

LAKSON EQUITY FUND  
Annual Report 2012



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

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==== **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. Sher Afgan Malik  
Mr. Muhammad Abdul Qadir  
Mr. Daniel Scott Smaller  
Mr. Zahid Zakiuddin

### Chief Financial Officer & Company Secretary of the Management Company

Mr. Amir Mobin

### Audit Committee

Mr. 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 Shahra-e-Faisal,  
Karachi, Pakistan.

### Auditors

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

### Bankers to the Fund

Allied Bank Limited  
Askari Bank Limited  
Bank Al-Falah Limited  
Deutsche Bank AG  
Faysal Bank Limited  
Habib Metropolitan Bank Limited  
Soneri Bank Limited  
United Bank Limited

**Legal Adviser**

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

**Registrar**

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

**Distributors**

Adam Securities (Pvt.) Limited  
Alfalah Securities (Pvt.) Limited  
Burj Capital Limited  
Cyan Limited  
Elixir Securities (Pvt.) Limited  
Pearl Securities (Pvt.) Limited  
Vector Capital (Pvt.) Limited

**Rating by PACRA**

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



## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2012**

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Equity Fund ('LEF'), is pleased to present its annual report together with the audited financial statements for the year ended June 30, 2012.

### **Fund Objective**

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

### **Fund Profile**

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

### **Funds Performance**

The net assets of the LEF as at June 30, 2012 stood at PKR 145.721 million compared to PKR 132.994 million at June 30, 2011 registering an increase of 9.57%.

The net income for the year ended June 30, 2012 was PKR 13.345 million which was mainly comprised of capital gains amounting to PKR 8.440 million, dividend income amounting to PKR 10.379 million, mark-up from bank deposits and treasury bills amounting to PKR 2.103 million. The unrealized appreciation, mainly due to the valuation of equity securities, amounted to PKR 0.580 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 July 04, 2012, declared a final payout of PKR 11.1215 per unit (11.1215% of face value of PKR 100/-) amounting to PKR 14.450 million distributed as bonus units for the year ended June 30, 2012.

### **Fund and Asset Manager Rating**

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at "AM3+". PACRA has assigned performance ranking of "2 - Star" to the LEF.

### **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. A performance table / key financial data is summarized in the Fund Manager Report.
8. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in the Financial Statements.
9. 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.
10. Meetings of the Board of Directors of the Management Company are held at least once in every quarter. During the year under review five meetings were held. 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	05	03	02
2	Mr. Babar Ali Lakhani	Chief Executive	05	05	-
3	Mr. A. Aziz H. Ebrahim	Director	05	05	-
4	Mr. Mahomed J. Jaffer	Director	05	03	02
5	Mr. Sher Afgan Malik	Director	05	04	01
6	Mr. M. A. Qadir	Director	05	04	01
7	Mr. Daniel Scott Smaller	Director	05	01	04
8	Mr. Zahid Zakiuddin	Director	05	04	01

During the year ended June 30, 2012, no casual vacancy occurred on the Board of Directors.

11. 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	04	04	-
2	Mr. A. Aziz H. Ebrahim	Member	04	04	-
3	Mr. Iqbal Ali Lakhani	Member	04	03	01
4	Mr. Sher Afgan Malik	Member	04	03	01

\* In compliance with the Code of Corporate Governance 2012, the Board of Directors in its meeting held on April 19, 2012 appointed Mr. Zahid Zakiuddin as the Chairman of the Audit Committee in place on Mr. Iqbal Ali Lakhani.

12. The Board has arranged one Director to attend the "Corporate Governance Leadership Skills" program offered by the Pakistan Institute of Corporate Governance. As of date, the Director has completed two parts out of the five parts of the program.
13. The pattern of unit holding is given in note No. 21.1 of the Financial Statements.
14. During the year under review trades in the Units of the Fund were carried out by the Directors, the Chief Executive Officer, the Chief Financial Officer / Company Secretary and their spouses and minor children are as under:

S.No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1	Mr. Daniel Scott Smaller	Director	399	Nil	235

#### External Auditor

The Fund's external auditors M/s. BDO Ebrahim & Co., Chartered Accountants have expressed their willingness to continue as the Fund auditors for the ensuing year ending June 30, 2013. On the recommendation of the Audit Committee, the Board of Directors of the Management Company has reappointed M/s. BDO Ebrahim & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2013.

#### Economic Review

FY12 was yet another challenging year for Pakistan's economy wherein it continued to weather an unprecedented set of challenges in the form of security hazards caused by the intensified war against terrorism, rising international commodity prices, widening energy deficit, falling FX reserves and persistent inflation. Pakistan's per capita real income grew at 2.3% during the year as against 1.3% in FY11. In dollar terms, it increased from USD 1,258 in FY11 to USD 1,372 in FY12 while the headline GDP growth rate stood at 3.7%. While the overall GDP growth of 3.7% for FY12 was the highest in the last 3 years, it remained far below potential for a country exhibiting an average annual population growth of over 2%.

The National Income Accounts estimates show that the growth was primarily driven by consumption



expenditure which grew by 11.1% compared to 3.9% in FY11. As a result, the share of consumption in real GDP increased to 88% in FY12 from 83% in FY11. Interestingly, most of the surge in overall consumption was contributed by a sharp increase in private consumption. Increase in rural income on account of better crop prices and steady growth in remittances from abroad over the last few years have been the main factors providing momentum to growth in private consumption. The segment-wise numbers reveal that the growth in the agriculture sector clocked in at 3.1% on the back of 4.0% growth in the livestock sector (highest contribution in the agricultural sector) and 3.0% growth in major crops. The industrial sector grew by 3.6% compared to 3.1% in FY11, showing some improvement during FY12. In particular, mining and construction sector reflected a healthy growth of 4.4% and 6.5%, respectively, in comparison to negative growth of 1.3% and 7.1% in FY11. Large Scale Manufacturing ("LSM"), which comprises of 11.9% of the GDP, clocked a subtle 1.8% growth in FY12, whereas small scale manufacturing once again showed the largest growth rate of 7.5% in FY12.

Whilst the official figures for FY12 fiscal deficit are not public as yet, the State Bank of Pakistan ("SBP") expects consolidated budget deficit to clock in at 6.4% of GDP (PKR 1,328 billion) while it may reach 8.3% of GDP after incorporating the debt consolidation of power and food sector arrears. Revenue generation was limited by exemptions and ineffective taxation of major segments of income generating sectors while untargeted subsidies and the continued provision of financial support to the loss making public sector enterprises kept the current expenditures on the higher side. The tax to GDP ratio nonetheless showed modest improvement as it increased to 9.5% during FY12 from 8.6% in FY11. While it is still considered very low in comparison with other comparable economies, it is nevertheless a welcome change.

The average CPI inflation for FY12 stood at 11.0% vis-à-vis 13.7% in FY11. CPI Inflation continued to persist in double digits for the fifth consecutive year. This persistence is primarily due to entrenched expectations of high inflation, higher energy costs and increased currency printing to finance government deficits. Core inflation, as measured by non-food non-energy CPI ("Core NFNE"), averaged 10.6% during FY12. Food and Beverages group, that has 35% weight in the new CPI basket, witnessed average inflation of 11% during FY12 versus 18% in FY11. A sharp increase in the prices of perishable food items was triggered by the supply disruptions caused by the floods at the start of FY12. While the floods in 1HFY12 did not cause the widespread destruction of crops as they did in 1HFY11, headline inflation remained high due to record food inflation, some crop losses and disruption to the supply chain. In addition, the increase in international oil prices during FY12 and the rationalization of gas and energy pricing by Utilities and the Government of Pakistan further spurred inflationary pressures. The Wholesale Price Index ("WPI") was up 10.4% on average during FY12 compared to 21.3% in FY11. The Sensitive Price Index ("SPI") was up 7.1% on average during FY12 compared to 16.6% in FY11.

Thus given the relative slowdown in inflation, SBP reduced the policy rate by a cumulative 200 bps from 14% to 12% in 1HFY12 (a reduction of 50 bps in July 2011 and 150 bps in October 2011). Thereafter, on account of difficulties in external accounts, higher government borrowing and persistent core-inflation, SBP kept its policy rate unchanged at 12% up till June 2012.

Inward remittances, the key supporting head, clocked in at USD 13.2 billion during FY12, yielding an impressive growth of 17.7% YoY. Trade Account, however, remained weak as the deficit broadened by 36% in FY12 to stand at USD 21.3 billion. Pakistan's exports were recorded at USD 23.6 billion, down 4.7% YoY, while during the same period, imports rose 11.1% to USD 44.9 billion. Thus coupled with minimal foreign inflows, this led to a deficit of USD 4.5 billion in the Current Account for FY12, compared to a surplus of USD 214 million in FY11. The Current Account Deficit as percentage of GDP stood at 1.9% for FY12. The net capital and financial flows required to finance the current account deficit remained scarce at a meager USD 1.5 billion. The net private inflows, foreign direct and portfolio investments, came down to only USD 590 million in FY12. Consequently, the overall balance of payment

position showed a deficit, which together with repayment of IMF loans resulted in a decline of USD 4 billion in SBP's liquid foreign exchange reserves during FY12. Overall, the foreign exchange reserves declined by USD 3.0 billion during the outgoing year to stand at USD 15.2 billion at the end of Jun '12. Resultantly, after staying stable during FY11, Pakistan Rupee depreciated by 10.0% to stand at PKR 94.55 against the greenback by the end of FY12.

Total investment and exports of goods and non-factor services showed a significant contraction. The total investment, as a percentage of GDP, fell to 12.5% in FY12. Private investment contracted to 7.9% of GDP in FY12 as compared to 8.6% in FY11 while national savings stood at 10.7% of GDP vis-à-vis 13.2% in FY11.

Nonetheless, the asset management industry posted an impressive growth of 53% YoY with the Assets under Management ("AUM's") standing at PKR 381 billion by the end of FY12. AUM's for closed-end funds declined by 2% YoY to PKR 23 billion, whilst AUM's for open-end funds grew 59% YoY to PKR 223 billion. After showing consistent decline in AUM's for the last three years, income fund category attracted the highest amount of fresh inflows as their total size grew 99% YoY to PKR 94 billion. AUM's for open-end conventional equity funds once again registered a dismal growth of 1% YoY to PKR 53 billion during FY12. However encouragingly, the category witnessed net inflows of PKR 47 million during the year, after posting net outflows of PKR 4.0 billion and PKR 2.0 billion during FY10 and FY11, respectively.

### **Market Review**

During FY12, Pakistan equities remained marred by fragile domestic political environment, fluid Pak-US relationship, global economic slowdown, persistent domestic energy shortage and deteriorating law & order. Resultantly KSE 100 posted a mere gain of 10.4% for the year while it closed flat when measured in US Dollars. While the return was significantly low when compared to historical annual average for KSE 100, it still managed to place Pakistan equities amongst the best performing markets in the world. Foreign portfolio investors, nonetheless, stood out as net sellers with net outflow being recorded at USD 175 million in FY12, compared to net inflow of USD 253 million in FY11. Individuals accounted for the largest inflow of USD 154 million in equities during FY12.

Trading activity which averaged at record lows of 62 million shares during 1HFY12, recovered in the 2HFY12 to clock an average of 125 million shares (USD 44 million) for the entire FY12. The revival of broad based interest was seen on the back of government's announced relaxations on capital gains tax slabs and mode of computing and filing them.

Amongst major listed sectors, cement manufacturers and banking stocks remained in the limelight. The former gained as higher retention prices translated into robust profitability growth for larger players and turnaround stories for smaller debt laden manufacturers. Banking stocks rallied on the back of lower provisioning expense and higher payouts. On the other hand, fertilizer manufacturers remained out of favor, particularly during 2HFY12 as unprecedented subsidy on imported urea deteriorated the environment already marred with unabated gas curtailment.

### **Future Outlook**

The outlook for fiscal year 2012-13 looks better than the preceding year. Pakistan has re-opened the supply routes for NATO forces due to which the US has released the impending reimbursements of USD 1.12 billion under the Coalition Support Fund. This should help alleviate some of the concerns on fiscal account, as well on Balance of Payments.

More importantly, the SBP in its first monetary policy announcement for FY13 reduced the benchmark policy rate by 150 bps to 10.5% - the lowest since early 2008. This should go a long way in reviving the private sector credit offtake, ease working capital concerns for liquidity trapped companies and entice domestic groups towards investment in the economy.

Nonetheless, the overall economic climate of Pakistan continues to face numerous challenges. According to the latest review released by the Economic Intelligence Unit ("EIU"), a range of factors have recently conspired to render Pakistan's external position increasingly precarious in the short term. They believe that it appears increasingly likely that the country will need to seek financial assistance from the IMF within the next 12-18 months to avert a balance-of-payments crisis. However, the approaching general election and a potential change of guard are adding to overall uncertainty regarding economic policy.

Overall, the EIU expects real GDP growth to slow to 3.3% in FY12 on the back of a slowdown in private consumption (which is forecast to rise by 4.4%). Growth in private consumption, which accounts for nearly 90% of nominal GDP, will remain the primary driver of economic expansion in the forecast period. During FY13-16, the annual private consumption growth is forecast to average 5.5%. They expect investment to fall for the fifth consecutive year in FY13. Tight domestic credit markets and the lack of foreign financing, exacerbated by both the global economic slowdown and the domestic security situation, will continue to dampen investment spending.

#### **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 (Guarantee) 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 30, 2012**

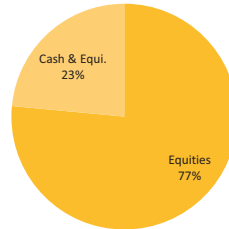
**Babar Ali Lakhani**  
**Chief Executive Officer**

**REPORT OF THE FUND MANAGER  
FOR THE YEAR ENDED JUNE 30, 2012**

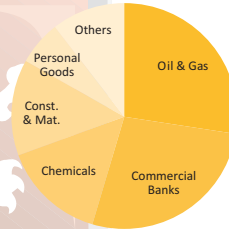
**Fund Facts**

Fund Type	Open-End
Category	Equity Fund
Net Assets (PKR Mil.)	146
NAV (30.06.2012)	112.1531
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	BDO Ebrahim & Co.
Management Fee	3.00%
Front End Load	3.00%
Back End Load	None
Launch Date	November 13, 2009
Benchmark	KSE-100 Index
Dealing Days	Mon-Fri
Cut-Off Time	04:00 PM
Asset Manager Rating	AM3+

**Asset Allocation**



**Sectorwise Exposure**



Fund Performance	LEF	KSE-30	KSE-100
June-12	-0.56%	-0.24%	0.11%
2 Months	-1.93%	-2.69%	-1.35%
3 Months	-0.36%	-1.58%	0.29%
6 Months	21.38%	17.12%	21.62%
12 Months	9.74%	2.90%	10.45%
CY12 - YTD	21.38%	17.12%	21.62%
FY12	9.74%	2.90%	10.45%

**Investment Committee**

Babar Ali Lakhani  
Iqbal Ali Lakhani  
A. Aziz H. Ebrahim  
Muhammad Umair Chauhan  
Amir Mobin  
Hamad Aslam  
Syed Imran Raza Kazmi  
Muhammad Qasim

Chairman

**Investment Objective**

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

The LEF achieved its investment objective by building a diverse portfolio comprising of fundamentally strong stocks that offered high growth potential in the form of capital appreciation and/or high dividend yields. The LEF did not take exposure in any speculative stocks and only stocks with the potential to perform in the present, challenging economic environment were selected.

**Investment Strategy**

The LEF invests in fundamentally sound stocks based on the recommendations of its team of equity analysts and market dynamics. The asset allocation to different sectors and different stocks in the same sector remained dynamic, keeping in view the market conditions, opportunities and the relative attractiveness of each sector and individual stocks. The asset allocation pattern of the LEF changed from time to time keeping in view the market conditions, opportunities, political and economic factors. The LEF maintained a 84% exposure in equities on average during FY12. The LEF aims to build a diverse portfolio ranging across companies deemed the most attractive among peers. Companies that was heavily invested with stocks offering high dividend yields and lower price to earnings multiples relative to the market. The LEF adopted a combination of top-down and bottom-up methodologies to invest in fundamentally sound stocks.

## Market Review

Pakistan witnessed yet another year of mediocre economic growth of 3.7% during FY12; the economy remained marred by problems ranging from deteriorating law and order situation, worsening current and fiscal account positions and unprecedented energy crisis. The burgeoning fiscal deficit along with no substantial external inflows left the fiscal managers with no choice but to borrow heavily from commercial banks and the State Bank of Pakistan ("SBP"). This led to two-pronged problems for the economy per se; crowding out of private sector credit and relentless inflation. Thus CPI inflation remained in double-digits for the fifth consecutive year and averaged at 11.0% in FY12. It nonetheless showed an encouraging slowdown when compared to CPI average of 13.7% in FY11, allowing the SBP to cumulatively cut the benchmark discount rate to 12.0% during the year.

On the positive side, despite numerous global challenges, Pakistan's economy performed better in FY12 when compared to several developed and developing economies. The global challenges included sharp increase in fuel and commodity prices, recessionary trend and weak inflows. The global recovery is threatened by intensifying strains in the euro area and fragilities elsewhere. Despite these challenges, Pakistan has managed to maintain its exports during FY12 at USD 23.6 billion. Remittances remained buoyant and closed the fiscal year at USD 13.2 billion, yielding an impressive YoY growth of 17.7%. Recessionary trend globally has, however, impacted capital flows to Pakistan. Current account balance was thus affected due to sharp increase in oil prices and import of 1.2 million metric tons of fertilizer.

Overall, this translated into a decline of USD 3.0 billion in Pakistan's foreign exchange reserves which closed at USD 15.2 billion at the end of Jun '12. Thus, after staying stable during FY11, Pakistan Rupee depreciated by 10.0% to stand at PKR 94.55 against the greenback by the end of FY12.

These economic challenges, coupled with fragile domestic political environment and fluid Pak-US relationship, continued to restrict the performance of Pakistan equities. Resultantly KSE 100 posted a mere gain of 10.4% for the year while it closed flat when measured in US Dollars. While the return was significantly low when compared to historical annual average for KSE 100, it still managed to place Pakistan equities amongst the best performing markets in the world. Foreign portfolio investors, nonetheless, stood out as net sellers with net outflow being recorded at USD 175 million in FY12, compared to net inflow of USD 253 million in FY11. Individuals accounted for the largest inflow of USD 154 million in equities during FY12.

Trading activity which averaged at record lows of 62 million shares during 1HFY12, recovered in the 2HFY12 to clock an average of 125 million shares (USD 44 million) for the entire FY12. The revival of broad based interest was seen on the back of government's announced relaxations on capital gains tax slabs and mode of computing and filing them.

Amongst major listed sectors, cement manufacturers and banking stocks remained in the limelight. The former gained as higher retention prices translated into robust profitability growth for larger players and turnaround stories for smaller debt laden manufacturers. Banking stocks rallied on the back of lower provisioning expense and higher payouts. On the other hand, fertilizer manufacturers remained out of favor, particularly during 2HFY12 as unprecedented subsidy on imported urea deteriorated the environment already marred with unabated gas curtailment.

From Mergers and Acquisitions ("M&A") perspective, Hub Power stood out as both its sponsors Saudi based Xenel and UK based International Power sold their stakes to domestic groups and commercial banks. International Power later announced that its exit was part of its strategy to book gains in Hub Power and invest the same in its ongoing Uch power projects. Pakistan International Container Terminal also bagged the limelight as International Container Terminal Services ("ICTS") announced its intention to acquire 55% stake in the company at almost twice the price prevailing before the announcement.

## Fund Performance

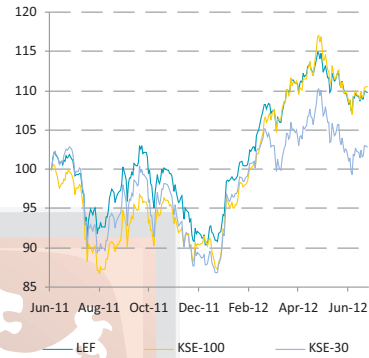
The LEF provided a return of 9.74% during FY12 compared to 2.90% appreciation in the KSE-30 Index and 10.45% appreciation in the KSE-100 Index. The LEF outperformed the KSE-30 Index by 684bps and

underperformed the KSE-100 Index by 71bps. The Standard Deviation of the monthly returns of the LEF was 4.85% for FY12 compared to 5.34% for the KSE-30 Index and 5.00% for the KSE-100 Index. As of June 30, 2012 the LEF had 77% exposure in the equities. The equity markets performed well during the 2HFY12 after the announcement of relaxations on the Capital Gains Tax by the SECP and the Ministry of Finance.

Performance Table	FY12	FY11	FY10
Net Assets - Beginning (PKR Mil.)	134	128	136
Net Assets - Ending (PKR Mil.)	146	134	128
Highest Offer Price (PKR)	120.9177	127.5518	115.2487
Lowest Offer Price (PKR)	95.1812	102.1798	99.7229
Highest Redemption Price (PKR)	117.3958	123.8367	111.8919
Lowest Redemption Price (PKR)	92.4089	99.2036	96.8183
Beginning NAV - Ex-Div. (PKR)	102.1999	99.3374	100.0000
Interim Distributions (PKR)	-	-	-
Final Distribution (PKR)	11.1215	17.4453	-
Ending NAV - Ex-Div. (PKR)	101.0316	102.1999	99.3374
Return	9.74%	20.44%	-0.66%
Net Income / (Loss) (PKR Mil.)	13.35	22.69	(0.85)

Distribution	FY12	FY11	FY10
Final Distribution	11.1215	17.4453	Nil
NAV before Distribution	112.1531	119.6452	
NAV after Distribution	101.0316	102.1999	
Distribution Date	04-Jul-12	04-Jul-11	

LEF vs. Benchmark



### Future Outlook

Better corporate result announcements, monetary easing by the SBP and improved macroeconomic outlook due to better bilateral ties with US are expected to keep the domestic equity markets strong in FY13. The LEF will maintain at least 70% exposure in equities on average and the sector and stock selection will depend upon the economic, political and market developments.

### Circumstances Materially Affecting Interests of Unit Holders

PACRA maintained the Asset manager Rating of Lakson Investments at 'AM3+' during FY12. As of June 30, 2012 judgment of the Sindh High Court is awaited on the petition regarding exemption of the mutual funds from the WWF. **The Unit Holders of the LEF will have a downside protection in case the judgment comes against the mutual funds industry as the LEF is one of the funds already providing for this liability. As of June 30, 2012 the LEF has maintained provisions against Workers' Welfare Fund's liability to the tune of PKR 0.74 million. If the same were not made the NAV per unit of the LEF would be higher by PKR 0.5660. If the LEF would not have made the WWF provisions during FY12, the return of the LEF for FY12 would be higher by 0.23%.**

### 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, 2012 the LEF does not employ leverage.

### Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1-500	5	764
1,001 - 5,000	4	8,672
10,001 - 100,000	1	17,806
400,001 - 800,000	2	1,272,059
<b>Total</b>	<b>12</b>	<b>1,299,300</b>

CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED

**Head Office**

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ISO 27001 Certified

**TRUSTEE REPORT TO THE UNIT HOLDERS**

**LAKSON EQUITY 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 Equity 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, 2012 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 10, 2012

**STATEMENT OF COMPLIANCE  
WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2012**

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 Equity 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:

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

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. No casual vacancy in the Board of the Management Company has occurred during the year.
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, 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. 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. As of date one Director has completed two parts out of the five parts of the program offered by Pakistan Institute of Corporate Governance. Further, based on the criteria stipulated in the Code, a few of our 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 SECP.
10. The existing CFO & Company Secretary continue to serve as per his respective terms of employment duly approved by the Board of Directors. The Company has designated one of its employees as '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 disclosed in the Directors' 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 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**

**Karachi, August 30, 2012**

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



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**REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE 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 for the year ended June 30, 2012 prepared by the Board of Directors of Lakson Investments Limited, the Management Company of LAKSON EQUITY FUND ("the Fund") to comply with the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited, 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. 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 Management Company's compliance with the provisions of the Code of Corporate Governance in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code of Corporate Governance.

As part of our audit of the 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended June 30, 2012.

KARACHI

DATED: AUGUST 30, 2012

**CHARTERED ACCOUNTANTS**

Engagement partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



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#### INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Lakson Equity Fund ("the Fund"), which comprise of the statement of assets and liabilities as at June 30, 2012 and the income statement, statement of comprehensive income, distribution statement, cash flow statement and statement of movement in unit holders' fund for the year ended June 30, 2012 ("the year") and summary of significant accounting policies and other explanatory notes.

#### Management Company's responsibility for the financial statements

The Management Company ("Lakson Investments Limited") of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, either due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 June 30, 2012 and of its financial performance, cash flows and transactions for the year ended June 30, 2012 in accordance with the approved accounting standards as applicable in Pakistan.

#### Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

KARACHI  
DATED: 30 AUG 2012

  
B  
CHARTERED ACCOUNTANTS  
Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**Statement of Assets and Liabilities  
As at June 30, 2012**

	Note	2012	2011
		(Rupees)	
<b>ASSETS</b>			
Bank balances	5	33,980,089	4,721,215
Investments	6	111,611,150	125,138,266
Dividend and other receivables	7	347,074	806,709
Security deposits and prepayments	8	2,650,000	2,720,961
Deferred formation cost	9	640,601	910,601
<b>Total assets</b>		<u>149,228,914</u>	<u>134,297,752</u>
<b>LIABILITIES</b>			
Payable to the Management Company	10	415,037	357,927
Payable to the Trustee	11	58,680	58,646
Annual fee payable to Securities and Exchange Commission of Pakistan	12	136,716	148,691
Payable against purchase of investments		1,869,014	-
Accrued expenses and other liabilities	13	1,028,895	738,372
<b>Total liabilities</b>		<u>3,508,342</u>	<u>1,303,636</u>
<b>NET ASSETS</b>		<u>145,720,572</u>	<u>132,994,116</u>
<b>UNIT HOLDERS' FUND (as per statement of movement in Unit holders' Fund)</b>			
		<u>145,720,572</u>	<u>132,994,116</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		
		(Number of units)	
Number of units in issue	15	<u>1,299,300</u>	<u>1,111,570</u>
		(Rupees)	
Net assets value per unit		<u>112.1531</u>	<u>119.6452</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

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

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

\_\_\_\_\_  
Director

**Income Statement  
For the year ended June 30, 2012**

	Note	2012	2011
		(Rupees)	
<b>INCOME</b>			
Income from Government securities		109,592	711,701
Capital gain on sale of investments - net		8,440,298	19,816,293
Dividend income		10,378,676	9,011,871
Mark-up income		1,993,887	3,059,318
		<u>20,922,453</u>	<u>32,599,183</u>
Unrealised appreciation in the fair value of investments classified as 'held for trading' - net		579,786	3,299,441
		<u>21,502,239</u>	<u>35,898,624</u>
<b>EXPENSES</b>			
Remuneration to the Management Company	10.1	5,008,105	4,695,522
Remuneration to the Trustee	11.1	700,000	699,999
Annual fee to Securities and Exchange Commission of Pakistan	12	136,716	148,691
Brokerage, settlement and bank charges		796,581	649,419
Amortization of deferred formation cost	9.1	270,000	270,002
Auditors' remuneration		270,000	237,999
Fees and subscription		140,960	49,040
Printing charges		57,820	52,180
Workers' Welfare Fund	13.1	272,349	463,085
		<u>7,652,531</u>	<u>7,265,937</u>
Net income from operating activities		13,849,708	28,632,687
Element of loss and capital loss included in the prices of units sold less those of units redeemed - net		(504,626)	(5,941,527)
<b>Net income for the year</b>		<u><u>13,345,082</u></u>	<u><u>22,691,160</u></u>

The annexed notes from 1 to 23 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 June 30, 2012**

	2012	2011
	(Rupees)	
Net income for the year	13,345,082	22,691,160
Other comprehensive income	-	-
Total comprehensive income for the year	<u>13,345,082</u>	<u>22,691,160</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.



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

\_\_\_\_\_  
Director

**Distribution Statement  
For the year ended June 30, 2012**

	2012	2011
	(Rupees)	
Undistributed income at the beginning of the year - realised	18,537,681	5,426,472
Undistributed income / (accumulated loss) at the beginning of the year - unrealised	3,299,441	(6,280,510)
<b>Undistributed income / (accumulated loss) at the beginning of the year</b>	<u>21,837,122</u>	<u>(854,038)</u>
Less: Final distribution as issue of bonus units at the rate of Rs. 17.4453 (2011: nil) per unit approved on July 04, 2011	(19,391,671)	-
	2,445,451	(854,038)
Total comprehensive income for the year	13,345,082	22,691,160
<b>Undistributed income at the end of the year</b>	<u>15,790,533</u>	<u>21,837,122</u>
Undistributed income at the end of the year - realised	15,210,747	18,537,681
Undistributed income at the end of the year - unrealised	579,786	3,299,441
<b>Undistributed income at the end of the year</b>	<u>15,790,533</u>	<u>21,837,122</u>

The annexed notes from 1 to 23 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 June 30, 2012**

	2012	2011
	(Rupees)	
Net assets at the beginning of the year	132,994,116	128,039,452
Cash received on issue of 157,059 (2011: 445,945) units	16,563,370	52,459,317
Cash paid on redemption of 159,072 (2011: 623,310) units	(17,686,622)	(76,137,340)
	(1,123,252)	(23,678,023)
Element of loss and capital loss in prices of units sold less those of units redeemed - net	504,626	5,941,527
Less: Final distribution as issue of bonus units at the rate of Rs. 17.4453 (2010: nil) per unit approved on July 04, 2011	(19,391,671)	-
Issue of 189,743 (2010: nil) bonus units as final distribution	19,391,671	-
Total comprehensive income for the year	13,345,082	22,691,160
Net assets at the end of the year	145,720,572	132,994,116
Net assets value per unit at the beginning of the year	119.6452	99.3374
Net assets value per unit at the end of the year	112.1531	119.6452

The annexed notes from 1 to 23 form an integral part of these financial statements.

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

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

\_\_\_\_\_  
Director

## Statement of Cash Flow

### For the year ended June 30, 2012

	2012	2011
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	13,345,082	22,691,160
<b>Adjustments for non-cash charges and other items:</b>		
Capital gain on sale of investments - net	(8,440,298)	(19,816,293)
Unrealised appreciation in the fair value of investments classified as 'held for trading' - net	(579,786)	(3,299,441)
Amortisation of deferred formation cost	270,000	270,002
Element of loss and capital loss in prices of units sold less those of units redeemed - net	504,626	5,941,527
	5,099,624	5,786,955
<b>Decrease / (increase) in assets</b>		
Investments - net	22,547,200	3,423,795
Dividend and other receivables	459,635	(78,298)
Security deposits and prepayments	70,961	(70,961)
	23,077,796	3,274,536
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	57,110	(1,309,375)
Payable to the Trustee	34	495
Annual fee payable to Securities and Exchange Commission of Pakistan	(11,975)	69,623
Payable against purchase of investments	1,869,014	-
Accrued expenses and other liabilities	290,523	529,261
	2,204,706	(709,996)
Net cash generated from operating activities	30,382,126	8,351,495
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from issuance of units	16,563,370	52,459,317
Cash paid on redemption of units	(17,686,622)	(76,137,340)
Net cash used in financing activities	(1,123,252)	(23,678,023)
Net increase / (decrease) in cash and cash equivalents	29,258,874	(15,326,528)
Cash and cash equivalents at the beginning of the year	4,721,215	20,047,743
Cash and cash equivalents at the end of the year	33,980,089	4,721,215

The annexed notes from 1 to 23 form an integral part of these financial statements.

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

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

\_\_\_\_\_  
 Director

## **Notes to and forming part of the Financial Statements For the year ended June 30, 2012**

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

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

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

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

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

### **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, requirements of Trust Deed, requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008. In case, the requirements differ, the provisions and directive of Companies Ordinance, 1984, the requirements of Trust deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, and Non-Banking Finance Companies and Notified Entities Regulations, 2008 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.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

#### **2.3 Functional and presentation currency**

These financial statements have been prepared in Pakistani Rupees, which is presentation and functional currency of the Fund.

**2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the 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 note 4.2 and note 19 to these financial statements.

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

For details please refer note 4.10 to these financial statements.

**Provision for taxation**

For details please refer note 4.11 and note 16 to these financial statements.

**Workers' Welfare Fund**

For details please refer note 13.1 to these financial statements.

**Other assets**

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

**3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

**3.1 Amendments that are effective in current year but not relevant to the Fund**

The the following accounting standards which became effective during the year:

		<b>Effective date (annual periods beginning on or after)</b>
	Conceptual Framework for Financial Reporting	September 2010
IFRS 1	First time Adoption of International Financial Standards Reporting	July 01, 2011
IFRS 7	Financial Instruments: Disclosures	July 01, 2011
IAS 24	Related Party Disclosures	January 01, 2011
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011

In May 2010, International Accounting Standards Board issued amendments to various accounting standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

**Issued in May 2010**

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 1	First time Adoption of International Financial Reporting Standards	January 01, 2011
IFRS 7	Financial Instruments: Disclosures	January 01, 2011
IAS 1	Presentation of Financial Statements	January 01, 2011
IAS 34	Interim Financial Reporting	January 01, 2011
IFRIC 13	Customer Loyalty Programmes	January 01, 2011

**3.2 Amendments not yet effective**

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities and deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2013
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2015
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	January 01, 2012
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013

	<b>Effective date (annual periods beginning on or after)</b>
IAS 34 Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013

### 3.3 Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 10 Consolidated Financial Statements	January 01, 2013
IFRS 11 Joint Arrangements	January 01, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 Fair Value Measurement	January 01, 2013
IAS 27 Separate Financial Statements	January 01, 2013
IAS 28 Investments in Associates and Joint Ventures	January 01, 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Fund expects that the adoption of the above amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

### 4.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an insignificant risk of significant change of values and have maturities of less than three months from the date of acquisition.

### 4.2 Investments

**4.2.1** 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 to the income statement.

**4.2.2 The Fund classifies its investments in the following categories:**

**a) Financial assets at fair value through profit or loss - 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 re-measured at fair value determined with reference to the period-end quoted rates. Gains or losses on re-measurement of these investments are recognised in income statement.

**b) Available for sale**

Investments which do not fall under the above categories 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 year-end quoted rates. Gains or losses on re-measurement of these investments are recognised in the unit holders' funds

through statement of comprehensive income 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.

**4.2.3 Basis of valuation of investments**

Fair value of the investments in listed equity securities are determined on the basis of quoted market prices available at the Karachi Stock Exchange.

Fair value of the investments in Federal Government securities comprising Treasury Bills is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

**4.2.4** 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.

**4.3 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 not less than five years effective from November 14, 2009.

**4.4 Other assets**

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

**4.5 Accrued expenses and other liabilities**

All expenses including management fee and trustee fee are recognised in the income statement on an accrual basis.

**4.6 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.

**4.7 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 by the number of units in issue.

**4.8 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Fund, applicable for the subscription day on which fund(s) have been realised in the bank account. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load (if any).

Units redeemed are recorded at the redemption price, applicable to the units for which the Fund receives redemption applications during subscription hours of that business day. The redemption price represents the net asset value per unit as of the close of the business day plus the allowable purchase load (if any).

**4.9 Revenue recognition**

- Dividend income on equity securities is recognised when the right to receive dividend is established.
- Gains or losses on sale of securities and unrealised gains or losses arising on revaluation of securities classified as 'financial assets at fair value through profit or loss - held for trading' are included in the income statement in the period in which they arise.

- Income from investment in treasury bills are recognised at rate of return implicit in the instrument on a time proportionate basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued and redeemed is included in the income on the date of the issuance and redemption of units.
- Mark-up on bank balances is recognised on an accrual basis.

**4.10 Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed**

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 / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed" is created.

The "element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed" account is credited with the amount representing net income and capital gains accounted for in the last announced net assets value and included in the sale proceeds of units. Upon redemption of units, the element of income included in prices of units sold less those in units redeemed account is debited with the amount representing net income and capital gains accounted for in the last announced net assets value and included in the redemption price.

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

**4.11 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.

**4.12 Financial instruments**

All the financial assets and liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial asset and financial liabilities is taken to income directly.

**4.13 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are 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 realize the asset and settle the liability simultaneously.

**4.14 Impairment loss**

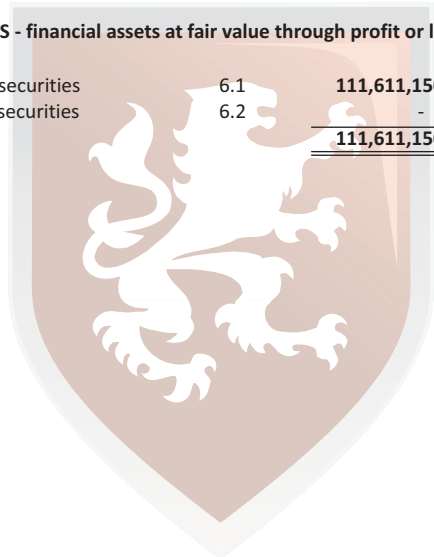
The carrying amounts of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such asset is estimated and impairment losses are recognised in the income statement.



**4.15 Provisions**

A provision is recognised in the balance sheet when the Fund has a present legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

	Note	2012	2011
		(Rupees)	
<b>5. BANK BALANCES</b>			
PLS savings accounts	5.1	<u><b>33,980,089</b></u>	<u>4,721,215</u>
<b>5.1</b>			
These carry mark-up at rates ranging from 6.00% to 11.25% (June 30, 2011: 5.00% to 11.50%) per annum.			
<b>6. INVESTMENTS - financial assets at fair value through profit or loss - held for trading</b>			
Listed equity securities	6.1	<b>111,611,150</b>	125,138,266
Government securities	6.2	-	-
		<u><b>111,611,150</b></u>	<u>125,138,266</u>



**6.1 Listed equity securities**

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

Name of investee company	Number of shares				Balance as at June 30, 2012				Market value as a percentage of total investments	Market value as a percentage of the paid-up capital of the company
	As at July 01, 2011	Purchased during the year	Bonus / right shares	Disposed during the year	As at June 30, 2012	Carrying value	Market value	Appreciation / (depreciation)		
<b>Chemicals</b>										
Etera Corporation Limited	35,000	86,000	26,100	147,100	-	6,641,263	6,660,900	19,637	4.57	5.97
Fajal Fertilizer Company Limited	-	331,000	-	61,000	270,000	-	-	-	-	-
Fajal Fertilizer Bin Qasim Limited	50,000	99,000	-	149,000	-	-	-	-	-	-
Fajal Fertilizer Company Limited	45,000	169,500	24,250	150,750	88,000	10,101,271	9,772,400	(328,871)	6.71	8.76
ICI Pakistan Limited*	21,000	-	-	21,000	-	-	-	-	-	-
Shara Chemicals Industries Limited	150,000	685,500	50,350	536,850	358,000	16,742,534	16,633,300	(109,234)	11.28	14.73
<b>Oil and Gas</b>										
Attock Petroleum Limited	10,000	-	-	-	10,000	4,441,949	5,218,070	776,121	3.58	4.68
Attock Refinery Limited	15,000	-	-	15,000	-	-	-	-	-	-
National Refinery Limited	22,000	-	-	22,000	-	-	-	-	-	-
Pakistan Petroleum Refinery Company Limited	13,000	-	-	40,000	6,479,850	6,177,600	(312,250)	4.40	5.75	
Pakistan Oilfields Limited	34,000	27,500	-	61,500	7,584,106	7,705,740	121,634	5.29	6.90	
Pakistan Petroleum Limited	56,000	67,873	5,000	68,873	11,245,996	11,485,690	239,694	7.88	10.29	
Pakistan State Oil Company Limited	31,000	18,000	-	49,000	-	-	-	-	-	-
<b>Construction and Materials</b>										
Alkaram Cement Company Limited	117,000	603,600	5,000	657,000	163,609	7,054,005	6,309,250	(654,755)	4.39	5.73
Lucky Cement Limited	95,000	185,500	-	169,500	81,000	9,326,117	9,345,800	19,683	6.41	8.37
<b>Industrial Metals and Mining</b>										
International Industries Limited	217,000	758,000	243,500	765,500	243,500	15,382,122	15,745,840	(656,282)	10.80	14.10
<b>Personal Goods</b>										
Nishat Mills Limited	70,000	207,250	-	189,947	87,803	4,624,312	4,153,877	(470,435)	2.85	3.72
Treet Corporation Limited	-	86,131	-	28,330	57,801	2,993,686	2,981,954	(11,732)	2.05	2.67
<b>Fixed Line Telecommunication</b>										
Pakistan Telecommunications Company Limited	269,000	325,727	-	585,727	-	-	-	-	-	-
<b>Electricity</b>										
The Hub Power Company Limited	270,000	82,641	-	217,641	135,000	4,950,549	5,655,150	704,601	3.88	5.07
Ker Adda Power Company Limited	178,410	-	-	178,410	-	-	-	-	-	-
<b>Banks</b>										
Allied Bank Limited	90,000	25,752	6,650	51,151	71,251	4,295,789	4,572,889	277,100	3.14	4.10
Bank Alfahh Limited	-	327,500	-	50,000	277,500	4,810,877	4,745,250	(65,627)	3.26	4.25
Bank Al Habib Limited	120,450	60,495	18,067	19,017	179,995	4,753,933	5,124,457	370,524	3.52	4.59
MCB Bank Limited	40,900	79,500	5,100	78,500	7,766,466	7,843,280	46,814	5.36	7.00	
National Bank of Pakistan	125,306	175,000	10,000	225,306	85,000	3,800,732	3,700,900	(99,832)	2.54	3.32
United Bank Limited	148,656	870,737	39,817	669,404	710,946	29,745,142	29,575,775	(169,367)	20.51	26.77
<b>Beverages</b>										
Murree Brewery Company Limited	-	42,996	-	13,604	29,392	2,726,306	2,943,903	317,597	2.02	2.64
<b>Non Life Insurance</b>										
Pakistan Assurance Company Limited	-	217,315	-	42,315	175,000	3,595,312	2,994,250	(601,062)	2.05	2.68
<b>Total - June 30, 2012</b>	<b>1,835,414</b>	<b>3,540,347</b>	<b>95,667</b>	<b>3,245,686</b>	<b>1,929,742</b>	<b>111,031,364</b>	<b>111,611,150</b>	<b>579,786</b>	<b>76.59</b>	<b>100.00</b>
<b>Total - June 30, 2011</b>	<b>1,658,898</b>	<b>1,650,216</b>	<b>93,802</b>	<b>1,895,414</b>	<b>1,218,388,225</b>	<b>125,138,266</b>	<b>3,299,440</b>	<b>93.02</b>	<b>100.00</b>	<b>100.00</b>

6.1.1 Investments include shares with market value aggregating to Rs. 4.189 million (June 30, 2011: Rs. 3.750 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades.

\* Associated undertaking due to common directors.

**6.2 Government Securities**

No. of holdings			Balance as at June 30, 2012			Appreciation/ (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments
As at July 01, 2011	Purchased during the year	Sold/matured during the year	As at June 30, 2012	Carrying value	Market value			
Treasury Bills: 3-months (face value of Rs 100,000 each)								
	250	250						

	Note	2012 (Rupees)	2011
<b>7. DIVIDEND AND OTHER RECEIVABLES</b>			
Unsecured - considered good			
Dividend receivable		82,500	735,000
Mark-up income accrued on PLS savings accounts		264,301	70,999
Others		273	710
		<u>347,074</u>	<u>806,709</u>
<b>8. SECURITY DEPOSITS AND PREPAYMENTS</b>			
Security deposit			
National Clearing Company of Pakistan Limited		2,550,000	2,550,000
Central Depository Company of Pakistan Limited		100,000	100,000
		<u>2,650,000</u>	<u>2,650,000</u>
Prepayments			
Pakistan Credit Rating Agency		-	70,961
		<u>2,650,000</u>	<u>2,720,961</u>
<b>9. DEFERRED FORMATION COST</b>			
Unamortised cost	9.1	910,601	1,180,603
Amortised to the income statement during the year		(270,000)	(270,002)
Closing balance		<u>640,601</u>	<u>910,601</u>
<b>9.1</b>			
This represents expenses incurred on the formation of the Fund. 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 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 within the maturity date of collective investment scheme. Accordingly the said expenses are being amortised over a period of five years effective from November 14, 2009, i.e. after the close of initial period of the Fund.			
<b>10. PAYABLE TO MANAGEMENT COMPANY</b>			
Remuneration to the Management Company	10.1	408,311	357,927
Sales load payable		6,726	-
		<u>415,037</u>	<u>357,927</u>

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 annual 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 3% of the average annual net assets of the Fund. Effective from July 01, 2011, through The Sindh Sales Tax on Services Act, 2011, sales tax at the rate of 16% is imposed on the fund management services. Remuneration of the Management Company charged to the Fund during the current year, includes the imposed tax.

	Note	2012	2011
		(Rupees)	
<b>11. PAYABLE TO THE TRUSTEE</b>			
Remuneration to the Trustee	11.1	<b>57,377</b>	57,534
CDC settlement charges		<b>1,303</b>	1,112
		<b>58,680</b>	<b>58,646</b>

11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed.

**Net assets up to Rs. 1 billion**

Rs. 0.7 million or 0.20% per annum of the average annual net assets of the Fund, which ever is higher.

**Exceeding Rs. 1 billion**

Rs. 2 million plus 0.10% per annum of the average annual net assets of the Fund exceeding Rs. 1 billion.

The remuneration is paid to the Trustee monthly in arrears.

**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, whereby the Fund is required to pay annual fee to SECP at the rate of 0.095% of the average annual net assets of the Fund.

	Note	2012	2011
		(Rupees)	
<b>13. ACCRUED AND OTHER LIABILITIES</b>			
Auditors' remuneration		<b>190,000</b>	174,999
Brokerage and settlement charges		<b>73,461</b>	70,288
Workers' Welfare Fund	13.1	<b>735,434</b>	463,085
Others		<b>30,000</b>	30,000
		<b>1,028,895</b>	<b>738,372</b>

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 is alleged 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

After June 30, 2010 a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) vide its letter dated October 06, 2010 to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. However, the FBR vide its letter dated January 04, 2011 has cancelled its earlier letter dated October 06, 2010 ab initio and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

After June 30, 2011 the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the Sindh High Court (SHC).

In view of above stated facts and considering the vagaries of litigation, the Management Company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 0.735 million upto June 30, 2012. If the same had not been so recorded, the net assets value per unit of the Fund would have been higher by Re 0.57.

**14. CONTINGENCIES AND COMMITMENTS**

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

	2012	2011
	(Rupees)	
<b>15. NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	<b>1,111,570</b>	1,288,935
Sales during the year	<b>157,059</b>	445,945
Redemption during the year	<b>(159,072)</b>	(623,310)
Issuance of bonus units	<b>189,743</b>	-
Total units in issue at the end of the year	<b><u>1,299,300</u></b>	<u>1,111,570</u>

**16. 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. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner explained above and disclosed in note 20 to the financial statements, no provision for taxation has been made in these financial statements.

**17. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES**

Related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, SIZA Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company, Key Management Personnel, other funds being managed by the Management Company and entities having holding more than 10% in the units of the Funds as at June 30, 2012.

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 to these financial statements. Other transactions are in accordance with the agreed terms.

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

	2012	2011
	(Rupees)	
<b>17.1 Balance as at period ended</b>		
<b>Lakson Investments Limited - Management Company of the Fund</b>		
Remuneration payable	408,311	357,927
Sales load payable	6,726	-
Units held as at the year ended 682,646 (2011: 603,854) units	76,560,850	72,248,266
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>		
Remuneration payable	57,377	57,534
Settlement charges payable	1,303	1,112
Security deposit	100,000	100,000
<b>Director of the Management Company</b>		
<b>Mr. Daniel Scott Smaller</b>		
Units held as at the year ended 2,012 (2011: 1,378) units	225,642	164,838
<b>Key Management Personnel, Employees and Connected Person of the Management Company</b>		
Units held as at the year ended 284 (2011: nil) units	31,880	-

2012  
(Rupees) 2011

**SIZA (Private) Limited - Associated company  
of the Management Company**

Units held as at the year ended  
589,413 (2011: 503,472) units

<u>66,104,514</u>	<u>60,237,967</u>
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For the year ended  
2012 2011  
(Rupees)

**17.2 Transactions related to units of the Fund**

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

Remuneration for the period	<u>5,008,105</u>	<u>4,695,522</u>
Sales load for the period	<u>6,726</u>	<u>5,824</u>
Issue of bonus units - 103,077 (2011: nil) units	<u>10,534,419</u>	<u>-</u>
Redemption of units - 24,285 (2011: 50,139) units	<u>2,600,000</u>	<u>6,000,000</u>

**Central Depository Company of Pakistan  
Limited- Trustee of the Fund**

Remuneration for the period	<u>700,000</u>	<u>699,999</u>
Settlement charges	<u>14,311</u>	<u>10,351</u>

**Directors of the Management Company**

**Mr. Daniel Scott Smaller**

Issue of units - 399 (2011: 1,378) units	<u>45,096</u>	<u>147,250</u>
Issue of bonus units - 235 (2010: nil) units	<u>24,035</u>	<u>-</u>

**Key Management Personnel, Employees and  
Connected Persons of the Management Company**

Issue of units - 466 (2011: nil) units	<u>47,500</u>	<u>-</u>
Redemption of units - 181 (2011: 522) units	<u>20,232</u>	<u>57,610</u>

**SIZA (Private) Limited - Associated company  
of the Management Company**

Issue of bonus units - 85,942 (2011: nil) units	<u>8,783,214</u>	<u>-</u>
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**ICI Pakistan Limited - Associated  
undertaking due to common directors**

Dividend received during the period	<u>56,000</u>	<u>353,712</u>
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**18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

This note 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.

The Fund maintains positions in a variety of financial instruments in accordance with its investments management strategy and the guidelines given by the SECP. The Fund primarily invests in a portfolio of listed equity securities. The Fund may also invest in cash and treasury bills not exceeding 90 days maturity (subject to above guidelines, etc). Such investments are subject to varying degrees of risk.

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

**18.1 Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issue or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

**Management of market risks**

The Management Company manages market risk by monitoring exposure in 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 (SECP). The maximum risk resulting from financial instruments equals their fair values.



Market risk comprised of three types of risk: currency risk, interest rate risk and other price risk (equity price risk).

**18.1.1 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

**18.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates. As the Fund has no significant interest-bearing assets, the Fund's income and operating cash flows are substantially independent of changes in market interest rates. Currently the Fund's interest rate exposure arises only on PLS savings bank account.

The following table analyses the Fund's interest rate exposure categorized on the basis of the earlier of contractual repricing and maturity date.

June 30, 2012				
Exposed to interest rate risk				
Interest rate %	Total	Up to three Months	Not exposed to interest rate risk	
----- (Rupees) -----				
<b>On balance sheet financial instruments</b>				
<b>Financial assets</b>				
Bank balances	6.00 to 11.25	33,980,089	33,980,089	-
Investments		111,611,150	-	111,611,150
Dividend and other receivables		347,074	-	347,074
Security deposits		2,650,000	-	2,650,000
		<b>148,588,313</b>	<b>33,980,089</b>	<b>114,608,224</b>

June 30, 2011

	Interest rate %	Exposed to interest rate risk		
		Total	Up to three Months	Not exposed to interest rate risk
------(Rupees)-----				
On balance sheet financial instruments				
<b>Financial assets</b>				
Bank balances	5.00 to 11.50	4,721,215	4,721,215	-
Investments		125,138,266	-	125,138,266
Dividend and other receivables		806,709	-	806,709
Security deposits		2,650,000	-	2,650,000
		133,316,190	4,721,215	128,594,975

None of the financial liabilities carry any interest rate.

### 18.1.3 Price risk

The Fund is exposed to equity price risk because of investments held by the Fund and classified on the statement of assets and liabilities as financial assets at fair value through profit or loss - held for trading. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Constitutive Documents. The Fund's Constitutive Documents / NBFC Regulations also limit individual equity securities to no more than ten percent of net assets or the index weight of the security subject to the limit of fifteen percent, whichever is higher, or issued capital of investee company and sector exposure limit to thirty percent or index weight whichever is higher, subject to maximum of thirty five percent.

In case of five percent increase / decrease in the prices of all shares held by Fund at the year end, net income for the year would increase / decrease by Rs. 5.581 (2011: Rs 6.257) million and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

### 18.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, and credit exposure arising as a result of dividends receivable on equity securities.

#### 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 and the requirements of NBFC rules and regulations.

For banks and financial institutions, only reputed institutions are accepted. Credit risk on

dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

#### **Exposure to credit risk**

The maximum exposure to credit risk at June 30, 2012 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

#### **Concentration on credit risk**

Concentration on credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

### **18.3**

#### **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. 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 documents 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 listed equity 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 requirements. The present settlement system for listed equity securities is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six business days from the date of the redemption request.

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

In order to manage the Fund's overall liquidity, the Fund also has the ability 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 liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

-----June 30, 2012-----				
	Carrying amount	Less than 1 month	More than 1 month and upto one year	Total
------(Rupees)-----				
<b>Financial liabilities</b>				
Payable to the Management				
Company	415,037	415,037	-	415,037
Payable to the Trustee	58,680	58,680	-	58,680
Annual fee payable to Securities and Exchange Commission of Pakistan	136,716	-	136,716	136,716
Payable against purchase of investments	1,869,014	1,869,014	-	1,869,014
Accrued expenses and other liabilities	293,461	73,461	220,000	293,461
	<u>2,772,908</u>	<u>2,416,192</u>	<u>356,716</u>	<u>2,772,908</u>

-----June 30, 2011-----				
	Carrying amount	Less than 1 month	More than 1 month and upto one year	Total
------(Rupees)-----				
<b>Financial liabilities</b>				
Payable to the Management				
Company	357,927	357,927	-	357,927
Payable to the Trustee	58,646	58,646	-	58,646
Annual fee payable to Securities and Exchange Commission of Pakistan	148,691	-	148,691	148,691
Accrued expenses and other liabilities	275,287	275,287	-	275,287
	<u>840,551</u>	<u>691,860</u>	<u>148,691</u>	<u>840,551</u>

**18.4 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. 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.

#### **18.5 Unit Holder's 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 July 1, 2012, the Fund is subject to maintain minimum fund size of Rs. 100 million at all times.

#### **19. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Fund's accounting policy on fair value measurements of the investments is discussed in note 4.2 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).

As at June 30, 2012, all the investments were categorised in level 1 (2011: level 1).

**20. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Management Company have approved a final distribution of Rs. 11.1215 (2011: Rs. 17.4453) per unit for the year ended June 30, 2012 amounting to Rs. 14.450 (2011: Rs. 19.392) million as bonus distribution in their meeting held on July 04, 2012. These financial statements do not include the effect of the above final distribution of Rs. 14.450 million that will be accounted for subsequent to the year end.

**21. 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:

**21.1 Pattern of unit holding**

Category	June 30, 2012		
	No. of Unit Holders	Investment Amount (Rupees)	% of Total
Individuals	8	832,606	0.57%
Associated companies and Directors	3	142,891,012	98.06%
Banks and DFIs	-	-	-
NBFCs	-	-	-
Retirement funds	-	-	-
Public limited companies	1	1,996,954	1.37%
Insurance companies	-	-	-
Others	-	-	-
	<b>12</b>	<b>145,720,572</b>	<b>100.00%</b>

Category	June 30, 2011		
	No. of Unit Holders	Investment Amount (Rupees)	% of Total
Individuals	5	342,936	0.26%
Associated companies and Directors	3	132,651,180	99.74%
Banks and DFIs	-	-	-
NBFCs	-	-	-
Retirement funds	-	-	-
Public limited companies	-	-	-
Insurance companies	-	-	-
Others	-	-	-
	<b>8</b>	<b>132,994,116</b>	<b>100.00%</b>

**21.2 Top ten brokers by percentage of commission paid**

<b>Broker Name</b>	<b>Percentage 2012</b>
Jan Mohammad A. Latif Nini & Sons (Private) Limited	<b>8.02%</b>
Habib Metropolitan Financial Services Limited	<b>7.96%</b>
JS Global Capital Limited	<b>7.28%</b>
Arif Habib Limited	<b>6.98%</b>
Foundation Securities (Private) Limited	<b>6.90%</b>
Global Capital Pakistan Limited	<b>6.89%</b>
KASB Securities Limited	<b>6.77%</b>
Elixir Securities Pakistan Limited	<b>6.69%</b>
BMA Capital Management Limited	<b>6.38%</b>
Al Habib Capital Markets (Private) Limited	<b>6.30%</b>

<b>Broker Name</b>	<b>Percentage 2011</b>
Habib Metropolitan Financial Services Limited	10.35%
Topline Securities (Private) Limited	10.25%
Saya Securities (Private) Limited	9.53%
Global Capital Pakistan Limited	8.97%
Arif Habib Limited	8.73%
KASB Securities Limited	8.70%
BMA Capital Management Limited	8.19%
JS Global Capital Limited	8.00%
Jan Mohammad A. Latif Nini & Sons (Private) Limited	7.85%
IGI Finex Securities Limited	7.80%

**21.3 Particulars of the Investment Committee and Fund manager**

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

- Mr. Babar Ali Lakhani (Chairman)
- Mr. Iqbal Ali Lakhani
- Mr. A. Aziz H. Ebrahim
- Mr. Muhammad Umair Chauhan (Fund Manager)
- Mr. Amir Mobin
- Mr. Hamad Aslam
- Syed Imran Raza Kazmi
- Mr. Muhammad Qasim

**Mr. Babar Ali Lakhani - Chief Executive**

Mr. Lakhani has over 13 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.

#### **Mr. Iqbal Ali Lakhani - Chairman of the Board**

Mr. Iqbal Ali Lakhani is the Chairman of the Lakson Group of Companies, five of which are listed on the Stock Exchanges of Pakistan covering a diversified range of businesses such as paper and board, soap, detergents and toothpaste, printing and packaging, food and insurance. Six Funds of a Group Investment Company are also listed and traded. American franchises/affiliation includes Colgate-Palmolive Company and McDonalds Corporation. The spectrum of unlisted companies includes textiles, surgical, media (T.V. and Print), software development and consultancy, travel and tourism, investment and mutual funds, ISP-broad band and data centre, business process outsourcing house into call centre and I.T. The businesses of the Lakson Group provide gainful employment to over 12,000 persons. Mr. Lakhani attained his Bachelor of Business Administration from the University of California at Berkley, U.S.A. with Majors in Marketing and Finance. While at UC Berkley he received many awards such as Beta Alpha PSI - The National Accounting Fraternity Honour Students' Society – High Scholastic Attainment, Departmental Citation Award – Outstanding Undergraduates Accomplishment, Phi Beta Kappa – High Attainment in Liberal Scholarship etc.

Mr. Lakhani has over 39 years experience of Senior Management in consumer marketing, finance, manufacturing, industry and government relations. Areas of special interest cover marketing, total quality management and leadership. He is a Charter Member of The Indus Entrepreneurs and Director of Pakistan Business Council. In addition, he is also on the Board of Trustees of the Layton Rahmatullah Benevolent Trust. Previously he has served as the Chairman Cigarette Manufacturers Association of Pakistan, Chairman Aga Khan Economic Planning Board for Pakistan and Vice President American Business Council of Pakistan.

Mr. Lakhani has travelled widely and has attended international seminars, meetings and conferences in several countries of the world.

#### **Mr. A. Aziz H. Ebrahim - Director**

Mr. Ebrahim has over 45 years of varied experience in financial management in Private Industries in Pakistan. After qualifying Chartered Accountancy Examination, (at present fellow member of Institute of Chartered Accountant of Pakistan) Mr. Ebrahim started his career in 1967 as Finance Manager with ARAG Industries dealing in various businesses such as Pharmaceuticals, Cosmetics, and Biscuits Manufacturing etc. He left the ARAG Group in 1977, as a Financial Advisor.

In 1977, Mr. Ebrahim joined Lakson Group of Companies. Mr. Ebrahim is serving as Director on Board in many Companies of the Group. He has been instrumental in running the Hasanali Karabhai Foundation providing educational, medical, and helping other social activities, besides handling the finances of five other Group Companies.



**Mr. Muhammad Umair Chauhan - Chief Investment Officer and Fund Manager**

Mr. Muhammad Umair Chauhan has over 8 years of experience in the asset management industry of Pakistan. He has previously served as Vice President Investments and Research at IGI Funds Limited and was part of Investment and Research Team at Al Meezan Investment Management. In his previous assignments he managed PKR 12 billion in both equity and fixed income funds.

Mr. Umair received his MBA from the Institute of Business Administration, Karachi.

**Mr. Amir Mobin - Chief Financial Officer and Company secretary**

Mr. Mobin has over 5 years of post qualification experience which includes working at IGI funds Limited as Head of Operations and National Clearing Company of Pakistan Limited as Manager-Operations. At IGI Mr. Mobin has been actively involved in acquisition of the software application, preparation of manuals and operations related procedures. He has actively participated in the rating process of the company and was responsible for managing the settlement and Unit holder management functions. At NCCPL Mr. Mobin has been an active member of the team responsible for the implementation of the Financial Institution Risk Management System. He has actively participated in the implementation of the CFS Mk-II. Further, he has worked on the concept paper of the Security Lending and Borrowing Module.

He has worked with KPMG Taseer Hadi & Co. Chartered Accountants in various capacities for 5 years which includes 4 years of articleship. During his articleship he has conducted the audits of various asset management companies, brokerage houses, commercial banks and service sector entities. He has also performed due diligence assignments.

Mr. Mobin is an Associate Member of the Institute of Chartered Accountants of Pakistan and graduated as Bachelors of Commerce from University of Karachi.

**Mr. Hamad Aslam – Head of Research**

Mr. Hamad Aslam, CFA has six years of research and investment advisory experience. He was previously associated with BMA Capital (portfolio company of Middle east based Abraaj Capital) where he spent the initial period of his career as Head of Research for the asset management arm of the group. Mr. Aslam later moved to the brokerage side where he headed the group's Research function for over two years and the Equity group for seven months. As part of his assignments, he has done in-depth studies of listed and unlisted sectors and companies of Pakistan for brokerage, asset management and investment banking clients and has advised domestic and foreign clients on optimal asset allocation and portfolio strategies for Pakistan capital markets.

Mr. Aslam did his Bachelors in Accounting and Finance from Lahore University of Management Sciences (LUMS) and is a CFA charter holder.

**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 and Cash fund with the fund size of PKR 4.5 billion.

He has also worked with IGI Finex Securities Limited (Formerly; Finex Securities Limited) for 2.5 years as Money Market Dealer.

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

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

#### **Mr. Muhammad Qasim - Officer Risk Management and Compliance**

Mr. Muhammad Qasim has five years of experience in the asset management industry. Before joining Lakson Investments Limited in 2010 he previously served as Senior Executive Funds Accounting and Operations at Arif Habib Investments Limited.

Mr. Qasim is an Associated Member of Institute of Cost and Management Accountants of Pakistan, he is also a level II candidate for FRM November examination.

#### **21.4 Directors meeting attendance**

Information in respect of attendance by Directors in the meeting is given below:

Name of directors	Meeting Attended	July 04, 2011	July 22, 2011	October 27, 2011	February 17, 2012	April 19, 2012
Mr. Iqbal Ali Lakhani	3	X	✓	✓	✓	X
Mr. Babar Ali Lakhani	5	✓	✓	✓	✓	✓
Mr. A Aziz H. Ebrahim	5	✓	✓	✓	✓	✓
Mr. Mahomed J. Jaffer	3	X	X	✓	✓	✓
Mr. Sher Afgan Malik	4	✓	✓	X	✓	✓
Mr. Muhammad Abdul Qadir	4	✓	✓	X	✓	✓
Mr. Daniel Scott Smaller	1	X	X	X	X	✓
Mr. Zahid Zakiuddin	4	X	✓	✓	✓	✓
		4	6	5	7	7

#### **21.5 Rating of the Fund and the Management Company**

##### **PACRA Rating**

Lakson Investments Limited (Management Company)  
Lakson Equity Fund

##### **Management quality rating**

AM3+  
-

##### **Star ranking (Normal)**

-  
2 - Star

**22. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on August 30, 2012 by the Board of Directors of the Management Company.

**23. GENERAL**

Figures have been rounded off to the nearest rupee.

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

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

\_\_\_\_\_  
**Director**





A Lakson Group Company

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