

LAKSON INCOME FUND
Annual Report 2014



LAKSON INVESTMENTS
WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN

CONTENTS

Vision & Mission Statement	1
Fund's Information	2
Report of the Directors of the Management Company	4
Report of the Fund Manager	9
Trustee Report to the Unit Holders	13
Statement of Compliance with the Code of Corporate Governance	14
Review Report to the Unit Holders on Statement of Compliance with the Best Practices of the Code of Corporate Governance	17
Independent Auditors' Report to the Unit Holders	18
Statement of Assets and Liabilities	20
Income Statement	21
Statement of Comprehensive Income	22
Distribution Statement	23
Statement of Movement in Unit Holders' Fund	24
Cash Flow Statement	25
Notes to the Financial Statements	26
Performance Table	56

==== **Vision** =====

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.



==== **Mission** =====

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.

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/l, 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



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2014

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Income Fund ('LIF'), is pleased to present its annual report together with the audited financial statements for the year ended June 30, 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.

Funds Performance

The net assets of the LIF as at June 30, 2014 stood at PKR 1,075.482 million compared to PKR 1,625.776 million at June 30, 2013 registering a decline of 33.85%.

The net income for the year ended June 30, 2014 was PKR 91.798 million which mainly comprised of mark-up income from bank deposits, treasury bills, Pakistan investment bonds, placements, term deposit receipts, certificate of investments, term finance certificates and sukuk certificates amounting to PKR 119.110 million, margin trading system amounting to PKR 4.039 million and capital gain - net amounting to PKR 3.404 million. The net unrealized diminution was mainly due to the valuation of term finance certificates which amounted to PKR 1.680 million.

The detailed fund performance and significant matters relating to the industry are disclosed in the Fund Manager Report which is a part of this Annual Report.

Earning Per Unit (EPU)

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

Income Distribution

The Board of Directors of the Management Company in its meeting held on June 25, 2014, declared an interim payout of PKR 1.1072 per unit amounting to PKR 11.994 million (PKR 11.992 million of Bonus distribution and PKR 0.002 of cash distribution) for the year ended June 30, 2014. This was in addition to the interim payouts of PKR 7.6267 per unit. The total distribution for the year ended June 30, 2014 was PKR 8.7339 per unit (8.7339% of face value of PKR 100/-).

Fund and Asset Manager Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at AM3+. The PACRA has maintained the Fund Stability Rating of "A+(f)" to LIF.

Corporate Governance

The Fund is listed on the Lahore Stock Exchange; therefore, the Management Company is required to comply with the requirements of the Code of Corporate Governance for listed companies.

1. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.

2. Proper books of accounts of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations'), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. Key financial data as required by the Code of Corporate Governance has been summarized in this Annual Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in the Financial Statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. Meetings of the Board of Directors of the Management Company are held at least once in every quarter. During the year under review six meetings were held. Attendance of the Directors in these meetings is as follows:

S.No.	Name	Designation	Meetings		
			Eligible to Attend	Attended	Leave Granted
1	Mr. Iqbal Ali Lakhani	Chairman	6	5	1
2	Mr. Babar Ali Lakhani	Chief Executive	6	6	-
3	Mr. A. Aziz H. Ebrahim	Director	6	5	1
4	Mr. Mahomed J. Jaffer	Director	6	6	-
5	Mr. Amin Mohammed Lakhani	Director	6	2	4
6	Mr. Sher Afgan Malik	Director	6	5	1
7	Mr. Daniel Scott Smaller	Director	6	6	-
8	Mr. Zahid Zakiuddin	Director	6	3	3

12. Meetings of the Audit Committee of the Management Company are held at least once in every quarter. During the year under review four meetings were held. Attendance of the Directors in these meetings is as follows:

S.No.	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1	Mr. Zahid Zakiuddin	Chairman	4	3	1
2	Mr. A. Aziz H. Ebrahim	Member	4	4	-
3	Mr. Iqbal Ali Lakhani	Member	4	4	-
4	Mr. Sher Afgan Malik	Member	4	3	1

13. Four Meetings of the Human Resource and Remuneration Committee of the Management Company were held during the year under review. Attendance of the Directors in these meetings is as follows:

S.No.	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1	Mr. Iqbal Ali Lakhani	Chairman	4	3	1
2	Mr. Babar Ali Lakhani	Member	4	4	-
3	Mr. Daniel Scott Smaller	Member	4	2	2

14. The pattern of unit holding is given in note No. 23.1 of the Financial Statements.

15. During the year under review trades in the Units of the Fund were carried out by the Directors, the Chief Executive Officer, the Executives and including their spouses and minor children are as under:

S.No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1	Mrs. Zil Lakhani	Spouse of Chief Executive Officer	-	-	1,121
2	Mr. Hasan Ali Lakhani	Minor Child of Chief Executive Officer	-	-	546
3	Mr. Daniel Scott Smaller	Director	-	-	81

External Auditor

The existing auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants have completed five years with the Fund. The Code of Corporate Governance stipulates that all listed companies in the financial sector shall change their external auditors every five years, therefore, to continue the trend of adopting the best industry practices, the Board of Directors, on the recommendations of the Audit Committee, change the auditors of the Fund and appoint M/s. BDO Ebrahim & Co., Chartered Accountants as the auditors of the fund for the year ending June 30, 2015.

Economic Review

With a smooth transition of power from one democratically elected government to other last year, the business sentiment in Pakistan soared sharply along with improved economic growth. Pakistan succeeded in attaining 4.1% growth in its GDP during FY14, the highest level achieved since FY09. The economy took a turnaround on account of following serious economic agenda pursued by the new government. Positive results were evident during the year, particularly stabilizing foreign exchange reserves, appreciation of exchange rate, and stability in prices despite heavy adjustments. Pakistan's Per Capita Income recorded a growth of 3.4% in FY14 compared to 1.4% growth in FY13. In USD terms, it increased to USD 1,340 in FY14 from USD 1,368 in FY13.

The government targeted a GDP growth of 4.4% for FY14 on the back of 3.7% growth in Agriculture, 4.8% growth in Industrial sector and 4.5% in Services sector. However, the target was slightly missed, while attaining a growth of 4.1% in FY14 against the growth of 3.7% last year. The growth momentum was broad based, as all the three major sectors namely agriculture, industry and services provided

support to improve economic growth. The Agricultural sector grew at a rate of 2.1%, while Industrial and Services sector grew by 5.8% and 4.3% respectively. Interestingly, some improvement was witnessed in the Large Scale Manufacturing ("LSM") sector, which registered a growth of 5.3% in FY14, compared to 4.0% in the previous year. The major LSM industries which recorded a notable growth included Fertilizers, Paper & Board, Food, Beverages and Tobacco. The aggregate demand analysis of the economy revealed that impetus to the economic growth was again provided by consumption expenditure, as it accounted for 92.5% of the GDP. On the flip side, the share of investment in GDP stood at a dismal 14.0%, compared to the levels of 19.2% seen during FY08.

While the external account remained under pressure during most of the year, it gradually improved as Pakistan entered an agreement with the International Monetary Fund ("IMF") for a bailout program of USD 6.64 billion. The Executive Board of the IMF approved a 3-year arrangement under the Extended Fund Facility ("EFF") for Pakistan in an amount totaling USD 6.64 billion, to support the country's economic reform program to promote growth. Alongside, Pakistan successfully raised USD 2 billion from global capital markets through the issue of five- and 10-year Eurobonds during the month. Furthermore, the government of Pakistan also raised USD 1.1 billion after they auctioned the much-awaited 3G and 4G licenses to different telecom companies in the country. Resultantly, the external position improved considerably as increase in capital flows substantially offset a gradual widening of the current account deficit during the financial year. The current account posted a deficit of USD 2.92 billion during the year, compared to a deficit of USD 2.50 billion last year. The deterioration in current account was primarily attributable to a widening trade deficit, as it increased by 7.5% YoY to USD 16.5 billion. However, remittances played a pivotal role in providing respite to the current account, recording a commendable growth of 13.7% to fetch USD 15.8 billion during the year. The foreign exchange reserves of the country increased by USD 3.12 billion during the year to USD 14.1 billion. While, PKR appreciated by 0.9% against the greenback during the FY14 to close at 98.8.

Whilst the official figures for FY14 fiscal deficit are not public as yet, the government expects fiscal deficit to clock in at 5.7% of the GDP, against the budgeted target of 5.8%. The fiscal deficit has been confined primarily due to controlled expenditures coupled with foreign inflows of USD 1.5 billion of Saudi grant. However, the tax machinery remained ineffective as the Federal Board of Revenue (FBR) failed to achieve the revised revenue collection target during the year. The government had set revenue collection target at PKR 2,475 billion for the fiscal year, which was later slashed to PKR 2,275 billion owing to the poor performance of the tax department. The tax collection for FY14 stood at PKR 2,266 billion (+16.0%), missing the twice-revised target by PKR 9 billion. Consequently, the tax to GDP ratio remained dismal at 9.4% in FY14, which continues to remain one of the lowest in the region.

The average CPI inflation for FY14 stood at 8.6% vis-à-vis 7.4% in FY13; an increase of 120 bps. The increase in inflation was fueled by higher GST charges coupled with increase in prices of perishable food items during the first half of the fiscal year. However, the bugbear of food inflation was moderated during the second half as the government largely tackled the food price issue by resolving the transportation issues and reigning in the urea price. On the flip side, core inflation, as measured by non-food non-energy CPI ("Core NFNE"), averaged 8.3% during the year, compared to 9.6% witnessed during the last year.

In line with the accelerating inflation, the State Bank of Pakistan ("SBP") increased the benchmark discount rate by 100 bps to 10.00% during FY14, breaking a 33-month long streak of monetary easing cycle. The SBP cited increased inflationary pressures coupled with fragile external flows as key reasons behind the hike in discount rate.

Mutual Funds Industry Review

The assets under management of the mutual funds industry increased by 6.9% during FY14 compared to a growth of 10.5% in the deposits of commercial banks and a growth of 12.5% in the money supply. The assets under management of the industry stood at PKR 385 billion at the end of the fiscal year compared to PKR 360 billion at the close of June 2013.

The assets under management in the Money Market category declined by 7.26% while Income funds' AUMs increased by 20.0% during the period. With inflation cooling off and foreign exchange reserves posting an impressive recovery, investors have preferred long-dated government bonds to maximize the potential gains from monetary easing expected in FY15. The highest growth of 15.43% (PKR 17.5

billion) was witnessed in the equity funds as the stock market performed well during FY14 with the KSE-100 Index posting a substantial return of 41%, adding to the 52% returns already witnessed during FY13. In the Finance Act FY15, the government has imposed a tax on bonus issue in addition to increase in the capital gains tax, albeit with a lower percentage and higher holding period than it initially planned, and the increased tax on cash dividends for various institutional investor categories, which is expected to keep the industry AUMs under check in FY15.

Future Outlook

Pakistan's economic climate continued to remain upbeat. 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, re-profiling of the government 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. This has been in addition to the successful resumption of the privatization process with smooth execution of the capital market transactions of UBL and PPL. This was preceded by flows received under Eurobond issue and 3G auction. The result was evidently reflected in country's FDI and foreign exchange reserves. Likewise, portfolio investment flows also remained strong as foreign interest was visible in the privatization transactions. This also reflected positively on Pakistan's rating, as Moody's revised its outlook from 'Negative' to 'Stable'. The conviction was backed by modest current account deficit, improved foreign flows in the form of bilateral and multilateral flows, privatization and bond transactions alongside controlled fiscal expenditures to keep fiscal deficit under 6% of GDP in FY14.

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. However, the government is still working to resolve the country's chronic energy crisis, which remains persistent despite steps to reduce subsidies and increase tariffs. The government is targeting to improve recoveries of energy sector dues and remains committed towards resolving the problem through medium term measures such as induction of cheaper generation alternates like coal. Accumulation of foreign reserves and managing inflation will remain the primary challenges, having direct implication on country's currency and interest rate outlook. Meanwhile, recent political turmoil, if continued, would have its bearing on investor confidence.

Acknowledgment

The Board is thankful to its valued investors, the Securities & 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 Limited 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: August 18, 2014

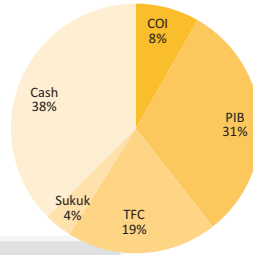
Babar Ali Lakhani
Chief Executive Officer

**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2014**

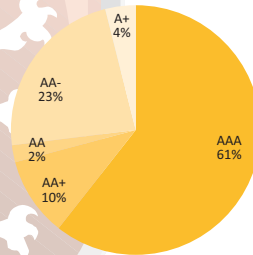
Fund Facts

Fund Type	Open-End
Category	Income Fund
Net Assets (PKR Mil.)	1,075
NAV (30.06.2014)	100.1715
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	KPMG Taseer Hadi & Co.
Management Fee	1.50%
Front End Load	1.50%
Back End Load	None
Launch Date	November 13, 2009
Benchmark	Average of returns earned by the Income Funds in the industry
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM (Mon-Fri)
Fund Rating	'A+' by PACRA
Asset Manager Rating	AM3+

Asset Allocation



Credit Split



Morningstar	LIF	Benchmark
FY14	8.38%	8.31%
June-14	6.73%	10.36%
2 Months	5.09%	11.29%
3 Months	6.00%	7.76%
6 Months	9.65%	9.52%
12 Months	8.38%	8.31%
CY14 - YTD	9.65%	9.52%

Simple Annualized	LIF	Benchmark
FY14	8.38%	8.31%
June-14	6.53%	9.90%
2 Months	4.99%	10.79%
3 Months	5.87%	7.52%
6 Months	9.42%	9.30%
12 Months	8.38%	8.31%
CY14 - YTD	9.42%	9.30%

Investment Committee

Babar Ali Lakhani	Chairman
Syed Muhammad Zeeshan	
Khurram Schehzad	
Mustafa O. Pasha, CFA	
Saifullah Kazmi	
Farhan Bashir	
Syed Imran Raza Kazmi	
Maryam Hidayatullah	

Investment Objective

The investment objective of the Lakson Income Fund ("LIF") is to provide competitive total return through investment in a diversified portfolio of fixed income securities. Investments will be made in a variegated mix of short term, medium term and longer term maturities depending on the assessment by the Investment Team of interest rate trends and prospective returns.

The LIF achieved its investment objective by constructing a diversified portfolio of high credit quality fixed income securities including T-Bills, TDRs, TFCs, MTS, Clean Placements and Commercial Papers. The LIF provided positive returns to its investors in every single month during FY13 despite the negative returns provided by some income funds in the industry. The portfolio of the LIF comprises of short, medium and long term instruments ranging from instruments maturing in 1 day to 10 years. However, all the investments with maturities of greater than 6 months are in tradable instruments.

Investment Strategy

The LIF focused on the constructing a liquid, diverse and high credit quality portfolio in accordance with its Investment Objective. Exposure of the LIF in T-Bills, TDRs, TFCs and other money market placements was managed based on the relative yield analysis of these instruments and the yield curve management. The LIF maintained an average exposure of 36% in risk free T-Bills as compared to 51% in FY13. Exposure in the T-Bills enabled the LIF to remain liquid and meet all its obligations in a timely manner. During the period under review, the LIF switched between different maturities of government securities depending upon the market dynamics and interest rate outlook. During 1HFY14 when the State Bank of Pakistan ("SBP") was increasing the discount rate the LIF kept the average Weighted Average Maturity ("WAM") of its portfolio at 565 days however in 2HFY14 with expectations of monetary easing gaining momentum portfolio WAM was increased to an average of 868 days while average PIB exposure was increased to 23%. As of June 30, 2014 the WAM of the LIF portfolio stood at 706 days. Exposure of the LIF in TFCs and Sukuks averaged 27.7% during the year compared to 17% in FY13. The LIF increased its exposure in high credit quality TFCs during the year and as of June 30, 2014 the exposure of the LIF in TFCs and Sukuks stood at 23%. The LIF was one of the first income funds to start building PIB exposure and maintained an 11% exposure on average in long term government bonds that offered a very attractive yield. The LIF maintained an average exposure of 48% in cash and T-Bills to keep the fund liquid. The LIF continued exposure in the Margin Trading System ("MTS") during the year however exposure was taken only in fundamentally sound stocks.

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 rose by 103-115 basis points during the period while yields on Pakistan Investment Bonds ("PIBs") rose by 210-280 basis points as well. Liquidity in the banking system remained tight, compelling the SBP to inject an average of PKR 141 billion in 37 open market operations ("OMOs") in FY14 while mopping up an average of PKR 66 billion in another 41 OMOs. Money supply ("M2") grew at 12.53% during FY14, compared to the 15.91% growth in the same period last year. This significant deceleration in M2 growth was driven by a 79% decline in the government's fresh borrowing for budgetary support as the new PML-N government has reduced its fiscal deficit substantially. Additional inflows from foreign sources, such as the IMF, the World Bank, Asian Development Bank and 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"). Due to the above mentioned inflows, Net Foreign Assets flow turned positive PKR 332 billion compared to a net outflow of PKR 263 billion in the same period last year. However, the government's borrowing mix was volatile during this fiscal year; however, as of June-end, 2014, 43% of the borrowing for budgetary support consisted of borrowing from SBP whereas as of June 30, 2013, it stood at 42%.

During FY14, the government had planned to raise PKR 8.4 trillion from the auction of T-bills, however, it fell short of its target and raised ~PKR 6.9 trillion against a maturity of PKR 8.2 trillion. Cumulatively, the bid-to-cover ratio of the T-bill auctions came in at 0.85x for FY14, indicating a neutral participation in the T-bill auctions as banks preferred to park their liquidity in long-term instruments particularly in the last quarter where expectations of a discount rate cut strengthened. Slightly divergent trends were witnessed in the PIB auctions this year. Investors gave a lukewarm response to the PIB auctions in 1HFY14, with bid-to-cover of just 1.01x as the monetary policy was somewhat unclear, with a tightening-bias. However, in 2HFY14, with the inflation coming in lower than expected and foreign exchange reserves recovering from the record-low, investors piled into PIB auctions as indicated by the bid-to-cover ratio of 4.3x for the second half of the fiscal year. Therefore, even though the government had planned to raise just PKR 780 billion from PIB auctions in FY14, it ended up raising PKR 2.0 trillion against a maturity of only PKR 256 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. The GoP Ijarah Sukuk market was also rekindled this fiscal year with the first auction of PKR 49.5 billion held after a hiatus of ~15 months; the Sukuk was fully subscribed at a cutoff of 200 bps below the last 6-month T-Bill cutoff yield.

Fund Performance

The LIF yielded 8.38% in FY14 compared to 9.21% in FY13. In the absence of large capital gains from a decline in market interest rates the fund's overall returns declined. In fact the 100 bps increase in the discount rate during 1HFY14 negatively impacted the mark to market element of the portfolio as

can be seen from the return of 7.02%. However in the latter half of FY14 the fund recovered and posted a return of 9.42%. The Benchmark of the LIF, average return of income funds, yielded 8.31% in FY14. The LIF outperformed the benchmark by 7bps. The LIF fund size declined by 34% in FY14 to PKR 1,075 million from PKR 1,626 million at the start of the year. The standard deviation of daily returns was low at 0.87% in FY14 despite increased exposure to PIBs and TFC/Sukuks, instruments that are highly sensitive movement in interest rates. As of June 30, 2014, the WAM of the LIF portfolio was 706 days. The WAM of the LIF portfolio moved in line with the interest rate trends.

Future Outlook

The LIF will continue to build its position in long term sovereign debt which offers better risk adjusted yields than quality corporate bonds. The LIF may switch between different maturities depending upon the liquidity conditions of the market and interest rates outlook. Exposure to high yielding equity based instruments such as MTS and ready-future contracts will also be explored. The SBP increased the discount rate by 100bps during FY14 and given the significant improvement in inflationary numbers and FX reserves there is a high probability that the SBP will look to promote growth now that a modicum of macroeconomic stability has been achieved. For that reason portfolio WAM will trend on the higher side in FY15.

Circumstances Materially Affecting Interests of Unit Holders

During the period under review, the Fund Stability Rating of the LIF maintained at 'A+' by PACRA, which denotes a fund with stable performance generally in line with its peers with adequate capacity to respond to future opportunities or stress situations. PACRA maintained the Asset manager Rating of Lakson Investments at 'AM3+' during FY14.

Any change in interest rates would affect the market values of tradable instruments present in the LIF's portfolio. Any change in counterparty credit ratings can materially affect the interests of unit holders. Such changes could impact the NAV and credit split of the LIF.

As of June 30, 2014 judgment of the Sind High Court is awaited on the petition regarding exemption of the mutual funds from the WWF. The Unit Holders of the LIF will have a downside protection in case the judgment comes against the mutual funds industry as the LIF is one of the funds already providing for this liability. As of June 30, 2014 the LIF has maintained provisions against Workers' Welfare Fund's liability to the tune of PKR 10.36 million. If the same were not made the NAV per unit of the LIF would be higher by PKR 0.9648. If the LIF would not have made the WWF provisions during FY14, the return of the LIF for FY14 would be higher by 0.96%.

In the Federal Budget for FY14 the government had imposed 16% Federal Excise Duty ("FED") on asset management services. The management Company is currently charging FED to the management fee applicable to the fund.

In the Sindh Provincial Budget for FY15 the government has proposed a reduction in the standard rate of sales tax applicable on asset management services from 16% to 15%. This reduced rate of tax will come into effect on 1st July, 2014.

Furthermore in the Federal budget for FY15 material changes have been proposed to the:

Taxation on bonus units

Rate of Capital Gains Tax (CGT)

Taxation on cash dividends

Unit holders are encouraged to contact our helpline for details and clarification on the above.

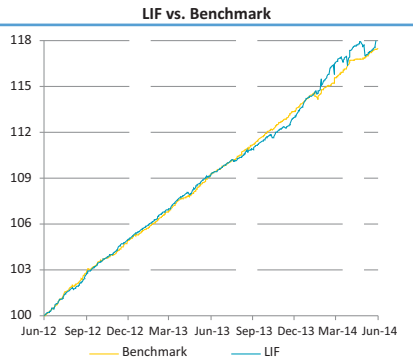
Other Disclosures

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 30, 2014 the LIF does not employ leverage.

Performance Table	FY14	FY13
Net Assets - Beginning (PKR Mil.)	1,626	1,414
Net Assets - Ending (PKR Mil.)	1,075	1,626
Highest Offer Price (PKR)	103.5345	102.9285
Lowest Offer Price (PKR)	101.5246	101.8786
Highest Redemption Price (PKR)	102.0044	101.4073
Lowest Redemption Price (PKR)	100.0242	100.3730
Beginning NAV - (PKR)	101.1528	100.4114
Interim Distributions (PKR)	8.7339	8.1410
Final Distribution (PKR)	Nil	0.9078
Ending NAV - (PKR)	100.1715	100.1528
Return	8.38%	9.21%
Net Income (PKR Mil.)	91.8	153.72
WAM (Days)	706	410



Distributions	FY14	FY13	Distributions	FY14	FY13
PKR per Unit			PKR per Unit		
1st Interim Distribution	0.6211	0.8020	7th Interim Distribution	0.8893	0.7813
NAV before Distribution	100.8483	101.2785	NAV before Distribution	101.6005	101.1274
NAV after Distribution	100.2272	100.4765	NAV after Distribution	100.7112	100.3461
Distribution Date	31-Jul-13	30-Jul-12	Distribution Date	29-Jan-14	29-Jan-13
2nd Interim Distribution	0.4346	0.8529	8th Interim Distribution	0.6001	0.6347
NAV before Distribution	100.6501	101.4073	NAV before Distribution	101.2054	100.9680
NAV after Distribution	100.2155	100.5544	NAV after Distribution	100.6053	100.3333
Distribution Date	30-Aug-13	31-Aug-12	Distribution Date	26-Feb-14	28-Feb-13
3rd Interim Distribution	0.4090	0.7863	9th Interim Distribution	0.6033	0.5741
NAV before Distribution	100.7420	101.1528	NAV before Distribution	102.0044	100.9368
NAV after Distribution	100.3330	100.3665	NAV after Distribution	101.4011	100.3627
Distribution Date	27-Sep-13	26-Sep-12	Distribution Date	27-Mar-14	27-Mar-13
4th Interim Distribution	0.5296	0.7687	10th Interim Distribution	0.6774	0.7141
NAV before Distribution	100.8757	101.1528	NAV before Distribution	101.8617	101.0602
NAV after Distribution	100.3461	100.4953	NAV after Distribution	101.1843	100.3461
Distribution Date	25-Oct-13	24-Oct-12	Distribution Date	24-Apr-14	29-Apr-13
5th Interim Distribution	0.6000	0.8767	11th Interim Distribution	1.0675	0.6381
NAV before Distribution	100.9728	101.1986	NAV before Distribution	101.7070	101.1125
NAV after Distribution	100.3728	100.3219	NAV after Distribution	100.6395	100.4744
Distribution Date	28-Nov-13	28-Nov-12	Distribution Date	29-May-14	29-May-13
6th Interim Distribution	0.6548	0.7121	12th Interim Distribution	1.1072	Nil
NAV before Distribution	101.0391	101.1128	NAV before Distribution	101.1451	Nil
NAV after Distribution	100.3843	100.4007	NAV after Distribution	100.0379	Nil
Distribution Date	27-Dec-13	27-Dec-12	Distribution Date	26-Jun-14	N/A
			Final Distribution	Nil	0.9078
			NAV before Distribution	Nil	101.1528
			NAV after Distribution	Nil	100.2450
			Distribution Date	N/A	08-Jul-13

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	2	167
101 - 500	2	610
501 - 1,000	2	1,437
1,001 - 5,000	3	8,036
5,001 - 10,000	3	24,037
10,001 - 50,000	3	100,895
50,001 - 100,000	2	155,612
100,001 - 500,000	5	1,536,574
500,001 - 1,000,000	2	1,245,906
1,000,001 - 5,000,000	5	7,663,131
	29	10,736,404

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON INCOME FUND

**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of Lakson Income Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2014 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 23, 2014

**STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2014**

This statement is being presented to comply with the Code of Corporate Governance ('the Code') contained in Listing Regulations of Lahore Stock Exchange where Lakson Income Fund ('the Fund') is listed. The purpose of the Code is to establish a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

Lakson Investments Limited ('Management Company'), an un-listed public company, which manages the affairs of the Fund, has applied principles contained in the Code in the following manner.

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Mahomed J. Jaffer 2. Mr. Daniel Scott Smaller 3. Mr. Zahid Zakiuddin
Executive Director	<ol style="list-style-type: none"> 1. Mr. Babar Ali Lakhani
Non-Executive Directors	<ol style="list-style-type: none"> 1. Mr. Iqbal Ali Lakhani - Chairman 2. Mr. A. Aziz H. Ebrahim 3. Mr. Amin Mohammed Lakhani 4. Mr. Sher Afgan Malik

The Independent Directors meets the criteria of independence under clause i(b) of the Code.

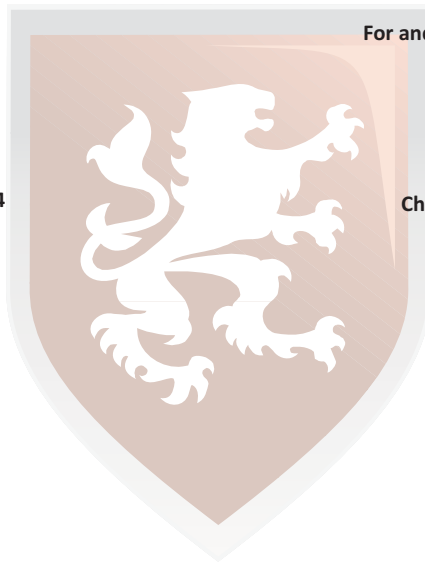
2. The Directors of the Management Company have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company.
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer ('CEO'), other Executive and Non-Executive Directors, have been taken by the Board. Further their remunerations are being borne by the Management Company.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry and the Code of Corporate Governance. The Directors are conversant of the relevant laws applicable to the Management Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. One of Director has completed all parts of the program offered by the Pakistan Institute of Corporate Governance and duly certified. Further, based on the criteria stipulated in the Code, four Directors on the Board are exempt from the requirement to have certification under a directors' training program offered by any local or foreign institutions that meet the criteria specified by the Securities & Exchange Commission of Pakistan. The Management Company, however, intends to complete the said requirement in full within the time specified in the Code.
10. The new appointment of Chief Financial Officer and Company Secretary was made during the year and is duly approved by the Board of Directors including his terms of employment. The Company has designated one of its employees as 'Coordinator/Head of Internal Audit' to act as coordinator between the firm providing internal audit services and the Audit Committee.
11. The Directors' Report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the units of the Fund other than those disclosed in the Annual Report.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are Non-Executive Directors of the Management Company and the Chairman of the Committee is an Independent Director.
16. The meetings of the Audit Committee were held at least once every quarter and prior to approval of interim and final results of the Fund. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board of the Management Company has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are Non-Executive Directors and the Chairman of the Committee is a Non-Executive Director.
18. The Board has outsourced the internal audit function to M/s. Anjum Asim Shahid Rahman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan ('ICAP'), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'Closed Period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other applicable material principles enshrined in the Code have been complied with.

For and on behalf of the Board

Dated: August 18, 2014



Babar Ali Lakhani
Chief Executive Officer



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Review Report to the Unit Holders on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Lakson Investments Limited (“the Management Company”) for and on behalf of **Lakson Income Fund** (“the Fund”) for the year ended 30 June 2014 to comply with the Listing Regulations No. 35 of Lahore Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund’s compliance with the provisions of the Code of Corporate Governance and report if it does not and to highlight any non compliance with the requirements of the Code. A review is limited primarily to inquiries of the Fund personnel and review of various documents prepared by the Fund to comply with the Code.


As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board’s statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Fund’s corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Fund’s statement of compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2014.

Date: 18 August 2014

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants



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Chartered Accountants
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Independent Auditors' Report to the Unit Holders

Report on the Financial Statements

We have audited the accompanying financial statements of **Lakson Income Fund** ("the Fund") which comprise the statement of assets and liabilities as at 30 June 2014 and the related income statement, statement of comprehensive income, distribution statement, statement of movement in Unit Holders' Fund, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2014 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.



KPMG Taseer Hadi & Co.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: 18 August 2014

Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants
Amyr Pirani

**Statement of Assets and Liabilities
As at 30 June 2014**

Assets	Note	2014	2013
		(Rupees)	
Bank balances	4	559,661,550	779,908,557
Investments	5	577,463,414	798,292,471
Certificate of Investment	6	90,000,000	-
Receivable against Margin Trading System		-	42,774,154
Markup Receivable	7	24,468,660	16,881,434
Deferred formation cost	8	136,247	501,912
Deposits and prepayments	9	518,877	450,000
Total assets		1,252,248,748	1,638,808,528
Liabilities			
Remuneration payable to the Management Company	10	5,143,667	2,782,617
Remuneration payable to the Trustee	11	147,673	198,305
Annual fee payable to the Securities and Exchange Commission of Pakistan	12	914,236	1,316,866
Accrued expenses and other liabilities	13	170,561,564	8,735,192
Total liabilities		176,767,140	13,032,980
Net assets		1,075,481,608	1,625,775,548
Unit holders' funds (as per the statement attached)		1,075,481,608	1,625,775,548
Contingencies and Commitments	14		
		(Number of units)	
Number of units in issue	15	10,736,404	16,072,470
		(Rupees)	
Net assets value per unit		100.1715	100.1528

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Income Statement
For the year ended 30 June 2014

Income	Note	2014	2013
		(Rupees)	
Mark-up income	16	119,109,916	180,827,320
Income from Margin Trading System		4,039,298	6,007,284
Gain on sale of held for trading investments - net		3,404,351	3,006,926
Net unrealised (diminution) / appreciation in the fair value of held for trading investments - net	5.2, 5.3, 5.4 & 5.6	(1,680,426)	3,169,961
		124,873,139	193,011,491
Expenses			
Remuneration to the Management Company	10.1	18,284,749	26,337,310
Sindh sales tax on remuneration of Management Company	10.2	3,393,649	4,235,121
Federal Excise Duty on Remuneration of Management Company	10.3	2,925,560	132,194
Remuneration to the Trustee	11	1,873,651	2,342,448
Annual fee to the Securities and Exchange Commission of Pakistan	12	914,237	1,316,866
Auditors' remuneration	17	254,480	265,145
Fees and subscription		244,136	240,000
Printing charges		24,840	59,600
Brokerage expenses		115,821	62,992
Amortization of deferred formation cost	8	365,665	365,665
Bank and settlement charges		876,768	1,091,022
		29,273,556	36,448,363
		95,599,583	156,563,128
Element of (loss) / income and capital (losses) / gains in prices of units sold less those in units redeemed - net		(1,927,940)	296,528
Provision for Workers' Welfare Fund	13.1	(1,873,433)	(3,137,193)
Net income for the year before taxation		91,798,210	153,722,463
Taxation	19	-	-
Net income for the year after taxation		91,798,210	153,722,463

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

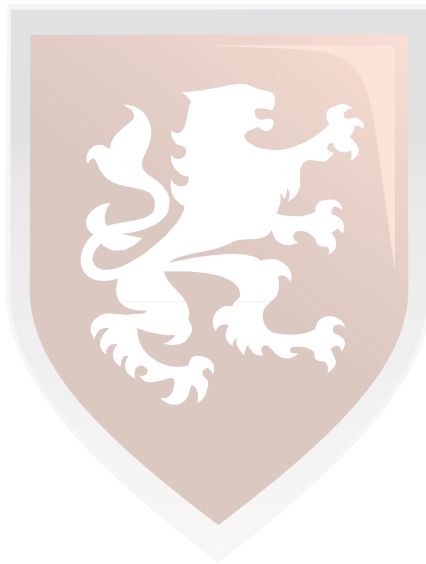
Chief Executive Officer

Director

**Statement of Comprehensive Income
For the year ended 30 June 2014**

	2014	2013
	(Rupees)	
Net income for the year	91,798,210	153,722,463
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>91,798,210</u>	<u>153,722,463</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.



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

Chief Executive Officer

Director

**Distribution Statement
For the year ended 30 June 2014**

Note	2014	2013 (Rupees)
Undistributed income at beginning of the year - realised	15,358,601	13,787,808
Undistributed income at beginning of the year - unrealised	<u>3,169,961</u>	<u>5,049,453</u>
Total undistributed income at beginning of the year	18,528,562	18,837,261
Final distribution for the year ended 30 June 2013 at the rate of Re. 0.9078 (2012: Re.0.9391) per unit approved on 8 July 2013 (2012: 4 July 2012)		
- Cash distribution	(1,777)	(1,839)
- Issue of bonus units	<u>(14,588,811)</u>	<u>(13,096,535)</u>
	(14,590,588)	(13,098,374)
Interim distributions during the year	18	
- Cash distribution	(16,042)	(15,938)
- Issue of bonus units	<u>(93,878,952)</u>	<u>(140,916,850)</u>
	(93,894,994)	(140,932,788)
Comprehensive income for the year	<u>91,798,210</u>	<u>153,722,463</u>
	1,841,190	18,528,562
Undistributed income at end of the year - realised	3,521,616	15,358,601
Undistributed (loss) / income at end of the year - unrealised	<u>(1,680,426)</u>	<u>3,169,961</u>
Total undistributed income at end of the year	1,841,190	18,528,562

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

Chief Executive Officer

Director

**Statement of Movement in Unit Holders' Fund
For the year ended 30 June 2014**

	Note	2014	2013
		(Rupees)	
Net assets at beginning of the year		1,625,775,548	1,413,616,685
Amount received on issue of 10,256,253 units (2013: 12,925,503 units)		1,034,820,000	1,303,243,614
Amount paid on redemption of 16,672,058 units (2013: 12,334,551 units)		(1,678,822,271)	(1,244,492,909)
		(644,002,271)	58,750,705
Element of loss / (income) and capital losses / (gains) in prices of units sold less those in units redeemed - net		1,927,940	(296,528)
Final distribution for the year ended 30 June 2013 at the rate of Re. 0.9078 (2012: Re.0.9391) per unit approved on 8 July 2013 (2012: 4 July 2012)			
- Cash distribution		(1,777)	(1,839)
- Issue of bonus units		(14,588,811)	(13,096,535)
		(14,590,588)	(13,098,374)
Issue of 145,532 (2013: 130,429) bonus units as final distribution		14,588,811	13,096,535
Comprehensive income for the year		91,798,210	153,722,463
Interim distributions during the year	18		
- Cash distribution		(16,042)	(15,938)
- Issue of bonus units		(93,878,952)	(140,916,850)
Comprehensive income for the year less distribution		(2,096,784)	12,789,675
Issue of 934,207 (2013: 1,403,295) bonus units as interim distribution	18	93,878,952	140,916,850
Net assets as at end of the year		1,075,481,608	1,625,775,548
Net assets value per unit at beginning of the year		101.1528	101.3505
Net assets value per unit at end of the year		100.1715	101.1528

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

Chief Executive Officer

Director

**Cash Flow Statement
For the year ended 30 June 2014**

	2014	2013
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the year	91,798,210	153,722,463
Adjustments for:		
Amortisation of formation cost	365,665	365,665
Unrealised diminution / (appreciation) in the fair value of held for trading investments - net	1,680,426	(3,169,961)
Element of loss / (income) and capital losses / (gains) in prices of units sold less those in units redeemed - net	1,927,940	(296,528)
	<u>95,772,241</u>	<u>150,621,639</u>
Decrease / (increase) in assets		
Investments	219,148,631	312,815,817
Certificate of Investment	(90,000,000)	-
Receivable against Margin Trading System	42,774,154	(42,774,154)
Profit Receivable on bank balances, Investments and balance receivable under the margin trading system	(7,587,226)	(5,551,687)
Deposits and prepayments	(68,877)	(350,000)
	<u>164,266,682</u>	<u>264,139,976</u>
Increase / (Decrease) in liabilities		
Remuneration payable to the Management Company	2,361,050	779,765
Remuneration payable to the Trustee	(50,632)	30,793
Annual fee payable to the Securities and Exchange Commission of Pakistan	(402,630)	394,517
Accrued expenses and other liabilities	161,826,372	3,193,734
	<u>163,734,160</u>	<u>4,398,809</u>
Net cash flows from operating activities	<u>423,773,083</u>	<u>419,160,424</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	1,034,820,000	1,303,243,614
Payment against redemption of units	(1,678,822,271)	(1,244,492,909)
Cash dividend paid	(17,819)	(17,777)
Net cash flows (used in) / from financing activities	(644,020,090)	58,732,928
Net (decrease) / increase in cash and cash equivalents	<u>(220,247,007)</u>	<u>477,893,352</u>
Cash and cash equivalents at beginning of the year	779,908,557	302,015,205
Cash and cash equivalents at end of the year	<u>559,661,550</u>	<u>779,908,557</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Notes to the Financial statements For the year ended 30 June 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments are stated at fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupees.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on

historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

Classification and valuation of investments

For details please refer notes 3.1 and 22 to these financial statements.

Impairment of investment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria for non performing exposures as per the requirements Circular No. 33 of 2012 dated 24 October 2012.

Element of income and capital gains in prices of units sold less those in units redeemed - net

For details please refer note 3.10 to these financial statements.

Provision for taxation

For details please refer notes 3.8 and 19 to these financial statements.

Workers welfare fund liability

For details please refer note 13.1 to these financial statements.

Other assets

Judgment is involved in assessing the realisability of other assets balances.

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Fund's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments:

Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Fund's financial statements.

- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are not likely to have an impact on Fund’s financial statements.
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are not likely to have an impact on Fund’s financial statements.
- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on Fund’s financial statements.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Fund’s financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Fund’s financial statements.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
 - IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
 - IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- The above improvements are not likely to have an impact on the financial statements of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies has been consistently applied to all the periods pretested in the preparation of these financial statements and are set out below:

3.1 Investments

3.1.1 All investments are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the income statement.

3.1.2 The Fund classifies its investments in the following categories:

Held for trading

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

After initial recognition, above investments are remeasured at fair value determined with reference to the period-end / year end quoted rates. Gains or losses on re-measurement of these investments are recognised in income statement.

Available for sale

Investments which do not fall under the above category and which may be sold in response to the need for liquidity or changes in market rates are classified as available-for-sale. After initial recognition, investments classified as available-for-sale are remeasured at fair value, determined with reference to the period end / year end quoted rates. Gains or losses on remeasurement of these investments are recognised directly in the unit holders' funds until the investment is sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in unit holders' funds is included in income statement.

3.1.3 Basis of valuation of investments

Fair value of the investments in Federal Government securities comprising Market Treasury Bills and Pakistan Investment Bonds are determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

The fair value of term finance certificates is determined on the basis of rates notified by the Mutual Funds Association of Pakistan (MUFAP) as at the period end.

All regular way of purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investments.

Income accrued on market treasury bills are included in the carrying value of investments.

3.2 Receivable against Marginal Trading System (MTS)

Securities purchased under Marginal Trading System are entered into contracted rates for specified rates for specified period of time. Amount paid under these agreements are recognised as receivable in respect of MTS. Cash releases are adjusted against the receivable as reduction in the amount of receivable. The maximum maturity of a MTS contracts is 60 days out of which 25% exposure will be automatically released at expiry of every 15th day from the date of contract.

3.3 Securities under resale / repurchase agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

3.4 Formation cost

This represents expenses incurred on the formation of the Fund. As permitted in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, these expenses are being amortised to the income statement over a period of five years i.e. effective from 14 November 2009.

3.5 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

3.6 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received (however units are issued on realisation of cheques). The offer price represents the net assets value of units at end of the day plus the allowable sales load (if any).

Units are redeemed at the redemption price prevalent on the day on which the applications for the redemption of units are received. The redemption price represents the net assets value at end of the day.

3.7 Net asset value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund with the number of units in issue at the year end.

3.8 Taxation

The Fund is exempt from taxation on income under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its income excluding realised and unrealised capital gain for the year is distributed amongst the unit holders. Since the Board of Directors of the management company has declared such a dividend (refer note 19), accrual of the tax liability has not been made.

3.9 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets held for trading are included in the income statement in the period in which they arise.
- Interest Income on Government securities, reverse repurchase arrangements, margin trading system, certificates of investment, certificates of deposits, term deposit receipts, commercial paper, placements, bank deposits and investment in other debt securities are recognised in the income statement at rate of return implicit in the instrument on a time proportionate basis.

3.10 Element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed - net

To prevent the dilution of per unit income and distribution of income already paid out on redemption, as dividend, an equalisation account called "element of income and capital gains included in prices of units sold less those in units redeemed" is created.

The net "element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed" during an accounting year is recognised in the income statement.

3.11 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Fund loses control of the contractual rights that comprises these financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. The particular recognition method adopted for measurement of financial liabilities investments subsequent to initial recognition is disclosed in the individual policy statement associated with each item.

Certificates of investment are carried at their fair value.

3.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.13 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

Provision for diminution in the value of debt securities is made as per the requirements of Circular No. 33 of 2012 dated 24 October 2012 (which is essentially the same as contained in Circular No. 1 of 2009 previously issued by the SECP) and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular.

In case of impairment of other available-for-sale investments, the cumulative loss that has been recognised directly in statement of comprehensive income is taken to the income statement.

Other individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in income statement.

3.14 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances including term deposits with banks (with maturity period of less than three months from the date of deposit) that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

3.16 Dividend (including bonus units)

Dividend (including the bonus units) declared subsequent to the balance sheet date are recorded in the period in which they are approved.

3.17 Other assets

Other assets are stated at cost less impairment losses, if any.

	Note	2014	2013
		(Rupees)	
4. BANK BALANCES			
local currency			
- In profit and loss sharing accounts	4.1	246,627,151	304,908,557
- In current accounts		313,034,399	-
- Term deposits receipts		-	475,000,000
		<u>559,661,550</u>	<u>779,908,557</u>

4.1 These represents profit and loss account maintained with banks carrying profit rates ranging from 7% to 11.83% (2013: 6% to 9.25%) per annum.

5. INVESTMENTS

Held For Trading

Government securities- Market Treasury Bills	5.1	-	335,004,286
Government securities- Pakistan investment Bonds	5.2	331,770,565	-
Term Finance Certificates - Listed	5.3	65,834,581	105,958,044
Term Finance Certificates - Unlisted	5.4	139,663,468	207,330,141
Sukuk Certificates	5.6	40,194,800	-

Available for sale

Short Term Sukuk Certificates		-	150,000,000
		<u>577,463,414</u>	<u>798,292,471</u>

5.1 Held for trading investments - Government securities (Market Treasury Bills)

Government Securities	Number of holdings at beginning of the year	Acquired during the year	Sold / matured during the year	Number of holdings at the end of the year	Carrying Value as at 30 June 2014 before valuation	Market value as at 30 June 2014 (revised carrying value)	Unrealized appreciation / diminution	Market value as percentage of net assets of the Fund	Market value as percentage of total investment
	Quantity				(Rupees)		Percentage (%)		
- 3 months Market Treasury Bills (face value of Rs. 100,000 each)	1,000	35,700	36,700	-	-	-	-	-	-
- 6 months Market Treasury Bills (face value of Rs. 100,000 each)	-	4,000	4,000	-	-	-	-	-	-
- 12 months Market Treasury Bills (face value of Rs. 100,000 each)	2,370	18,807	21,177	-	-	-	-	-	-
	30 June 2014				-	-	-	-	-
	30 June 2013				334,921,290	335,004,286	82,996	20.61	41.96

5.2 Held For Trading - Government Securities (Pakistan Investment Bond)

Government Securities	Note	Number of holdings at beginning of the year	Acquired during the year	Sold / matured during the year	Number of holdings at the end of the year	Carrying Value as at 30 June 2014 before valuation	Market value as at 30 June 2014 (revised carrying value)	Unrealized appreciation / diminution	Market value as percentage of net assets of the Fund	Market value as percentage of total investment
		Quantity				(Rupees)		Percentage (%)		
- 3 years Pakistan Investment Bond (face value of Rs. 100,000 each)	5.2.1	-	3,200	450	2,750	273,355,421	273,671,125	315,704	25.45	47.39
- 5 years Pakistan Investment Bond (face value of Rs. 100,000 each)	5.2.2	-	600	-	600	58,322,348	58,099,440	(222,908)	5.40	10.06
		30 June 2014				331,677,769	331,770,565	92,796	25.45	47.39
		30 June 2013				-	-	-	-	-

5.2.1 This represents investment in 3 years Pakistan Investment Bonds carrying effective profit rate of 11.25% (2013: Nil) per annum having maturity on 19 July 2015 (for the investment of Rs. 100.794 million) and on 18 July 2016 for the investment of Rs. 172.641 million. The Face value of Pakistan Investment Bonds as at 30 June 2014 amounted to Rs. 275 million. As at 30 June 2014, unamortised discount (net) amounted to Rs 1.645 million. (2013: Nil).

5.2.2 This represents investment in 5 years Pakistan Investment Bonds carrying effective mark-up rate of 11.50% (2013: Nil) per annum having maturity on 18 July 2018. The face value of Pakistan Investment Bonds as at 30 June 2014 amounted to Rs. 60 million. As at 30 June 2014, unamortised discount amounted to Rs 1.678 million. (2013: Nil).

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

Name of Security	Note	Number of holdings at beginning of the year	Acquired during the year	Sold / matured during the year	Number of holdings at the end of the year	Carrying Value as at 30 June 2014 before valuation	Market value as at 30 June 2014 (revised carrying value)	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
		Quantity				(Rupees)		Percentage (%)			
Commercial Banks											
NIB Bank Limited (face value of Rs.5,000 each)		3,000	-	3,000	-	-	-	-	-	-	-
Bank Alfalah Limited - V (face value of Rs. 5,000 each)	5.3.1	13,000	-	-	13,000	65,992,355	65,834,581	(157,774)	6.12	11.40	1.30
Technology and Communication											
Pakistan Mobile Communication Limited - privately placed (face value of Rs.5,000 each)		5,000	-	5,000	-	-	-	-	-	-	-
		30 June 2014				65,992,355	65,834,581	(157,774)	6.12	11.40	1.30
		30 June 2013				105,210,763	105,958,044	747,281	6.52	13.27	2.13

5.3.1 These represents listed term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Interbank Offer Rate (KIBOR) per annum plus margin of 1.25% receivable semi-annually in arrears with no floor or cap and will mature in February 2021. The principal repayment for all the units shall be Rs. 13,000 per six months, except in case of the last six monthly instalment, where it shall be 64.805 million. These term finance certificates are unsecured. The rating of the instrument is AA-.

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

Name of Security	Number of holdings at beginning of the year	Acquired during the year	Sold / matured during the year	Number of holdings at the end of the year	Carrying Value as at 30 June 2014 before valuation	Market value as at 30 June 2014 (revised carrying value)	Unrealized appreciation / diminution	Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue	
Note	Quantity				(Rupees)			Percentage (%)			
Commercial Banks											
Bank Al Habib Limited -IV privately placed (face value of Rs.5,000 each)	5.4.1	4,000	-	4,000	22,542,565	22,362,273	(180,292)	2.08	3.87	0.67	
Askari Bank Limited - IV privately placed (face value of Rs.1,000,000 each)	5.4.2	68	-	68	72,334,276	71,443,201	(891,075)	6.64	12.37	6.80	
Standard Chartered Bank Limited - IV privately placed (face value of Rs.5,000 each)		5,000	-	5,000							
Technology and Communication											
Pakistan Mobile Communication Limited - privately placed (face value of Rs.100,000 each)	5.4.3	650	-	650	46,596,875	45,857,994	(738,881)	4.26	7.94	3.25	
Financial Services											
Orix Leasing Pakistan Limited - III privately placed (face value of Rs.100,000 each)		700	-	700							
					30 June 2014	141,473,716	139,663,466	(1,810,248)	13.00	24.19	10.72
					30 June 2013	204,990,457	207,330,141	2,339,684	12.76	25.97	14.05

5.4.1 These represent unlisted term finance certificates and carry a rate of mark-up of 15.00% for the first five years and 15.50% for the remaining period receivable semi-annually in arrears with no floor or cap and will mature in June 2021. The principal repayment for all the units shall be Rs. 4,000 per six months, except in case of the last two six monthly 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.

5.4.2 These represent unlisted term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum (plus margin of 1.75% for the first five periods and 2.20% for the remaining period) receivable semi-annually in arrears with no floor or cap and will mature in December 2021. The principal shall be redeemed by 0.32% of the issue amount in the first 96 months and the balance shall be redeemed in four equal semi annually instalments. These term finance certificates are unsecured. The rating of the instrument is AA-.

5.4.3 These represent unlisted term finance certificates and carry a rate of mark-up equal to the base rate of 3 months Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 2.65%. However, with effect from 18 July 2014 margin has been reduced to 2% 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-.

5.5 The term "listed" indicated in note 5.2 refer to listing in the stock exchange. However their rates are quoted by MUFAP.

5.6 Held for Trading Investment - Sukuk Certificates (listed debt securities)

	Number of holdings at beginning of the year	Acquired during the year	Sold / matured during the year	Number of holdings at the end of the year	Carrying Value as at 30 June 2014 before valuation	Market value as at 30 June 2014 (revised carrying value)	Unrealized appreciation / diminution	Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
Note	Quantity				(Rupees)			Percentage (%)		
Electricity										
WAPDA Sukuk Certificates - 3rd Issue (Face Value of Rs 5,000 each)										
	-	12,175	12,175	-	-	-	-	-	-	-
K-Electric - Sukuk Certificates - 5 years (Face value of Rs 5,000 each)										
5.6.1	-	8,000	-	8,000	40,000,000	40,194,800	194,800	3.74	6.96	0.67
					<u>40,000,000</u>	<u>40,194,800</u>	<u>194,800</u>	<u>3.74</u>	<u>6.96</u>	<u>0.67</u>
					30 June 2014	-	-	-	-	-
					30 June 2013	-	-	-	-	-

5.6.1 These represent sukuk certificates having a face value of Rs. 5,000 each and carry a rate of profit equal to the base rate of 3 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 2.75%. These sukuk certificates will mature on October 2021. The rating of the instrument is A+.

6. CERTIFICATE OF INVESTMENT - unsecured

This represents short term Certificate of investment placed with Pak Brunei Investments Company Limited having carrying value of Rs. 90 million and carry profit rate of 10.25% (2013: Nil) per annum maturing on 12 September 2014. This is unrated debt instrument.

7. MARKUP RECEIVABLE	Note	2014 (Rupees)	2013
<i>Considered good</i>			
Mark-up / return receivable on:			
- margin trading system		-	209,502
- certificate of investment		2,679,041	6,024,246
<i>Bank Balances</i>			
- profit and loss sharing bank balances		621,022	661,075
- term deposits with banks		-	4,841,507
		621,022	5,502,582
<i>Held For Trading Investments</i>			
- term finance certificates		4,028,552	5,145,104
- government securities - Pakistan Investment Bonds		16,970,138	-
- sukuk certificates		169,908	-
		21,168,597	5,145,104
		24,468,660	16,881,434

8. DEFERRED FORMATION COST

Opening balance	8.1	501,912	867,577
Amortised during the year		(365,665)	(365,665)
Closing balance		136,247	501,912

8.1 This represents expenses incurred on the formation of the Fund. The Regulation 60 (2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 requires that all expenses incurred in connection with the incorporation, establishment and registration of collective investment scheme (formation cost) shall be reimbursable by a collective investment scheme to an Asset Management Company (AMC) subject to the audit of expenses. The said formation cost shall be amortised by the collective investment scheme over a period of not less than five years or with the maturity date of collective investment

scheme. Accordingly the said expenses are being amortised over a period of five years effective from 14 November 2009, i.e. after the close of initial period of the Fund.

	Note	2014 (Rupees)	2013
9. DEPOSITS AND PREPAYMENTS			
<i>Deposits</i>			
- Central Depository Company - security deposit		100,000	100,000
- National Clearing Company of Pakistan Limited - security deposit		250,000	250,000
		350,000	350,000
<i>Prepayments</i>			
- PACRA rating fee		105,863	100,000
- National Clearing Company of Pakistan Limited - annual fee		63,014	-
		168,877	100,000
		518,877	450,000
10. REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable	10.1	1,376,440	2,266,614
Sindh Sales Tax on Management remuneration	10.2	709,472	383,809
Federal Excise Duty on Management remuneration	10.3	3,057,755	132,194
		5,143,667	2,782,617

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

10.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011. This amount is paid / payable to the Management Company who then pays it to the Government of Sindh.

10.3 As per the requirement of the Finance Act, 2013, the Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which doesn't appear to be the spirit of the law. A stay order against the collection have been granted by the Honourable High Court of Sindh on a petition filed by the Mutual Funds Association of Pakistan (MUFAP) on 4 September 2013.

In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to maintain the provision for FED amounting to of Rs. 3.058 million as at 30 June 2014. Had the said provision of FED not been recorded in the books of account of the Fund, the net asset value per unit of the Fund would have been higher by Re. 0.28 / 0.28%. (2013: Re. 0.008 / 0.8%)

11. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed. Effective from 01 April 2013 the Trustee has revised the trustee fee as under.

Net assets up to 1 billion

0.17% per annum of the daily average net assets of the Fund.

Net assets ranging between Rs 1 billion to Rs 5 billion

Rs 1.70 million plus 0.085% per annum of the daily average net assets of the Fund exceeding Rs 1 billion.

Exceeding Rs 5 Billion

Rs 5.1 million plus 0.07% per annum of the daily average net assets of the Fund exceeding Rs 5 billion.

12. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Rule 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Currently, the Fund is required to pay annual fee to SECP at the rate of 0.075% of the average daily net assets of the Fund.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

		2014	2013
		(Rupees)	
Auditors' remuneration		152,880	162,750
Payable to Workers' Welfare Fund	13.1	10,358,801	8,485,368
Receipt against issuance of units	13.2	160,000,000	-
Brokerage payable		800	5,285
Central Depository Company Fee payable		-	9,000
National Clearing Company of Pakistan payable		20,000	28,506
Printing and Stationery Payable		20,800	44,283
Other liabilities		8,283	-
		<u>170,561,564</u>	<u>8,735,192</u>

13.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

During the year 2011, a single bench of the 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, in the month of March 2013, a larger

bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and overruled a single-member LHC bench judgement issued in August 2011. However, the Honourable Peshawar High Court on 29 May 2014 on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

However, as per the advice of legal counsel of MUFAP, the stay granted to CIS (as mentioned in the first paragraph) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected by the SHC judgment.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of prudence and abundant caution, has decided to make provision for WWF amounting to Rs.10.359 million up to 30 June 2014.

Had the above recognition not been made, the net assets value per unit of the Fund would be higher by Re. 0.96 / 0.96%. (2013: Re. 0.52 / 0.52%)

13.2 This represents the amount received by the fund as on 30 June 2014 for issuance of units. However, the issuance of units were accounted for on next day upon fulfilment of procedural requirements.

14. CONTINGENCIES AND COMMITMENTS

The Fund has no contingency or commitment at year-end.

	2014	2013
	(No. of Units)	
15. NUMBER OF UNITS IN ISSUE		
Units in issue at beginning of the year	16,072,470	13,947,794
Units issued during the year	10,256,253	12,925,503
Bonus units issued	1,079,739	1,533,724
Units redeemed during the year	(16,672,058)	(12,334,551)
Units in issue at the end of the year	<u>10,736,404</u>	<u>16,072,470</u>

Face value of the unit is Rs. 100 each.

16. MARK-UP INCOME 2014 2013
(Rupees)

Mark-up / return on financial assets comprises of:

- Letter of placements	3,539,606	2,128,049
- certificate of investments	3,709,972	-

Bank Balances

- term deposits receipts with banks	5,174,795	21,894,112
- profit and loss sharing accounts	14,671,428	5,234,294
	19,846,223	27,128,406

Held For Trading Investments

- government securities- market treasury bills	44,038,210	93,471,248
- government securities- Pakistan investment bonds	12,084,574	-
- term finance certificates	29,474,653	34,717,745
- sukuk certificates	5,522,152	21,961,154
- pre-IPO investment in the sukuk certificate of K-Electric	322,882	1,420,718
	91,442,471	151,570,865

Available For Sale Investments

- sukuk certificates	571,644	-
	119,109,916	180,827,320

17. AUDITORS' REMUNERATION

Annual audit fee	105,000	105,000
Fee for review of half yearly financial statements	78,750	78,750
Fee for review of statement of compliance with the best practices of Code of Corporate Governance	26,250	26,250
Other services	15,750	15,750
Out of pocket expenses	28,730	39,395
	254,480	265,145

18. INTERIM DISTRIBUTIONS DURING THE YEAR

----- For the year ended June 30, 2014 -----

Date of distributions	Distribution per unit	No. of Bonus Units Issued	Bonus (Rupees)	Cash
29 July 2013	0.6211	115,456	11,571,846	1,216
28 August 2013	0.4346	79,257	7,942,797	850
25 September 2013	0.4090	48,195	4,835,531	801
23 October 2013	0.5296	60,051	6,025,930	1,037
26 November 2013	0.6000	63,131	6,336,628	1,175
25 December 2013	0.6548	66,819	6,707,579	1,282
28 January 2014	0.8893	83,632	8,422,716	1,741
25 February 2014	0.6001	55,501	5,583,651	1,175
25 March 2014	0.6033	55,123	5,589,527	1,181
23 April 2014	0.6774	62,857	6,360,204	1,326
27 May 2014	1.6075	124,313	12,510,813	2,090
24 June 2014	1.1072	119,872	11,991,730	2,168
	8.7339	934,207	93,878,952	16,042

----- For the year ended June 30, 2013 -----

Date of distributions	Distribution per unit	No. of Bonus Units Issued	Bonus (Rupees)	Cash
30 July 2012	0.8020	112,601	11,313,798	1,570
30 August 2012	0.8529	120,619	12,128,780	1,670
26 September 2012	0.7863	122,660	12,310,925	1,539
24 October 2012	0.7687	134,368	13,503,314	1,505
28 November 2012	0.8767	155,777	15,627,913	1,716
27 December 2012	0.7121	126,074	12,657,873	1,394
29 January 2013	0.7813	145,459	14,596,241	1,530
28 February 2013	0.6347	117,866	11,825,852	1,243
27 March 2013	0.5741	108,262	10,865,418	1,124
29 April 2013	0.7141	136,656	13,733,129	1,398
28 May 2013	0.6381	122,953	12,353,607	1,249
	<u>8.1410</u>	<u>1,403,295</u>	<u>140,916,850</u>	<u>15,938</u>

19. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to 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 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. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

20. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons / related parties comprise of Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company, Key Management personnel and other funds being managed by the Management Company, entities in which the above parties or their connected persons have material interest, staff retirement benefits of related parties and other entities having more than 10% holding in the units of the Fund as at 30 June 2014.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively as disclosed in note 10 and 11 of these financial statements. Purchase and redemptions of the Fund's unit by the related parties / connected persons are recorded at the applicable net asset value per unit. Other transactions are in accordance with the agreed terms.

Transactions and balances with related parties are as follows:

20.1	Balance as at year	Note	2014	2013
			(Rupees)	
	Lakson Investments Limited - Management Company of the Fund			
	Remuneration payable (excluding the Sindh Sales Tax and Federal Excise Duty on Management Company Remuneration)	10.1	<u>1,376,440</u>	<u>2,266,614</u>

	Note	2014 (Rupees)	2013
Sindh Sales Tax and Federal Excise Duty on Management Company Remuneration*	10.2 & 10.3	<u>3,767,227</u>	<u>516,003</u>
Units held as at the period ended 1,060,048 (June 2013: 850,614) units		<u>106,186,598</u>	<u>86,042,025</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund			
Remuneration payable		<u>147,673</u>	<u>198,305</u>
Security deposit		<u>100,000</u>	<u>100,000</u>
Directors, Chief Executive and their Spouse and Minors			
Units held as at year end 20,262 (June 2013: 18,514) units		<u>2,029,675</u>	<u>1,872,373</u>
Above units include 12,997 (30 June 2013: 11,876) units held in joint account with spouse of the Chief Executive, Ms. Zil Lakhani and 6,325 (30 June 2013: 5,779) units held by Mr. Hassan Ali Lakhani (their minor son).			
Related parties of the Management Company			
Siza (Private) Limited			
Units held as at the period ended 402,542 (June 2013: 2,707,285) units		<u>40,323,236</u>	<u>273,849,497</u>
Century Insurance Company Limited			
Units held as at the period ended 1,540,276 (June 2013: 3,363,106) units		<u>154,291,757</u>	<u>340,187,581</u>
Other - connected person due to holding more than 10% outstanding units			
Bank deposits		<u>-</u>	<u>29,915,462</u>
Profit receivable on bank deposits		<u>-</u>	<u>161,218</u>
Units held as at the period end 3,659,635 (June 2013: 1,969,306) units		<u>366,591,013</u>	<u>199,200,771</u>

20.2 Transactions during the year

Lakson Investments Limited - Management Company of the Fund

Remuneration to the Management Company (excluding the Sindh Sales Tax and Federal Excise Duty on Management Company Remuneration)	10.1	<u>18,284,749</u>	<u>26,337,310</u>
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*Sales tax and FED is paid / payable to the Management Company for onwards payment to the Government.

	Note	2014 (Rupees)	2013
Sindh Sales Tax and Federal Excise Duty on			
Management Company Remuneration*	10.2 & 10.3	<u>6,319,209</u>	<u>4,367,315</u>
Issue of units: 124,051 (2013: Nil) units		<u>12,500,000</u>	
Issue of bonus units: 85,383 (2013: 73,269) units		<u>8,582,564</u>	<u>7,357,800</u>
Central Depository Company of Pakistan			
Limited- Trustee of the Fund			
Remuneration to the Trustee	11	<u>1,873,651</u>	<u>2,342,448</u>
Settlement charges		<u>77,035</u>	<u>96,948</u>
Directors, Chief Executive and			
their Spouse and Minors			
Issue of units: Nil (2013: 6,286) units		-	<u>631,812</u>
Issue of bonus units: 1,748 (2013: 1,383) units		<u>175,645</u>	<u>138,881</u>
Key management personnel and Employees			
of the Management Company			
Issue of bonus units: Nil (2013: 141) units		-	<u>14,141</u>
Redemption of units: Nil (2013: 2,708) units		-	<u>272,969</u>
Related parties of the Management Company			
Siza (Private) Limited			
Issue of units: Nil (2013: 1,409,142) units		-	<u>142,110,878</u>
Issue of bonus units: 81,414 (2013: 725,659) units		<u>8,170,836</u>	<u>72,869,544</u>
Redemption of units: 2,386,157 (2013: 6,536,534) units		<u>240,000,000</u>	<u>660,060,002</u>
Clover (Pakistan) Limited - Employees			
Contributory Provident Fund			
Issue of bonus units: Nil (2013: 1,308) units		-	<u>131,339</u>
Redemption of units: Nil (2013: 20,890) units		-	<u>2,102,041</u>
Colgate Palmolive (Pakistan) Limited - Employee			
Contributory Provident Fund			
Issue of bonus units: Nil (2013: 11,771) units		-	<u>1,182,058</u>
Redemption of units: Nil (2013: 188,011) units		-	<u>18,918,365</u>
Colgate Palmolive (Pakistan) Limited -			
Employee Gratuity Fund			
Issue of bonus units: Nil (2013: 6,540) units		-	<u>656,695</u>
Redemption of units: Nil (2013: 104,451) units		-	<u>10,510,203</u>

*Sales tax and FED is paid / payable to the Management Company for onwards payment to the Government.

	2014	2013
	(Rupees)	
Accuracy Surgical Limited - Employee Contributory Provident Fund		
Issue of bonus units: Nil (2013: 872) units	-	87,559
Redemption of units: Nil (2013: 13,927) units	-	1,401,360
Cyber Internet Services (Private) Limited - Employee Contributory Provident Fund		
Issue of bonus units: Nil (2013: 9,153) units	-	919,196
Redemption of units: Nil (2013: 146,202) units	-	14,711,448
GAM Corporation (Private) Limited - Employees Contributory Provident Fund		
Issue of bonus units: Nil (2013: 2,615) units	-	262,571
Redemption of units: Nil (2013: 41,763) units	-	4,202,357
Princeton Travels (Private) Limited - Contributory Provident Fund		
Issue of bonus units: Nil (2013: 1,046) units	-	105,071
Redemption of units: Nil (2013: 16,712) units	-	1,681,632
Siza Foods (Pvt) Limited - Contributory Provident Fund		
Issue of bonus units: Nil (2013: 5,668) units	-	569,136
Redemption of units: Nil (2013: 90,524) units	-	9,108,842
Century Insurance Company Limited		
Issue of units: Nil (2013: 1,616,116) units	-	163,000,000
Issue of bonus units: 223,034 (2013: 201,267) units	22,411,856	20,210,718
Redemption of units: 2,045,864 (2013: 50,913) units	206,241,391	5,147,478
Century Insurance Company 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
Other - connected person due to holding more than 10% outstanding units		
Mark-up on profit on loss sharing accounts	-	1,239,229
Bank charges	-	48,172
Issue of units: 6,087,412 (2013: 1,786,181) units	617,210,254	180,000,000
Issue of bonus units: 332,086 (2013: 144,499) units	33,360,223	14,510,594
Redemption of units: 4,729,169 (2013: 1,291,797) units	477,133,603	130,000,000

21. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This disclosure presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

21.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from debt securities held, bank balances and mark-up / return receivable, etc.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analysing credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with minimum long term credit rating of AA-.

Exposure to credit risk

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk at year end was as follows:

Note	June 30, 2014		June 30, 2013		
	Statement of Assets and Liabilities	Maximum exposure	Statement of Assets and Liabilities	Maximum exposure	
	----- (Rupees) -----		----- (Rupees) -----		
Bank balances including profit receivables	4	560,282,572	560,282,572	785,411,139	785,411,139
Investments including profit receivables	5	598,632,011	249,891,309	809,461,821	474,457,535
Certificates of investment	6	92,679,041	92,679,041	-	-
Receivable against Margin Trading System		-	-	42,983,656	42,983,656
Deposit		350,000	350,000	350,000	350,000
		<u>1,251,943,624</u>	<u>903,202,922</u>	<u>1,638,206,616</u>	<u>1,303,202,330</u>

Difference in the balances as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investments (including mark-up thereon of Rs 16.970 million) of Rs. 348.740 million relates to investments in Government Securities which are not considered to carry credit risk.

Past due / impaired assets

None of the financial assets of the Fund are past due or impaired as at year end.

Credit ratings and Collaterals

Credit risk arising on debt securities is mitigated by investing primarily in investment-grade rated instruments. In case of debt securities the minimum rating of the instrument has to be A- while the entity's rating has to be BBB+. Further credit risk arising from bank balances is mitigated through deposits held with banks which are rated BBB+ or above. The Fund is required to follow the guidelines / restrictions imposed in its offering document and the SECP in respect of the minimum ratings prior to any investment.

Details of the credit ratings of investments in debt securities (other than Government securities) and bank balances including term deposits receipts as at year end are as follows:

Ratings	June 30, 2014		June 30, 2013	
	Debt securities (including profit due) % of balance (Instrument rating)	Bank balances (including profit due) % of balance (Entity's rating)	Debt securities (including profit due) % of balance (Instrument rating)	Bank balances (including profit due) % of balance (Entity's rating)
AAA	-	84.62	5.24	38.78
AA+	27.05	3.68	38.77	38.75
AA	6.53	0.17	4.75	22.45
AA-	54.63	11.51	47.98	0.01
A+	11.78	0.00	3.26	-
A	-	0.01	-	0.01
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Above ratings are assigned by PACRA and JCR-VIS (as of 30 June 2014). The investments in debt securities and bank balances are unsecured except for those mentioned in Note 5.4.3 and 5.6.1 of these financial statements.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 34.60% (2013: 28.28%) of the Fund's financial assets are in Government securities which are not exposed to the credit risk, while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	June 30, 2014		June 30, 2013	
	(Rupees)	(%)	(Rupees)	(%)
Commercial banks	722,762,067	80.02	989,366,826	75.92
Technology and communication	47,047,106	5.21	86,545,595	6.64
Financial services	92,679,041	10.26	27,932,007	2.13
Electricity	40,364,708	4.47	156,024,246	11.97
Marginal Trading System (National Clearing Company of Pakistan Limited	-	-	42,983,656	3.30
Central Depository Company	100,000	0.01	100,000	0.01
National Clearing Company of Pakistan Limited	250,000	0.03	250,000	0.02
	<u>903,202,922</u>	<u>100</u>	<u>1,303,202,330</u>	<u>100</u>

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

21.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable debt securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, during the year no such option was exercised or considered necessary.

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date and represents the undiscounted cash flows.

June 30, 2014	Carrying amount	Less than 1 month	Within 3 months	Total
	(Rupees)			
Non-derivative liabilities				
Remuneration payable to the Management Company (excluding the Sindh Sales Tax and Federal Excise Duty)	1,376,440	1,376,440	-	1,376,440
Remuneration payable to the Trustee	147,673	147,673	-	147,673
Annual fee payable to the Securities and Exchange	914,236	-	914,236	914,236
Accrued expenses and other liabilities (excluding WWF)	<u>160,202,763</u>	<u>160,202,763</u>	-	<u>160,202,763</u>
	<u>162,641,112</u>	<u>161,726,876</u>	<u>914,236</u>	<u>162,641,112</u>
Unit holders' fund	<u>1,075,481,608</u>	<u>*1,075,481,608</u>		

June 30, 2013	Carrying amount	Less than 1 month	Within 3 months	Total
----- (Rupees) -----				
Non-derivative liabilities				
Remuneration payable to the Management Company (excluding the Sindh Sales Tax and Federal Excise Duty)	2,266,614	2,266,614	-	2,266,614
Remuneration payable to the Trustee	198,305	198,305	-	198,305
Annual fee payable to the Securities and Exchange	1,316,866	-	1,316,866	1,316,866
Accrued expenses and other liabilities (excluding WWF)	249,824	249,824	-	249,824
	<u>4,031,609</u>	<u>2,714,743</u>	<u>1,316,866</u>	<u>4,031,609</u>
Unit holders' fund	<u>1,625,775,548</u>	<u>*1,625,775,548</u>		

* Payable on demand.

Above financial liabilities do not carry any mark-up.

21.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will effect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to interest rate risk only.

21.3.1 Interest rate risk

21.3.1.1 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the Funds interest rate exposure arises on investment in Government securities, debt securities, term deposit receipts with banks and bank balances in profit and loss sharing account. Currently majority of the Fund's investment carry fixed interest rates, except for certain debt securities. The Management Company monitors the interest rate environment on a regular basis and may change the mix of its portfolio to enhance the earning potential of the Fund subject to the above defined guidelines. Other risk management procedures are the same as those mentioned in the credit risk management.

21.3.1.2 Details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

Fixed rate instruments	Note	2014	2013
		(Rupees)	
Financial assets			
Investments in Government			
Market Treasury Bills		-	335,004,286
Investments in Government Pakistan			
Investment Bonds	5.2	331,770,565	
Bank balances	4.1	246,627,151	779,908,557
Investment in Term Finance Certificates	5.4.1	22,362,273	22,550,565
Receivable against Margin Trading System		-	42,774,154
Certificates of investment	6	90,000,000	-
		<u>690,759,989</u>	<u>1,180,237,562</u>
Variable rate instruments			
Financial assets			
Investment in Term Finance Certificates	5.3	183,135,776	290,737,620
Short Term Sukuk Certificates	5.6, 5.4.2 & 5.4.3	40,194,800	150,000,000
		<u>223,330,576</u>	<u>440,737,620</u>

Fair value sensitivity analysis for fixed rate instruments

Interest bearing Government securities and Term finance certificate of Rs. 22.362 million are held by the Fund at fair value through profit and loss account (held for trading) and exposes the Fund to the fair value risk. In case of 100 basis points increase / decrease in yield rates of the above Government Securities during the year, the net assets of the Fund would have been lower / higher by Rs. 6.027 (2013: Rs. 0.219) million with consequential effect on net income for the period.

Other balances are not carried at fair value through profit and loss. Therefore a change in interest rate during the year would not effect the income statement and unit holder's fund.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the period end, unit holder fund would have increased / (decreased) by Rs. 2.233 (2013: Rs. 2.907) million. The analysis assumes that all other variables remain constant.

21.3.1.3 A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

	mark-up/ profit (%)	Less than one month	One to three months	More than three months and upto an exceed one year (Rupees)	More than one year	Total
30 June 2014						
Financial Assets						
Bank balances	7 to 11.83	246,627,151	-	-	-	246,627,151
Investments	11.25 to 15.00	-	-	-	577,463,414	667,463,414
Certificate of Investment	10.25	-	90,000,000	-	-	-
Total assets		<u>246,627,151</u>	<u>90,000,000</u>	<u>-</u>	<u>577,463,414</u>	<u>914,090,565</u>
30 June 2013						
Financial Assets						
Bank balances	6 to 9.9	779,908,557	-	-	-	779,908,557
Investments	9.07 to 15.5	335,004,286	150,000,000	52,932,317	260,355,868	798,292,471
Receivable against Margin Trading System	12.5 to 16.5	42,774,154	-	-	-	42,774,154
Total assets		<u>1,157,686,997</u>	<u>150,000,000</u>	<u>52,932,317</u>	<u>260,355,868</u>	<u>1,620,975,182</u>

None of the Fund's financial liability is exposed to interest rate risk.

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

21.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units and with effect from 1 July 2013 the Fund is subject to maintain minimum fund size of 100 million at all times.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements of the investments is discussed in note 3.1 to these financial statements.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2014	Level 2	Level 3	Total
	----- (Rupees) -----		
Financial assets at fair value through profit and loss (held for trading)			
Government Securities	331,770,565	-	331,770,565
Debt securities	245,692,849	-	245,692,849
Certificate of Investment	-	90,000,000	90,000,000
	<u>577,463,414</u>	<u>90,000,000</u>	<u>667,463,414</u>

30 June 2013

Financial assets at fair value through profit and loss (held for trading)

Government Securities	335,004,286	-	335,004,286
Debt securities	313,288,185	150,000,000	463,288,185
	<u>648,292,471</u>	<u>150,000,000</u>	<u>798,292,471</u>

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

	30 June 2014	30 June 2013
	(Rupees)	
Opening balance	150,000,000	120,000,000
Purchase during the period (at cost)	90,000,000	390,000,000
Matured / redemption during the year	(150,000,000)	(360,000,000)
Ending balance	<u>90,000,000</u>	<u>150,000,000</u>

23. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

23.1 Unit holding pattern of the Fund

30 June 2014	No. of Investors	Investment amount (Rupees)	% of total net assets
Category			
Individuals	9	2,511,145	0.23
Associated Companies and Directors	7	302,830,857	28.16
Insurance Companies	2	122,421,384	11.38
Banks and DFIs	1	50,042,973	4.65
Retirement Funds	5	74,089,862	6.89
Public Limited Companies	5	523,585,388	48.68
	<u>29</u>	<u>1,075,481,608</u>	<u>100.00</u>
 30 June 2013			
Individuals	7	52,244,257	3.21
Associated Companies and Directors	6	701,951,703	43.18
Insurance Companies	2	118,156,212	7.27
Banks and DFIs	1	199,200,771	12.25
Retirement Funds	9	61,256,100	3.77
Public Limited Companies	7	492,966,505	30.32
	<u>32</u>	<u>1,625,775,548</u>	<u>100.00</u>

23.2 List of brokers by percentage of commission paid

Name of broker	Commission paid (Percentage %)	
	30 June 2014	30 June 2013
- Al-Habib Capital Markets (Private) Limited	2.58	-
- BMA Capital Management Limited	-	17.84
- Elixir Securities Pakistan Limited	2.93	-
- Global Securities Pakistan Limited	7.41	17.36
- Icon Securities (Pvt) Limited	3.80	6.30
- Invest One Markets Limited	23.45	2.09
- Invest & Finance Securities Limited	19.96	35.99
- Invisor Securities (Pvt) Limited	6.36	-
- JS Global Capital Limited	5.67	5.11
- KASB Securities Limited	22.54	3.01
- Pearl Securities Limited	-	1.83
- Vector Capital (Private) Limited	5.28	10.47
	<u>100.00</u>	<u>100.00</u>

23.3 Particulars of the Investment Committee and Fund manager

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani (Chairman Investment Committee)
- Syed Muhammad Zeeshan
- Mr. Khurram Schehzad
- Mr. Mustafa O. Pasha
- Mr. Saifullah Kazmi
- Mr. Farhan Bashir
- Syed Imran Raza Kazmi
- Ms. Maryam Hidayatallah

Mr. Babar Ali Lakhani - Chief Executive

Mr. Lakhani has over 14 years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University. He is the chairman of Tritex Cotton Mills Limited, a board member of the Mutual Fund Association of Pakistan (MUFAP), a member of the GARP (Global Association of Risk Professionals), the Society of Financial Service Professionals and the Young President's Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.

Syed Muhammad Zeeshan - CFO

Mr. Zeeshan currently holds positions of Chief Financial Officer (CFO) and Company Secretary in Lakson Investments Limited. He is a qualified Cost and Management Accountant (ACMA) from Institute of Cost and Management Accountants of Pakistan (ICMAP) and is also CA (Finalist) from the Institute of Chartered Accountants of Pakistan (ICAP).

Prior to joining Lakson Investments Limited, he has also worked as Chief Financial Officer/ Company Secretary at IGI Funds Limited (subsequently merged in Alfalah GHP Investment Management Limited in October 2013). He has also worked at various senior positions at UBL Fund Managers Limited and National Investment Trust Limited. His total professional experience in mutual fund industry is more than thirteen years. In addition to this, he was also associated with M/s Ernst & Young Ford, Rhodes, Sidat Hyder & Co. Chartered Accountants, for more than four years as audit supervisor conducting audits of various commercial banks, insurance, FMCGs and other MNC corporations.

Mr. Khurram Schehzad - CIO

Mr. Schehzad has been associated with the financial markets since 2005, serving in the capacity of Investment Research, Corporate Finance Advisory and Discretionary / Non-Discretionary Funds Advisory & Management.

Before joining LI, he previously served as Vice President at Arif Habib Group, overseeing equity brokerage as well as group research (local & foreign), extending coverage from equities to commodities, real estate, manufacturing (cements, fertilizers, steel, energy and dairies) in direct coordination with the group chair. Prior to Arif Habib Group, Khurram held the position as Head of Research for Invest Capital Markets Limited, alongside managing a discretionary / non-discretionary portfolio of Equities / Fixed Income for institutional clients. He has recently been appointed by the Government of Pakistan as the youngest Member of the Board of the Privatization Commission of Pakistan (PC), for the purpose of restructuring / overhauling / turnaround / privatization of the state-owned entities (SOEs).

Mr. Schehzad is also one of the youngest Executive Committee Members of the Federal Board of Investment (BoI), striving for a valuable contribution to country's overall investment policy making.

Mr. Schehzad was consistently ranked as one of the Top Analysts in Pakistan (ranked by CFA Pakistan) for 2008-09, 2009-10 and 2011-12, based on quality research, spot-on accuracy, client service quality and investment value creation. He also received extensive credits by the ASIA MONEY for valuable research in relation to the Best Debt House 2010 award given by the ranking journal to the company.

Mr. Schehzad is an MBA in Finance with distinction of 'Gold Medalist' (Summa cum Laude), and is a finalist for the CFA Charter-holder professional certification while he plans for PhD in Financial Economics.

Mr. Mustafa O. Pasha – Fund Manager

Mr. Mustafa O. Pasha has six years experience in the asset management and investment advisory industry. He was previously associated with BMA Funds where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised Rs. 7.25 bn in fixed income/money market investments across all mutual funds and institutional/HNW accounts advised by BMA. As a fund manager he was responsible for formulating the investment outlook, implementing strategy through portfolio construction, asset allocation, analysing credit/interest rate risk and generating out performance against contracted benchmarks. At Lakson Investments he manages the domestic fixed income and money markets funds and is a member of the Investment Committee.

Mr. Pasha did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and qualified as a CFA charter holder in 2012.

Mr. Saifullah Kazmi

Mr Kazmi has 08 years experience of management portfolios for various companies. He started his career in 2006 with Faysal Bank Limited, as Equity Dealer for the bank's Treasury. He progressed onto managing Equity and Fixed income funds at IGI Funds Limited in 2008, which merged into Alfalah GHP Investment Management Limited in 2013. During this tenure, he was responsible for strategy creation and portfolio management of mutual funds and specially maintained accounts for HNWs. Mr. Kazmi joined Lakson Investments Limited in mid 2014, fulfilling the need for a seasoned equity fund manager for the various portfolios.

Mr. Kazmi has a BA (hons) in Business Management from Kingston Business School, Kingston University in Surrey, United Kingdom.

Mr. Farhan Bashir Khan - Deputy Head of Research

Mr. Farhan has 08 years of experience in financial and economic research. Before joining Lakson Investments Limited in June 2014, Mr. Farhan was associated with NIB Bank under its Treasury & Capital Markets Group, working as an economist for the bank while also managing the capital market desk. He was a member of Treasury's Investment Committee and a regular participant of bank's ALCO committee, providing research input on fixed income portfolio strategy. He was also shortly associated with Gul Ahmed Group, providing research and advisory services on group investments. During his career, he has worked as an analyst at various brokerage houses including IGI and InvestCapital.

Mr. Farhan has a MBA in Finance from Bahria University, Karachi and is currently pursuing CFA, having cleared level 1.

Syed Imran Raza Kazmi - Assistant Fund Manager

Mr. Imran Kazmi has over 7 years of Experience in Fixed Income Market. He was previously affiliated with Alfalah GHP Investment Management Limited as Assistant Manager – Fixed Income where he managed Income fund & Cash fund with the fund size of PKR 4.5 billion. He has also worked with IGI Finex Securities Ltd (Formerly; Finex Securities Ltd.) for 2.5 years as Money Market Dealer.

During his entire career, he attended different seminars and workshops organized by FMA to enhance market knowledge and to improve market skills. He is the Member of Financial Market Association of Pakistan.

Mr. Kazmi holds a MBA in Finance from PAF-Karachi Institute of Economics & Technology, Karachi.

Ms. Maryam Hidayatallah - Deputy Manager Risk and Compliance

Ms. Maryam Hidayatallah has over 18 months of experience in the asset management industry. Before joining Lakson Investments Limited she previously worked as Finance and Audit Executive at Ernst and Young Ford Rhodes Sidat Hyder and Co., Chartered Accountants at Karachi, Bahrain and UAE Offices in Business Risk Services and Audit and Assurance Business Services for 9 years which includes 4 years of article ship. During the given period, she has conducted the audits, due diligence and risk and compliance assignments of various asset management companies, oil and gas companies, commercial banks and service sector entities.

Ms. Maryam is a Certified Associate Member of Institute for Internal Controls USA, Institute of Internal Auditors and Pakistan Institute of Public Finance Accountants and professional qualification include CA finalist from Institute of Chartered Accountants of Pakistan and MA (Economics) from University of Karachi.

23.4 Directors meeting attendance

Name of directors	Meeting Attended	July 8, 2013	August 30, 2013	October 28, 2013	February 11, 2014	April 25, 2014	June 25, 2014
Mr. Iqbal Ali Lakhani	5	X	✓	✓	✓	✓	✓
Mr. Babar Ali Lakhani	6	✓	✓	✓	✓	✓	✓
Mr. Amin Mohammed Lakhani	2	X	✓	✓	X	X	X
Mr. A. Aziz H. Ebrahim	5	✓	✓	✓	✓	✓	X
Mr. Mahomed J. Jaffer	6	✓	✓	✓	✓	✓	✓
Mr. Sher Afgan Malik	5	✓	✓	✓	✓	X	✓
Mr. Daniel Scott Smaller	6	✓	✓	✓	✓	✓	✓
Mr. Zahid Zakiuddin	3	X	✓	✓	✓	X	X
		5	8	8	7	5	5

23.5 Rating of the Fund and the management company

PACRA Rating	Management Quality Rating	Stability Rating
Lakson Investments Limited (Management Company)	AM3 +	-
Lakson Income Fund	-	A+ (f)*

*The above rating has been obtained on 5 March 2014.

24. GENERAL

These financial statements were authorized for issue by Board of Directors of the Management Company on August 18, 2014.

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

Chief Executive Officer

Director

Performance Table

Performance Table	FY14	FY13	FY12	FY11	FY10	Distributions	FY14	FY13	FY12	FY11	FY10
							PKR per Unit				
Net Assets - Beginning (PKR Mil.)	1626	1,414	1,006	451	302	1st Interim Distribution NAV before Distribution	0.6211	0.8020	0.8598	2.4702	3.6148
Net Assets - Ending (PKR Mil.)	1075	1,626	1,414	1,006	451	NAV after Distribution	100.8483	101.2785	101.0231	102.8451	104.2186
Net Asset value per share	100.1715	101.1528	101.3505	101.1605	103.3062	Distribution Date	31-Jul-13	30-Jul-12	01-Aug-11	4-Oct-10	2-Apr-10
Selling Price for units	101.6740	102.6701	102.8708	102.6780	104.8558	2nd Interim Distribution NAV before Distribution	0.4346	0.8529	0.9563	2.9152	103.068
Repurchase Price for units	100.1715	101.1528	101.3505	101.1605	103.3062	NAV after Distribution	100.6501	101.4073	101.2159	102.8451	103.068
Highest Offer Price (PKR)	103.5345	102.9285	103.1214	104.6153	105.7819	Distribution Date	100.2155	100.5544	100.2596	100.1528	103.068
Lowest Offer Price (PKR)	101.5246	101.8786	101.7560	101.6567	101.5254	3rd Interim Distribution NAV before Distribution	0.409	0.7863	0.9471	2.8893	103.068
Highest Redemption Price (PKR)	102.0044	101.4073	101.5974	103.0692	104.2186	NAV after Distribution	100.742	101.1528	101.2614	103.0692	103.068
Lowest Redemption Price (PKR)	100.0242	100.3730	100.2522	100.1543	100.0250	Distribution Date	100.333	100.3665	100.3143	100.1799	103.068
Beginning NAV - Ex-Div. (PKR)	100.2450	100.4114	100.1626	100.3130	100.0000	4th Interim Distribution NAV before Distribution	0.5296	0.7687	1.0151	0.9481	103.068
Interim Distributions (PKR)	8.7339	8.141	9.8767	11.1839	3.6148	NAV after Distribution	100.8757	101.1528	101.5974	101.1442	103.068
Final Distribution (PKR)	-	0.9078	0.9391	0.9979	2.9932	Distribution Date	100.3461	100.4953	100.5823	100.1961	103.068
Ending NAV - Ex-Div. (PKR)	100.0379	100.2450	100.4114	100.1626	100.3130	5th Interim Distribution NAV before Distribution	0.6000	0.8767	0.9459	0.9632	103.068
Return	0.0838	9.21%	11.57%	11.50%	11.42%	NAV after Distribution	100.9228	101.1986	101.4258	101.1273	103.068
Net Income (PKR Mil.)	92	154	136	99	27	Distribution Date	100.3728	100.2119	100.4799	100.1641	103.068
Total Distribution	109	153	129	102	12	6th Interim Distribution NAV before Distribution	0.6548	0.7121	0.9403	0.9632	103.068
Accumulated Capital Growth	2	19	19	12	15	NAV after Distribution	101.0391	101.1128	101.2696	100.3293	103.068
WAM (Days)	706	410	452	232	229	Distribution Date	100.3843	100.4007	100.3023	100.3293	103.068
Average Annual return of the Fund						7th Interim Distribution NAV before Distribution	0.8893	0.7813	0.9115	0.9115	103.068
One Year	8.38%	9.21%	11.57%	11.50%	11.19%	NAV after Distribution	101.6005	101.1274	101.2411	101.2411	103.068
Two year	9.18%	10.93%	12.20%	11.87%	-	Distribution Date	100.7112	100.3461	100.3296	100.2653	103.068
Three year	10.69%	11.96%	12.61%	-	-	8th Interim Distribution NAV before Distribution	0.6001	0.6347	0.7405	0.7405	103.068
Since inception (November 13, 2009)	12.45%	12.52%	12.61%	11.87%	11.19%	NAV after Distribution	101.2054	100.9800	101.0058	100.2653	103.068
						Distribution Date	26-Feb-14	28-Feb-13	27-Feb-12	27-Feb-12	103.068
						9th Interim Distribution NAV before Distribution	0.6033	0.5741	0.8401	0.8401	103.068
						NAV after Distribution	102.0044	100.9368	101.1024	101.1024	103.068
						Distribution Date	101.4011	100.3627	100.2623	100.2623	103.068
						10th Interim Distribution NAV before Distribution	0.6774	0.7141	0.8178	0.8178	103.068
						NAV after Distribution	101.8617	101.0602	101.0764	101.0764	103.068
						Distribution Date	101.1843	100.3461	100.2586	100.2586	103.068
						11th Interim Distribution NAV before Distribution	1.0675	0.6381	0.9023	0.9023	103.068
						NAV after Distribution	101.707	101.1125	101.2068	101.2068	103.068
						Distribution Date	100.6395	100.4744	100.4744	100.3045	103.068
						12th Interim Distribution NAV before Distribution	1.1072	1.1451	1.1072	1.1072	103.068
						NAV after Distribution	101.1451	100.0379	100.0379	100.0379	103.068
						Distribution Date	26-Jun-14	26-Jun-14	26-Jun-14	26-Jun-14	103.068
						Final Distribution	Nil	0.9078	0.9391	0.9979	2.9932
						NAV before Distribution	Nil	101.1528	101.3505	101.1605	103.3062
						NAV after Distribution	Nil	100.2450	100.4114	100.1626	100.313
						Distribution Date	N/A	08-Jul-13	05-Jul-12	4-Jul-11	6-Jul-10

Disclaimer

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.



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