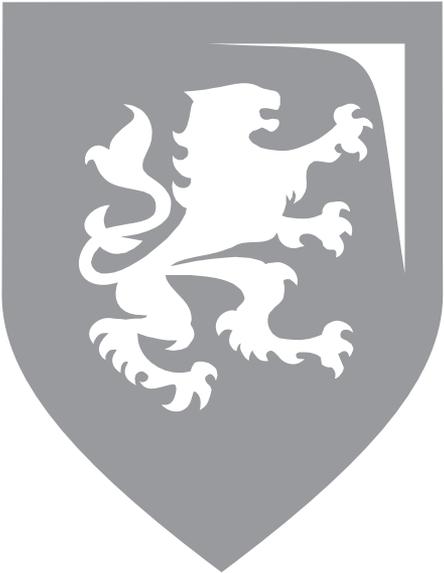


LAKSON INCOME FUND  
Quarterly Report (March 31, 2014)





## **CONTENTS**

Fund's Information	1
Review Report of the Directors of the Management Company	3
Condensed Interim Statement of Assets and Liabilities	6
Condensed Interim Income Statement	7
Condensed Interim Statement of Comprehensive Income	8
Condensed Interim Distribution Statement	9
Condensed Interim Statement of Movement in Unit Holders' Fund	10
Condensed Interim Cash Flow Statement	11
Notes to and forming part of the Condensed Interim Financial Information	12

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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

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  
JS Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Soneri Bank 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 nine months period ended March 31, 2014**

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 nine months period ended March 31, 2014.

### **Fund Objective**

The investment objective of the Scheme is to provide competitive total returns through investment in a diversified portfolio of fixed income securities. The Scheme shall invest in various fixed income securities with a mix of short term, medium term, and longer term maturities depending on the assessment by the Management Company of interest rate trends and prospective returns.

### **Fund Profile**

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 9.07% in the nine months of FY14 compared to the Benchmark (average return of all income funds) return of 8.37% p.a. The LIF outperformed the average income fund by 70 bps. As of March 31, 2014, the LIF portfolio is invested 26% in T-Bills, 25% in PIBs, 26% in TFCs, 11% in Sukuks, 10% in COIs and 2% in Bank Deposits while the weighted average maturity of the LIF portfolio stands at 1,006 days. The Standard Deviation, a measure of the volatility of the fund's performance, of monthly returns of the LIF since inception is 5.50% compared to 5.85% for the Benchmark. The fund size of the LIF as of March 31, 2014 is PKR 947 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 5.3236 per unit (5.3236% of face value of PKR 100/-) during the nine months period ended March 31, 2014 amounting to PKR 63.026 million (PKR 63.016 million of Bonus distribution and PKR 0.010 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 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 Mar 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.

### **Fixed Income Market Review**

The SBP started tightening its monetary policy stance this fiscal year, raising the discount rate by 100 bps cumulatively to 10%. Accordingly, yields on T-Bills increased by 106-109 basis points during the period while yields on Pakistan Investment Bonds ("PIBs") increased by 190-253 basis points as well. Liquidity in the banking system remained tight, compelling the SBP to inject an average of PKR 108 billion in 21 open market operations ("OMOs") in the 9MFY14 while mopping up an average of PKR 71 billion in another 35 OMOs. Money supply ("M2") grew at 5.48% during the 9MFY14, compared to the 8.41% growth in the same period last year. This significant deceleration in M2 growth was driven by a 38% decline in the government's fresh borrowing for budgetary support as the new PML-N government has reduced its fiscal deficit. Additional inflows from foreign sources, such as the IMF and the Coalition Support Fund ("CSF"), have also played a vital role in reducing total government borrowing while also arresting the decline in Net Foreign Assets ("NFA"). However, the government's borrowing mix has changed significantly this fiscal year; as of March 21, 2014, 50% of the borrowing for budgetary support consisted of borrowing from SBP whereas as of June 30, 2013, it stood at 42%. During 9MFY14, the government had planned to raise PKR 6.15 trillion from the auction of T-bills, however, it fell short of its target and raised ~PKR 5.3 trillion against a maturity of PKR 5.96 trillion. Cumulatively, the bid-to-cover ratio of the T-bill auctions came in at 0.96x for the 9MFY14, indicating a neutral participation in the T-bill auctions as banks were awaiting clarity on the course of monetary policy against the backdrop of discussions with the IMF in the first half of the fiscal year. Slightly divergent trends were witnessed in the PIB auctions this year. Investors gave a lukewarm response to the PIB auctions in the 1HFY14, with bid-to-cover of just 1.01x as the monetary policy was somewhat unclear, with a tightening-bias. However, in the 3QFY14, with the inflation coming in lower than expected and foreign exchange reserves recovering, investors participated heavily in PIB auctions. Therefore, even though the government had planned to raise just PKR 480 billion from PIB auctions in the 9MFY14, it ended up raising PKR 1.1 trillion against a maturity of only PKR 224 billion. The government's preference for longer dated debt was unsurprising given that the IMF warned against significant roll-over and financing needs in the medium term due to the government's heavy reliance on short-dated debt.

### **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.

**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: April 25, 2014**

**Babar Ali Lakhani**  
**Chief Executive Officer**

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

	Note	March 31, 2014 (Unaudited) (Rupees)	June 30, 2013 (Audited)
<b>ASSETS</b>			
Bank balances	5	21,389,742	779,908,557
Investments	6	925,484,929	798,292,471
Receivable against Margin Trading System		-	42,774,154
Profit receivable	7	14,236,172	16,881,434
Deposits and prepayments		519,562	450,000
Deferred formation cost		227,414	501,912
<b>Total assets</b>		<u>961,857,819</u>	<u>1,638,808,528</u>
<b>LIABILITIES</b>			
Remuneration payable to the Management Company	8	4,194,209	2,782,617
Remuneration payable to the Trustee		137,040	198,305
Annual fee payable to Securities and Exchange Commission of Pakistan		710,728	1,316,866
Accrued expenses and other liabilities	9	10,191,216	8,735,192
<b>Total liabilities</b>		<u>15,233,193</u>	<u>13,032,980</u>
Contingencies and commitments	10		
<b>NET ASSETS</b>		<u>946,624,626</u>	<u>1,625,775,548</u>
<b>Unit holders' fund (as per the statement attached)</b>		<u>946,624,626</u>	<u>1,625,775,548</u>
		<b>(Number)</b>	
<b>Number of units in issue</b>		<u>9,322,002</u>	<u>16,072,470</u>
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<u>101.5473</u>	<u>101.1528</u>

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

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

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

\_\_\_\_\_  
Director

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

	Note	Nine months ended		Quarter ended	
		2014	2013	2014	2013
----- (Rupees) -----					
<b>INCOME</b>					
Profit on investments and bank balances		89,505,811	135,711,635	24,874,762	45,015,759
Income from Margin Trading System		4,039,298	3,823,247	-	1,389,632
(Loss) / gain on sale of investment - held for trading - net		(189,894)	2,697,343	(13,459)	35,150
Unrealised appreciation / (diminution) in the fair value of investments - held for trading - net		9,152,334	1,123,572	11,192,206	(353,219)
		<b>102,507,549</b>	<b>143,355,797</b>	<b>36,053,509</b>	<b>46,087,322</b>
<b>EXPENSES</b>					
Remuneration to the Management Company		14,214,558	19,205,828	3,540,468	6,938,474
Sindh Sales tax on remuneration of the Management Company		2,638,222	3,072,932	657,111	1,110,156
Federal Excise duty on remuneration of the Management Company	8.1	2,274,329	-	566,475	-
Remuneration to the Trustee		1,434,482	1,726,412	401,253	602,769
Annual fee to the Securities and Exchange Commission of Pakistan		710,728	960,291	177,024	346,923
Auditors' remuneration		195,945	204,934	71,711	77,614
Fees and subscription		184,275	180,166	64,110	59,179
Printing charges		34,216	45,040	14,189	14,794
Brokerage expenses		86,102	19,168	43,322	4,365
Amortisation of deferred formation cost		274,498	274,499	90,163	90,164
Provision for workers' welfare fund	9.1	1,500,267	2,407,409	595,077	747,342
Bank and settlement charges		681,888	705,251	130,947	286,174
		<b>24,229,510</b>	<b>28,801,930</b>	<b>6,351,850</b>	<b>10,277,954</b>
<b>Net income from operating activities</b>		<b>78,278,039</b>	<b>114,553,867</b>	<b>29,701,659</b>	<b>35,809,368</b>
Element of (loss) / income and capital (losses) / gains in prices of units sold less those in units redeemed - net		(4,764,969)	3,409,158	(542,924)	810,384
<b>Net income for the period before taxation</b>		<b>73,513,070</b>	<b>117,963,025</b>	<b>29,158,735</b>	<b>36,619,752</b>
Taxation	12	-	-	-	-
<b>Net income for the period after taxation</b>		<b>73,513,070</b>	<b>117,963,025</b>	<b>29,158,735</b>	<b>36,619,752</b>

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

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

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

\_\_\_\_\_  
Director

**Condensed Interim Statement of Comprehensive Income (Unaudited)  
For the 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>73,513,070</b>	117,963,025	<b>29,158,735</b>	36,619,752
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b><u>73,513,070</u></b>	<u>117,963,025</u>	<b><u>29,158,735</u></b>	<u>36,619,752</u>

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

For Lakson Investments Limited  
(Management Company)

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

\_\_\_\_\_  
Director

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

Note	Nine months ended March 31,		Quarter ended March 31,	
	2014	2013	2014	2013
	----- (Rupees) -----			
Undistributed income at beginning of the period - realised	15,358,601	13,787,808	6,905,509	8,053,372
Undistributed income / (accumulated loss) at beginning of the period - unrealised	3,169,961	5,049,453	(2,039,872)	1,476,791
<b>Undistributed income at beginning of the period</b>	<b>18,528,562</b>	<b>18,837,261</b>	<b>4,865,637</b>	<b>9,530,163</b>
Final distribution at rate of Re 0.9078 (2012: Re 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)	-	-
Total comprehensive income for the period	73,513,070	117,963,025	29,158,735	36,619,752
Interim distributions during the period	11			
- Cash distribution	(10,457)	(13,291)	(4,096)	(3,897)
- Issue of bonus units	(63,016,206)	(114,830,112)	(19,595,895)	(37,287,509)
	10,486,407	3,119,622	9,558,745	(671,654)
	14,424,381	8,858,509	14,424,382	8,858,509
Undistributed income at end of the period - realised	5,272,047	7,734,937	5,272,048	7,734,937
undistributed income at end of the period - unrealised	9,152,334	1,123,572	9,152,334	1,123,572
<b>Undistributed income at end of the period</b>	<b>14,424,381</b>	<b>8,858,509</b>	<b>14,424,382</b>	<b>8,858,509</b>

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

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

Chief Executive Officer

Director

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

Note	Nine months ended March 31,		Quarter ended March 31,	
	2014	2013	2014	2013
	----- (Rupees) -----			
<b>Net assets at beginning of the period</b>	<b>1,625,775,548</b>	<b>1,413,616,685</b>	<b>986,322,294</b>	<b>1,799,874,749</b>
Amount received on issue of 4,975,325 (2013: 7,379,244) units and 881,309 (2013: 2,973,228) units for the nine months and quarter respectively	<b>500,970,000</b>	743,531,636	<b>89,300,000</b>	299,405,584
Amount paid on redemption of 12,498,489 (2013: 3,564,930) units and 1,568,129 (2013: 2,212,038) units for the nine months and quarter respectively	<b>(1,258,386,727)</b>	(359,206,301)	<b>(158,695,231)</b>	(222,605,047)
	<b>(757,416,727)</b>	384,325,335	<b>(69,395,231)</b>	76,800,537
Element of loss / (income) and capital losses / (gains) in prices of units sold less those in units redeemed - net	<b>4,764,969</b>	(3,409,158)	<b>542,924</b>	(810,384)
Final distribution at rate of Re 0.9078 (2012: Re 0.9391) approved on July 08, 2013 (2012: July 04, 2012)				
- Cash distribution	<b>(1,777)</b>	(1,839)	-	-
- Issue of bonus units	<b>(14,588,811)</b>	(13,096,535)	-	-
	<b>(14,590,588)</b>	(13,098,374)	-	-
Issue of 145,532 (2012: 130,429) bonus units as final distribution	<b>14,588,811</b>	13,096,535	-	-
Total comprehensive income for the period	<b>73,513,070</b>	117,963,025	<b>29,158,735</b>	36,619,752
Interim distributions during the period 11				
- Cash distribution	<b>(10,457)</b>	(13,291)	<b>(4,096)</b>	(3,897)
- Issue of bonus units	<b>(63,016,206)</b>	(114,830,112)	<b>(19,595,895)</b>	(37,287,509)
Net income for the period less distribution	<b>10,486,407</b>	3,119,622	<b>9,558,745</b>	(671,654)
Issue of 627,164 (2013: 1,143,685) bonus units and 194,255 (2013: 371,586) bonus units for the nine months and quarter respectively	<b>63,016,206</b>	114,830,112	<b>19,595,895</b>	37,287,509
<b>Net assets as at end of the period</b>	<b>946,624,626</b>	1,912,480,757	<b>946,624,626</b>	1,912,480,757
<b>Net assets value per unit at beginning of the period</b>	<b>101.1528</b>	101.3505	<b>100.4957</b>	100.5323
<b>Net assets value per unit at end of the period</b>	<b>101.5473</b>	100.4653	<b>101.5473</b>	100.4653

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

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

Chief Executive Officer

Director

**Condensed Interim Cash Flow Statement (Unaudited)  
For the 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	73,513,070	117,963,025	29,158,735	36,619,752
<b>Adjustments for:</b>				
Profit on investments and bank balances	(89,505,811)	(135,711,635)	(24,874,762)	(45,015,759)
Amortisation of formation cost	274,498	274,499	90,163	90,164
Unrealised (appreciation) / diminution in the fair value of investments -held for trading- net	(9,152,334)	(1,123,572)	(11,192,206)	353,219
Element of loss / (income) and capital losses / (gains) in prices of units sold less those in units redeemed - net	4,764,969	(3,409,158)	542,924	(810,384)
	(20,105,608)	(22,006,842)	(6,275,146)	(8,763,008)
<b>Decrease / (increase) in assets</b>				
Investments	(118,040,124)	(368,317,649)	(370,477,665)	(229,144,196)
Receiveable against Margin Trading System	42,774,154	(84,263,438)	-	30,766,429
Profit received on investments and bank balances	92,151,073	133,825,140	18,171,416	49,175,791
Deposits and prepayments	(69,562)	(497,731)	71,505	50,111
	16,815,541	(319,253,678)	(352,234,744)	(149,151,865)
<b>Increase in liabilities</b>				
Remuneration payable to the Management Company	1,411,592	805,960	509,685	122,167
Remuneration payable to the Trustee	(61,265)	41,762	(10,745)	5,968
Annual fee payable to the Securities and Exchange Commission of Pakistan	(606,138)	37,942	177,024	346,923
Dividend payable	-	1,124	-	1,124
Accrued expenses and other liabilities	1,456,024	2,380,254	632,569	715,410
	2,200,213	3,267,042	1,308,533	1,191,592
<b>Net cash (used in) operating activities</b>	(1,089,854)	(337,993,478)	(357,201,357)	(156,723,281)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Received on issuance of units	500,970,000	743,531,636	89,300,000	299,405,584
Paid against redemption of units	(1,258,386,727)	(359,206,301)	(158,695,231)	(222,605,047)
Cash dividend paid	(12,234)	(15,130)	(4,096)	(3,897)
<b>Net cash (used in) / generated from financing activities</b>	(757,428,961)	384,310,205	(69,399,327)	76,796,640
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	(758,518,815)	46,316,727	(426,600,684)	(79,926,641)
Cash and cash equivalents at beginning of the period	779,908,557	302,015,205	447,990,426	428,258,573
<b>Cash and cash equivalents at end of the period</b>	<b>21,389,742</b>	<b>348,331,932</b>	<b>21,389,742</b>	<b>348,331,932</b>

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

For Lakson Investments Limited  
(Management Company)

Chief Executive Officer

Director

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

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

The Lakson Income Fund (the "Fund") was established under the Trust Deed executed on August 18, 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 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 (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 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 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 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**

This condensed interim financial information 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 and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

This condensed interim financial information does not include all the information required for a complete set of annual financial statements and should read in conjunction with the latest annual financial statements as at and for the year ended June 30, 2013. However, selected explanatory notes are included to explain events and transactions that are significant.

This 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. Judgments and estimates

The preparation of condensed interim financial information requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the Management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended June 30, 2013.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

## 4. FINANCIAL RISK MANAGEMENT

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

	Note	March 31, 2014 (Unaudited)	June 30, 2013 (Audited)
		(Rupees)	
<b>5. BANK BALANCES</b>			
<b>- Local Currency</b>			
In profit and loss sharing accounts	5.1	<b>21,389,742</b>	304,908,557
Term deposit receipts		-	475,000,000
		<b><u>21,389,742</u></b>	<b><u>779,908,557</u></b>

5.1 These represent profit and loss sharing accounts maintained with banks carrying mark-up rates ranging from 7.00% to 9.25% (30 June 2013: 6.00% to 9.25%) per annum.

## 6. INVESTMENTS

### Held for trading

Government securities	6.1	<b>248,458,442</b>	335,004,286
Pakistan Investment Bonds	6.2	<b>236,886,160</b>	-
Term Finance Certificate - listed	6.3	<b>66,249,179</b>	105,958,044
Term Finance Certificate - unlisted	6.4	<b>181,104,795</b>	207,330,141
Sukuk certificates - unlisted	6.5	<b>62,786,353</b>	-

<b>Available for sale - Sukuk certificates</b>	6.7	-	150,000,000
Certificate of investment - unsecured	6.8	<b>90,000,000</b>	-
IPO investment	6.9	<b>40,000,000</b>	-
		<b><u>925,484,929</u></b>	<b><u>798,292,471</u></b>

**6.1 Held for trading investments - Government Securities**

Government Securities	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	Carrying value as at March 31, 2014	Market value as at March 31, 2014	Unrealised (diminution) / appreciation	Market value as percentage of net assets of the fund	Market value as percentage of total investment	
<b>Note</b>					----- (Rupees) -----			----- Percentage (%) -----		
- Treasury Bills - 3 months (face value of Rs. 100,000 each)	6.1.1	1,000	29,300	27,800	2,500	248,489,876	248,458,442	(31,434)	26.25	26.85
- Treasury Bills - 6 months (face value of Rs. 100,000 each)		-	4,000	4,000	-	-	-	-	-	-
- Treasury Bills - 12 months (face value of Rs. 100,000 each)		2,370	17,967	20,337	-	-	-	-	-	-
				<b>March 31, 2014</b>	<b>248,489,876</b>	<b>248,458,442</b>	<b>(31,434)</b>	<b>26.25</b>	<b>26.85</b>	
				June 30, 2013	334,921,290	335,004,286	82,996	20.61	41.96	

6.1.1 These represent 3 months Treasury bills of Government carry effective mark-up ranging from 9.85% to 10.50% (June 30, 2013: 9.07%) maturing between April 17, 2014 to May 05, 2014. The face value of Treasury bills held as at March 31, 2014 amounted to Rs.250 million. As at March 31, 2014, an unamortised discount amounted to Rs. 1.51 million (June 30, 2013: Rs. 0.593 million). Treasury bills amounting Rs. 20 million are pledged against Marginal Trading System with National Clearing Company of Pakistan.

**6.2 Held for trading investments - Pakistan Investments Bond**

Issue of Date	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	Carrying value as at March 31, 2014	Market value as at March 31, 2014	Unrealised (diminution) / appreciation	Market value as percentage of net assets of the fund	Market value as percentage of total investment	
<b>Tenor</b>					----- (Rupees) -----			----- Percentage (%) -----		
July 18, 2013	3 years	-	900	-	900	88,597,656	90,441,360	1,843,704	9.55	9.77
August 18, 2013	3 years	-	450	-	450	45,205,423	45,188,100	(17,323)	4.77	4.88
July 19, 2012	3 years	-	1,000	-	1,000	100,710,844	101,256,700	545,856	10.70	10.94
				<b>March 31, 2014</b>	<b>234,513,923</b>	<b>236,886,160</b>	<b>2,372,237</b>	<b>25.02</b>	<b>25.60</b>	
				June 30, 2013	-	-	-	-	-	

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

Name of Securities	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	Carrying value as at March 31, 2014	Market value as at March 31, 2014	Unrealized 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
<b>Note</b>					----- (Rupees) -----			----- Percentage (%) -----		
<b>Commercial Banks</b>										
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)	6.3.1	13,000	-	13,000	65,992,355	66,249,179	256,824	7.00	7.16	1.30
<b>Telecommunication</b>										
Pakistan Mobile Communication Limited - privately placed (face value of Rs.5,000 each)	5,000	-	5,000	-	-	-	-	-	-	-
				<b>March 31, 2014</b>	<b>65,992,355</b>	<b>66,249,179</b>	<b>256,824</b>	<b>7.00</b>	<b>7.16</b>	<b>1.30</b>
				June 30, 2013	105,210,763	105,958,044	747,281	6.52	13.27	2.13

6.3.1 These represent 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 instalment, where it shall be Rs. 64.805 million. These term finance certificates are unsecured. The rating of the instrument is AA-

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

Name of Securities	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	Carrying value as at March 31, 2014	Market value as at March 31, 2014	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 (%)-----				
<b>Commercial Banks</b>											
<b>Note</b>											
Bank Al-Habib Limited - IV (face value of Rs. 5,000 each)	6.4.1	4,000	-	4,000	22,546,565	22,229,688	(316,877)	2.35	2.40	0.67	
Askani Bank Limited - IV (face value of Rs. 1,000,000 each)	6.4.2	68	-	68	72,359,178	76,814,811	4,455,633	8.11	8.30	6.80	
Standard Chartered Bank Limited - IV (face value of Rs. 5,000 each)	6.4.3	5,000	-	5,000	24,837,500	25,102,500	265,000	2.65	2.71	1.00	
<b>Technology and Communication</b>											
Pakistan Mobile Communication Limited - privately placed (face value of Rs.100,000 each)	6.4.4	650	-	650	49,846,875	49,949,445	102,570	5.28	5.40	3.25	
<b>Financial Services</b>											
Orix Leasing Pakistan Limited - III privately placed (face value of Rs.100,000 each)	6.4.5	700	-	700	6,871,323	7,008,351	137,028	0.74	0.76	2.33	
					<b>March 31, 2014</b>	<b>176,461,441</b>	<b>181,104,795</b>	<b>4,643,354</b>	<b>19.00</b>	<b>20.00</b>	<b>14.05</b>
					June 30, 2013	204,990,457	207,330,141	2,339,684	12.76	25.97	14.05%

- 6.4.1 These represent unlisted term finance certificates carrying mark-up rate 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 instalments, in which case it shall be Rs. 9.964 million each. These term finance certificates are unsecured. The rating of the instrument is AA.
- 6.4.2 These represent unlisted term finance certificates carrying mark-up rate 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 0.32% of the issue amount in the first 96 months and the balance shall be redeemed in four equal semi annual instalments. These term finance certificates are unsecured. The rating of the instrument is AA-.
- 6.4.3 These represent unlisted term finance certificates carrying mark-up rate equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 0.75% receivable quarterly in arrears with no floor or cap and will mature in June 2022. The principal shall be redeemed in last two equal semi annual instalments. These term finance certificates are unsecured. The rating of the instrument is AAA.
- 6.4.4 These represent unlisted term finance certificates carrying mark-up rate equal to the base rate of 3 months Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 2.00% (earlier 3 months Karachi Inter Bank Offered 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-.
- 6.4.5 These represent unlisted term finance certificates carrying mark-up rate 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 instalment 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+.

**6.5 Held for trading investments - Sukuk Certificates (un-listed debt securities)**

Name of Securities	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	Carrying value as at March 31, 2014	Market value as at March 31, 2014	Unrealized appreciation	Market value as percentage of net assets of the fund		Face value as percentage of size of the issue	
								Investment	of total		
					(Rupees)		Percentage (%)				
WAPDA 3rd Sukuk Company Limited - Sukuk Certificate	Note 6.5.1	-	12,175	-	12,175	60,875,000	62,786,353	1,911,353	6.63	6.78	0.61
					March 31, 2014	<u>60,875,000</u>	<u>62,786,353</u>	<u>1,911,353</u>	<u>6.64</u>	<u>6.78</u>	<u>0.61</u>
					June 30, 2013	-	-	-	-	-	-

6.5.1 This represents privately placed sukuk certificates having face value of Rs. 5,000 each and carry mark-up rate equal to the base rate of 6 months of Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 1.00% receivable semi annually in arrears with no floor or cap and will be maturing in October 2021. The principal amount is redeemable in 14 equal instalments. These certificates are secured against first demand guarantee of the President of Pakistan and first charge by way of hypothecation over specific assets of WAPDA 3rd Sukuk company limited and WAPDA and lien over debt payment. The rating of the instrument is AAA.

6.6 The term "listed" indicated in note 6.3 refer to listing on the stock exchange. However their rates are quoted by MUFAP.

**6.7 Available for sale - Sukuk Certificates**

Name of Securities	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	Carrying value as at March 31, 2014	Market value as at March 31, 2014	Unrealized appreciation	Market value as percentage of net assets of the fund		Face value as percentage of size of the issue	
								Investment	of total		
					(Rupees)		Percentage (%)				
Hub Power Co. Limited - Sukuk	30,000	-	30,000	-	-	-	-	-	-	-	
					March 31, 2014	-	-	-	-	-	
					June 30, 2013	<u>150,000,000</u>	<u>150,000,000</u>	-	9.23	18.79	7.50

**6.8 Certificate of Investment - unsecured**

This represents Certificate of Investment of Pak Brunie Investment Company Limited carrying mark-up rate of 10.25% (30 June 2013: Nil) per annum maturing on September 12, 2014.

**6.9 IPO Investment**

Name of Security		Invested Amount	Percentage of net assets	Percentage of total investment
Name of Security		Rupees	-----Percentage (%)-----	-----Percentage (%)-----
KE AZM SUKUK 3	6.9.1	<u>40,000,000</u>	<u>4.23</u>	<u>4.32</u>
		June 30, 2013	-	-

6.9.1 This represent amount paid against IPO subscription of listed Sukuk 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 2.75% and will be maturing in March 2019. These Sukuk certificates are secured and the rating of the instrument is A+.

		<b>March 31, 2014 (Unaudited)</b>	June 30, 2013 (Audited)
	<b>Note</b>	<b>(Rupees)</b>	
<b>7. PROFIT RECEIVABLE</b>			
Considered good			
Profit / interest receivable on:			
- Profit and loss sharing bank balances		<b>246,458</b>	661,075
- Term deposits with banks		-	4,841,507
- Term finance certificates		<b>5,627,775</b>	5,145,104
- Certificate of Investment		<b>379,109</b>	-
- Sukuk certificates		<b>2,973,619</b>	6,024,246
- Margin trading system		-	209,502
- Advance against subscription - IPO		<b>182,499</b>	-
- Pakistan Investment Bonds		<b>4,826,712</b>	-
		<u><b>14,236,172</b></u>	<u>16,881,434</u>

**8. REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY**

Remuneration payable to the Management Company		<b>1,209,173</b>	2,266,614
Sindh Sales Tax on Management remuneration		<b>578,512</b>	383,809
Federal Excise Duty on Management remuneration	8.1	<b>2,406,524</b>	132,194
		<u><b>4,194,209</b></u>	<u>2,782,617</u>

- 8.1 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 Honourable 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 Honourable 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. 2.406 million (June 30, 2013: Rs. 0.132 million.)

		<b>March 31, 2014 (Unaudited)</b>	June 30, 2013 (Audited)
	<b>Note</b>	<b>(Rupees)</b>	
<b>9. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		<b>94,345</b>	162,750
Payable to workers' welfare fund	9.1	<b>9,985,635</b>	8,485,368
Brokerage payable		<b>3,530</b>	5,285
CDC Fee Payable		-	9,000
National Clearing Company of Pakistan fee payable		<b>15,000</b>	28,506
Rating Fee		<b>54,247</b>	-
Other liabilities		<b>38,459</b>	44,283
		<u><b>10,191,216</b></u>	<u>8,735,192</u>

- 9.1 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 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 30 June 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. However during the year ended June 30, 2013 a larger bench of the Honourable 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. 9.98 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. 1.07.

## 10. CONTINGENCIES AND COMMITMENTS

The fund had no contingency or commitment at the period end.

## 11. INTERIM DISTRIBUTIONS DURING THE PERIOD

Date of distributions	----- For the half year ended March 31, 2014 -----			
	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
October 23, 2013	0.5296	60,051	6,025,930	1,037
November 26, 2013	0.6000	63,131	6,336,628	1,175
December 25, 2013	0.6548	66,819	6,707,579	1,282
January 28, 2014	0.8830	83,632	8,422,716	1,741
February 25, 2014	0.5965	55,501	5,583,651	1,175
March 25, 2014	0.5950	55,122	5,589,528	1,180
	<u>5.3236</u>	<u>627,164</u>	<u>63,016,206</u>	<u>10,457</u>

Date of distributions	----- For the half year ended March 31, 2013 -----			
	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
October 24, 2012	0.7687	134,368	13,503,314	1,505
November 28, 2012	0.8767	155,777	15,627,913	1,716
December 27, 2012	0.7121	126,074	12,657,873	1,394
January 29, 2013	0.7813	145,459	14,596,240	1,530
February 28, 2013	0.6347	117,866	11,825,851	1,243
March 27, 2013	0.5741	108,261	10,865,418	1,124
	<u>6.7888</u>	<u>1,143,685</u>	<u>114,830,112</u>	<u>13,291</u>

## 12. 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 unrealised capital gains to the unit holders. The Fund has not recorded any tax liability in respect of the income relating to current period as the management intends to distribute at least 90% of the income earned by the year ending June 30, 2014 as reduced by capital gains (whether realised or unrealised) to the unit holders.

In March 2014, the taxation officers, in case of this fund, have amended the assessment under Section 120 of the Income Tax Ordinance, 2001. These orders 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.

## 13. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company, key management personnel, other funds being managed by the Management Company and also include entities having holding 10% or more in the units of the Fund as at March 31, 2014. It also includes staff retirement funds of the above related parties / connected persons.

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 recorded in accordance with the agreed terms.

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

**13.1 Balance as at period / year end**

	<b>March 31, 2014 (Unaudited)</b>	<b>June 30, 2013 (Audited)</b>
	<b>(Rupees)</b>	
<b>Lakson Investments Limited - Management Company of the Fund</b>		
Remuneration payable (including the Sindh sales tax and federal excise duty amounting to Rs. 2.985 million (June 2013: Rs. 0.516 million))	<u><u>4,194,209</u></u>	<u><u>2,782,617</u></u>
Units held as at the period / year ended 1,030,540 (June 2013: 850,614) units	<u><u>104,648,565</u></u>	<u><u>86,042,025</u></u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>		
Remuneration payable	<u><u>137,040</u></u>	<u><u>198,305</u></u>
Security deposit	<u><u>100,000</u></u>	<u><u>100,000</u></u>
<b>Directors, Chief Executive, their spouses and minor childrens</b>		
Units held as at the period / year ended 19,694 (June 2013: 18,514) units	<u><u>1,999,873</u></u>	<u><u>1,872,373</u></u>
*12,635 (June 30, 2013: 11,876) units held in joint account with spouse Ms. Zil Lakhani and Represent 6,149 (June 30, 2013: 5,779) units held by Mr Hassan Ali Lakhani (minor son)		
<b>Associated Companies / Undertaking of the Management Company</b>		
<b>Siza (Private) Limited</b>		
Units held as at the period / year ended 391,337 (June 2013: 2,707,285) units	<u><u>39,739,258</u></u>	<u><u>273,849,497</u></u>
<b>Century Insurance Company Limited</b>		
Units held as at the period / year ended 2,154,950 (June 2013: 3,363,106) units	<u><u>218,829,393</u></u>	<u><u>340,187,581</u></u>
<b>Other - connected person due to holding more than 10% outstanding units</b>		
Bank deposits	<u><u>12,486,812</u></u>	<u><u>29,915,462</u></u>
Profit receivable on bank deposits	<u><u>63,715</u></u>	<u><u>161,218</u></u>
Units held as at the period / year ended 3,807,709 (June 2013: 3,947,929) units	<u><u>386,662,599</u></u>	<u><u>199,200,771</u></u>

Nine months ended  
March 31,  
2014 2013  
(Unaudited)  
(Rupees)

**13.2 Transactions during the period**

**Lakson Investments Limited - Management  
Company of the Fund**

Issue of units: 124,050 (2013: Nil) units	<b>12,500,000</b>	-
Issue of bonus units: 55,876 (2013: 61,938) units	<b>5,616,173</b>	6,219,117
Redemption: nil (2013: nil) units	-	-

**Directors, Chief Executive, their  
Spouses and Minor children**

Issue of units: nil (2013: 5,431) units	-	545,875
Issue of bonus units: 1,183 (2013:1,148) units	<b>118,956</b>	115,246

**Key management personnel and Employees  
of the Management Company**

Issue of bonus units: nil (2013: 141) units	-	14,141
Redemption of units: nil (2013: 2,708) units	-	272,969

**Associated Companies / Undertaking  
of the Management Company**

**Siza (Private) Limited**

Issue of units: nil (2013: 1,409,142) units	-	142,110,878
Issue of bonus units: 70,209 (2013: 608,459) units	<b>7,044,378</b>	61,092,806
Redemption of units: 2,386,157 (2013: 446,530) units	<b>240,000,000</b>	45,000,000

**Clover (Pakistan) Limited - Employees'  
Contributory Provident Fund**

Issue of bonus units: nil (2013: 1,308) units	-	131,339
Redemption of units: nil (2013: 20,890) units	-	2,102,041

**Colgate Palmolive (Pakistan) Limited - Employees'  
Contributory Provident Fund**

Issue of bonus units: nil (2013: 11,771) units	-	19,954,658
Redemption of units: nil (2013: 188,011) units	-	18,918,365

**Colgate Palmolive (Pakistan) Limited -  
Employees' Gratuity Fund**

Issue of bonus units: nil (2013: 6,539) units	-	656,695
Redemption of units: nil (2013: 104,450) units	-	10,510,203

**Accuracy Surgical Limited - Employees'  
Contributory Provident Fund**

Issue of bonus units: nil (2013: 872) units	-	87,559
Redemption of units: nil (2013: 13,927) units	-	1,401,360

	Nine months ended March 31,	
	2014	2013
	(Unaudited) (Rupees)	
<b>Cyber Internet Services (Private) Limited - Employees' Contributory Provident Fund</b>		
Issue of bonus units: nil (2013: 9,153) units	-	919,196
Redemption of units: nil (2013: 146,202) units	<u>-</u>	<u>14,711,448</u>
<b>GAM Corporation (Private) Limited - Employees' Contributory Provident Fund</b>		
Issue of bonus units: nil (2013: 2,615) units	-	262,571
Redemption of units: nil (2013: 41,763) units	<u>-</u>	<u>4,202,357</u>
<b>Princeton Travels (Private) Limited - Employees' Contributory Provident Fund</b>		
Issue of bonus units: nil (2013: 1,046) units	-	105,071
Redemption of units: nil (2013: 16,712) units	<u>-</u>	<u>1,681,632</u>
<b>Siza Foods (Pvt) Limited - Employees' Contributory Provident Fund</b>		
Issue of bonus units: nil (2013: 5,668) units	-	569,136
Redemption of units: nil (2013: 90,524) units	<u>-</u>	<u>9,108,842</u>
<b>Century Insurance Company Limited</b>		
Issue of units: nil (2013: 1,473,893) units	-	145,000,000
Issue of bonus units: 168,735 (2013: 158,838) units	<u>16,949,557</u>	<u>15,947,242</u>
Redemption of units: 1,376,891 (2013: 50,913) units	<u>138,702,567</u>	<u>5,147,478</u>
<b>Century Insurance Company Limited - Employees' Contributory Provident Fund</b>		
Issue of bonus units: nil (2013: 1,308) units	-	131,339
Redemption of units: nil (2013: 20,890) units	<u>-</u>	<u>2,102,041</u>
<b>Others - Connected Person due to holding more than 10% in the units of the Fund</b>		
Profit on profit on loss sharing accounts	<u>1,032,865</u>	-
Bank charges	<u>39,649</u>	-
Issue of units: 2,225,340 (2013: nil) units	<u>224,500,000</u>	-
Issue of bonus units: 259,363 (2013: nil) units	<u>26,059,577</u>	-
Redemption of units: 2,624,922 (2013: nil) units	<u>264,901,380</u>	-

**13.3 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 of the Fund</b>				
Remuneration for the period	<u>14,214,558</u>	<u>19,205,828</u>	<u>3,540,468</u>	<u>6,938,474</u>
Sindh sales tax on remuneration of Management Company	<u>2,638,222</u>	<u>3,072,932</u>	<u>657,111</u>	<u>1,110,156</u>
Federal Excise Duty on Remuneration of Management Company	<u>2,274,329</u>	<u>-</u>	<u>566,475</u>	<u>-</u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>				
Remuneration for the period	<u>1,434,482</u>	<u>1,726,412</u>	<u>401,253</u>	<u>602,769</u>
Settlement charges	<u>70,600</u>	<u>34,973</u>	<u>2,244</u>	<u>21,287</u>

**14. GENERAL**

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest of rupees.

**15. DATE OF AUTHORIZATION OF ISSUE**

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

For Lakson Investments Limited  
(Management Company)

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

\_\_\_\_\_  
Director





A Lakson Group Company

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