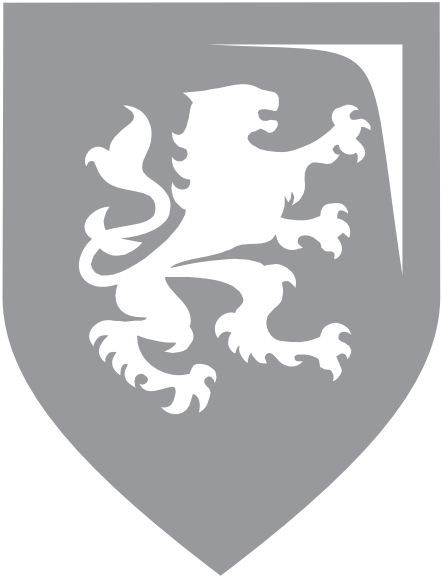


LAKSON EQUITY FUND  
Quarterly Report (March 31, 2014)





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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

Syed Muhammad Zeeshan

### Audit Committee

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

### Human Resource and Remuneration Committee

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

### Trustee

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

### Auditors

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

### Bankers to the Fund

Allied Bank Limited  
Askari Bank Limited  
Bank Al-Falah Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan 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**

3-Star : Short Term Fund Performance Ranking  
2-Star : Long Term Fund Performance Ranking  
AM3+ : Management Company Quality Rating

## **Review Report of the Directors of the Management Company For the nine months period ended March 31, 2014**

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Equity Fund ("LEF") is pleased to submit its review report together with Condensed Interim Financial Statements for the nine months period ended March 31, 2014.

### **Fund Objective**

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

### **Fund Profile**

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

### **Fund performance**

The LEF posted an absolute return of 25.50% in the nine months of FY14 compared to the Benchmark KSE-30 Index return of 18.28%, and KSE-100 Index return of 29.30%. The LEF outperformed the Benchmark KSE-30 Index by 722 bps. As of March 31, 2014, the LEF is invested 82% in equities. The fund size of the LEF as of March 31, 2014 is PKR 834 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**

The domestic economy was back on track as the major macroeconomic indicators along with security situation showed considerable signs of improvement. The government was able to swiftly tackle the issue of inflation and a fragile external account through its strong policies. While, it was also successful in improving the security situation as the peace dialogue between government and militants went a step ahead after Taliban declared a month-long ceasefire. Resultantly, there has been a growing international confidence in Pakistan's policies, after government has shown strong commitment to transform the future of the economy.

The inflationary pressures in the economy abated as the headline inflation retreated during the 3QFY14 quarter, averaging at 8.1% YoY compared to 9.8% YoY witnessed during the previous quarter. Inflation eased off as the food inflation moderated during the quarter. Food inflation averaged 8.0% YoY during the 3QFY14 compared to previous quarter's average of 10.7% YoY. The government largely tackled the food price issue by resolving the transportation issues and reigning in the urea price. On the flip side, the State Bank of Pakistan ("SBP") in its third Monetary Policy Statement ("MPS") for FY14 maintained the status quo by keeping the benchmark discount rate at 10.0%. The central bank kept the discount rate unchanged to bring stability on the external front. Furthermore, the central bank also cited that it sees moderate risk of demand-driven inflation at the moment.

The 3rd quarter was most promising for the external account as PKR strengthened 7.4% against the USD during the period to close at 98.2. The appreciation in PKR came in on the back of USD 1.5 billion assistance received in the Pakistan Development Fund coupled with IMF Board's approval for the third tranche of USD 555 million. In addition to that, the country also received USD 350 million under the Coalition Support Fund ("CSF") program from US. As a result, the net foreign exchange reserves of the country increased by USD ~1,550 million to USD 9.89 billion during the quarter (as of March 28, 2014).

The Federal Board of Revenue ("FBR") collected PKR 1,573 billion in taxes during the 9MFY14, higher by PKR 219 billion or 16% over the collection made in the comparative period of last fiscal year. However, the collection was PKR 210 billion short of the target, on the basis of PKR 2,475 billion target, approved by the Parliament in June last year. The IMF has already revised the annual target downward to PKR 2,345 billion.

**Equity Market Review**

The KSE-100 Index posted a return of 29.30% in the 9MFY14 while generating a return of 7.52% for the 3rd quarter of FY14. Despite tightening of monetary policy initiated in the 1HFY14, equity investors have grown optimistic following the orderly transition of political and military leadership combined with the approval of the IMF program and major inflow of foreign exchange which prevented a balance of payments crisis for the country. Lower-than-expected inflation and robust growth in reserves fostered expectations of an interest rate cut in the future, which has also contributed towards investors' optimism. In the 9MFY14, the KSE 100 Index has posted a USD-based return of 30.78%, outperforming major regional market such as India, China and Indonesia, which posted returns of +14.45%, +1.42% and -12.87% respectively. Pakistan's attraction for foreign investors has increased as regional economies have slowed down whereas Pakistan's GDP growth has stayed robust, even in the face of tighter monetary policy. Foreign investors were net buyers in the local market during the 9MFY14, adding USD 28.44 million of equity to their portfolios. Banks/DFIs emerged as the largest buyers of the market, with net purchases of USD 151 million, while mutual funds and companies were net sellers to the tune of USD 76 million and USD 34 million respectively. Average daily traded volume increased by 27.14% YoY in the 9MFY14 to 213 million shares compared to 168 million shares last year. Average daily traded value rose 78.42% YoY to PKR 8.34 billion versus PKR 4.68 billion in the 9MFY13. Of the major listed sectors, cement and selected fertilizer manufacturers have outperformed the market driven by prospects of an improvement in their fundamentals. Oil marketing companies also performed well on expectations of higher earnings an improvement in liquidity position as circular debt scenario improves. Textiles outperformed the market during 1HFY14, but lagged in the last quarter due to weak yarn prices and rapid appreciation of the PKR. The electricity sector emerged as a laggard during the 9MFY14 as their dividend payouts were negatively affected by a surge in overhaul and maintenance costs and a stronger PKR in the last quarter. The IPO market has remained active and vibrant; in FY14 thus far, 3 offerings have been brought to market, which were well received by investors.

**Future Outlook**

With overall economic activity picking up due to improved energy supplies, lower subsidies, tightly controlled fiscals, marked improvement in the PKR followed by soft CPI outlook and monetary easing, re-profiling of the govt. debt to longer term basis, rising private sector credit off-take and improved external account given back-to-back inflows, overall macros of the country are seemingly heading in the right direction. Though sustainability of improving macros is yet to be validated, revival of foreign investor's confidence in the reforms agenda of the present government has provided much-needed support to the macros. With significant support to the previously falling foreign exchange reserves of the country through recently issued Eurobonds, flows through Saudi gift, CSF, 3G auction and the Privatization program ahead, the external position of the country is expected to stay well within target, also due to dim commodity price outlook. Fiscal side, on the other hand, is expected to fall short on tax targets given slower-than-expected growth in tax collections, though fiscal deficit is expected to remain well under budgetary limits through cut on/management of the overall expenditures.

**Acknowledgment**

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

**For and on Behalf of the Board**

**Babar Ali Lakhani**  
Chief Executive Officer

**Dated: April 25, 2014**

**Condensed Interim Statement of Assets and Liabilities  
As at March 31, 2014**

<b>ASSETS</b>	<b>Note</b>	<b>March 31, 2014 (Unaudited)</b>	<b>June 30, 2013 (Audited)</b>
		<b>(Rupees)</b>	
Bank balances	5	<b>32,806,305</b>	27,080,634
Investments	6	<b>808,625,611</b>	92,817,993
Dividend and mark-up receivable		<b>6,173,703</b>	185,852
Security deposits and prepayments		<b>2,682,413</b>	2,650,000
Deferred formation cost		<b>167,915</b>	370,601
Receivable against sale of investments		-	341,737
<b>TOTAL ASSETS</b>		<b>850,455,947</b>	123,446,817
 <b>LIABILITIES</b>			
Payable to the Management Company	7	<b>3,563,634</b>	456,428
Payable to the Trustee		<b>134,023</b>	59,418
Annual fee payable to the Securities and Exchange Commission of Pakistan		<b>205,458</b>	161,284
Payable against purchase of investments		<b>5,839,825</b>	-
Payable against redemption of units		-	489,588
Accrued expenses and other liabilities	8	<b>6,863,733</b>	1,694,601
<b>TOTAL LIABILITIES</b>		<b>16,606,673</b>	2,861,319
<b>NET ASSETS</b>		<b>833,849,274</b>	120,585,498
 <b>UNIT HOLDERS' FUND (as per statement of movement in Unit Holders' Fund)</b>			
		<b>833,849,274</b>	120,585,498
 <b>CONTINGENCIES AND COMMITMENTS</b>			
	9		
		<b>(Number of units)</b>	
<b>Number of units in issue</b>		<b>5,769,685</b>	852,430
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<b>144.5224</b>	141.4609

The annexed notes from 1 to 13 form an integral part of these condensed interim financial information.

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

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

\_\_\_\_\_  
Director



## Condensed Interim Income Statement (Unaudited)

### For the nine months and quarter ended March 31, 2014

	Note	Nine months ended March 31,		Quarter ended March 31,	
		2014	2013	2014	2013
----- (Rupees) -----					
<b>INCOME</b>					
Income from Government securities		1,750,336	-	1,726,688	-
Capital gain on sale of investments - net		14,872,189	17,390,006	5,065,333	10,028,896
Dividend income		12,573,120	9,467,150	9,267,370	4,671,250
Mark-up income		2,324,734	1,588,741	1,778,529	646,219
		<u>31,520,379</u>	<u>28,445,897</u>	<u>17,837,920</u>	<u>15,346,365</u>
Unrealised appreciation / (diminution) in the fair value of investments classified as 'held for trading' - net	6.1	18,227,343	15,202,694	4,672,450	(1,761,955)
		<u>49,747,722</u>	<u>43,648,591</u>	<u>22,510,370</u>	<u>13,584,410</u>
<b>EXPENSES</b>					
Remuneration to the Management Company		6,488,144	3,762,417	4,603,416	1,318,336
Sales tax on remuneration to the Management Company		1,204,200	601,987	854,394	210,934
Federal excise duty on remuneration to the Management Company	7.1	1,038,103	-	736,547	-
Remuneration of the Trustee		672,755	525,480	319,878	172,603
Annual fee to the Securities and Exchange Commission of Pakistan		205,458	119,143	145,775	41,747
Brokerage, settlement and bank charges		1,369,329	626,407	976,492	281,477
Amortisation of deferred formation cost		202,686	202,685	66,576	66,575
Auditors' remuneration		194,090	261,955	68,373	128,486
Fees and subscription		97,587	89,754	32,054	29,918
Printing charges		30,877	44,877	14,361	15,045
Workers' Welfare Fund	8.1	4,978,848	756,724	4,485,320	189,519
		<u>16,482,077</u>	<u>6,991,429</u>	<u>12,303,185</u>	<u>2,454,639</u>
<b>Net income from operating activities</b>		<u>33,265,646</u>	<u>36,657,162</u>	<u>10,207,184</u>	<u>11,129,771</u>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		210,697,899	422,304	209,573,470	(1,843,355)
<b>Net income for the period</b>		<u>243,963,545</u>	<u>37,079,466</u>	<u>219,780,654</u>	<u>9,286,416</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial information.

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

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

\_\_\_\_\_  
Director

**Condensed Interim Statement of Comprehensive Income (Unaudited)  
For the nine months and quarter ended March 31, 2014**

	Nine months ended March 31,		Quarter ended March 31,	
	2014	2013	2014	2013
	------(Rupees)-----			
Net income for the period	<b>243,963,545</b>	37,079,466	<b>219,780,654</b>	9,286,416
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b><u>243,963,545</u></b>	<u>37,079,466</u>	<b><u>219,780,654</u></b>	<u>9,286,416</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial information.

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

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

\_\_\_\_\_  
Director

**Condensed Interim Distribution Statement (Unaudited)  
For the nine months and quarter ended March 31, 2014**

	Nine months ended March 31,		Quarter ended March 31,	
	2014	2013	2014	2013
	------(Rupees)-----			
Undistributed income at the beginning of the period - realised	<b>23,605,585</b>	15,210,747	<b>23,545,218</b>	12,168,765
Undistributed income at the beginning of the period - unrealised	<b>11,736,933</b>	579,786	<b>13,554,894</b>	16,964,649
<b>Undistributed income at the beginning of the period</b>	<b><u>35,342,518</u></b>	<u>15,790,533</u>	<b><u>37,100,112</u></b>	<u>29,133,414</u>
Less: Final distribution as issue of bonus units at the rate of Rs. 26.3075 (2012: Rs 11.1215) per unit approved on July 8, 2013 (2012: July 4, 2012)	<b>(22,425,296)</b>	(14,450,169)	-	-
	<b><u>12,917,222</u></b>	<u>1,340,364</u>	<b><u>37,100,112</u></b>	<u>29,133,414</u>
Total comprehensive income for the period	<b>243,963,545</b>	37,079,466	<b>219,780,654</b>	9,286,416
<b>Undistributed income at the end of the period</b>	<b><u>256,880,767</u></b>	<u>38,419,830</u>	<b><u>256,880,766</u></b>	<u>38,419,830</u>
Undistributed income at the end of the period - realised	<b>238,653,422</b>	23,217,136	<b>238,653,422</b>	23,217,136
Undistributed income at the end of the period - unrealised	<b>18,227,343</b>	15,202,694	<b>18,227,343</b>	15,202,694
<b>Undistributed income at the end of the period</b>	<b><u>256,880,766</u></b>	<u>38,419,830</u>	<b><u>256,880,766</u></b>	<u>38,419,830</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial information.

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

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

\_\_\_\_\_  
Director

**Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited)  
For the nine months and quarter ended March 31, 2014**

	Nine months ended March 31,		Quarter ended March 31,	
	2014	2013	2014	2013
	------(Rupees)-----			
<b>Net assets at the beginning of the period</b>	<b>120,585,498</b>	145,720,572	<b>135,150,216</b>	184,796,220
Amount received on issue of 5,376,532 (2013: 2,22,896) units and 5,374,746 (2013: 221,979) units for the nine months and quarter respectively	<b>773,936,968</b>	26,303,246	<b>773,716,968</b>	12,754,989
Amount paid on redemption of 654,020 (2013: 221,979) and 585,562 (2013: 221,979) units for the nine months units and quarter respectively	<b>(93,938,838)</b>	(25,936,843)	<b>(85,225,095)</b>	(25,936,843)
	<b>679,998,130</b>	366,403	<b>688,491,873</b>	(13,181,854)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	<b>(210,697,899)</b>	(422,304)	<b>(209,573,470)</b>	1,843,355
Less: Final distribution as issue of bonus units at the rate of Rs. 26.3075 (2012: Rs 11.1215) per unit approved on July 4, 2012 (2011: 4 July 2011)	<b>(22,425,296)</b>	(14,450,169)	-	-
Issue of 194,743 (2012: 143,026) bonus units as final distribution	<b>22,425,296</b>	14,450,169	-	-
Total comprehensive income for the period	<b>243,963,545</b>	37,079,466	<b>219,780,654</b>	9,286,416
<b>Net assets as at the end of the period</b>	<b>833,849,274</b>	182,744,137	<b>833,849,274</b>	182,744,137
<b>Net assets value per unit at the beginning of the period</b>	<b>141.4609</b>	112.1531	<b>137.8379</b>	118.7157
<b>Net assets value per unit at the end of the period</b>	<b>144.5225</b>	126.6204	<b>144.5225</b>	126.6204

The annexed notes from 1 to 13 form an integral part of these condensed interim financial information.

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

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

\_\_\_\_\_  
Director

**Condensed Interim Cash Flow Statement (Unaudited)**  
**For the nine months and quarter ended March 31, 2014**

	Nine months ended March 31,		Quarter ended March 31,	
	2014	2013	2014	2013
------(Rupees)-----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period	243,963,545	37,079,466	219,780,654	9,286,416
<b>Adjustments for non-cash charges and other items:</b>				
Capital gain on sale of investments - net	(14,872,189)	(17,390,006)	(5,065,333)	(10,028,896)
Net unrealised appreciation in the fair value of investment classified as 'held for trading'	(18,227,343)	(15,202,694)	(4,672,450)	1,761,955
Amortisation of deferred formation cost	202,686	202,685	66,576	66,575
Element of income and capital gains in prices of units sold less those in units redeemed - net	(210,697,899)	(422,304)	(209,573,470)	1,843,355
	368,800	4,267,147	535,979	2,929,405
<b>(Increase) / decrease in assets</b>				
Investments - net	(682,708,086)	4,549,679	(669,334,671)	18,269,451
Dividends and other receivables	(5,987,851)	(3,953,847)	(5,843,643)	(4,048,571)
Security deposits and prepayments	(32,413)	(30,246)	4,269,554	29,918
Receivable against sale of investments	341,737	(4,358,512)	-	(3,771,707)
	(688,386,613)	(3,792,926)	(670,908,760)	10,479,091
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	3,107,206	128,627	2,792,155	25,953
Payable to the Trustee	74,605	773	74,568	-
Annual fee payable to the Securities and Exchange Commission of Pakistan	44,174	(17,573)	145,775	41,747
Payable against purchase of Investment	5,839,825	(1,869,014)	3,940,612	-
Payable against redemption of units	(489,588)	-	-	-
Accrued and other liabilities	5,169,132	700,580	4,723,247	267,572
	13,745,354	(1,056,607)	11,676,357	335,272
<b>Net cash (used in) / generated from operating activities</b>	(674,272,459)	(582,386)	(658,696,424)	13,743,768
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash received from issuance of units	773,936,968	26,303,246	773,716,968	12,754,989
Cash paid on redemption of units	(93,938,838)	(25,936,843)	(85,225,095)	(25,936,843)
Net cash generated / (used in) from financing activities	679,998,130	366,403	688,491,873	(13,181,854)
Net (decrease) / increase in cash and cash equivalents during the period	5,725,671	(215,983)	29,795,449	561,914
Cash and cash equivalents at the beginning of the period	27,080,634	33,980,089	3,010,856	33,202,192
<b>Cash and cash equivalents at the end of the period</b>	<b>32,806,305</b>	<b>33,764,106</b>	<b>32,806,305</b>	<b>33,764,106</b>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial information.

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

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

\_\_\_\_\_  
Director

## **Notes to and forming part of the Condensed Interim Financial Information (Unaudited) For the nine months and quarter ended March 31, 2014**

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

Lakson Equity Fund ("the Fund") was established under Trust Deed executed on September 2, 2009 between Lakson Investments Limited as its Management Company and Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a notified entity on September 18, 2009 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The Management Company of the Fund has been licensed by SECP as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore.

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

The Fund primarily invests in listed equity securities and other avenues of investment, which include cash or near cash instruments, cash in bank accounts (excluding TDRs) and treasury bills not exceeding 90 days maturity and any other investment authorised by SECP.

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

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded a short term performance ranking to "3-Star" and assigned long term performance ranking of "2-Star" to the fund and maintained 'AM3 +' (Management Company quality rating) to the Management Company.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

This condensed interim financial information of the Fund for the nine months period ended March 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008. In case where requirements differ, the provisions of or directives of Companies Ordinance, 1984, the requirements of Trust Deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, and Non-Banking Finance Companies and Notified Entities Regulations, 2008 have been followed.

The disclosures in this condensed interim financial information are presented in accordance with International Accounting Standard 34 "Interim Financial Reporting" and do not contain all the information required for full annual financial statements. Consequently, this condensed interim financial information should be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2013.

This condensed interim financial information comprises of condensed interim statement of assets and liabilities as at March 31, 2014 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of cash flows, condensed interim statement of movement in Unit Holder's Fund, and notes thereto, for the nine month period ended March 31, 2014.

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 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for investments that are stated at fair values.

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

## 2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees, which is the functional and presentation currency of the Fund.

## 2.4 Use of estimates and judgments

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this condensed interim financial information are same as those applied in the preparation of the annual audited financial statements as at and for the year ended June 30, 2013.

## 4. 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 June 30, 2013.

		March 31, 2014 (Unaudited)	June 30, 2013 (Audited)
	Note	(Rupees)	
<b>5. BANK BALANCES</b>			
In profit and loss sharing accounts	5.1	<u>32,806,305</u>	<u>27,080,634</u>
5.1		These balances carries markup at rates ranging from 7.00% to 9.25% (June 30, 2013: 6.00% to 9.25%) per annum.	
<b>6. INVESTMENTS - financial assets at fair value through profit or loss - held for trading</b>			
Listed equity securities	6.1	687,530,140	92,817,993
Government securities	6.2	121,095,471	-
		<u>808,625,611</u>	<u>92,817,993</u>

**6.1 Listed equity securities**

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

Name of investee company	Number of shares				Balance as at March 31, 2014				Market value as a percentage of the paid-up capital of the investee company													
	As at July 01, 2013	Purchased during the period	Disposed during the period	Balance as at March 31, 2014	Carrying Value	Market value	Unrealised Appreciation / (diminution)	Market value as a percentage of net assets														
										As at March 31, 2014	Market value	Unrealised Appreciation / (diminution)										
<b>Chemicals</b>																						
Engo Corporation Limited	55,000	262,600	-	67,600	220,000	39,354,620	41,023,400	1,758,780	4.82	5.07	0.80											
Engo Chemicals Limited	-	306,000	-	36,000	280,000	12,124,128	16,271,600	4,150,872	2.00	2.43	0.13											
Fafan Fertilizer Company Limited	230,000	290,000	-	280,000	240,000	6,458,870	7,555,200	1,096,330	0.91	0.93	0.04											
Fauji Fertilizer Company Limited	60,000	100,000	-	70,000	-	-	-	-	-	-	-											
Sitara Chemical Industries Limited	-	107,600	-	107,100	107,100	28,466,264	31,021,515	2,555,251	3.72	3.84	14.48											
	345,000	975,600	-	473,500	847,100	86,313,883	96,316,115	10,002,232	11.55	11.91	15.44											
<b>Oil and Gas</b>																						
Oil & Gas Development Company Limited	10,000	240,500	-	24,400	226,100	61,504,644	54,519,493	(6,985,151)	6.54	6.74	0.13											
Pakistan Petroleum Limited	18,000	68,000	-	7,000	79,000	40,580,122	47,090,220	2,410,098	5.16	5.32	1.82											
Pakistan Refineries Limited	40,000	265,500	9,600	60,100	255,000	55,253,376	57,058,800	1,805,424	6.84	7.06	0.29											
Pakistan State Oil Company Limited	-	233,300	-	90,000	143,300	56,439,118	61,147,523	4,708,425	7.33	7.56	2.48											
	68,000	807,300	9,600	181,500	703,400	213,777,260	215,716,056	1,938,796	25.87	26.68	4.71											
<b>Construction and Materials</b>																						
Concrete Construction Limited	53,500	25,000	-	78,500	-	-	-	-	-	-	-											
D.G. Khan Cement Company Limited	72,000	625,000	-	107,000	590,000	53,734,042	54,291,800	557,758	6.51	6.71	1.24											
Fauji Cement Company Limited	-	150,000	-	150,000	-	-	-	-	-	-	-											
Fecto Cement Limited	54,000	-	-	54,000	-	-	-	-	-	-	-											
Kohat Cement Company Limited	80,000	320,500	12,000	47,500	365,000	38,943,454	42,712,300	3,768,846	5.12	5.28	2.76											
Lucky Cement Limited	32,500	158,500	-	49,500	141,500	42,767,761	44,848,425	2,080,664	5.38	5.55	1.39											
Pioneer Cement Limited	-	515,000	-	390,000	125,000	4,881,975	5,836,250	954,275	0.70	0.72	-											
	292,000	1,794,000	12,000	876,500	1,221,500	140,327,232	147,688,775	7,361,543	17.71	18.26	5.39											
<b>Personal Goods</b>																						
Nishat Mills Limited	50,000	317,000	-	142,000	225,000	29,714,802	26,223,750	(3,491,052)	3.14	3.24	0.75											
Text Corporation (PTC)	80,000	425,000	-	80,000	575,000	11,110,120	8,293,250	(2,816,870)	0.99	1.03	1.98											
Nishat Chunhan Limited	-	281,000	-	113,000	170,000	7,167,842	4,962,400	(2,205,442)	0.60	0.61	1.88											
Saf Textile Mills Limited	-	1,023,000	-	583,000	570,000	48,092,764	39,484,400	(8,608,364)	4.73	4.88	4.61											
	130,000	1,023,000	-	583,000	570,000	48,092,764	39,484,400	(8,608,364)	4.73	4.88	4.61											
<b>Electricity</b>																						
Nishat Power Limited	-	437,000	-	256,500	180,500	5,869,750	5,705,605	(164,145)	0.68	0.71	0.16											
The Hub Power Company Limited	100,000	513,000	-	168,000	445,000	28,662,282	23,660,650	(5,001,632)	2.84	2.93	0.20											
Nishat Chunhan Power Limited	-	400,000	-	400,000	400,000	14,438,200	14,436,000	(2,200)	1.73	1.79	0.72											
	100,000	1,350,000	-	424,500	1,025,500	48,970,232	43,802,255	(5,167,977)	5.25	5.42	1.09											
<b>Banks</b>																						
Allied Bank Limited	61,700	135,000	10,950	87,200	120,450	10,066,882	11,675,219	1,608,367	1.40	1.44	0.11											
Bank Alifiah Limited	225,000	970,000	-	70,000	1,125,000	29,277,760	30,060,000	782,240	3.60	3.72	0.22											
Bank Al-Habib Limited	142,000	298,500	22,500	75,000	388,000	13,571,450	14,396,880	807,230	1.73	1.78	0.14											
Paych Bank Limited	-	21,500	-	21,500	219,000	3,942,250	3,917,160	(25,090)	0.47	0.48	0.38											
MCB Bank Limited	-	128,700	7,150	23,500	112,350	28,809,812	28,225,691	(584,121)	3.38	3.49	0.28											
United Bank Limited	428,700	2,051,000	40,600	300,200	2,220,100	112,049,867	119,882,148	7,832,281	14.37	14.83	4.19											
<b>Beverages</b>																						
Murree Brewery Company Limited	7,900	8,100	1,000	6,000	11,000	4,319,817	8,790,540	4,470,723	1.05	1.09	4.19											
Shezan International Limited	7,900	26,250	1,000	6,000	18,150	15,411,436	15,848,851	4,389,190	1.90	1.96	21.83											
	1,371,600	8,027,150	63,200	2,845,200	6,616,750	669,262,490	687,150,140	18,267,650	87	85	26.03											
Total - March 31, 2014	1,929,742	4,440,568	109,401	5,108,111	1,371,600	81,081,060	92,817,993	11,736,933	72	77	100											



6.1.1 Investments include shares with market value aggregating to Rs. 37.690 million (June 30, 2013: Rs. 6.655 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades.

## 6.2 Government securities

----- Number of treasury bills -----					Balance as at March 31, 2014			Market value as a percentage of net assets of the Fund	Market value as a percentage of total investments	
Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at the end of the period	Carrying value	Market value	Unrealized (diminution)				
					----- Rupees -----					
Treasury Bills - 3 months (face value of Rs. 100,000 each)	6.2.1	-	3,130	1,900	1,230	121,135,778	121,095,471	(40,307)	14.53	14.98
<b>Total - March 31, 2014</b>						<b>121,135,778</b>	<b>121,095,471</b>	<b>(40,307)</b>	<b>14.53</b>	<b>14.98</b>
Total - June 30, 2013						-	-	-	-	-
<b>Total investments - March 31, 2014</b>						<b>790,398,268</b>	<b>808,625,611</b>	<b>18,227,343</b>	<b>97</b>	<b>100</b>
Total investments - June 30, 2013						81,081,060	92,817,993	11,736,933	77	100

6.2.1 These represent 3 months Government Treasury Bills carrying an effective yield of 10.2282% (June 30, 2013: nil) per annum and will be maturing on May 29, 2014. The face value of Treasury Bills held as at March 31, 2014 amounted to Rs. 123 million (June 30, 2013: nil).

	<b>March 31, 2014 (Unaudited)</b>	<b>June 30, 2013 (Audited)</b>
<b>Note</b>	<b>(Rupees)</b>	
<b>7. REMUNERATION TO THE MANAGEMENT COMPANY</b>		
Remuneration to the Management Company	<b>2,010,292</b>	369,769
Sales tax payable on remuneration to the Management Company	<b>490,584</b>	62,003
Federal excise duty payable on remuneration to the Management Company	<b>7.1 1,055,864</b>	17,762
Sales load payable	<b>6,894</b>	6,894
	<b><u>3,563,634</u></b>	<b><u>456,428</u></b>

7.1 The Finance Act, 2013 has enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED is not justified.

On September 04, 2013, a constitutional Petition has been filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED. In this respect, the Honorable SHC has issued a stay order against recovery proceedings. The hearing of the petition is in progress.

In view of the pending decision, as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from June 13, 2013, aggregating to Rs. 1.056 million (June 30, 2013: 0.018 million).

	March 31, 2014 (Unaudited)	June 30, 2013 (Audited)
8. ACCRUED AND OTHER LIABILITIES	Note	(Rupees)
Auditors' remuneration	142,660	211,500
Brokerage and settlement charges	280,313	17,746
Workers' Welfare Fund	8.1 6,408,203	1,429,355
Others	32,557	36,000
	<u>6,863,733</u>	<u>1,694,601</u>

### 8.1 Workers' Welfare Fund

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it is alleged that all Collective Investment Schemes (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 for adjudication.

During the year ended June 30, 2011, 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.

During the year ended June 30, 2012, the Honorable 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 during the year ended June 30, 2013 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. 6.408 million upto March 31, 2014. If the same had not been so recorded, the net assets value per unit of the scheme would have been higher by Rs. 1.11.

**9. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at the balance sheet date.

**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 to the unit holders of this Fund. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, no provision has been made in this condensed interim financial information.

In March 2014, the taxation officers, in case of this fund, have issued show cause notices under Section 122 (9) of the Income Tax Ordinance, 2001. These notices have, in form, denied the exemption to the income of the fund under Clause 99 of Part 1 of the Second Schedule to the Ordinance, however the context and the discussion with the Federal Board of Revenue reveal that a different viewpoint, not supported by law, is being adopted for the tax effect and incidence of the 'distribution' made by the fund by way of bonus units.

There seems to be an apparent contradiction as tax effect and incidence on bonus unit if any, being a issue related to income of the recipient of distribution does not effect the validity of exemption to the fund.

This industry issue has been examined by legal experts and tax advisors and there is unanimity of view that under the present regulations, including the provisions of Clause 99, tax department's contentions are primarily erroneous and not tenable under the law. Appropriate appellate and executive remedies are being adopted to resolve the matter.

No provision has been made in these accounts for the demands raised in the orders as the management company is confident that no tax incidence arises to the fund under the present clear regulations on the matter.

**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 the holding company of the Management Company, associated companies of the Management Company, key management personnel, other funds being managed by the Management Company and entities having holding more than 10% in the units of the Funds as at March 31, 2014.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively. Other transactions are in normal course of business, at contracted rates and terms determined in accordance with the market rates.

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

	March 31, 2014 (Unaudited)	June 30, 2013 (Audited)
11.1 Balance as at period / year end	(Rupees)	
<b>Lakson Investments Limited - Management Company</b>		
Remuneration payable	<u>2,010,292</u>	<u>369,769</u>
Sales load Payable	<u>6,894</u>	<u>6,894</u>
Units held as at the period / year end 346,947 (June 30, 2013: 757,791) units	<u>50,141,625</u>	<u>107,197,815</u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>		
Remuneration payable	<u>134,023</u>	<u>57,536</u>
Settlement charges payable	<u>8,917</u>	<u>1,882</u>
Security deposit	<u>100,000</u>	<u>100,000</u>
<b>Directors, Chief Executive, their Spouses and Minor Children</b>		
Units held as at the period / year end 4,423 (June 30, 2013: 2,233) units	<u>639,178</u>	<u>315,936</u>
<b>Associated Companies / Undertakings of the Management Company</b>		
<b>SIZA (Private) Limited</b>		
Units held as at the period / year end 2,661,945 (June 30, 2013: 64,882) units	<u>384,710,663</u>	<u>9,178,303</u>
<b>Century Insurance Company Limited</b>		
Units held as at the period / year end 1,952,993 (June 30, 2013: nil) units	<u>282,251,220</u>	<u>-</u>
<b>Others - Connected Person due to holding more than 10% outstanding units</b>		
Bank deposits	<u>22,597,749</u>	<u>15,148,659</u>
Profit receivable	<u>295,333</u>	<u>58,734</u>
Units held as at the period / year end 691,050 (June 30, 2013: nil) units	<u>99,872,218</u>	<u>-</u>

**11.2 Transactions during the period**

	Nine months ended March 31,	
	2014	2013
	(Unaudited) (Rupees)	
<b>Lakson Investments Limited - Management Company</b>		
Issue of bonus units: 173,122 (2013: 75,145) units	<u>19,935,590</u>	<u>7,592,046</u>
Redemption of units: 583,966 (2013: nil) units	<u>85,000,000</u>	<u>-</u>
<b>Directors, Chief Executive, their Spouses and Minor Children</b>		
Issue of units: 1,679 (2013: nil) units	<u>212,500</u>	<u>-</u>
Issue of bonus units: 511 (2013: 221) units	<u>58,755</u>	<u>22,375</u>
<b>Key Management Personnel, Employees and Connected Persons of the Management Company</b>		
Issue of units: nil (2013: 197) units	<u>-</u>	<u>22,500</u>
Issue of bonus units: nil (2013: 31) units	<u>-</u>	<u>3,161</u>
<b>Associated Companies / Undertakings of the Management Company</b>		
<b>SIZA (Private) Limited</b>		
Issue of units: 2,647,122 (2013: nil) units	<u>380,000,000</u>	<u>-</u>
Issue of bonus units: 14,823 (2013: 64,882) units	<u>1,706,890</u>	<u>6,555,159</u>
Redemption of units: 64,882 (2013: nil) units	<u>8,243,525</u>	<u>-</u>
<b>Century Insurance Company Limited</b>		
Issue of units: 1,952,993 (2013: nil) units	<u>281,674,468</u>	<u>-</u>
<b>Others - Connected Person due to holding more than 10% outstanding units</b>		
Profit on bank deposits	<u>1,878,031</u>	<u>582,396</u>
Bank charges	<u>4,523</u>	<u>2,444</u>
Issue of units: 691,050 (2013: nil) units	<u>100,000,000</u>	<u>-</u>

**Other transactions during the period**

	Nine months ended March 31,		Quarter ended March 31,	
	2014	2013	2014	2013
	----- (Unaudited) -----			
	----- (Rupees) -----			
<b>Lakson Investments Limited - Management Company</b>				
Remuneration to the Management Company	<b>6,488,144</b>	3,762,417	<b>4,603,416</b>	1,318,336
Sales tax on remuneration of Management Company	<b>1,204,200</b>	601,987	<b>854,394</b>	210,934
Federal Excise Duty on Remuneration of Management Company	<b>1,038,103</b>	-	<b>736,547</b>	-
	<b>8,730,447</b>	4,364,404	<b>6,194,357</b>	1,529,270
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>				
Remuneration of the Trustee	<b>672,755</b>	525,480	<b>319,878</b>	172,603
Settlement charges	<b>47,892</b>	14,245	<b>33,221</b>	7,194

**12. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on April 25, 2014 by the Board of Directors of the Management Company.

**13. GENERAL**

Figures have been rounded off to the nearest rupee.

For Lakson Investments Limited  
(Management Company)

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

\_\_\_\_\_  
Director





A Lakson Group Company

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