

LAKSON EQUITY FUND

Quarterly Report (30 September 2011)



LAKSON INVESTMENTS

WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN

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Fund's Information

Management Company

Lakson Investments Limited
Head Office
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phone: (9221) 3569.8000
Fax: (9221) 3568.1653
Web site: www.laksoninvestments.com.pk
E-mail: info@laksoninvestments.com.pk

Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. A. Aziz H. Ebrahim
Mr. Mahomed J. Jaffer
Mr. Sher Afgan Malik
Mr. Muhammad Abdul Qadir
Mr. Daniel Scott Smaller
Mr. Zahid Zakiuddin

Chief Financial Officer & Company Secretary of the Management Company

Mr. Amir Mobin

Audit Committee

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

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B, S.M.C.H.S,
Main Shahra-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
Deutsche Bank AG
Faysal Bank Limited
Habib Metropolitan Bank Limited
Soneri Bank Limited
United Bank Limited

Legal Adviser

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

Registrar

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

Distributors

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

Rating by PACRA

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

REVIEW REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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 quarter ended September 30, 2011.

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

During the 1QFY12 the assets under management of the Lakson Equity Fund ("LEF") increased by 9.9% from PKR 133 million to PKR 146 million. The LEF declined by 0.40% in the 1QFY12 compared to the Benchmark (KSE-100 Index) decline of 5.87%. The LEF outperformed the KSE-100 Index by 547bps. As of September 30, 2011, the LEF is invested 87% in equities.

Earning per Unit (EPU)

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

Economic Review

Pakistan continues to face tough economic challenges in FY12 due to a rising fiscal deficit, declining foreign inflows, acute energy shortages and a poor law and order situation. Torrential monsoon rains in Sind triggered floods that damaged 4.2 million acres of land and affected those areas that were still recovering from last year's devastating floods. The floods have serious repercussions for the economy in the form of high inflation, low growth, lower agricultural production and higher fiscal deficit.

The State Bank of Pakistan ("SBP") started the monetary easing cycle during the 1QFY12 on the expectation that the inflation will settle around 12.0% in FY12, which is the target set by the Government for FY12. The SBP cut the discount rate by 50bps in July '11 in its first monetary policy of FY12. The Federal Bureau of Statistics ("FBS") changed the base year for the calculation of price indices from FY01 to FY08. The FBS also altered the weights of different groups in the Consumer Price Index ("CPI"). These changes by the FBS in calculation of price indices caused a steep decline in inflation numbers. The CPI increased by 11.5% YoY on average during the 1QFY12 compared to 13.4% YoY during the 1QFY11. This steep decline in the CPI provided room for the SBP to go for an aggressive monetary easing. The SBP cut the discount rate by 150bps in October '11 bringing it down to 12.0% from 14.0% at the start of FY12. The SBP also draws comfort from the fact that the Government borrowing from the SBP stands below June '11 level as it contracted by PKR 78.9 billion during the 1QFY12. The Government is expected to be the largest beneficiary of this monetary easing as Government is the largest borrower from the banking system.

The external account also came under pressure in the 1QFY12 after a good performance in FY11 as the Balance of Payments posted a deficit of USD 759 million in the 1QFY12 compared to a surplus of USD 88 million in the 1QFY11. The external account has deteriorated on the back of higher current account deficit and a decline in financial account flows. The current account posted a deficit of USD 1,209 million in the 1QFY12 compared to a deficit of USD 597 million during the 1QFY11. A 27.6% decline in international cotton prices compared to a nominal decline of 3.8% in international oil prices (Arab Light) during the 1QFY12 resulted in a 34.9% increase in the trade deficit. The hefty inflow of remittances continued in the 1QFY12 and provided much needed support to the deteriorating external account position. The remittances stood at USD 3.3 billion during the 1QFY12 compared to USD 2.6 billion in the 1QFY11, depicting a growth of 24.6% YoY. The financial account continued to show a dismal performance due to declining Foreign Direct Investment and the foreign outflows from the domestic stock market.

The USD 11.3 billion Stand-By Arrangement ("SBA") from the International Monetary Fund ("IMF") expired in September '11 without completion. In November '08, the IMF approved a USD 7.6 billion SBA for Pakistan which was later on extended to USD 11.3 billion on Pakistan's request. The SBA was stalled last year by the IMF after the disbursement of USD 8 billion as the Government failed to meet its commitments related to fiscal deficit and taxation reforms. Pakistan's forex reserves stood at USD 17.3 billion at the end of the 1QFY12 after peaking to USD 18.3 billion in July '11. The PKR remained fairly stable against the US Dollar in FY11 and depreciated by 0.53% only due to better external account position. A weak external account position has already caused a decline of USD 1.0 billion in reserves while the Government has to pay approximately USD 2.7 billion in FY12 as the principal repayment on outstanding foreign debt. After witnessing relative stability during FY11, Pak Rupee depreciated by 1.7% against US Dollar during the 1QFY12.

The Ministry of Finance ("MoF") released the fiscal operations details of the economy for FY11 and reported a fiscal deficit of PKR 1,194 billion (6.6% of the GDP) compared to a fiscal deficit of PKR 929 billion (6.3% of the GDP) in FY10. The fiscal deficit in FY11 stood well above the revised target of 5.3% of the GDP. The government imposed additional taxes through Presidential Ordinance in March '11 to improve the Tax to GDP ratio and to contain fiscal deficit, however, both the targets were missed. The Tax to GDP ratio declined to 9.6% in FY11 from 10.0% in FY10 as the FBR failed to achieve its tax collection target. In the absence of foreign inflows, the Government had to rely on domestic resources especially commercial banks to finance its fiscal deficit.

Equity Market Review

The benchmark KSE-100 Index declined by 734 points (5.9%) during the 1QFY12 as it remained under the influence of international markets. Market participation declined on the fears of foreign selling in the market in line with the selling in the regional as well as global markets. Investors across the globe reduced their exposure in risk assets due to concerns regarding the global economic recovery, fiscal deficit problems of US and the sovereign debt crisis of Europe. The actual net foreign selling in the market amounted to USD 46 million during the 1QFY12 as the market declined on low volumes. The KSE-100 Index remained volatile during the 1QFY12 with a high low range of 12,624 - 10,760 and closed at 11,762. The average daily volume declined by 19.8% QoQ to stand at 59 million shares. Despite all the volatility and reduced activity KSE-100 Index showed resilience to panic in the international markets as it decline by 5.9% compared to a 17.1% decline in the MSCI World Index and 23.2% decline in the MSCI Emerging Markets Index. Major gainers during the 1QFY12 were Electricity, Construction & Materials and Chemical sectors with a growth of 9.7%, 7.3% and 2.5% respectively while the Fixed Line Telecommunication and Food Producers sectors were the underperformers with a decline of 19.3% and 13.9% respectively.

Future Outlook

The SBP started the monetary easing cycle to provide stimulus to the economic growth and to encourage private sector expansion. The key risks faced by the economy in achieving these goals include acute energy shortage, poor law and order situation, economic meltdown in Pakistan's export destinations and long pending circular debt issue that has crippled the productivity of the entire energy chain. In the absence of foreign inflows, external account is expected to come under pressure once the debt repayment starts in 2012. It is possible that the budgetary targets related to revenue collection, fiscal deficit, and GDP growth maybe missed in FY12.

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 and on behalf of the Board

Dated: October 27, 2011

Babar Ali Lakhani
Chief Executive Officer

**Condensed Interim Statement of Assets and Liabilities
As at 30 September 2011**

Assets	Note	30 September 2011 (Unaudited) (Rupees)	30 June 2011 (Audited)
Bank balances	6	14,829,567	4,721,215
Investments	7	127,490,970	125,138,266
Dividend and mark-up receivables		1,067,938	806,709
Receivable against sale of investments		457,500	-
Security deposits and prepayments		2,710,797	2,720,961
Deferred formation cost		842,733	910,601
Total assets		147,399,505	134,297,752
Liabilities			
Payable to the Management Company		406,281	357,927
Payable to the Trustee		58,001	58,646
Annual fee payable to Securities and Exchange Commission of Pakistan		33,889	148,691
Accrued expenses and other liabilities	8	768,339	738,372
Total liabilities		1,266,510	1,303,636
Net assets		146,132,995	132,994,116
Unit holders' funds		146,132,995	132,994,116
		(Number)	
Number of units in issue		1,435,549	1,111,570
		(Rupees)	
Net assets value per unit		101.7959	119.6452

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

Condensed Interim Income Statement (Unaudited) For the quarter ended 30 September 2011

	Note	2011 (Rupees)	2010
Income			
Capital gain on sale of investments - net		3,411	732,613
Dividend income		1,847,172	2,048,898
Mark-up income		356,067	587,485
		2,206,650	3,368,996
Unrealised (diminution) / appreciation in the fair value of investments classified as 'held for trading' - net	7.1	(1,326,049)	2,068,062
Expenses		880,601	5,437,058
Remuneration of the Management Company		1,241,418	998,805
Remuneration of the Trustee		175,956	176,439
Annual fee to Securities and Exchange Commission of Pakistan		33,889	31,629
Brokerage, settlement and bank charges		124,224	79,242
Amortisation of deferred formation cost		67,868	68,055
Auditors' remuneration		56,557	79,609
Fees and subscription		30,163	5,041
Printing charges		15,082	25,205
Workers' Welfare Fund		2,707	79,567
		1,747,864	1,543,592
Net Income from operating activities		(867,263)	3,893,466
Element of income and capital gains in prices of units sold less those in units redeemed - net		999,929	5,298
Net Income for the period		132,666	3,898,764

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

**Condensed Interim Statement
of Comprehensive Income (Unaudited)
For the quarter ended 30 September 2011**

	2011	2010
	(Rupees)	
Net income for the period	132,666	3,898,764
Other comprehensive income	-	-
Total comprehensive income for the period	<u>132,666</u>	<u>3,898,764</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

**Condensed Interim Distribution Statement (Unaudited)
For the quarter ended 30 September 2011**

	2011	2010
	(Rupees)	
Undistributed income at the beginning of the period - realised	18,537,681	5,426,472
Undistributed income / (accumulated loss) at the beginning of the period - unrealised	3,299,441	(6,280,510)
Undistributed income / (accumulated loss) at the beginning of the period	21,837,122	(854,038)
Less: final distribution as issue of bonus units at the rate of Rs 17.4453 per unit approved on 4 July 2011 (2010: nil)	(19,391,671)	-
	2,445,451	(854,038)
Total comprehensive income for the period	132,666	3,898,764
	2,578,117	3,044,726
Undistributed income at the end of the period - realised	3,904,166	976,664
(Accumulated loss) / undistributed income at the end of the period - unrealised	(1,326,049)	2,068,062
Undistributed income at the end of the period	2,578,117	3,044,726

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

**Condensed Interim Statement of Movement
in Unit Holders' Fund (Unaudited)
For the quarter ended 30 September 2011**

	2011	2010
	(Rupees)	
Net assets at the beginning of the period	132,994,116	128,039,452
Cash received on issue of 134,236 (2010: 1,200) units	14,006,142	126,000
Cash paid on redemption of nil (2010: 438) units	-	(44,474)
	14,006,142	81,526
Element of income and capital gains in prices of units issued less those in units redeemed - net	(999,929)	(5,298)
Final distribution as issue of bonus units at the rate of Rs 17.4453 per unit approved on 4 July 2011 (2010: nil)	(19,391,671)	-
Issue of 189,743 (2010: nil) bonus units as final distribution	19,391,671	-
Total comprehensive income for the period	132,666	3,898,764
Net assets as at end of the period	146,132,995	132,014,444
Net assets value per unit at the beginning of the period	119.6452	99.3374
Net assets value per unit at end of the period	101.7959	102.3608

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

Chief Executive Officer

Director

**Condensed Interim Cash Flow Statement (Unaudited)
For the quarter ended 30 September 2011**

	2011	2010
	(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income for the period	132,666	3,898,764
Adjustments for non-cash charges and other items:		
Capital gain on sale of investments - net	(3,411)	(732,613)
Unrealised diminution / (appreciation) in the fair value of investments classified as 'held for trading' - net	1,326,049	(2,068,062)
Amortisation of deferred formation cost	67,868	68,055
Element of income and capital gains in prices of units sold less those in units redeemed - net	(999,929)	(5,298)
	523,243	1,160,846
(Increase) / decrease in assets		
Investments - net	(3,675,342)	9,037,000
Dividend and mark-up receivables	(261,229)	(1,313,649)
Receivable against sale of investments	(457,500)	-
Security deposits and prepayments	10,164	(14,959)
	(4,383,907)	7,708,392
Increase / (decrease) in liabilities		
Payable to Management Company	48,354	(1,342,831)
Payable to Trustee	(645)	8
Annual fee payable to Securities and Exchange Commission of Pakistan	(114,802)	31,628
Accrued expenses and other liabilities	29,967	18,162
	(37,126)	(1,293,033)
Net cash (used in) / from operating activities	(3,897,790)	7,576,205
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issue of units	14,006,142	126,000
Net payments on redemption of units	-	(44,474)
Net cash from financing activities	14,006,142	81,526
Cash and cash equivalents at beginning of the period	4,721,215	20,047,743
Cash and cash equivalents at end of the period	14,829,567	27,705,474

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

Notes to the Condensed Interim Financial Statements (Unaudited) For the quarter ended 30 September 2011

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 has been shifted to 14 - Ali Block, New Garden Town, Lahore.

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been presented in condensed form in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2011.

This condensed interim financial information comprise of condensed interim statement of assets and liabilities as at 30 September 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holder's fund, and notes thereto, for the quarter ended 30 September 2011.

This unaudited condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest rupees.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended 30 June 2011.

4. ACCOUNTING ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to financial statements as at and for the year ended 30 June 2011.

5. FINANCIAL RISK MANAGEMENT

The Fund financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended 30 June 2011.

	Note	30 September 2011 (Unaudited)	30 June 2011 (Audited)
(Rupees)			
6. BANK BALANCES			
In profit and loss sharing accounts	6.1	<u>14,829,567</u>	<u>4,721,215</u>
6.1			
These carry mark-up at rates ranging from 5% to 11% (30 June 2010 5% to 11%) per annum.			
7. INVESTMENTS - financial assets at fair value through profit and loss - held for trading			
Listed equity securities	7.1	<u>127,490,970</u>	<u>125,138,266</u>

7.1 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 September 30, 2011			Market value as a percentage of the paid-up capital of the investee company		
	As at July 01, 2011	Purchased during the year / period	Bonus / right shares	Disposed during the year / period	As at September 30, 2011	Carrying Cost	Market value	Appreciation / (depreciation)			
										Market value as a percentage of net assets	Market value as a percentage of total investments
Chemicals											
Enpro Corporation Limited	35,000	17,500	-	14,500	38,000	5,852,638	5,448,820	(403,818)	3.73	4.27	0.14
Fajji Fertilizer Bin Qasim Limited	50,000	25,000	-	40,000	35,000	1,552,984	2,053,800	498,816	1.41	1.61	0.09
Fajji Fertilizer Company Limited	45,000	18,000	-	16,000	47,000	7,166,596	7,699,300	442,704	5.21	5.97	0.02
ICI Pakistan Limited *	21,000	-	-	5,000	16,000	2,429,600	2,323,520	(106,080)	1.59	1.82	0.17
Starra Chemicals Industries Limited	8,000	-	-	-	8,000	798,480	696,160	(102,320)	0.48	0.55	0.32
Oil and Gas	159,000	60,500	-	75,500	144,000	17,802,298	18,131,600	326,302	12.41	14.22	-
Attock Petroleum Limited	10,000	3,000	-	500	12,500	4,681,809	4,973,125	291,316	3.40	3.90	0.72
Attock Refinery Limited	15,000	-	-	-	15,000	1,840,950	1,666,500	(174,450)	1.14	1.31	0.20
National Refinery Company Limited	-	11,000	-	1,000	10,000	3,672,733	3,671,300	(1,433)	2.51	2.88	0.46
Oil & Gas Development Company Limited	12,000	8,000	-	13,000	7,000	10,102,928	9,24,980	(85,948)	0.63	0.73	0.00
Pakistan Oilfields Limited	34,000	6,500	-	9,000	31,500	11,343,332	11,603,340	260,008	7.94	9.10	0.49
Pakistan Petroleum Limited	56,000	12,500	-	10,498	63,502	11,967,943	12,038,074	70,131	8.24	9.44	0.09
Pakistan State Oil Company Limited	31,000	3,000	-	2,000	32,000	8,417,263	8,146,560	(270,703)	5.57	6.39	0.47
Construction and Materials	158,000	44,000	-	35,998	171,502	47,034,958	45,023,879	(88,921)	29.44	33.75	-
HQ Khan Cement Limited	117,000	-	-	-	117,000	2,689,830	2,406,690	(283,140)	1.65	1.89	0.05
Lucky Cement Limited	95,000	39,500	-	11,000	123,500	8,798,388	9,326,720	528,332	6.38	7.32	0.29
Industrial Metals and Mining	212,000	39,500	-	11,000	240,500	11,488,228	11,733,410	245,182	8.03	9.20	-
Personal Goods	31,348	-	-	-	31,348	1,551,726	1,255,174	(296,552)	0.86	0.98	0.10
Nihari Mills Limited	20,000	8,158	-	10,658	67,500	3,411,074	3,246,075	(164,999)	2.22	2.55	0.09
Fixed Line Telecommunication	260,000	40,000	-	25,000	275,000	3,820,250	3,195,500	(624,750)	2.19	2.51	0.01
Electricity	270,000	-	-	40,000	230,000	8,625,000	9,545,000	920,000	6.53	7.49	0.08
HUB Power Company Limited	128,410	-	-	28,410	380,000	6,391,600	6,228,000	(163,600)	4.03	4.31	0.08
Kot Addu Power Company Limited	468,430	-	-	68,410	380,000	13,016,360	10,910,000	(2,106,360)	11.16	12.73	-
Banks	90,000	-	-	-	90,000	5,772,600	5,445,000	(327,600)	3.73	4.27	0.06
Allied Bank Limited	120,450	-	-	-	120,450	3,549,662	3,592,842	44,180	2.46	2.82	0.04
Bank AlHabib Limited	40,900	23,500	-	7,400	47,000	9,252,869	8,143,690	(1,109,179)	5.57	6.39	0.10
MCB Bank Limited	125,306	12,500	-	32,306	115,500	5,899,804	5,289,900	(609,904)	3.62	4.15	0.03
National Bank of Pakistan	120,000	15,000	-	-	135,000	8,314,050	8,118,900	(195,150)	5.56	6.37	0.07
United Bank Limited	496,656	51,000	-	39,706	507,950	32,788,985	30,596,332	(2,192,653)	20.94	24.00	-
Total - September 30, 2011	1,835,414	243,158	-	266,272	1,817,800	128,817,019	127,490,970	(1,326,049)	87.24	100.00	-
Total - June 30, 2011	-	-	-	-	1,835,414	121,838,825	126,138,266	4,299,441	91.05	100.00	-

7.1.1 Investments include shares with market value aggregating to Rs 4,131 million (June 30, 2010: Rs 3,750 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades.

* Asst Investment due to common directors.

	30 September 2011 (Unaudited)	30 June 2011 (Audited)
8. ACCRUED EXPENSES AND OTHER LIABILITIES	(Rupees)	
Auditors' remuneration	231,556	174,999
Brokerage and settlement charges	24,709	70,288
Payable to Workers' Welfare Fund	8.1 465,792	463,085
Others	46,282	30,000
	<u>768,339</u>	<u>738,372</u>

8.1 Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. The Trustee of the Collective Investment Schemes (CISs) filed a petition before the Honourable High Court of Sindh on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance 1971 does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*."

Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formation for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF were withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry in the Court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs 0.466 million upto 30 September 2011.

9. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the year end by this Fund to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, no provision has been made in these condensed interim financial information.

10. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company, Key management personnel and other funds being managed by the Management Company.

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

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

	30 September 2011 (Unaudited)	30 June 2011 (Audited)
	(Rupees)	
10.1 Balance as at period / year end		
Lakson Investments Limited - Management Company		
Remuneration payable	<u>406,281</u>	<u>357,927</u>
Units held as at period / year end 706,931 (30 June 2011: 603,854) units	<u>71,962,666</u>	<u>72,248,266</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable	<u>57,378</u>	<u>57,534</u>
Settlement charges payable	<u>623</u>	<u>1,112</u>
Security deposits	<u>100,000</u>	<u>100,000</u>

	30 September 2011 (Unaudited)	30 June 2011 (Audited)
	(Rupees)	
Directors of the Management Company		
Daniel Scott Smaller		
Units held as at period / year end		
1,625 (30 June 2011: 1,378) units	<u><u>165,398</u></u>	<u><u>164,838</u></u>
Key Management Personnel, Employees and Connected Persons of the Management Company		
Units held as at period / year end		
52 (30 June 2011: nil) units	<u><u>5,335</u></u>	<u><u>-</u></u>
Associated Companies / Undertakings of the Management Company		
Siza (Private) Limited		
Units held as at period / year end		
589,413 (30 June 2011: 503,472) units	<u><u>59,999,844</u></u>	<u><u>60,237,967</u></u>
ICI Pakistan Limited - Associated undertaking due to common directorship		
Dividend receivable	<u><u>56,000</u></u>	<u><u>-</u></u>
	Period ended 30 September 2011	Period ended 30 September 2010
10.2 Transactions during the period	(Rupees)	
Lakson Investments Limited - Management Company		
Remuneration to the Management Company	<u><u>1,241,418</u></u>	<u><u>998,805</u></u>
Issue of bonus units - 103,077 (2010: nil) units	<u><u>-</u></u>	<u><u>-</u></u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration to the Trustee	<u><u>175,956</u></u>	<u><u>176,439</u></u>
Settlement charges	<u><u>2,104</u></u>	<u><u>1,938</u></u>

	Period ended 30 September 2011	Period ended 30 September 2010
	(Rupees)	
Directors of the Management Company		
Daniel Scott Smaller		
Issue of units - 12 (2010: 1,201) units	<u>1,142</u>	<u>126,000</u>
Issue of bonus units - 235 (2010: nil) units	<u>-</u>	<u>-</u>
Key Management Personnel, Employees and Connected Persons of the Management Company		
Issue of units -52 (2010: 230) units	<u>5,000</u>	<u>25,000</u>
Redemption of units - nil (2010: 293) units	<u>-</u>	<u>29,789</u>
Associated Companies / Undertakings of the Management Company		
Siza (Private) Limited		
Issue of bonus units - 85,942 (2010: nil) units	<u>-</u>	<u>-</u>
ICI Pakistan Limited - Associated undertaking due to common directorship		
Dividend income during the period	<u>56,000</u>	<u>101,712</u>

11. GENERAL

These condensed interim financial statements were authorized for issue on 27 October 2011 by the Board of Directors of the Management Company.



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