

# LAKSON INCOME 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.laksoninvestments.com.pk](http://www.laksoninvestments.com.pk)  
E-mail: [info@laksoninvestments.com.pk](mailto:info@laksoninvestments.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

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  
MCB Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) 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**

Alfalah Securities (Pvt.) Limited  
Burj Capital Limited  
Elixir Securities (Pvt.) Limited  
IGI Investment Bank Limited  
Pearl Securities (Pvt.) Limited  
Vector Capital (Pvt.) Limited

**Rating by PACRA**

A+(f) : Fund Stability Rating  
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 Income Fund ("LIF") 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 Scheme is to provide competitive total returns through investment in a diversified portfolio of fixed income securities. The Scheme shall invest in various fixed income securities with a mix of short term, medium term, and longer term maturities depending on the assessment by the Management Company of interest rate trends and prospective returns.

### **Fund Profile**

The LIF is an open end income fund which invests in Investment-grade Debt Securities, Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts, and other fixed income instruments. The overall duration of the portfolio is kept below 4 years while at least 25% of Net Assets are kept in the form of cash or Treasury Bills of maximum 90 days maturity. LIF is managed through a team-driven, top-down process utilizing active sector rotation, duration and yield curve management. Economic conditions are constantly monitored to forecast interest rate changes. The added value for LIF comes from identifying opportunities to shift investments between various maturities and between different instruments. LIF is allowed to borrow up to 15% of Net Assets to meet redemptions however LIF did not utilize this facility during the period under review.

### **Fund performance**

During the first quarter the assets under management of the LIF increased by 21.6% from PKR 1.14 billion to PKR 1.72 billion. The LIF yielded an annualized return of 11.23% in the first quarter compared to the Benchmark (average return of all income funds) return of 9.70% p.a. The LIF outperformed the average income fund by 153bps. As of September 30, 2012, the LIF portfolio is invested 56% in T-Bills, 9% in TDRs, 8% in short term sukuk, 15% in TFCs and 12% in cash while the weighted average maturity of the LIF portfolio stands at 399 days. The Standard Deviation, a measure of the volatility of the fund's performance, of monthly returns of the LIF since inception is just 1.45% compared to 5.07% for the Benchmark.

### **Income Distribution**

The Chief Executive Officer of the management company under the authority of the Board of Directors has announced interim distributions of PKR 2.4412 per unit (2.4412% of face value of PKR 100/-) during the first quarter ended September 30, 2012 amounting to PKR 35.76 million.

### **Earning per Unit (EPU)**

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

### **Economic Review**

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.

#### **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.

**Acknowledgement**

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 30 September 2012**

	Note	30 September 2012 (Unaudited)	30 June 2012 (Audited)
<b>Assets</b>		<b>(Rupees)</b>	
Bank balances	4	<b>339,726,490</b>	302,015,205
Investments	5	<b>1,376,622,151</b>	1,107,938,327
Mark-up receivable		<b>10,914,002</b>	11,329,747
Advances deposit and prepayment		<b>129,918</b>	100,000
Deferred formation cost		<b>775,410</b>	867,577
<b>Total assets</b>		<b><u>1,728,167,971</u></b>	<u>1,422,250,856</u>
<b>Liabilities</b>			
Payable to the Management Company		<b>2,164,516</b>	2,002,852
Remuneration payable to the Trustee		<b>175,600</b>	167,512
Annual fee payable to Securities and Exchange Commission of Pakistan		<b>275,414</b>	922,349
Dividend Payable		<b>1,539</b>	-
Accrued expenses and other liabilities	8	<b>6,544,916</b>	5,541,458
<b>Total liabilities</b>		<b><u>9,161,985</u></b>	<u>8,634,171</u>
<b>Net assets</b>		<b><u>1,719,005,986</u></b>	<u>1,413,616,685</u>
Unit holders' funds (as per the statement attached)		<b><u>1,719,005,986</u></b>	<u>1,413,616,685</u>
		<b>(Number)</b>	
<b>Number of units in issue</b>		<b><u>17,074,585</u></b>	<u>13,947,794</u>
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<b><u>100.6762</u></b>	<u>101.3505</u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

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

\_\_\_\_\_  
Director



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

<b>Income</b>	<b>2012</b>	<b>2011</b>
	<b>(Rupees)</b>	
Mark-up income	<b>44,129,082</b>	34,125,534
Gain on sale of held for trading investments - net	<b>896,707</b>	102,077
Net unrealised appreciation in the fair value of investments - held for trading	<b>2,842,282</b>	1,815,047
Element of income and capital gains in prices of units sold less those in units redeemed - net	<b>2,037,996</b>	(72,653)
	<b>49,906,067</b>	35,970,005
<b>Expenses</b>		
Remuneration to the Management Company	<b>6,389,595</b>	4,417,397
Remuneration to the Trustee	<b>526,382</b>	429,445
Annual fee to the Securities and Exchange Commission of Pakistan	<b>275,414</b>	190,405
Auditors' remuneration	<b>54,192</b>	50,273
Fees and subscription	<b>65,534</b>	60,328
Printing charges	<b>15,123</b>	15,082
Brokerage expenses	<b>6,802</b>	6,919
Amortization of deferred formation cost	<b>92,167</b>	91,915
Workers' Welfare Fund	<b>848,303</b>	613,046
Bank and settlement charges	<b>65,693</b>	55,931
	<b>8,339,205</b>	5,930,741
<b>Net income for the period</b>	<b>41,566,862</b>	30,039,264

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

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

\_\_\_\_\_  
**Director**

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

	2012	2011
	(Rupees)	
Net income for the period	41,566,862	30,039,264
Other comprehensive income	-	-
Total comprehensive income	<u>41,566,862</u>	<u>30,039,264</u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

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

\_\_\_\_\_  
Director

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

	Note	2012	2011
		(Rupees)	
Undistributed income at beginning of the period - realised		13,787,808	11,292,694
Undistributed income at beginning of the period - unrealised		<u>5,049,453</u>	<u>250,666</u>
<b>Undistributed income at beginning of the period</b>		<b>18,837,261</b>	<b>11,543,360</b>
Final distribution at the rate of Re 0.9391 (2011: Rs 0.9979) per unit approved on 4 July 2012 (2011: 4 July 2011)			
- Cash distribution		<u>(1,839)</u>	<u>(980,437)</u>
- Issue of bonus units		<u>(13,096,535)</u>	<u>(8,945,241)</u>
		<b>(13,098,374)</b>	<b>(9,925,678)</b>
Total comprehensive income		<u>41,566,862</u>	<u>30,039,264</u>
Interim distributions during the period	9		
- Cash distribution		<u>(4,779)</u>	<u>(2,714,842)</u>
- Issue of bonus units		<u>(35,753,503)</u>	<u>(24,871,268)</u>
		<b>5,808,580</b>	<b>2,453,154</b>
		<u>11,547,467</u>	<u>4,070,836</u>
Undistributed income at the end of the period - realised		8,705,185	2,255,789
Undistributed income at the end of the period - unrealised		2,842,282	1,815,047
<b>Total undistributed income at the end of the period</b>		<b>11,547,467</b>	<b>4,070,836</b>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

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

\_\_\_\_\_  
Director

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

Note	2012	2011
	(Rupees)	
<b>Net assets at the beginning of the period</b>	<b>1,413,616,685</b>	1,006,199,775
Cash received on issue of 274,0609 (2011: 2,088) units	<b>275,956,053</b>	209,621
Cash paid on redemption of 100,127 (2011: 150,323) units	<b>(10,089,000)</b>	(15,181,940)
	<b>265,867,053</b>	(14,972,319)
Element of income and capital gains in prices of units sold less those in units redeemed - net	<b>(2,037,996)</b>	72,653
Final distribution at the rate of Re 0.9391 (2011: Rs 0.9979) per unit approved on 4 July 2012 (2011: 4 July 2011)		
- Cash distribution	<b>(1,839)</b>	(980,437)
- Issue of bonus units	<b>(13,096,535)</b>	(8,945,241)
	<b>(13,098,374)</b>	(9,925,678)
Issue of 130,429 (2011: 89,307) bonus units as final distribution	<b>13,096,535</b>	8,945,241
Total comprehensive income	<b>41,566,862</b>	30,039,264
Interim distributions during the year	9	
- Cash distribution	<b>(4,779)</b>	(2,714,842)
- Issue of bonus units	<b>(35,753,503)</b>	(24,871,268)
Net income for the period less distribution	<b>5,808,580</b>	2,453,154
Issue of 355,880 (2011: 248,096) bonus units as interim distribution	9	24,871,268
<b>Net assets as at end of the period</b>	<b><u>1,719,005,986</u></b>	<u>1,017,644,094</u>
Net assets value per unit at the beginning of the period	<b><u>101.3505</u></b>	<u>101.1605</u>
Net assets value per unit at end of the period	<b><u>100.6762</u></b>	<u>100.4016</u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

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

\_\_\_\_\_  
Director

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

	2012	2011
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income for the period	41,566,862	30,039,264
<b>Adjustments for non-cash and others items:</b>		
Amortisation of formation cost	92,167	91,915
Net unrealised appreciation in the fair value of investments - held for trading	(2,842,282)	(1,815,047)
Element of income and capital gains in prices of units sold less those in units redeemed - net	(2,037,996)	72,653
	<u>36,778,751</u>	<u>28,388,785</u>
<b>Increase in assets</b>		
Investments	(265,841,542)	(49,290,723)
Placements	-	-
Mark-up receivable	415,745	(1,250,664)
Advances deposit and prepayment	(29,918)	(163,780)
	<u>(265,455,715)</u>	<u>(50,705,167)</u>
<b>Increase in liabilities</b>		
Payable to the Management Company	161,664	192,011
Remuneration payable to the Trustee	8,088	(631)
Annual fee payable to Securities and Exchange Commission of Pakistan	(646,935)	(405,728)
Accrued expenses and other liabilities	1,003,458	665,880
	<u>526,275</u>	<u>451,532</u>
<b>Net cash used in operating activities</b>	<u>(228,150,689)</u>	<u>(21,864,850)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Received on issuance of units	275,956,053	209,621
Paid against redemption of units	(10,089,000)	(15,181,940)
Cash dividend paid	(5,079)	(2,764,754)
<b>Net cash from financing activities</b>	<u>265,861,974</u>	<u>(17,737,073)</u>
<b>Net increase in cash and cash equivalents during the period</b>	<u>37,711,285</u>	<u>(39,601,923)</u>
Cash and cash equivalents at beginning of the period	302,015,205	103,217,486
<b>Cash and cash equivalents at end of the period</b>	<u>339,726,490</u>	<u>63,615,563</u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

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

\_\_\_\_\_  
Director

## **Notes to the Condensed Interim Financial Information (Unaudited) For the Quarter Ended 30 September 2012**

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

The Lakson Income Fund (the "Fund") was established under the Trust Deed executed on 18 August 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). 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 Model Town, Lahore.

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

The fund primarily invests in Government Securities, certificate of investment, certificates of deposits, term deposits Receipts, commercial papers, reverse repo, preference shares, spread transactions and corporate debt securities (subject to the guidelines given 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.

### **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.

		<b>30 September 2012 (Unaudited)</b>	<b>30 June 2012 (Audited)</b>
	<b>Note</b>	<b>(Rupees)</b>	
<b>6. BANK BALANCES - local currency</b>			
In profit and loss sharing accounts	6.1	<b>194,726,490</b>	22,015,205
In term deposits	6.2	<b>145,000,000</b>	280,000,000
		<u><b>339,726,490</b></u>	<u>302,015,205</u>

**6.1** These accounts carry profit rates ranging between 6.00% to 11.40% (30 June 2011: 6.00% to 11.25%) per annum.

**6.2** This Term Deposits carry profit at the rate 13.00% (30 June 2011: 12.20% to 12.25%) per annum and will mature on 13 December 2012

**7. INVESTMENTS**

**Held For Trading**

Government Securities	7.1	<b>974,584,686</b>	718,204,123
Term Finance Certificate - Listed	7.2	<b>79,060,544</b>	86,547,712
Term Finance Certificate - Unlisted	7.3	<b>182,976,921</b>	183,186,492

**Available for Sale**

Short Term Sukuk Certificates	7.5	<b>140,000,000</b>	120,000,000
		<u><b>1,376,622,151</b></u>	<u>1,107,938,327</u>

**7.1 Held for Trading Investments - Government Securities**

Government Securities	Note	Number of holdings at beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Cost as at 30 September 2012	Market value as at 30 September 2012	Unrealized appreciation /	Net assets of the fund	Total investments
						----- (Rupees) -----			----- Percentage (%) -----	
- Treasury Bills - 3 months (face value of Rs. 100,000 each)	7.1.1	4,450	9,195	10,495	3,150	311,633,086	311,768,745	135,659	18.14	22.65
- Treasury Bills - 6 months (face value of Rs. 100,000 each)	7.1.2	2,875	6,750	3,275	6,350	612,552,839	614,357,505	1,804,666	35.74	44.63
- Treasury Bills - 12 months (face value of Rs. 100,000 each)	7.1.3	-	485	-	485	48,458,211	48,458,436	225	2.82	3.52
					<b>Total</b>	<u>972,644,136</u>	<u>974,584,686</u>	<u>1,940,550</u>	<u>56.69</u>	<u>70.80</u>
					Total as at 30 June 2012	<u>718,339,837</u>	<u>718,204,123</u>	<u>(135,714)</u>	<u>50.81</u>	<u>64.82</u>

- 7.1.1** These represent 3 months Treasury bills of Government carrying a fixed mark-up rate ranging from 10.2748% to 11.8283% (30 June 2012: 11.8742%) and maturing between 18 October 2012 and 29 November 2012. The face value of Treasury bills held as at 30 September 2012 amounted to Rs. 315.00 million.
- 7.1.2** These represent 6 months Treasury bills of Government carrying a fixed mark-up rate ranging from 10.2889% to 11.9420% (30 June 2012: 11.6272% to 11.9420%) and maturing between 15 November 2012 and 07 March 2013. The face value of Treasury bills held as at 30 September 2012 amounted to Rs. 635.00 million.
- 7.1.3** These represent 12 months Treasury bills of Government carrying a fixed mark-up at the rate of 10.5000% (30 June 2012: nil) and will mature on 04 October 2012. The face value of Treasury bills held as at 30 September 2012 amounted to Rs. 48.50 million

**7.2 Held for trading investments - Term Finance Certificates (listed debt securities)**

Name of Security	Note	Number of holdings at beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value as at 30 September 2012	Market value as at 30 September 2012	Unrealized appreciation/ (diminution)	Net assets of the fund	Total investments
						(Rupees)			Percentage (%)	
<b>Commercial Banks</b>										
United Bank Limited (face value of Rs.5,000 each)	7.2.1	3,000	-	-	3,000	15,141,368	15,141,027	(341)	0.88	1.10
NIB Bank Limited (face value of Rs.5,000 each)	7.2.2	3,000	-	-	3,000	14,974,860	15,011,196	36,336	0.87	1.09
<b>Financial Services</b>										
Orix Leasing Pakistan Limited - III privately placed (face value of Rs.100,000 each)	7.2.3	700	-	-	700	49,476,252	48,908,321	(567,931)	2.85	3.55
						<u>79,592,480</u>	<u>79,060,544</u>	<u>(531,936)</u>	<u>4.60</u>	<u>5.74</u>
					Total as at 30 June 2012	<u>85,746,460</u>	<u>86,547,712</u>	<u>801,252</u>	<u>6.12</u>	<u>7.81</u>

- 7.2.1** These represents listed term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Interbank Offer Rate (KIBOR) per annum (plus margin of 0.85% for the first five years and 1.35% for the remaining period) receivable semi-annually in arrears with no floor or cap and will mature in February 2018. These term finance certificates are unsecured. The rating of the instrument is AA.
- 7.2.2** These represents listed term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Interbank Offer Rate (KIBOR) per annum plus margin of 1.15% receivable semi-annually in arrears with no floor or cap and will mature in March 2016. These term finance certificates are unsecured. The rating of the instrument is A+.
- 7.2.3** These represents listed term finance certificates and carry a rate of mark-up equal to the base rate of 3 months Karachi Interbank Offer Rate (KIBOR) per annum plus margin of 2.15% receivable quarterly in arrears with no floor or cap and will mature in June 2014. These term finance certificates are secured and the face value of Rs. 100,000 each. The rating of the instrument is AA.

**7.3 Held for trading investments - Term Finance Certificates (un-listed debt securities)**

Name of Security	Note	Number of holdings at beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value as at 30 September 2012	Market value as at 30 September 2012	Unrealized appreciation/ (diminution)	Market value as percentage of net assets	Market value as percentage of total investment
						(Rupees)			Percentage (%)	
<b>Commercial Banks</b>										
Bank Al Habib Limited -IV privately placed (face value of Rs.5,000 each)	7.3.1	4,000	-	-	4,000	21,279,145	22,027,086	747,941	1.28	1.60
Askari Bank Limited - IV privately placed (face value of Rs.1,000,000 each)	7.3.2	68	-	-	68	70,142,298	72,220,797	2,078,499	4.20	5.25
Standard Chartered Bank Limited - IV privately placed (face value of Rs.5,000 each)	7.3.3	5,000	-	-	5,000	25,000,000	25,322,350	322,350	1.47	1.84
<b>Technology and Communication</b>										
Pakistan Mobile Communication Limited - privately placed (face value of Rs.100,000 each)	7.3.4	650	-	-	650	65,121,810	63,406,688	(1,715,122)	3.69	4.61
						<u>181,543,253</u>	<u>182,976,921</u>	<u>1,433,668</u>	<u>10.64</u>	<u>13.29</u>
					Total as at 30 June 2012	<u>178,802,577</u>	<u>183,186,492</u>	<u>4,383,915</u>	<u>12.96</u>	<u>16.53</u>



- 7.3.1** These represent unlisted term finance certificates and carry a rate of mark-up of 15.00% for the first five years and 15.50% for the remaining period receivable semi-annually in arrears with no floor or cap and will mature in June 2021. These term finance certificates are unsecured. The rating of the instrument is AA.
- 7.3.2** These represent unlisted term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum (plus margin of 1.75% for the first five periods and 2.20% for the remaining period) receivable semi-annually in arrears with no floor or cap and will mature in December 2021. These term finance certificates are unsecured. The rating of the instrument is AA-.
- 7.3.3** These represent unlisted term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 0.75% receivable quarterly in arrears with no floor or cap and will mature in June 2022. These term finance certificates are unsecured. The rating of the instrument is AAA.
- 7.3.4** This represent unlisted term finance certificates and carry a rate of mark-up equal to the base rate of 3 months Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 2.65% receivable quarterly in arrears with no floor or cap and will mature in April 2016. These term finance certificates are secured. The rating of the instrument is A+.
- 7.4** The term "listed" indicated in note 7.2 refer to listing in the stock exchange. However their rates are quoted by MUFAP.

**7.5 Available for Sale - Short Term Sukuks Certificates**

Name of Security	Note	Number of holdings at beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value as at 30 September 2012	Market value as at 30 September 2012	Unrealized appreciation/ (diminution)	Market value as percentage of net assets	Market value as percentage of total investment
						(Rupees)			(Percentage %)	
Hub Power Co. Ltd - Sukuk	7.5.1	24,000	28,000	24,000	28,000	140,000,000	140,000,000	-	8.14	10.17
						140,000,000	140,000,000	-	8.14	10.17
						<u>120,000,000</u>	<u>120,000,000</u>	-	<u>8.49</u>	<u>10.83</u>
						Total as at 30 June 2012				

- 7.5.1** These represent short term sukuk certificates having a face value of Rs. 5,000 each and carry a rate of mark-up equal to the base rate of 6 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 1.25%. These sukuk certificates will mature on 04 February 2013. The rating of the instrument is AA+.

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

**8. ACCRUED EXPENSES AND OTHER LIABILITIES**

Auditors' remuneration		194,192	140,000
Payable to Workers' Welfare Fund	8.1	6,196,479	5,348,175
Brokerage payable		6,802	-
NCCPL payable		15,000	15,000
Rating fee payable		55,452	-
Other liabilities		63,991	38,283
Redemption Payable		13,000	-
		<u>6,544,916</u>	<u>5,541,458</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 30 June 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. However a Constitutional Petition 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 6.196 million upto 30 September 2012. If the same had not been so recorded, the net assets value per unit of the Scheme would have been higher by Re. 0.36.

**9. INTERIM DISTRIBUTIONS DURING THE PERIOD**

Date of distributions	----- For the period ended 30 September 2012 -----			
	Distribution per unit	No. of Bonus Units Issued	Bonus ----- (Rupees) -----	Cash
30 July 2012	0.8020	112,601	11,313,798	1,570
30 August 2012	0.8529	120,619	12,128,780	1,670
26 September 2012	0.7863	122,660	12,310,925	1,539
	<b>2.4412</b>	<b>355,880</b>	<b>35,753,503</b>	<b>4,779</b>

Date of distributions	----- For the period ended 30 September 2011 -----			
	Distribution per unit	No. of Bonus Units Issued	Bonus ----- (Rupees) -----	Cash
30 July 2011	0.8598	76,609	7,673,417	844,753
29 August 2011	0.9563	85,876	8,609,905	939,564
29 September 2011	0.9471	85,610	8,587,946	930,525
	<b>2.7632</b>	<b>248,095</b>	<b>24,871,268</b>	<b>2,714,842</b>

**10. 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 these condensed interim financial information.

**11. 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 and 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 as disclosed in note 8 and 9 of these financial statements. Other transactions are in normal course of business and at contracted rates.

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

	<b>30 September 2012 (Unaudited)</b>	<b>30 June 2012 (Audited)</b>
<b>11.1 Balance as at year / Period end</b>		
<b>Lakson Investments Limited - Management Company of the Fund</b>		
Remuneration payable	<u>2,164,516</u>	<u>2,002,852</u>
Units held as at the period ended 803,834 (June 2012: 777,345) units	<u>80,926,971</u>	<u>78,784,260</u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>		
Remuneration payable	<u>175,600</u>	<u>167,512</u>
Security deposit	<u>100,000</u>	<u>100,000</u>
<b>Directors of the Management Company</b>		
Babar Ali Lakhani		
Units held as at the period ended 16,685* (June 2012: 10,841) units	<u>1,679,736</u>	<u>1,098,777</u>
* 11,223 (30 June 2012: 10,841) units held in joint account with spouse Ms. Zil Lakhani and Represent 5,462 (30 June 2012: nil) units held by Mr Hassan Ali Lakhani (minor son)		
<b>Key management personnel and Employees of the Management Company</b>		
Units held as at the period ended 2,654 (June 2012: 2,567) units	<u>267,202</u>	<u>260,128</u>
<b>Associated Companies / Undertaking of the Management Company</b>		
<b>Siza (Private) Limited</b>		
Units held as at the period ended 7,702,320 (June 2012: 7,109,138) units	<u>775,440,288</u>	<u>720,514,714</u>

	<b>30 September 2012 (Unaudited)</b>	30 June 2012 (Audited)
<b>Clover (Pakistan) Limited Employees Contributory Provident Fund</b>		
Units held as at the period ended 20,250 (June 2012: 19,582) units	<u><b>2,038,646</b></u>	<u>1,984,668</u>
<b>Colgate Palmolive (Pakistan) Limited Employee Contributory Provident Fund</b>		
Units held as at the period ended 182,246 (June 2012: 176,240) units	<u><b>18,347,813</b></u>	<u>17,862,016</u>
<b>Colgate Palmolive (Pakistan) Limited Employee Gratuity Fund</b>		
Units held as at the period ended 101,248 (June 2012: 97,911) units	<u><b>10,193,229</b></u>	<u>9,923,342</u>
<b>Accuray Surgical Limited Employee Contributory Provident Fund</b>		
Units held as at the period ended 13,500 (June 2012: 13,055) units	<u><b>1,359,097</b></u>	<u>1,323,112</u>
<b>Cyber Internet Services (Private) Limited Employee Contributory Provident Fund</b>		
Units held as at the period ended 141,719 (June 2012: 137,049) units	<u><b>14,267,771</b></u>	<u>13,890,002</u>
<b>GAM Corporation (Private) Limited Employees Contributory Provident Fund</b>		
Units held as at the period ended 40,482 (June 2012: 39,148) units	<u><b>4,075,619</b></u>	<u>3,967,709</u>
<b>Princeton Travels (Private) Limited Contributory Provident Fund</b>		
Units held as at the period ended 16,200 (June 2012: 15,666) units	<u><b>1,630,917</b></u>	<u>1,587,735</u>
<b>Siza Foods (Private) Limited Contributory Provident Fund</b>		
Units held as at the period ended 87,748 (June 2012: 84,856) units	<u><b>8,834,132</b></u>	<u>8,600,230</u>
<b>Century Insurance Company Limited</b>		
Units held as at the period ended 1,850,905 (June 2012: 1,596,636) units	<u><b>186,342,081</b></u>	<u>161,819,867</u>
<b>Century Insurance Company Limited Employee Contributory Provident Fund</b>		
Units held as at the period ended 20,250 (June 2012: 19,582) units	<u><b>2,038,646</b></u>	<u>1,984,668</u>

	30 September	
	2012	2011
	(Unaudited)	
	(Rupees)	
<b>11.2 Transactions during the year</b>		
<b>Lakson Investments Limited - Management Company of the Fund</b>		
Remuneration to the Management Company	<u>6,389,595</u>	<u>4,417,397</u>
Bonus - 26,490 (2011: 28,689) units	<u>2,660,946</u>	<u>2,875,374</u>
<b>Directors of the Management Company</b>		
Babar Ali Lakhani		
Issue of units 5,431 (2011: 10) units	<u>545,875</u>	<u>1,059</u>
Bonus - 412 (2011: 198) units	<u>41,392</u>	<u>19,894</u>
<b>Central Depository Company of Pakistan Limited- Trustee of the Fund</b>		
Remuneration to the Trustee	<u>526,382</u>	<u>429,445</u>
Settlement charges	<u>1,500</u>	<u>1,524</u>
<b>Key management personnel and Employees of the Management Company</b>		
Bonus - 87 (2011: nil) units	<u>8,786</u>	<u>-</u>
<b>Associated Companies / Undertaking of the Management Company</b>		
<b>Siza (Private) Limited</b>		
Issue of units - 348,177 (2011: 2,078) units	<u>35,110,878</u>	<u>208,577</u>
Bonus - 245,005 (2011: 252,987) units	<u>24,611,063</u>	<u>25,355,891</u>
Redemption - nil (2011: 128,719) units	<u>-</u>	<u>13,000,000</u>
<b>Clover (Pakistan) Limited Employees Contributory Provident Fund</b>		
Bonus - 667 (2011: 669) units	<u>67,032</u>	<u>67,052</u>
<b>- Colgate Palmolive (Pakistan) Limited Employee Contributory Provident Fund</b>		
Bonus - 6,006 (2011: 6,021) units	<u>603,291</u>	<u>603,470</u>
<b>Colgate Palmolive (Pakistan) Limited Employee Gratuity Fund</b>		
Bonus - 3,337 (2011: 3,345) units	<u>335,162</u>	<u>335,261</u>
<b>Accuray Surgical Limited Employee Contributory Provident Fund</b>		
Bonus - 445 (2011: 446) units	<u>44,688</u>	<u>44,701</u>

	30 September 2012	2011 (Unaudited) (Rupees)
<b>Cyber Internet Services (Private) Limited Employee Contributory Provident Fund</b>		
Bonus - 4,670 (2011: 4,682) units	<u>469,136</u>	<u>469,275</u>
<b>GAM Corporation (Private) Limited Employees Contributory Provident Fund</b>		
Bonus - 1,334 (2011: 1,337) units	<u>134,010</u>	<u>134,049</u>
<b>Princeton Travels (Private) Limited Contributory Provident Fund</b>		
Bonus - 534 (2011: 535) units	<u>53,626</u>	<u>53,642</u>
<b>Siza Foods (Pvt) Limited Contributory Provident Fund</b>		
Bonus - 2,892 (2011: 2,899) units	<u>290,474</u>	<u>290,560</u>
<b>Century Insurance Company Limited</b>		
Issue of units - 198,307 (2011: nil) units	<u>20,000,000</u>	<u>-</u>
Bonus - 55,962 (2011: 20,778) units	<u>5,621,411</u>	<u>2,082,494</u>
Redemption - nil (2011: 21,604) units	<u>-</u>	<u>2,181,940</u>
<b>Century Insurance Company Limited Employees Contributory Provident Fund</b>		
Bonus - 667 (2011: 669) units	<u>67,032</u>	<u>67,052</u>

**12. GENERAL**

- 12.1 This condensed interim financial information is unaudited
- 12.2 These financial statements were authorized for issue by Board of Directors of the Management Company on 19 October 2012.

For Lakson Investments Limited  
(Management Company)

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

\_\_\_\_\_  
Director



A Lakson Group Company

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