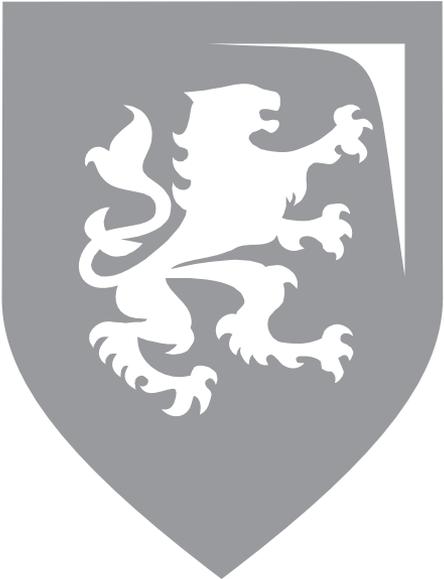


LAKSON INCOME FUND

Quarterly Report (September 30, 2014)



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Fund's Information

Management Company

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

Board of Directors of the Management Company

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

Chief Financial Officer & Company Secretary of the Management Company

Syed Muhammad Zeeshan

Audit Committee

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

Human Resource and Remuneration Committee

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

Trustee

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

Auditors

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

Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
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-72/1, 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
Elixir Securities (Pvt.) Limited
Ismail Iqbal Securities
Metro Securities Pvt. Limited
Pearl Securities Pvt. Limited
Rabia Fida
Topline Securities (Pvt.) Limited
Vector Capital (Pvt.) Limited

Rating by PACRA

A+(f) : Fund Stability Rating
AM3+ : Management Company Quality Rating

Review Report of the Directors of the Management Company For the quarter ended September 30, 2014

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Income Fund ("LIF") is pleased to submit its review report together with Condensed Interim Financial Statements for the first quarter ended September 30, 2014.

Fund Objective

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

Fund Profile

The LIF is an open end income fund which invests in Investment-grade Debt Securities, Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts, and other fixed income instruments. The overall duration of the portfolio is kept below 4 years while at least 25% of Net Assets are kept in the form of cash or Treasury Bills of maximum 90 days maturity. LIF is managed through a team-driven, top-down process utilizing active sector rotation, duration and yield curve management. Economic conditions are constantly monitored to forecast interest rate changes. The added value for LIF comes from identifying opportunities to shift investments between various maturities and between different instruments. LIF is allowed to borrow up to 15% of Net Assets to meet redemptions however LIF did not utilize this facility during the period under review.

Fund performance

The LIF yielded an annualized return of 10.23% in the first quarter of FY15 compared to the Benchmark (average return of all income funds) return of 9.60% p.a. The LIF outperformed the average income fund by 68 bps. As of September 30, 2014, the LIF portfolio is invested 39% in PIBs, 31% in T-Bills, 14% in TFCs, 7% in TDRs, 4% in Bank Deposits, 3% in Sukuk and 2% in MTS, while the weighted average maturity of the LIF portfolio stood at 714 days. The Standard Deviation, a measure of the volatility of the fund's performance, of monthly returns of the LIF declined to 1.13%, from 2.03% a quarter earlier mainly due to relatively stable interest rates. The fund size of the LIF as of September 30, 2014 stood at PKR 1,496 million.

Earning per Unit (EPU)

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

Economic Review

Political developments during the start of new fiscal year brought the capital of Pakistan to a standstill, amidst anti-government protests staged by PTI's Imran Khan and PAT's Tahir-ul-Qadri. Both the leaders called on the Prime Minister to resign, saying that last year's landslide election victory was rigged. Meanwhile, COAS ("Chief of Army Staff") raised his support for democratic and civilian forces in the country which ruled out possibility of a military takeover. While much of the attention during the period was inclined towards political disruptions, the recent floods managed to divert public attention away from politics to likely damages in Central and Southern Punjab. However, in terms of crop damage, the ongoing floods seemed less severe than 2010 floods.

The inflationary pressures in the economy abated as the headline inflation retreated during the first quarter FY15, averaging at 7.5% YoY compared to 8.6% YoY witnessed during the previous quarter. Inflation eased off after the recent bugbear of food inflation moderated during the quarter, as food inflation averaged 6.6% YoY during the 1QFY15 compared to previous quarter's average of 8.2% YoY. The government largely tackled the food prices by allowing duty free import of perishable food items from the neighboring country. On the flip side, the State Bank of Pakistan ("SBP") kept the discount rate unchanged during the two monetary policy meetings conducted during the quarter. Although

the headline inflation had been on the lower side, the cautious approach maintained by the Central Bank was attributed to deterioration in external account, political uncertainty and concerns on delay in the approval of the 5th IMF tranche.

External account of the country remained under severe pressure owing to a weak current account position coupled with delayed inflows. The current account deficit for 2MFY15 stood at USD 1,372 million, compared to a deficit of USD 580 million during the same period of the last year. The deterioration in current account came in from a higher trade deficit which increased by 55% YoY to USD 4.2 billion. Exports declined by 11.0% YoY to USD 3.8 billion while imports were up by 14.9% YoY to USD 7.9 billion. However, remittances continued to provide support to the crippling current account, growing by 12.6% YoY to USD 3.0 billion during the period.

The pressure on PKR continued to grow amidst delayed financial inflows along with political uncertainty in the country. Pakistan failed to satisfy the International Monetary Fund ("IMF") for the fifth tranche of USD 550 million as the reform process earlier initiated by the government slowed down in the midst of political crisis. The foreign exchange reserves of the country declined by USD ~1 billion during the quarter to USD 13.2 billion (as of Sep 26th 2014). Consequently, the Pak Rupee felt the pressure during the quarter, depreciating by 4.0% against the greenback, and closed at 102.6 per USD.

Fixed Income Market Review

The course of the monetary policy was kept essentially unchanged during 1QFY15 as the SBP held the discount rate steady at 10%. The past quarter saw an improvement in the country's macro indicators with foreign exchange reserves rising to USD 14.6 billion from USD 8.5 billion at the close of December'13. However, in the July MPS meeting the SBP took a wait-and-see stance on the sustainability of the economic turnaround and kept the discount rate unchanged. In August'14, macro economic trends shifted following the political protests in the country's capital. Foreign exchange reserves started depleting driven by deterioration in the trade deficit combined with lack of expected inflows from abroad, particularly from the IMF. In addition, the SBP highlighted risks of a potential uptick in inflation (1QFY15: 7.52% YoY) following this year's floods, and thus kept the discount rate steady in its September meeting as well. Liquidity in the banking system remained tight compelling the SBP to inject an average of PKR 78.3 billion via 12 (twelve) open market operations during the quarter, while mopping up PKR 55.6 billion via 3 (three) mop-up operations. The M2 money supply contracted by 1.97% (as of 19th September) vs. a contraction of 0.62% in the same period last year; the sharper slowdown in money supply was due to a significant reduction in government's fresh borrowing for budgetary support. The yield curve has steepened during the quarter as yields on the 3-month and 4-month T-Bills increased by 5 and 2 basis points ("bps") respectively, while the yields on the 3-year and 10-year PIBs increased by 26 and 42 bps, respectively. During 1QFY15, the government had planned to raise PKR 700 billion from the auction of T-Bills; however, it fell short of its target and raised PKR 658 billion against a maturity of PKR 630 billion. Cumulatively, the bid-to-cover ratio of the T-Bill auctions came in at 0.89x for 1QFY15 vs. 0.85x for FY14, indicating a neutral participation in the T-Bill auctions as banks preferred to park their liquidity in long-term instruments. The PIB auctions witnessed volatile participation as investors seemed uninterested in investing in PIBs in the July and August auctions, but in September, their interest was rekindled. Thus, investors placed total bids of PKR 372 billion against the cumulative auction target of PKR 300 billion and maturity of PKR 259 billion. The government was able to raise PKR 311 billion from PIBs during 1QFY15.

Future Outlook

Pakistan's economic climate has started taking heat from the recent political crisis originated by the sit-ins by political heavyweights. With overall economic activity slowing down due to delay in the policy reforms and the crucial inflows from the donors, deteriorated energy supplies, decline in the PKR, the overall macro environment looks challenging now. On the other hand, CPI outlook is increasingly favorable given the recent decline in commodities prices in general and oil prices in particular, which is expected to provide a relief in the form of muted current account deficit going forward and thus a natural support for the PKR against the USD in the remainder of the FY15. However, interest rate scenario still looks downward sticky in the near term till the planned inflows on account of IMF

tranches, new Sukuk issue in the international market as well as the on-going privatization of the state owned entities are materialized. The recent release of the coalition support fund money has provided some support to the foreign exchange reserves of the country.

Though the government is still working to resolve the current political as well as the chronic energy crisis, which remained persistent, accumulation of foreign reserves and managing inflation will remain the primary tasks, having direct implication on country's currency and interest rate outlook. Meanwhile, recent political turmoil, if continued, would have its bearing on investor confidence. In addition, there are continued delays in appointing heads of various state owned organizations which may have repercussions on industry.

Acknowledgement

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

For and on Behalf of the Board

Dated: October 22, 2014

Babar Ali Lakhani
Chief Executive Officer

**Condensed Interim Statement of Assets and Liabilities
As at September 30, 2014**

	September 30, 2014 (Unaudited)	June 30, 2014 (Audited)
Assets	Note	(Rupees)
Bank balances	5	167,222,782
Investments	6	577,463,414
Certificate of Investment		-
Receivable against Margin Trading System	7	90,000,000
Profit Receivable on bank balances, Investments and balance receivable under the margin trading system	8	29,046,187
Deferred formation cost		19,710,671
Deposits and prepayments		44,081
Total assets		432,850
		1,514,202,666
		1,252,248,748
 Liabilities		
Remuneration payable to the Management Company	9	6,547,739
Remuneration payable to the Trustee		5,143,667
Annual fee payable to Securities and Exchange Commission of Pakistan		170,130
Accrued expenses and other liabilities	10	262,467
Total liabilities		11,298,699
		18,279,035
		176,767,140
Net assets		1,495,923,631
Unit holders' funds (as per the statement attached)		1,075,481,608
Contingencies and Commitments	11	
		(Number of units)
Number of units in issue		14,558,195
		10,736,404
		(Rupees)
Net assets value per unit		102.7547
		100.1715

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.
For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

Condensed Interim Income Statement (Unaudited) For the quarter ended September 30, 2014

Income	Note	2014	2013
		(Rupees)	
Mark-up income		37,982,876	37,992,369
Income from Margin Trading System		627,806	3,728,021
Loss on sale of held for trading investments - net		(107,078)	(67,088)
Net unrealised appreciation / (diminution) in the fair value of held for trading investments - net		6,092,604	(3,420,317)
		44,596,208	38,232,985
Expenses			
Remuneration to the Management Company		5,249,327	6,523,087
Sindh sales tax on remuneration of Management Company		913,383	1,210,685
Federal Excise Duty on remuneration of Management Company	9.1	839,892	1,043,694
Remuneration to the Trustee		511,708	583,888
Annual fee to the Securities and Exchange Commission of Pakistan		262,467	326,154
Auditors' remuneration		102,419	56,901
Fees and subscription		63,013	60,082
Printing charges		5,041	15,123
Brokerage expenses		20,640	21,269
Amortization of deferred formation cost		92,167	92,167
Bank and settlement charges		216,934	415,104
		8,276,991	10,348,154
Net income from operating activities		36,319,217	27,884,831
Element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed - net		2,724,553	(2,995,099)
Provision for Workers' Welfare Fund	10.1	(780,875)	(497,795)
Net income for the period before taxation		38,262,895	24,391,937
Taxation	13	-	-
Net income for the period after taxation		38,262,895	24,391,937

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Condensed Interim Statement of Comprehensive Income (Unaudited)
For the quarter ended September 30, 2014**

	2014	2013
	(Rupees)	
Net income for the period	38,262,895	24,391,937
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>38,262,895</u>	<u>24,391,937</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Condensed Interim Distribution Statement (Unaudited)
For the quarter ended September 30, 2014**

	2014	2013
	(Rupees)	
Undistributed income at beginning of the period - realised	3,521,616	15,358,601
Accumulated (loss) / income at beginning of the period - unrealised	<u>(1,680,426)</u>	<u>3,169,961</u>
Undistributed income at beginning of the period	<u>1,841,190</u>	<u>18,528,562</u>
Final distribution : nil (2013: Re 0.9078 approved on July 08, 2013)		
- Cash distribution	-	(1,777)
- Issue of bonus units	-	(14,588,811)
	-	(14,590,588)
Interim distributions during the period		
- Cash distribution	-	(2,867)
- Issue of bonus units	-	(24,350,174)
	-	(24,353,041)
Net income for the period	<u>38,262,895</u>	<u>24,391,937</u>
	<u>40,104,085</u>	<u>3,976,870</u>
Undistributed income at the end of the period - realised	34,011,481	7,397,186
Undistributed income / (loss) at the end of the period - unrealised	<u>6,092,604</u>	<u>(3,420,317)</u>
Total undistributed income at the end of the period	<u>40,104,085</u>	<u>3,976,870</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited)
For the quarter ended September 30, 2014**

Note	2014	2013
	(Rupees)	
Net assets at the beginning of the period	1,075,481,608	1,625,775,548
Amount received on issue of 5,513,620 (2013: 4,085,068) units	557,772,540	410,770,000
Amount paid on redemption of 1,691,829 (2013: 8,673,010) units	(172,868,859)	(872,654,306)
	384,903,681	(461,884,306)
Element of (income) / loss and capital (gains) / losses in prices of units sold less those in units redeemed - net	(2,724,553)	2,995,099
Final distribution : nil (2013: Re 0.9078 approved on July 08, 2013)		
- Cash distribution	-	(1,777)
- Issue of bonus units	-	(14,588,811)
	-	(14,590,588)
Issue of bonus units as final distribution: nil (2013: 145,532)	-	14,588,811
Net income for the period	38,262,895	24,391,937
Interim distributions during the period		
- Cash distribution	-	(2,867)
- Issue of bonus units	-	(24,350,174)
Net income for the period less distribution	38,262,895	38,896
Issue of bonus units as interim distribution: nil (2013: 242,908)	-	24,350,174
Net assets at end of the period	1,495,923,631	1,191,273,634
Net assets value per unit at the beginning of the period	100.1715	101.1528
Net assets value per unit at end of the period	102.7547	100.3349

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

Condensed Interim Cash Flow Statement (Unaudited)

For the quarter ended September 30, 2014

	2014	2013
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the period	38,262,895	24,391,937
Adjustments for:		
Amortisation of formation cost	92,167	92,167
Net unrealised (appreciation) / diminution in the fair value of held for trading investments - net	(6,092,604)	3,420,317
Element of (income) / loss and capital (gains) / losses in prices of units sold less those in units redeemed - net	(2,724,553)	2,995,099
	29,537,905	30,899,520
(Increase) / Decrease in assets		
Investments	(714,190,078)	(235,007,253)
Certificate of Investment	90,000,000	
Receivable against Margin Trading System	(29,046,187)	(50,290)
Profit Receivable on bank balances, Investments and balance receivable under the margin trading system	4,757,989	7,923,158
Deposits and prepayments	86,027	20,082
	(648,392,249)	(227,114,303)
(Decrease) / increase in liabilities		
Remuneration payable to the Management Company	1,404,072	774,452
Remuneration payable to the Trustee	22,457	(21,310)
Annual fee payable to Securities and Exchange Commission of Pakistan	(651,769)	(990,712)
Accrued expenses and other liabilities	(159,262,865)	575,672
	(158,488,105)	338,102
Net cash used in operating activities	(777,342,449)	(195,876,681)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	557,772,540	410,770,000
Payment against redemption of units	(172,868,859)	(872,654,306)
Cash dividend paid	-	(4,644)
Net cash generated from (used in) financing activities	384,903,681	(461,888,950)
Net decrease in cash and cash equivalents during the period	(392,438,768)	(657,765,631)
Cash and cash equivalents at beginning of the period	559,661,550	779,908,557
Cash and cash equivalents at end of the period	167,222,782	122,142,926

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

This condensed interim financial information comprises of condensed interim statement of assets and liabilities as at September 30, 2014 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in Unit Holder's Fund, condensed interim statement of cash flows, and notes thereto, for the period ended September 30, 2014.

This condensed interim financial information does not include all the information required for a complete set of annual financial statements and should read in conjunction with the latest annual financial statements as at and for the year ended June 30, 2014. However, selected explanatory notes are included to explain events and transactions that are significant.

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

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

2.2 Judgments and estimates

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

The significant judgements made by the Management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended June 30, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended June 30, 2014.

4. FINANCIAL RISK MANAGEMENT

The Fund financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended June 30, 2014.

5. BANK BALANCES	Note	September 30, 2014 (Unaudited)	June 30, 2014 (Audited)
		(Rupees)	
local currency			
- In profit and loss sharing accounts	5.1	67,222,782	246,627,151
- In current accounts			313,034,399
- Term deposit receipts	5.2	100,000,000	-
		<u>167,222,782</u>	<u>559,661,550</u>

5.1 These accounts carry profit rates ranging between 7.00% to 9.25% (30 June 2014: 7.00% to 11.83%) per annum.

5.2 This Term Deposit carry profit at the rate of 11.00% (June 30, 2014: nil) per annum and will mature on December 29, 2014.

6. INVESTMENTS

Held For Trading

Government securities - Market Treasury Bills	6.1	462,323,520	-
Government securities - Pakistan			
Investment Bonds	6.2	589,289,850	331,770,565
Term Finance Certificate - Listed	6.3	65,163,548	65,834,581
Term Finance Certificate - Unlisted	6.4	139,632,137	139,663,468
Sukuk Certificates - Listed	6.5	41,337,040	40,194,800
		<u>1,297,746,095</u>	<u>577,463,414</u>

6.1 Held for trading investments - Government Securities

Government Securities - Market Treasury Bills

Government Securities	Note	Number of holdings at beginning of the period	Acquired during the period	Sold / matured during the period	Number of holdings at end of the period	Carrying Value as at September 30, 2014	Market value as at September 30, 2014	Unrealized (diminution)	Market value as percentage of net assets of the Fund	Market value as percentage of total investment
		Quantity				(Rupees)			Percentage (%)	
- Treasury Bills - 3 months (face value of Rs. 100,000 each)	6.1.1	-	8,150	4,500	3,650	362,795,043	362,739,320	(55,723)	24.25	27.95
- Treasury Bills - 6 months (face value of Rs. 100,000 each)	6.1.2	-	1,000	-	1,000	99,591,249	99,584,200	(7,049)	6.66	7.67
					Total as at September 30, 2014	462,386,292	462,323,520	(62,772)	30.91	35.63
					Total as at June 30, 2014	-	-	-	-	-

6.1.1 This represents investments in 3 month Government Market Treasury Bills carrying effective mark-up rates ranging from 9.9564% to 10.02% (June 30, 2014: nil) per annum maturing from October 02, 2014 to October 30, 2014. The face value of market treasury bills as at September 30, 2014 amounted to Rs. 365 million (June 30, 2014: nil).

6.1.2 This represents investments in 6 month Government Market Treasury Bills carrying effective mark-up rate of 10.00% (June 30, 2014: nil) per annum maturing on October 16, 2014. The face value of market treasury bills as at September 30, 2014 amounted to Rs. 100 million (June 30, 2014: nil).

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

Government Securities	Note	Number of holdings at beginning of the period	Acquired during the period	Sold / matured during the period	Number of holdings at end of the period	Carrying value as at September 30, 2014	Market value as at September 30, 2014	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)	6.2.1	2,750	5,700	3,550	4,900	482,854,843	484,437,960	1,583,117	32.38	37.33
- 5 years Pakistan Investment Bond (face value of Rs. 100,000 each)	6.2.2	600	750	500	850	82,196,882	81,785,865	(411,017)	5.47	6.30
- 10 years Pakistan Investment Bond (face value of Rs. 100,000 each)	6.2.3	-	500	250	250	23,432,694	23,066,025	(366,669)	1.54	1.78
					Total as at September 30, 2014	588,484,419	589,289,850	805,431	39.39	45.41
					Total as at June 30, 2014	331,677,769	331,770,565	92,796	25.45	47.39

6.2.1 This represents investment in 3 years Pakistan Investment Bonds carrying effective profit rate of 11.25% (June 30, 2014: 11.25%) per annum maturing from July 19, 2015 to July 17, 2017. The Face value of Pakistan Investment Bonds as at September 30, 2014 amounted to Rs. 490 million (June 30, 2014: 275 million).

6.2.2 This represents investment in 5 years Pakistan Investment Bonds carrying effective profit rate of 11.50% (June 30, 2014: 11.50%) per annum maturing from July 18, 2018 to July 17, 2019. The Face value of Pakistan Investment Bonds as at September 30, 2014 amounted to Rs. 85 million (June 30, 2014: 60 million).

6.2.3 This represents investment in 10 years Pakistan Investment Bonds carrying effective profit rate of 12.00% (June 30, 2014: nil) per annum having maturity on July 17, 2024. The Face value of Pakistan Investment Bonds as at September 30, 2014 amounted to Rs. 25 million (June 30, 2014: nil).

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

Commercial Banks	Note	Number of holdings at beginning of the period	Acquired during the period	Sold / Matured during the period	Number of holdings at the end of the period	Carrying value as at September 30, 2014	Market value as at September 30, 2014	Unrealized (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 (%)		
Bank Alfah Limited - V (face value of Rs. 5,000 each)	6.3.1	13,000	-	-	13,000	65,821,581	65,163,548	(658,033)	4.36	5.02	1.30
					Total as at September 30, 2014	65,821,581	65,163,548	(658,033)	4.36	5.02	1.30
					Total as at June 30, 2014	65,992,355	65,834,581	(157,774)	6.12	11.40	1.30

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

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

Name of Security	Note	Number of holdings at beginning of the period	Acquired during the period	Sold / Matured during the period	Number of holdings at the end of the period	Carrying value as at September 30, 2014	Market value as at September 30, 2014	Unrealized appreciation / (diminution)	Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
		Quantity				(Rupees)			Percentage (%)		
Commercial Banks											
Bank Al Habib Limited -IV privately placed (face value of Rs.5,000 each)											
6.4.1		4,000	-	-	4,000	22,362,273	23,120,982	758,709	1.55	1.78	0.67
Askari Bank Limited - IV privately placed (face value of Rs.1,000,000 each)											
6.4.2		68	-	-	68	71,421,132	75,157,180	3,736,048	5.02	5.79	6.80
Technology and Communication											
Pakistan Mobile Communication Limited - privately placed (face value of Rs.100,000 each)											
6.4.3		650	-	-	650	40,982,994	41,353,975	370,981	2.76	3.19	3.25
Total as at September 30, 2014						134,766,399	139,632,137	4,865,738	9.33	10.76	10.72
Total as at June 30, 2014						141,473,716	139,663,468	(1,810,248)	13.00	24.19	10.72

6.4.1 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 installments, in which case it shall be Rs. 9.964 million each. These term finance certificates are unsecured. The rating of the instrument is AA.

6.4.2 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 installments. These term finance certificates are unsecured. The rating of the instrument is AA-

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

6.5 Held for Trading - Sukuk Certificates (listed debt securities)

Name of Security	Note	Number of holdings at beginning of the period	Acquired during the period	Sold / Matured during the period	Number of holdings at the end of the period	Carrying value as at September 30, 2014	Market value as at September 30, 2014	Unrealized (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 (%)		
K-Electric- Sukuk Certificates - 5 Years (face value of Rs. 5,000 each)											
6.5.1		8,000	-	-	8,000	40,194,800	41,337,040	1,142,240	2.76	3.19	0.67
Total as at September 30, 2014						40,194,800	41,337,040	1,142,240	2.76	3.19	0.67
Total as at June 30, 2014						40,000,000	40,194,800	194,800	3.74	6.96	0.67

- 6.5.1** 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+.
- 6.6** The term "listed" indicated in note 6.3 & 6.5 refer to listing in the stock exchange. However their rates are quoted by MUFAP.

7. RECEIVABLE AGAINST MARGIN TRADING SYSTEM

This represents the amount receivable under the margin trading of eligible listed equity securities which are to be settled within maximum 60 days. The balance carries mark-up ranging from 12.50% to 17.69%. As at September 30, 2014, the market value of listed shares held under the margin trading amounted to 36.51 million.

Note	September 30, 2014 (Unaudited)	June 30, 2014 (Audited)
	(Rupees)	
8. PROFIT RECEIVABLE ON BANK BALANCES, INVESTMENTS AND MARGINAL TRADING SYSTEM		
Considered good		
Mark-up / return receivable on:		
- margin trading system	243,682	-
- certificate of investment	-	2,679,041
Bank Balances		
- profit and loss sharing bank balances	416,896	621,022
- term deposits with banks	30,137	-
	447,033	621,022
Held For Trading Investments		
- term finance certificates	4,846,188	4,028,552
- Government securities - Pakistan Investment Bonds	14,003,597	16,970,138
- sukuk certificates	170,171	169,907.77
	19,019,956	21,168,597
	19,710,671	24,468,660
9. REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY		
Remuneration payable to the Management Company	1,769,449	1,376,440
Sindh Sales Tax on Management remuneration	880,643	709,472
Federal Excise Duty on Management remuneration 9.1	3,897,647	3,057,755
	6,547,739	5,143,667

- 9.1** 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 June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which doesn't appear to be spirit of the law. A stay order against the collection have been granted by honourable High Court of Sindh on a petition filed by the Mutual Funds Association of Pakistan (MUFAP) on September 04, 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. 3.898 million as at September 30, 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. 0.26 / 0.26%. (2014: Re. 0.28 / 0.28%)

10. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	September 30, 2014 (Unaudited) (Rupees)	June 30, 2014 (Audited)
Auditors' remuneration		80,249	152,880
Payable to Workers' Welfare Fund	10.1	11,139,677	10,358,801
Receipt against issuance of units		-	160,000,000
Brokerage payable		2,652	800
Central Depository Company Fee payable		4,924	-
NCCPL payable		37,073	20,000
Printing and Stationary payable		25,841	20,800
Other liabilities		8,283	8,283
		<u>11,298,699</u>	<u>170,561,564</u>

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

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.11.139 million up to September 30, 2014.

Had the above recognition not been made, the net assets value per unit of the Fund would be higher by Re. 0.77/ 0.77%. (2014: Re. 0.96 / 0.96%)

11. CONTINGENCIES AND COMMITMENTS

The Fund had no contingency or commitment at period end.

12. TAXATION

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

The Fund has received an order dated 27 March 2014 under section 122(1) of Income Tax Ordinance, 2001, whereby the Federal Board of Revenue (FBR) has raised a demand of Rs. 49.545 million (including Workers' Welfare Fund liability of Rs. 2.729 million). This demand has been made on the basis of their view that distribution of bonus units should not be included in the calculation of 90% of the declared profit required to claim exemption from tax. Accordingly they are of the view that since minimum required dividend of 90% of the relevant profit has not been distributed, the Fund is liable to tax as mentioned above. The Management Company has filed an appeal before the CIT (Appeals) on the said issue which had been decided in favour of fund. however, subsequent to the year ended June 30, 2014, the department challenged the order passed by CIR (Appeal-II) in the Appellate Tribunal, Inland Revenue, (FBR) Karachi.

13. 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 September 30, 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. 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:

13.1 Balance as at period / year end

	September 30, 2014 (Unaudited)	June 30, 2014 (Audited)
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration payable (excluding the Sindh Sales Tax and Federal Excise Duty)	<u>1,769,449</u>	<u>1,376,440</u>
Sindh Sales tax and Federal Excise Duty on Management Company Remuneration *	<u>4,778,290</u>	<u>3,767,227</u>

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

	September 30, 2014 (Unaudited)	June 30, 2014 (Audited)
	(Rupees)	
Units held as at the period / year ended 1,060,048 (June 2014: 1,060,048) units	<u>108,924,914</u>	<u>106,186,598</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable	<u>170,130</u>	<u>147,673</u>
Security deposit	<u>100,000</u>	<u>100,000</u>
Directors, Chief Executive and their Spouse and Minors		
Units held as at the period / year ended 20,258* (June 2014: 20,258) units	<u>2,081,605</u>	<u>2,029,675</u>
Related parties of the Management Company		
Siza (Private) Limited		
Units held as at the period / year ended 402,542 (June 2014: 402,542) units	<u>41,363,185</u>	<u>40,323,236</u>
Century Insurance Company Limited		
Units held as at the period / year ended 1,777,374 (June 2014: 1,540,276) units	<u>182,633,562</u>	<u>154,291,757</u>
Other - connected person due to holding more than 10% outstanding units		
Units held as at the period / year ended 7,054,599 (June 2014: 3,659,635) units	<u>724,893,204</u>	<u>376,591,013</u>
	September 30,	
	2014	2013
13.2 Transactions during the period	(Unaudited)	
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration to the Management Company (excluding the Sindh Sales Tax and Federal Excise Duty)	<u>5,249,327</u>	<u>6,523,087</u>
Sindh sales tax and federal Excise Duty on Management Company Remuneration	<u>1,753,275</u>	<u>2,254,379</u>
Issue of bonus units: nil (2013: 20,303) units	<u>-</u>	<u>2,035,384</u>
Central Depository Company of Pakistan Limited- Trustee of the Fund		
Remuneration to the Trustee	<u>511,708</u>	<u>583,888</u>
Settlement charges	<u>12,644</u>	<u>60,893</u>

* 12,997 (30 June 2014: 12,997) units held in joint account with spouse Ms. Zil Lakhani and Represent 6,325 (30 June 2014: 6,325) units held by Mr Hassan Ali Lakhani (minor son)

	September 30, 2014	2013 (Unaudited) (Rupees)
Directors, Chief Executive and their Spouse and Minors		
Issue of bonus units: nil (2013: 441) units	-	134,292
Associated Companies / Undertaking of the Management Company		
Siza (Private) Limited		
Issue of bonus units: nil (2013: 51,725) units	-	5,185,081
Redemption of units: nil (2013: 1,840,313) units	-	185,000,000
Century Insurance Company Limited		
Issue of units: 488,186 (2013: nil) units	50,000,000	-
Issue of bonus units: nil (2013: 77,834) units	-	7,802,667
Redemption of units: 251,088 (2013: 598,307) units	25,714,247	60,257,803
Other - connected person due to holding more than 10% outstanding units		
Mark-up on profit on loss sharing accounts	-	598,564
Bank charges	-	12,592
Issue of units: 2,579,452 (2012: 1,471,048) units	260,000,000	148,000,000
Issue of bonus units: nil (2013: 81,525) units	-	8,172,613
Redemption of units: nil (2013: 1,272,324) units	-	128,000,000

14. GENERAL

These condensed interim financial statements were authorized for issue by Board of Directors of the Management company on October 22, 2014.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director



A Lakson Group Company

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

UAN +92.21 111-LAKSON
T +92.21 3569.8000
F +92.21 3568.1653
E info@li.com.pk
www.li.com.pk