

LAKSON INCOME FUND

Quarterly Report (September 30, 2013)



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. Amin Mohammed Lakhani
Mr. Sher Afgan Malik
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
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Tameer Microfinance 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
Amir Noorani
BMA Financial Services Ltd.
Elixir Securities (Pvt.) Limited
Ismail Iqbal Securities
Metro Securities (Pvt.) Limited
Pearl Securities (Pvt.) Limited
Topline 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, 2013

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, 2013.

Fund Objective

The investment objective of the LIF 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

The LIF yielded an annualized return of 6.33% in the first quarter compared to the Benchmark (average return of all income funds) return of 6.82% p.a. The LIF underperformed the average income fund by 49bps. As of September 30, 2013, the LIF portfolio is invested 62% in T-Bills, 8% in TDRs, 24% in TFCs, 3% in MTS and 3% in cash while the weighted average maturity of the LIF portfolio stands at 509 days. The Standard Deviation, a measure of the volatility of the fund's performance, of monthly returns of the LIF since inception is just 2.11% compared to 3.76% for the Benchmark. The fund size of the LIF as of September 30, 2013 is PKR 1,191 million.

Income Distribution

The Chief Executive Officer of the management company under the authority of the Board of Directors has announced interim distributions of PKR 1.4647 per unit (1.4647% of face value of PKR 100/-) during the first quarter ended September 30, 2013 amounting to PKR 24.353 million (PKR 24.350 million of Bonus distribution and PKR 0.003 million of cash distribution).

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

The Government of Pakistan has adopted a comprehensive program to address economic vulnerabilities and to boost growth through macroeconomic stabilization and structural reforms. The major impediments for the sustainable revival of economic growth are severe energy shortages and poor law and order conditions. The Federal Government, in consultation with the provincial governments, announced the energy policy which is geared to address the long-standing problems that constitute the most critical constraint on growth and have generated large fiscal costs. A three-year plan has been developed for phasing out the power subsidies and bringing tariffs to cost recovery level. The outstanding amount of PKR 503 billion in circular debt was cleared in July 2013 to make the sector viable by removing barriers to new investment. In order to address the law and order situation, the government convened an All Parties Conference ("APC") and decided to initiate the dialogue with Taliban for peace process.

The Executive Board of the International Monetary Fund ("IMF") approved a 3-year arrangement under the Extended Fund Facility ("EFF") for Pakistan for an amount totaling USD 6.64 billion, to support the country's economic reform program to promote growth. Pakistan received the first installment under the EFF amounting to USD 545 million while the remaining funds will be released in equal quarterly installments subject to the successful completion of quarterly reviews. The stress in the external account gradually increased with every passing month. The State Bank of Pakistan's foreign exchange reserves declined to USD 4.6 billion by end-September 2013. The underlying factors for the declining reserves are shrinking net capital and financial flows and high loan repayments to the IMF. The current account posted a deficit of USD 632 million in the 2MFY14 compared to a surplus of USD 582 million in the 2MFY13. The trade deficit increased by 10.7% YoY to USD 2.85 billion in the 2MFY14 while remittances recorded a growth of 7.0% YoY. As a result of weak external account and declining foreign exchange reserves, Pak Rupee depreciated by 6.4% against US Dollar in the 1QFY14.

The headline inflation, as measured by the Consumer Price Index ("CPI"), rebounded during the 1QFY14 and averaged at 8.1% compared to an average inflation of 5.6% in the preceding quarter. The prices of perishable food items increased as the flash floods across the country disrupted the supplies. Moreover, higher petroleum prices, a 1.0% hike in the GST, and increase in power tariff also contributed to higher inflation. In order to contain the inflation expectations in the economy, the SBP reversed its 33-month long streak of monetary easing cycle and increased the discount rate by 50 bps to 9.50% in its first Monetary Policy Statement for FY14. The Large Scale Manufacturing ("LSM") recorded a growth of 6.54% YoY in the 2MFY14, which bodes well for the overall economic growth. All the major sectors like Textile, Petroleum Products, Fertilizer, Food & Beverages, and Pharmaceuticals witnessed a growth in production.

Fixed Income Market Review

The money market liquidity improved considerably during the 1QFY14 primarily due to substantial increase in the pace of government borrowing from the SBP. In fact, the SBP is now mopping-up excessive liquidity from the market. The SBP mopped up a total of PKR 1.56 trillion through its Open Market Operations ("OMO") during the 1QFY14 compared to a cumulative injection of PKR 4.58 trillion in the preceding quarter. The money supply (M2) contracted by 0.18% in the 1QFY14 compared to a growth of 0.28% in the same period last year, mainly driven by a contraction of PKR 198 billion in the Net Foreign Assets ("NFA") of the banking system. The government borrowed PKR 296 billion for the budgetary support during the 1QFY14 while credit to private sector contracted by PKR 38 billion. The SBP conducted six T-Bill auctions during the quarter and raised PKR 1.31 trillion against the target and maturity of PKR 1.60 trillion. Despite improved market liquidity, a lower participation was witnessed in the T-Bills auctions as the market anticipated a hike in the discount rate. The bid-to-cover ratio for the quarter came in at just 0.93x compared to 1.40x witnessed in the preceding quarter. The government had to borrow PKR 490 billion from the SBP due to lower participation in the T-Bill auctions. In the auctions the financial institutions preferred shorter tenures and the 83% of the total bids received during the 1QFY14 were for the 3-month T-Bills and as a result the yield curve steepened during the quarter. The market yields on the 3, 6 and 12-month T-Bills increased by 37, 51 and 77 basis points respectively during the 1QFY14 to 9.31%, 9.43% and 9.71%. The SBP conducted three PIB auctions during the 1QFY14 and raised only PKR 63 billion against the target of PKR 150 billion and maturity of PKR 117 billion. The market yields on the 3, 5 and 10-year PIBs increased by 257, 243 and 203bps respectively to 12.01%, 12.50% and 12.96%. Increase in the yields of PIBs was more pronounced as it reflected the market's anticipation of higher interest rates in the wake of an IMF program. The 6-month KIBOR which is the benchmark lending rate increased by 42bps during the quarter as a result of 50bps increase in the discount rate.

Future Outlook

The government has presented an ambitious economic program to the IMF aiming to reverse the current mix of large fiscal deficits, accommodative monetary policy, and low reserve coverage, and to foster sustained and inclusive growth. The short-term measures must be complemented by significant reforms in fiscal management, the monetary policy framework and financial markets, the energy sector including the resolution of circular debt issue, public sector enterprises, the business

climate, and trade policy. With clarity on the political front together with expectations of an increased focus on reviving investment expenditures in the economy, the foreign private financial inflows could experience a surge in FY14.

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 28, 2013

Babar Ali Lakhani
Chief Executive Officer

**Condensed Interim Statement of Assets and Liabilities
As at September 30, 2013**

ASSETS	Note	September 30, 2013 (Unaudited) (Rupees)	June 30, 2013 (Audited)
Bank balances	6	122,142,926	779,908,557
Investments	7	1,029,879,407	798,292,471
Receivable against Margin Trading System	8	42,824,444	42,774,154
Profit Receivable on bank balances, Investments and balance receivable under the margin trading system		8,958,276	16,881,434
Deferred formation cost		409,745	501,912
Deposit and prepayment		429,918	450,000
Total assets		<u>1,204,644,716</u>	<u>1,638,808,528</u>
 LIABILITIES			
Remuneration payable to the Management Company	9	3,557,069	2,782,617
Remuneration payable to the Trustee		176,995	198,305
Annual fee payable to the Securities and Exchange Commission of Pakistan		326,154	1,316,866
Accrued expenses and other liabilities	10	9,310,864	8,735,192
Total liabilities		<u>13,371,082</u>	<u>13,032,980</u>
 NET ASSETS		 <u>1,191,273,634</u>	 <u>1,625,775,548</u>
 UNIT HOLDERS' FUNDS (as per the statement attached)		 <u>1,191,273,634</u>	 <u>1,625,775,548</u>
 CONTINGENCIES AND COMMITMENTS	11		
		(Number of units)	
 Number of units in issue		 <u>11,872,968</u>	 <u>16,072,470</u>
		(Rupees)	
 Net assets value per unit		 <u>100.3349</u>	 <u>101.1528</u>

The annexed notes from 1 to 15 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 September 30, 2013**

Income	Note	2013	2012
		(Rupees)	
Mark-up income		37,992,369	44,129,082
Income from Margin Trading System		3,728,021	
(Loss) / gain on sale of held for trading investments - net		(67,088)	896,707
Net unrealised (diminution) / appreciation in the fair value of held for trading investments - net		<u>(3,420,317)</u>	2,842,282
		38,232,985	47,868,071
Expenses			
Remuneration to the Management Company		6,523,087	5,508,272
Sindh sales tax on remuneration of Management Company		1,210,685	881,323
Federal Excise Duty on remuneration of Management Company		1,043,694	-
Remuneration to the Trustee		583,888	526,382
Annual fee to the Securities and Exchange Commission of Pakistan		326,154	275,414
Auditors' remuneration		56,901	54,192
Fees and subscription		60,082	65,534
Printing charges		15,123	15,123
Brokerage expenses		21,269	6,802
Amortization of deferred formation cost		92,167	92,167
Bank and settlement charges		415,104	65,693
		<u>10,348,154</u>	7,490,902
Net income from operating activities		<u>27,884,831</u>	40,377,169
Element of (loss) / income and capital (losses) / gains in prices of units sold less those in units redeemed - net		(2,995,099)	2,037,996
Provision for Workers' Welfare Fund	10.1	(497,795)	(848,303)
Net income for the period before taxation		<u>24,391,937</u>	41,566,862
Taxation	13	-	-
Net income for the period after taxation		<u>24,391,937</u>	<u>41,566,862</u>

The annexed notes from 1 to 15 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 September 30, 2013**

	2013	2012
	(Rupees)	
Net income for the period	24,391,937	41,566,862
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>24,391,937</u>	<u>41,566,862</u>

The annexed notes from 1 to 15 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 September 30, 2013**

	Note	2013	2012
		(Rupees)	
Undistributed income at beginning of the period - realised		15,358,601	13,787,808
Undistributed income at beginning of the period - unrealised		<u>3,169,961</u>	<u>5,049,453</u>
Undistributed income at beginning of the period		18,528,562	18,837,261
Final distribution at the rate of Re 0.9078 (2012: Rs 0.9391) per unit approved on 08 July 2013 (2012: 04 July 2012)			
- Cash distribution		(1,777)	(1,839)
- Issue of bonus units		(14,588,811)	(13,096,535)
		(14,590,588)	(13,098,374)
Interim distributions during the period			
- Cash distribution	12	(2,867)	(4,779)
- Issue of bonus units		(24,350,174)	(35,753,503)
		(24,353,041)	(35,758,282)
Net income for the period		<u>24,391,937</u>	41,566,862
		<u>3,976,870</u>	<u>11,547,467</u>
Undistributed income at the end of the period - realised		7,397,186	8,705,185
Undistributed (loss) / income at the end of the period - unrealised		<u>(3,420,317)</u>	<u>2,842,282</u>
Undistributed income at the end of the period		3,976,870	11,547,467

The annexed notes from 1 to 15 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 September 30, 2013**

Note	2013	2012
	(Rupees)	
Net assets at the beginning of the period	1,625,775,548	1,413,616,685
Amount received on issue of 4,085,068 (2012: 2,740,609) units	410,770,000	275,956,053
Amount paid on redemption of 8,673,010 (2012: 100,127) units	(872,654,306)	(10,089,000)
	(461,884,306)	265,867,053
Element of loss / (income) and capital losses / (gains) in prices of units sold less those in units redeemed - net	2,995,099	(2,037,996)
Final distribution at the rate of Re 0.9078 (2012: Rs 0.9391) per unit approved on July 08, 2013 (2012: July 04, 2012)		
- Cash distribution	(1,777)	(1,839)
- Issue of bonus units	(14,588,811)	(13,096,535)
	(14,590,588)	(13,098,374)
Issue of 145,532 (2012: 130,429) bonus units as final distribution	14,588,811	13,096,535
Net income for the period	24,391,937	41,566,862
Interim distributions during the period	12	
- Cash distribution	(2,867)	(4,779)
- Issue of bonus units	(24,350,174)	(35,753,503)
Net income for the period less distribution	38,896	5,808,580
Issue of 242,908 (2012: 355,880) bonus units as interim distribution	12	35,753,503
	24,350,174	
Net assets as at end of the period	1,191,273,634	1,719,005,986
Net assets value per unit at the beginning of the period	101.1528	101.3505
Net assets value per unit at end of the period	100.3349	100.6762

The annexed notes from 1 to 15 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 September 30, 2013**

	2013	2012
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the period	24,391,937	41,566,862
Adjustments for:		
Amortisation of formation cost	92,167	92,167
Net unrealised loss / (appreciation) in the fair value of held for trading investments - net	3,420,317	(2,842,282)
Element of loss / (income) and capital losses / (gains) in prices of units sold less those in units redeemed - net	2,995,099	(2,037,996)
	<u>30,899,520</u>	<u>36,778,751</u>
(Increase) / decrease in assets		
Investments	(235,007,253)	(265,841,542)
Receivable against Margin Trading System	(50,290)	-
Profit Receivable on bank balances, Investments and balance receivable under the margin trading system	7,923,158	415,745
Deposit and prepayment	20,082	(29,918)
	<u>(227,114,303)</u>	<u>(265,455,715)</u>
Increase / (decrease) in liabilities		
Remuneration payable to the Management Company	774,452	161,664
Remuneration payable to the Trustee	(21,310)	8,088
Annual fee payable to Securities and Exchange Commission of Pakistan	(990,712)	(646,935)
Accrued expenses and other liabilities	575,672	1,003,458
	<u>338,102</u>	<u>526,275</u>
Net cash used in operating activities	<u>(195,876,681)</u>	<u>(228,150,689)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issuance of units	410,770,000	275,956,053
Net payments against redemption of units	(872,654,306)	(10,089,000)
Cash dividend paid	(4,644)	(5,079)
Net cash (used in) / generated from financing activities	<u>(461,888,950)</u>	<u>265,861,974</u>
Net (decrease) / increase in cash and cash equivalents during the period	<u>(657,765,631)</u>	<u>37,711,285</u>
Cash and cash equivalents at beginning of the period	779,908,557	302,015,205
Cash and cash equivalents at end of the period	<u>122,142,926</u>	<u>339,726,490</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Notes to and forming part of the Condensed Interim
Financial Statements (Unaudited)
For the quarter ended September 30, 2013**

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 is categorised as "Income Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and it primarily invests in Government Securities, Certificates of Investment, Certificates of Deposits, Term Deposit Receipts, Commercial Papers, Reverse Repo, Preference Shares, Spread Transactions and Corporate Debt Securities, etc. subject to the guidelines issued by SECP from time to time.

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned A+ (f) (fund Stability Rating) to the fund and 'AM3 +' (Management company quality rating) to the Management Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations). In case the requirements differ, the provisions or directives of the Companies Ordinance, 1984, and the requirements of the Rules and the Regulations shall prevail.

This condensed interim financial information comprise of condensed interim statement of assets and liabilities as at September 30, 2013 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holder's fund, condensed interim cash flow statement and notes thereto, for the quarter ended September 30, 2013.

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2013.

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).

The Directors of the Management Company declare that these condensed interim financial information gives a true and fair view of the state of affairs of the fund.

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 June 30, 2013.

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 June 30, 2013.

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended June 30, 2013.

6. BANK BALANCES	Note	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
		(Rupees)	
local currency			
- In profit and loss sharing accounts	6.1	22,142,926	304,908,557
- Term deposit receipts	6.2	100,000,000	475,000,000
		<u>122,142,926</u>	<u>779,908,557</u>
6.1	These accounts carry profit rates ranging between 6.00% to 8.65% (30 June 2013: 6.00% to 9.25%) per annum.		
6.2	This Term Deposit carry profit at the rate 9.50% (30 June 2013: 9.90%) per annum and will mature on 11 November 2013.		
7. INVESTMENTS			
Held For Trading			
Government securities	7.1	745,189,836	335,004,286
Term Finance Certificate - Listed	7.2	91,469,583	105,958,044
Term Finance Certificate - Unlisted	7.3	193,219,988	207,330,141
Available for sale			
Short Term Sukuk Certificates	7.5	-	150,000,000
		<u>1,029,879,407</u>	<u>798,292,471</u>

7.1 Held for Trading Investments - Government Securities

Government Securities	Note	Number of holdings at beginning of the period	Acquired during the period	Sold / matured during the period	Number of holdings at end of the period	Cost as at September 30, 2013	Market value as at September 30, 2013	Unrealized (diminution) / appreciation	Market value as percentage of net assets of the Fund	Market value as percentage of total investment
						------(Rupees)-----			-----Percentage (%)-----	
- Treasury Bills - 3 months (face value of Rs. 100,000 each)	7.1.1	1,000	9,250	4,000	6,250	622,322,645	622,253,550	(69,095)	52.23	60.42
- Treasury Bills - 6 months (face value of Rs. 100,000 each)	7.1.2	-	2,500	1,270	1,230	122,941,733	122,936,286	(5,447)	10.32	11.94
- Treasury Bills - 12 months (face value of Rs. 100,000 each)		2,370	14,217	16,587	-	-	-	-	-	-
Total as at September 30, 2013						<u>745,264,378</u>	<u>745,189,836</u>	<u>(74,542)</u>	<u>62.55</u>	<u>72.36</u>
Total as at June 30, 2013						<u>334,921,290</u>	<u>335,004,286</u>	<u>82,996</u>	<u>20.61</u>	<u>41.97</u>

7.1.1 This represents investments in 3 month Government Market Treasury Bills carrying effective mark-up rates ranging from 8.5200% to 8.9872% (June 30, 2013: 9.07%) per annum maturing from October 03, 2013 to October 31, 2013. The face value of market treasury bills as at September 30, 2013 amounted to Rs. 625 million. As at September 30, 2013, the unmortised discount amounted to Rs. 2.677 million (June 30, 2013: 0.593 million).

7.1.2 This represents investments in 3 month Government Market Treasury Bills carrying effective mark-up rate of 8.7% (June 30, 2013: Nil) per annum maturing on October 03, 2013. The face value of market treasury bills as at September 30, 2013 amounted to Rs. 123 million. As at September 30, 2013, the unmortised discount amounted to Rs. 0.058 million (June 30, 2013: Nil).

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	Matured / disposed during the period	Number of holdings at the end of the period	Carrying value as at September 30, 2013	Market value as at September 30, 2013	Unrealized appreciation / diminution	Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
						------(Rupees)-----			-----Percentage (%)-----		
Commercial Banks											
NIB Bank Limited (face value of Rs.5,000 each)		3,000	-	3,000	-	-	-	-	-	-	-
Bank Alfalah Limited - V (face value of Rs. 5,000 each)	7.2.1	13,000	-	-	13,000	66,005,355	66,467,533	462,178	5.58	6.45	1.30
Telecommunication											
Pakistan Mobile Communication Limited - privately placed (face value of Rs.5,000 each)	7.2.2	5,000	-	-	5,000	24,999,245	25,002,050	2,805	2.10	2.43	0.45
Total as at September 30, 2013						<u>91,004,600</u>	<u>91,469,583</u>	<u>464,983</u>	<u>7.68</u>	<u>8.88</u>	<u>1.75</u>
Total as at June 30, 2013						<u>105,210,763</u>	<u>105,958,044</u>	<u>747,281</u>	<u>6.52</u>	<u>13.27</u>	<u>2.13</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 1.25% receivable semi-annually in arrears with no floor or cap and will mature in February 2021. The principal repayment for all the units shall be Rs. 13,000 per six months, except in case of the last six monthly installment, where it shall be 64.805 million. 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 1.65% receivable semi-annually in arrears with no floor or cap and will mature in October 2013 in lump sum. These term finance certificates are unsecured. 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	Matured / disposed during the period	Number of holdings at the end of the period	Carrying value as at September 30, 2013	Market value as at September 30, 2013	Unrealized (diminution) / appreciation	Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the Issue
						------(Rupees)-----			-----Percentage (%)-----		
Commercial Banks	Note										
Bank Al Habib Limited - IV privately placed (face value of Rs.5,000 each)	7.3.1	4,000	-	-	4,000	22,550,565	21,833,919	(716,646)	1.83	2.12	0.67
Askari Bank Limited - IV privately placed (face value of Rs.1,000,000 each)	7.3.2	68	-	-	68	72,401,916	70,439,371	(1,962,545)	5.91	6.84	6.80
Standard Chartered Bank Limited - IV privately placed (face value of Rs.5,000 each)	7.3.3	5,000	-	-	5,000	24,837,500	24,093,650	(743,850)	2.02	2.34	1.00
Technology and Communication											
Pakistan Mobile Communication Limited - privately placed (face value of Rs.100,000 each)	7.3.4	650	-	-	650	56,346,875	55,850,402	(496,473)	4.69	5.42	3.25
Financial Services											
Orix Leasing Pakistan Limited - III privately placed (face value of Rs.100,000 each)	7.3.5	700	-	-	700	20,893,890	21,002,646	108,756	1.76	2.04	3.50
Total as at September 30, 2013						<u>197,030,746</u>	<u>193,219,988</u>	<u>(3,810,758)</u>	<u>16.22</u>	<u>18.76</u>	<u>15.22</u>
Total as at June 30, 2013						204,990,457	207,330,141	2,339,684	12.76	25.97	14.05

- 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. The principal repayment for all the units shall be Rs. 4,000 per six months, except in case of the last two six monthly installments, in which case it shall be Rs. 9.964 million each. 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. The principal shall be redeemed by Rs. 200 per six months in the first 96 months and the balance shall be redeemed in four equal semi annually installments. 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 0.75% receivable semi-annually in arrears with no floor or cap and will mature in June 2022. The principal shall be redeemed in last two equal semi annually installments. 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. The principal amount shall be redeemable at 10%, 20%, 30% and 40% in the first, second, third and fourth years of the issue respectively. These term finance certificates are secured against first pari passu floating charge over all present and future movable fixed assets of the company excluding land, building and vehicles with 25% margin and all present and future receivable of the company including cash balances. The rating of the instrument is AA-.
- 7.3.5 This represents 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 2.15% receivable quarterly in arrears with no floor or cap and will mature in June 2014. The principal amount is redeemable at Rs. 10,000 per installment on a quarterly basis from the third quarter of the issue. These term finance certificates are secured against first exclusive charge over the specific leased assets and associated leased rentals receivable of the company with 25% margin. The rating of the instrument is AA+.
- 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	Number of holdings at beginning of the period	Acquired during the period	Matured / disposed during the period	Number of holdings at the end of the period	Carrying value as at September 30, 2013	Market value as at September 30, 2013	Unrealized appreciation / diminution	Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
Note					(Rupees)			Percentage (%)		
Hub Power Co. Ltd - Sukuk	7.5.1	30,000	-	30,000	-	-	-	-	-	-
Total as at September 30, 2013					-	-	-	-	-	-
Total as at June 30, 2013					150,000,000	150,000,000	-	9.23	18.79	7.50

8. RECEIVABLE AGAINST MARGIN TRADING SYSTEM

This represents the amount receivable under the margin trading of eligible listed equity securities which are to be settled within maximum 60 days. The balance carries mark-up ranging from 13.00% to 17.00%. As at September 30, 2013, the market value of listed shares held under the margin trading amounted to 51.54 million.

9. REMUNERATION TO THE MANAGEMENT COMPANY

The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. Currently, the Management Fee is charged at the rate 1.5% of the average daily net assets of the Fund. Remuneration charged in these financial statements is inclusive of the sales tax on services which is levied at the rate of 16.00% of the remuneration.

Through the Finance Act 2013, the Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which doesn't appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan and a petition has been filed in the Sindh High Court against the imposition of FED in addition to Sindh Sales Tax. As a matter of abundant caution, remuneration of the Management Company charged to the Fund during the period includes the imposed FED.

	Note	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
		(Rupees)	
10. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		219,651	140,000
Payable to Workers' Welfare Fund	10.1	8,983,163	5,348,175
Brokerage payable		10,374	-
NCCPL payable		15,000	15,000
Other liabilities		82,676	38,283
		<u>9,310,864</u>	<u>5,541,458</u>

- 10.1 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 (CISs) / mutual funds 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 Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year end 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 Honourable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

Subsequent to the year end 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.

Subsequent to the year end June 30, 2012, a larger bench of the Honorable High Court of Sindh has passed an order declaring that the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. The Legal counsel appointed by Mutual Fund Association of Pakistan is of the opinion that the constitution petitions filed by the Mutual Funds to challenge Workers Welfare Fund have not been affected by the judgment passed by the larger bench of Sindh High Court and the stay granted to Mutual Funds in separate constitutional petitions remains intact.

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. 8.983 million upto September 30, 2013. If the same had not been so recorded, the net assets value per unit of the scheme would have been higher by Rs. 0.76.

11. CONTINGENCIES AND COMMITMENTS

The Fund had no contingency or commitment at period end.

12. INTERIM DISTRIBUTIONS DURING THE PERIOD

Date of distributions	----- For the period ended September 30, 2013 -----			
	Distribution per unit	No. of Bonus Units Issued	Bonus ----- (Rupees) -----	Cash
July 29, 2013	0.6211	115,456	11,571,846	1,216
August 28, 2013	0.4346	79,257	7,942,797	850
September 25, 2013	0.4090	48,195	4,835,531	801
	<u>1.4647</u>	<u>242,908</u>	<u>24,350,174</u>	<u>2,867</u>

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

13. 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.

14. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

The related parties comprise of 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, staff retirement benefits of related parties and other entities having more than 10% holding in the units of the Fund as at September 30, 2013.

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. Purchase and redemptions of the Fund's unit by the related parties / connected persons are recorded at the applicable net asset value per unit. Other transactions are in accordance with the agreed terms.

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

	September 30, 2013	June 30, 2013
14.1 Balance as at period / year end	(Unaudited)	(Audited)
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration payable (including the Sindh Sales Tax and Federal Excise Duty)	<u>3,557,069</u>	<u>2,782,617</u>
Units held as at the period / year ended 870,917 (June 2013: 850,614) units	<u>87,383,410</u>	<u>86,042,025</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable	<u>176,995</u>	<u>198,305</u>
Security deposit	<u>100,000</u>	<u>100,000</u>
Directors of the Management Company		
Mr. Babar Ali Lakhani - Chief Executive Officer		
Units held as at the period / year ended 18,077* (June 2013: 17,656) units	<u>1,813,747</u>	<u>1,785,905</u>
* 12,159 (30 June 2013: 11,876) units held in joint account with spouse Ms. Zil Lakhani and Represent		
* 5,917 (30 June 2013: 5,779) units held by Mr Hassan Ali Lakhani (minor son)		
Mr. Daniel Scott Smaller		
875 (June 2013: 855) units	<u>87,816</u>	<u>86,468</u>
Related parties of the Management Company		
SIZA (Private) Limited		
Units held as at the period / year ended 918,697 (June 2013: 2,707,285) units	<u>92,177,419</u>	<u>273,849,497</u>
Century Insurance Company Limited		
Units held as at the period / year ended 2,842,633 (June 2013: 3,363,106) units	<u>285,215,322</u>	<u>340,187,581</u>

	September 30, 2013 (Unaudited) (Rupees)	June 30, 2013 (Audited)
Other - connected person due to holding more than 10% outstanding units		
Bank deposits	<u>19,351,390</u>	<u>29,915,462</u>
Profit receivable on bank deposits	<u>164,854</u>	<u>161,218</u>
Units held as at the period / year ended 3,238,553 (June 2013: 2,958,305 units)	<u>324,939,910</u>	<u>299,240,825</u>
	September 30,	2012
14.2 Transactions during the period	(Unaudited)	(Audited)
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration to the Management Company (including the Sindh Sales Tax and Federal Excise Duty)	<u>8,777,466</u>	<u>6,389,595</u>
Issue of bonus units: 20,303 (2012: 26,490) units	<u>2,035,384</u>	<u>2,660,946</u>
Central Depository Company of Pakistan Limited- Trustee of the Fund		
Remuneration to the Trustee	<u>583,888</u>	<u>526,382</u>
Settlement charges	<u>60,893</u>	<u>1,500</u>
Directors of the Management Company		
Mr. Babar Ali Lakhani - Chief Executive Officer		
Issue of units: nil (2012: 5,431) units	<u>-</u>	<u>545,875</u>
Issue of bonus units: 421 (2012: 412) units	<u>132,247</u>	<u>41,392</u>
Mr. Daniel Scott Smaller		
Issue of bonus units: 20 (2012: nil) units	<u>2,045</u>	<u>-</u>
Key management personnel and Employees of the Management Company		
Issue of bonus units: nil (2012: 87) units	<u>-</u>	<u>8,786</u>
Associated Companies / Undertaking of the Management Company		
Siza (Private) Limited		
Issue of units: nil (2012: 348,177) units	<u>-</u>	<u>35,110,878</u>
Issue of bonus units: 51,725 (2012: 245,005) units	<u>5,185,081</u>	<u>24,611,063</u>
Redemption of units: 1,840,313 (2012: nil) units	<u>185,000,000</u>	<u>-</u>
Clover (Pakistan) Limited Employees Contributory Provident Fund		
Issue of bonus units: nil (2012: 667) units	<u>-</u>	<u>67,032</u>
Colgate Palmolive (Pakistan) Limited Employee Contributory Provident Fund		
Issue of bonus units: nil (2012: 6,006) units	<u>-</u>	<u>603,291</u>
Colgate Palmolive (Pakistan) Limited Employee Gratuity Fund		
Issue of bonus units: nil (2012: 3,337) units	<u>-</u>	<u>335,162</u>

	September 30, 2013	2012 (Unaudited) (Rupees)
Accuray Surgical Limited Employee Contributory Provident Fund		
Issue of bonus units: nil (2012: 445) units	-	44,688
Cyber Internet Services (Private) Limited Employee Contributory Provident Fund		
Issue of bonus units: nil (2012: 4,670) units	-	469,136
GAM Corp. (Private) Limited Employees Contributory Provident Fund		
Issue of bonus units: nil (2012: 4,682) units	-	134,010
Princeton Travels (Private) Limited Contributory Provident Fund		
Issue of bonus units: nil (2012: 534) units	-	53,626
SIZA Foods (Pvt) Limited Contributory Provident Fund		
Issue of bonus units: Nil (2012: 2,892) units	-	290,474
Century Insurance Company Limited		
Issue of units: nil (2012: 198,307) units	-	20,000,000
Issue of bonus units: 77,834 (2012: 55,962) units	<u>7,802,667</u>	<u>5,621,411</u>
Redemption of units: 598,307 (2012: nil) units	<u>60,257,803</u>	<u>-</u>
Century Insurance Company Limited Employees Contributory Provident Fund		
Issue of bonus units: nil (2012: 667) units	-	67,032
Other - connected person due to holding more than 10% outstanding units		
Mark-up on profit on loss sharing accounts	<u>598,564</u>	<u>93,669</u>
Bank charges	<u>12,592</u>	<u>9,049</u>
Issue of units: 1,471,048 (2012: nil) units	<u>148,000,000</u>	<u>-</u>
Issue of bonus units: 81,525 (2012: nil) units	<u>8,172,613</u>	<u>-</u>
Redemption of units: 1,272,324 (2012: nil) units	<u>128,000,000</u>	<u>-</u>

15. GENERAL

These condensed interim financial statements were authorized for issue by Board of Directors of the Management Company on October 28, 2013.

**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