
Net assets at the beginning of the period	145,720,572	132,994,116
Cash received on issue of 140 (2011: 134,236) units	15,000	14,006,142
Cash paid on redemption of nil (2011: nil) units	-	-
	15,000	14,006,142
Element of income and capital gains in prices of units issued less those in units redeemed - net	(148,623)	(999,929)
Less: final distribution as issue of bonus units at the rate of Rs 11.1215 (2011: Rs 17.4453) per unit approved on 4 July 2012 (2011: 4 July 2011)	(14,450,169)	(19,391,671.00)
Issue of 143,026 (2011: 189,743) bonus units as final distribution	14,450,169	19,391,671.00
Total comprehensive income for the period	13,470,288	132,666
Net assets as at end of the period	<u>159,057,237</u>	<u>146,132,995</u>
Net assets value per unit at the beginning of the period	<u>112.1531</u>	<u>119.6452</u>
Net assets value per unit at end of the period	<u>110.2675</u>	<u>101.7959</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

	2012	2011
	(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income for the period	13,470,288	132,666
Adjustments for non-cash charges and other items:		
Capital gain on sale of investments - net	(3,832,295)	(3,411)
Unrealised (appreciation) / diminution in the fair value of investments classified as 'held for trading' - net	(9,621,910)	1,326,049
Amortisation of deferred formation cost	68,054	67,868
Element of income and capital gains in prices of units sold less those in units redeemed - net	(148,623)	(999,929)
	(64,486)	523,243
(Increase) / decrease in assets		
Investments - net	(15,810,454)	(3,675,342)
Dividend and mark-up receivables	(805,057)	(261,229)
Receivable against sale of investments	(1,051,350)	(457,500)
Security deposits and prepayments	(14,959)	10,164
	(17,681,820)	(4,383,907)
Increase / (decrease) in liabilities		
Payable to Management Company	45,904	48,354
Payable to Trustee	(328)	(645)
Annual fee payable to Securities and Exchange Commission of Pakistan	(99,408)	(114,802)
Payable against purchase of investments	(1,869,014)	-
Accrued expenses and other liabilities	342,838	29,967
	(1,580,008)	(37,126)
Net cash used in operating activities	(19,326,314)	(3,897,790)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issue of units	15,000	14,006,142
Net payments on redemption of units	-	-
Net cash from financing activities	15,000	14,006,142
Cash and cash equivalents at beginning of the period	33,980,089	4,721,215
Cash and cash equivalents at end of the period	14,668,775	14,829,567

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 the Condensed Interim Financial Information (Unaudited) For the quarter ended September 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

Lakson Equity Fund (the "Fund") was established under Trust Deed executed on September 2, 2009 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 September 18, 2009 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. 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 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 primarily invests in listed equity securities and other avenues of investment, which include cash or near cash instruments, cash in bank accounts (excluding TDRs) 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 the 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 year 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 year 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 year ended 30 June 2012.

	Note	30 September 2012 (Unaudited) (Rupees)	30 June 2012 (Audited)
6. BANK BALANCES			
In profit and loss sharing accounts	6.1	<u>14,668,775</u>	<u>33,980,089</u>
6.1			
These carry mark-up at rates ranging from 6.00% to 11.40% (30 June 2012: 6.00% to 11.25%) per annum.			
7. INVESTMENTS - financial assets at fair value through profit and loss - held for trading			
Listed equity securities	7.1	<u>140,875,809</u>	<u>111,611,150</u>

6.1 Listed equity securities

Unless otherwise stated, the holdings in ordinary shares are of Rs. 10 each

Name of investee company	As at July 01, 2011		Number of shares		Balance as at September 30, 2012				Market value as a percentage of total investments	Market value as a percentage of the paid-up capital of the investee company
	Purchased during the year	Bonses / right shares	Disposed during the year	As at September 30, 2012	Carrying Value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets		
Chemicals										
Fatima Fertilizer Company limited	75,000	-	15,000	330,000	8,187,100	7,972,800	(214,300)	5.01	5.66	0.04
Fauji Fertilizer Company Limited	88,000	20,000	33,000	75,000	8,394,099	8,382,750	(11,349)	5.27	5.95	0.07
ICI Pakistan Limited *	4,000	-	-	4,000	655,868	655,760	(108)	0.41	0.47	0.07
	358,000	99,000	48,000	402,000	17,237,067	17,011,310	(225,757)	10.69	12.08	
Oil and Gas										
Attock Petroleum Limited	11,000	1,400	8,400	4,000	1,901,964	2,094,960	192,996	1.32	1.49	0.30
Oil & Gas Development Company Limited	40,000	55,600	43,000	52,600	8,869,260	9,435,388	566,128	5.93	6.70	0.02
Pakistan Oilfields Limited	21,000	19,500	6,000	34,500	12,973,932	14,950,920	1,976,988	9.40	10.61	0.63
Pakistan Petroleum Limited	63,000	20,000	16,000	80,000	12,176,096	14,074,400	1,898,304	8.85	9.99	0.09
	133,000	96,500	74,000	171,100	35,921,252	40,555,668	4,634,416	25.50	28.79	
Construction and Materials										
Attock Cement Pakistan Limited	-	31,000	1,000	30,000	2,702,432	3,246,900	544,468	2.04	2.30	0.33
D.G. Khan Cement Company Limited	162,500	123,000	95,500	190,000	9,973,928	9,557,000	(416,928)	6.01	6.78	0.22
Lucky Cement Limited	81,000	15,000	2,000	94,000	10,962,050	12,515,160	1,553,110	7.87	8.88	0.39
	243,500	169,000	98,500	314,000	21,638,410	25,319,060	3,680,650	15.92	17.97	
Personal Goods										
Nishat Mills Limited	87,303	45,000	22,303	110,000	5,356,416	6,232,600	876,184	3.92	4.42	0.18
Treet Corporation Limited	57,801	-	57,801	-	-	-	-	-	-	-
Treet Corporation Limited - Preputal Term Certificate**	-	110,000	57,801	167,801	5,335,720	5,341,106	5,386	3.36	3.79	0.43
	145,104	355,000	87,801	277,801	10,692,136	11,573,706	881,570	7.28	8.22	
Electricity										
The Hub Power Company Limited	135,000	17,500	52,500	100,000	4,213,571	4,688,000	474,429	2.95	3.33	0.04
Banks										
Allied Bank Limited	71,251	33,249	32,500	72,000	4,673,750	4,624,560	(49,190)	2.91	3.28	0.05
Bank Alfalah Limited	277,500	217,500	105,000	390,000	6,690,367	6,068,400	(621,967)	3.82	4.31	0.04
Bank AL Habib Limited	179,995	-	29,995	150,000	4,270,500	4,246,500	(24,000)	2.67	3.01	0.04
MCB Bank Limited	47,000	14,500	39,000	22,500	3,823,692	4,185,675	361,983	2.63	2.97	0.05
National Bank of Pakistan	85,000	85,050	24,050	146,000	6,530,188	6,415,240	(114,948)	4.03	4.55	0.03
United Bank Limited	50,000	125,000	65,000	110,000	8,769,411	8,114,700	(654,711)	5.10	5.76	0.07
	710,746	475,299	295,545	893,500	34,757,988	33,655,075	(1,102,913)	21.16	23.88	
Beverages										
Murree Brewery Company Limited	29,392	6,268	10,560	25,100	2,566,405	3,526,550	960,145	2.22	2.50	1.85
Non Life Insurance										
Pakistan Reinsurance Company Limited	175,000	219,000	-	175,000	4,227,150	4,546,440	319,290	2.86	3.23	0.15
Total - September 30, 2012	1,929,742	1,237,667	73,801	2,405,501	131,253,899	140,875,809	9,621,910	88.58	100.00	
Total - June 30, 2012	1,855,414	3,944,347	95,667	1,925,742	111,031,364	111,611,150	579,786	76.39	100.00	

7.1.1 Investments include shares with market value aggregating to Rs 4.777 million (June 30, 2012: Rs. 4.189 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades.

* Associated undertaking due to common directors.

** This represents amount paid against subscription of the Rated, Listed, Secured, Redeemable and Convertible Perpetual Term Finance certificates (PTCs). These PTCs shall be allotted on October 4, 2012 and the date of formal listing is October 11, 2012. These PTCs are currently valued as per opening price on first trading day after formal listing, provided by the Treet Corporation Limited to the Karachi Stock Exchange Limited through their letter dated September 7, 2012.

		30 September 2012 (Unaudited)	30 June 2012 (Audited)
	Note	(Rupees)	
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		250,493	190,000
Brokerage and settlement charges		40,575	73,461
Payable to Workers' Welfare Fund	8.1	1,010,337	735,434
Others		70,328	30,000
		<u>1,371,733</u>	<u>1,028,895</u>

8.1 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 Sindh High Court (SHC).

In view of above stated facts and considering the vagaries of litigation, the Management Company as a matter of abundant caution has decided to continue to maintain the provision

for WWF amounting to Rs 1.010 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. 0.70.

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 CONNECTED PERSONS / RELATED PARTIES

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, 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 Non - Banking Finance Companies and Notified Entities Regulations, 2008, 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 / year end		
Lakson Investments Limited - Management Company		
Remuneration payable	<u>460,941</u>	<u>408,311</u>
Sales load payable	<u>-</u>	<u>6,726</u>
Units held as at the year-ended 757,791 (30 June 2012: 682,646) units	<u>83,559,748</u>	<u>76,560,850</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable	<u>57,378</u>	<u>57,377</u>
Settlement charges payable	<u>623</u>	<u>1,303</u>
Security deposits	<u>100,000</u>	<u>100,000</u>
Directors of the Management Company		
Daniel Scott Smaller		
Units held as at the year-ended 2,233 (30 June 2012: 2,012) units	<u>246,279</u>	<u>225,642</u>
Key Management Personnel, Employees and Connected Persons of the Management Company		
Units held as at the year-ended 385 (30 June 2012: 284) units	<u>42,471</u>	<u>31,880</u>
Associated Companies / Undertakings of the Management Company		
Siza (Private) Limited		
Units held as at the year-ended 654,295 (30 June 2012: 589,413) units	<u>72,147,521</u>	<u>66,104,514</u>

Period ended 30 September
2012 2011
(Rupees)

10.2 Transactions during the period
**Lakson Investments Limited -
Management Company**

Remuneration to the Management Company	1,366,634	1,241,418
Issue of bonus units - 75,145 (2011: 103,077) units	7,592,046	10,534,419

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

Remuneration to the Trustee	176,439	175,956
Settlement charges	4,018	2,104

Directors of the Management Company
Daniel Scott Smaller

Issue of units - nil (2011: 12) units	-	1,142
Issue of bonus units - 221 (2011: 235) units	22,375	24,035

**Key Management Personnel, Employees
and Connected Persons of the
Management Company**

Issue of units -70 (2011: 52) units	7,500	5,000
Issue of bonus units - 31 (2011: nil) units	3,161	-

**Associated Companies / Undertakings of
the Management Company**
Siza (Private) Limited

Issue of bonus units - 64,882 (2011: 85,942) units	6,555,159	8,783,214
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**ICI Pakistan Limited - Associated undertaking
due to common directorship**

Dividend income during the period	-	56,000
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11. GENERAL

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

**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