

LAKSON EQUITY FUND
Annual Report 2013



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. Amin Mohammed Lakhani (from February 15, 2013)
Mr. Sher Afgan Malik
Mr. Daniel Scott Smaller
Mr. Zahid Zakiuddin
Mr. Muhammad Abdul Qadir (upto February 15,2013)

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
Faysal Bank Limited
Habib Metropolitan Bank Limited
United Bank Limited

Legal Adviser

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

Registrar

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

Distributors

Adam Securities
Amir Noorani
BMA Financial Services Ltd.
Elixir Securities (Pvt.) Limited
Metro Securities Pvt. Limited
Pearl Securities Pvt. Limited
Topline Securities (Pvt.) Limited
Vector Capital (Pvt.) Limited

Rating by PACRA

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



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013

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, 2013.

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, 2013 stood at PKR 120.585 million compared to PKR 145.721 million at June 30, 2012 registering a decline of 17.25%.

The net income for the year ended June 30, 2013 was PKR 34.002 million which mainly comprised of capital gains - net amounting to PKR 43.150 million, dividend income amounting to PKR 10.143 million, mark-up from bank deposits and treasury bills amounting to PKR 2.499 million. The net unrealized appreciation mainly due to the valuation of equity securities amounted to PKR 11.737 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 08, 2013, declared a final payout of PKR 26.3075 per unit (26.3075% of face value of PKR 100/-) amounting to PKR 22.425 million distributed as bonus units for the year ended June 30, 2013.

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. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. Key financial data as required by the Code of Corporate Governance has been summarized in this Annual Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in the Financial Statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. Meetings of the Board of Directors of the Management Company are held at least once in every quarter. During the year under review five meetings were held. Attendance of the Directors in these meetings is as follows:

S.No.	Name	Designation	Meetings		
			Eligible to Attend	Attended	Leave Granted
1	Mr. Iqbal Ali Lakhani	Chairman	05	04	01
2	Mr. Babar Ali Lakhani	Chief Executive	05	05	-
3	Mr. A. Aziz H. Ebrahim	Director	05	04	01
4	Mr. Mahomed J. Jaffer	Director	05	04	01
5	Mr. Amin Mohammed Lakhani	Director	02	02	-
6	Mr. Sher Afgan Malik	Director	05	04	01
7	Mr. Daniel Scott Smaller	Director	05	02	03
8	Mr. Zahid Zakiuddin	Director	05	04	01
9	Mr. M. A. Qadir	Former Director	03	01	02

During the year, Mr. Amin Mohammed Lakhani was appointed as a Director to fill the casual vacancy arising due to the resignation of Mr. M.A. Qadir with effect from February 15, 2013. The Securities & Exchange Commission of Pakistan pursuant to the requirement of the Non-Banking Finance Companies & Notified Entities Regulations, 2008, accorded its approval for the appointment of Mr. Amin Mohammed Lakhani on March 22, 2013.

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

S.No.	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1	Mr. Zahid Zakiuddin	Chairman	04	04	-
2	Mr. A. Aziz H. Ebrahim	Member	04	03	01
3	Mr. Iqbal Ali Lakhani	Member	04	03	01
4	Mr. Sher Afgan Malik	Member	04	04	-

13. During the year, one Director has completed all five parts of the "Corporate Governance Leadership Skills" program offered by the Pakistan Institute of corporate Governance and was duly certified.
14. The pattern of unit holding is given in note No. 21.1 of the Financial Statements.
15. During the year under review trades in the Units of the Fund were carried out by the Directors, the Chief Executive Officer, the Executives and including their spouses and minor children are as under:

S.No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1	Mr. Daniel Scott Smaller	Director	-	-	221
2	Mr. Muhammad Umair Chauhan	Executive	236	552	31
3	Mrs. Seenum Naz	Spouse of Executive	236	519	28

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, 2014. 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, 2014.

Economic Review

The year under review (FY13) started with many challenges in the form of power and gas shortages, weak external account, fiscal imbalances and a poor law and order situation. These challenges prevailed throughout the year but the general elections in May '13 brought a positive change in sentiments and a considerable improvement in expected economic conditions. A smooth political transition and a pro-business mandate helped in the re-rating of capital markets. The newly elected government is working on tackling the country's long standing energy problems through various measures that include the elimination of circular debt, tariff rationalization, and promotion of investment for energy generation and modernization. The Federal Budget for FY14 is an important step in the right direction as it initiates the structural reforms process through reduction in subsidies, increased

regulations to broaden tax base and minimize tax evasion, and possible privatization of inefficient State Owned Enterprises.

Pakistan's real GDP growth for FY13 stood at 3.6% against the target of 4.3%. Pakistan's economy has grown at an average rate of 2.9% per annum in last five years compared to 6.4% growth recorded by the developing countries. The power shortages are expected to have reduced the GDP growth by 2.0% per annum. The Agriculture sector recorded a growth of 3.3% in FY13 compared to 3.5% in FY12. The decline in growth was mainly due to lower rice and cotton production. Heavy rains in Sindh and Punjab province damaged the crops which affected the performance of Agriculture and other related sectors. The Services sector recorded a growth of 3.7% in FY13 compared to 5.3% in FY12. The Services sector remained subdued due to a decline in growth rates of transport, storage and communication, general government services and other private services. The share of Services sector in the economy has gone up to 57.7% of GDP in FY13 compared to 53.5% in FY12.

A stronger performance by Large Scale Manufacturing ("LSM"), mining & quarrying and construction (with a combined share of 77% in the Industrial sector) helped the Industrial sector to post a growth of 3.5% in FY13, compared to 2.7% last year. The LSM grew by 4.3% during FY13 compared to 1.2% in FY12. The recovery in LSM is broad-based and can be traced to improved producer margins on account of lower financing costs and falling raw material prices, a better sugarcane crop, capacity enhancements, continued strength in construction activities, higher external demand for cotton yarn and better gas availability for the fertilizer industry.

The headline inflation, as measured by the Consumer Price Index ("CPI"), averaged 7.36% in FY13 compared to 11.01% in FY12; a YoY decline of 365 bps. The inflation clocked in single digits after five consecutive years of double-digit inflation. An important reason for the decline in inflation has been the stability in food prices over the last twelve months. Food inflation was recorded at 7.4% in FY13 compared to 11.0% in the preceding year. The energy prices also contributed to the decline in inflation as the electricity tariffs remained constant during the year while natural gas tariffs for the households were halved in July 2012 and were not revised upwards thereafter. The fuel prices fluctuated but hovered within a certain band in FY13. The reduction in inflationary pressures, together with some support on the external account from the much-delayed Coalition Support Fund ("CSF") payments, allowed the State Bank of Pakistan ("SBP") to cut interest rates. During FY13 the SBP cut the discount rate by 300bps from 12.00% to 9.00%. The SBP in its monetary policy statements frequently cited softening inflation numbers coupled with a slowdown in private credit off-take, as the prime reasons behind the monetary easing.

The current account which recorded a surplus of USD 234 million in the 1HFY13 swelled to a deficit of USD 2.32 billion in FY13. On a year on year basis the current deficit declined by 50.2% to USD 2.32 billion in FY13 from USD 4.66 billion in FY12. The improvement in FY13's current account deficit was largely driven by an inflow of USD 1.80 billion from the CSF and a narrowing trade deficit. The trade deficit in goods declined by 4.2% to USD 15.00 billion in FY13 from USD 15.65 billion in FY12. The exports registered a growth of 0.2% to USD 24.75 billion, while the imports declined by 1.6% to USD 39.80 billion. The trade deficit in services declined by 63% in FY13 to USD 1.22 billion from USD 3.30 billion in FY12 mainly due to the payments received under the CSF. The remittances also played an important role in providing respite to the current account, increasing by 5.6% to USD 13.92 billion during the year. An improvement was also witnessed in the financial account, whereby the Foreign Direct Investment ("FDI") witnessed a growth of 76.2% YoY to USD 1.45 billion. Pakistan's overall external deficit stood at USD 2.02 billion compared to a deficit of USD 3.28 billion in FY12.

A weak external account along with IMF repayments resulted in a decline of USD 4.27 billion in the liquid foreign exchange reserves of the country during FY13. At the end of FY13, the foreign exchange reserves stood at USD 11.02 billion which include USD 6.00 billion reserves held by the SBP and USD

5.02 billion reserves held by the banks. Pakistan made a repayment of USD 2.90 billion to IMF in FY13 while in FY14 a repayment of USD 3.24 billion is due. As a result of declining foreign exchange reserves and weak external account Pak Rupee depreciated by 5.01% against US Dollar in FY13. The government has reached a staff level agreement with the IMF to enter into an Extended Fund Facility ("EFF") amounting to USD 5.3 billion that may be extended to USD 6.6 billion.

The fiscal deficit for FY13 stood at 8.8% of GDP compared to a deficit of 6.6% of GDP in FY12. The higher fiscal deficit is primarily a result of poor tax collection which declined by 5.5% to PKR 1,940 billion, against the preceding year's record collection of PKR 2,053 billion. The tax to GDP ratio declined from 10.1% in FY12 to 8.8% in FY13, which is one of the lowest in the region. The government relied heavily on the commercial banks to finance the fiscal deficit and borrowed PKR 961 billion from the commercial banks while the total borrowing for the budgetary support stood at PKR 1,446 billion.

Mutual Funds Industry Review

The assets under management of the mutual funds industry declined by 4.4% during FY13 compared to a growth of 14.3% in the deposits of commercial banks and a growth of 15.9% in the money supply. The assets under management of the industry stood at PKR 362 billion at the end of the year compared to PKR 379 billion at the start of the year. An increase in the capital gains tax on the investments made by the commercial banks in mutual funds caused a decline in the assets under management of the industry.

The assets under management in the Money Market and Income funds declined by 16.35 and 21.3% respectively. A 300bps cut in the discount rate by the SBP and the redemptions by the commercial banks due to higher capital gains tax caused a decline in the assets under management of the Money Market and Income Funds. The highest growth of 32.89% (PKR 19.8 billion) was witnessed in the equity funds as the stock market performed exceptionally well in FY13 and the KSE-100 Index posted a return of 52.20%. In the Federal Budget for FY14 the government has imposed a Federal Excise Duty of 16% on the asset management services.

Future Outlook

Pakistan faces a challenging economic outlook, compounded by an uncertain global and regional environment. A determined effort is required to improve medium-term growth and move towards sustainable fiscal and external positions. This requires a strong political consensus, in the federal government as well as in the provincial governments, on a medium-term program of fiscal consolidation anchored on an efficient and equitable tax system. In the FY14 budget the government has taken many steps to address the economic issues and has shown the resolve to complement this with additional steps to achieve a sustainable economic growth.

The government is working to resolve the country's long standing energy problems through different measures however the energy sector reforms must be complemented by significant structural reforms in the areas of trade, public sector enterprises, and the business climate to encourage higher investment. A broad-based domestic and international support will be crucial for the successful implementation of the government's planned policies and reforms.

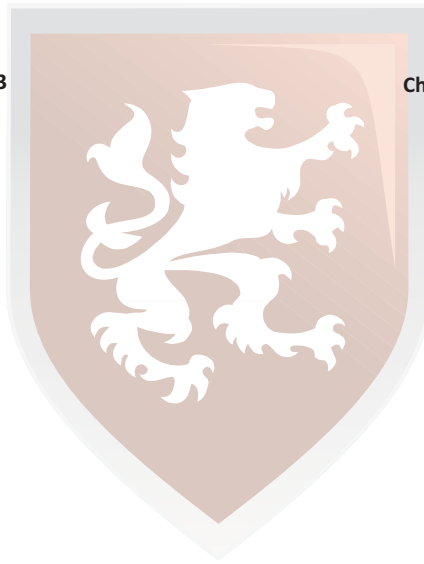
Entry into the IMF program bodes well for the economy as it will help in stabilizing the external account and improving the confidence of other donor agencies. Going forward we expect the SBP to tighten the monetary policy as the inflation is expected to resurge owing to Rupee depreciation and supply disruptions caused by the flash floods in the country.

Acknowledgment

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

For and on behalf of the Board

Dated: August 30, 2013



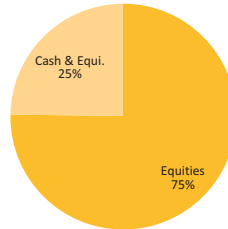
Babar Ali Lakhani
Chief Executive Officer

**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2013**

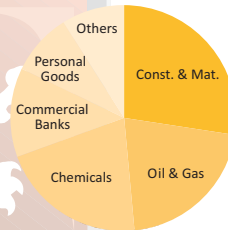
Fund Facts

Fund Type	Open-End
Category	Equity Fund
Net Assets (PKR Mil.)	121
NAV (30.06.2013)	141.4609
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



Investment Committee

Babar Ali Lakhani
Muhammad Umair Chauhan
Mustafa O. Pasha
Syed Imran Raza Kazmi
Maryam Hidayatallah
Chairman

Fund Performance	LEF	KSE-30	KSE-100
FY13	40.02%	35.95%	52.20%
June-13	0.24%	-3.98%	-3.75%
2 Months	9.02%	10.70%	10.66%
3 Months	11.72%	14.07%	16.42%
6 Months	19.16%	17.76%	24.25%
12 Months	40.02%	35.95%	52.20%
CY13 - YTD	19.16%	17.76%	24.25%

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 80% exposure in equities on average during FY13. The LEF aims to build a diverse portfolio ranging across companies deemed the most attractive among peers. Companies with high earnings potential despite a weak economic outlook were sought, resulting in a portfolio 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

Karachi Stock Exchange was one of the best performing markets in FY13 as the benchmark KSE-100 Index recorded a gain of 52% during the year (46% in USD terms), which is the highest return in the past 9 years. A peaceful political transition, hopes of the resolution of the chronic energy crisis, increased interest from foreign investors and a 300 bps reduction in the discount rate by the SBP all contributed towards the stock market rally. The Foreign Investors' Portfolio Investment ("FIPI") witnessed a net inflow of USD 553 million during FY13 compared to a net outflow of USD 166 million in FY12. However, the numbers for FY13 reflect a one-off inflow due to Unilever Pakistan's delisting whereas FY12 numbers include the impact of the sale of Hub Power shares by its sponsors.

Market activity also improved during the year as the average daily traded volume for the Karachi Stock Exchange stood at 200 million shares compared to an average of 130 million shares in FY12 translating into a growth of 54%. Average daily traded value also increased by 36% to PKR 5.04 billion compared to PKR 3.71 billion in FY12. A broad-based participation by the investors was witnessed in the market. Subsequent to the relaxation on the Capital Gains Tax front, the rally gained additional impetus from improved ties with the US and disbursement of CSF flows which also coincided with the first of a series of Discount Rate cuts. All these favorable factors resulted in re-rating of the market trailing P/E from 6.61x to 8.98x during FY13.

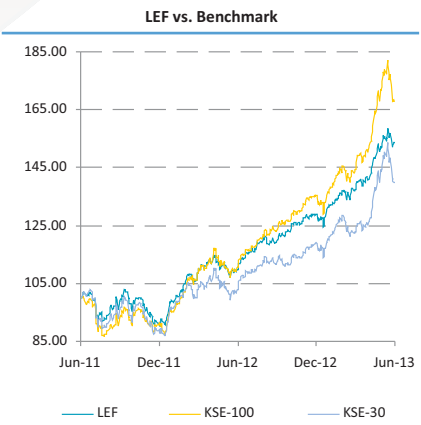
If we analyze the performance of major listed sectors, Cement stocks outperformed the market by a wide margin helped by an expansion in profit margins and a recovery in volumetric sales. In the Energy sectors, selected oil marketing companies and the independent power producers outperformed the market as the investors expected a major improvement in their cash flow position due to a resolution of the circular debt issue. Selected banks also won the favor of investors as lower interest rates and bleak private sector credit drove expectations of a substantial decline in provisions. The major laggard was the fertilizer sector which suffered from low pricing power due to weak international fertilizer prices and lower gas availability.

Fund Performance

The LEF provided a return of 40.02% during FY13 compared to 35.95% appreciation in the KSE-30 Index and 52.20% appreciation in the KSE-100 Index. The LEF outperformed the KSE-30 Index by 4.07 and underperformed the KSE-100 Index by 12.18bps. The Standard Deviation of the monthly returns of the LEF was 3.72% for FY13 compared to 5.65% for the KSE-30 Index and 4.83% for the KSE-100 Index. As of June 30, 2013 the LEF had 75% exposure in the equities. The equity markets performed well during FY13 due to a peaceful political transition, hopes of the resolution of the chronic energy crisis, increased interest from foreign investors and a 300 bps reduction in the discount rate by the SBP.

Performance Table	FY13	FY12
Net Assets - Beginning (PKR Mil.)	146	134
Net Assets - Ending (PKR Mil.)	121	146
Highest Offer Price (PKR)	150.1842	120.9177
Lowest Offer Price (PKR)	106.4191	95.1812
Highest Redemption Price (PKR)	145.8099	117.3958
Lowest Redemption Price (PKR)	103.3195	92.4089
Beginning NAV - Ex-Div. (PKR)	101.0316	102.1999
Interim Distributions (PKR)	-	-
Final Distribution (PKR)	26.3075	11.1215
Ending NAV - Ex-Div. (PKR)	115.1534	101.0316
Return	40.02%	9.74%
Net Income / (Loss) (PKR Mil.)	34.00	13.35

Distributions	FY13	FY12
Final Distribution	26.3075	11.1215
NAV before Distribution	141.4609	112.1531
NAV after Distribution	115.1534	101.0316
Distribution Date	08-Jul-13	04-Jul-12



Future Outlook

After a strong performance in FY13 market is expected to take a breather in FY14 as the SBP will be adopting a monetary tightening approach due to a resurgence in inflation. The government is planning to reduce the corporate tax rate by 5% in a phased manner that should help in improving the corporate profitability.

Circumstances Materially Affecting Interests of Unit Holders

PACRA maintained the Asset Manager Rating of Lakson Investments at 'AM3+' during FY13. As of June 30, 2013 judgment of the Sind High Court is awaited on the petition regarding exemption of the mutual funds from the WWF. The Unit Holders of the 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, 2013 the LEF has maintained provision against Workers' Welfare Fund's liability to the tune of PKR 1.43 million. If the same were not made the NAV per unit of the LEF would be higher by PKR 1.6768. If the LEF would not have made the WWF provisions during FY13, the return of the LEF for FY13 would be higher by 0.81%.

In the Federal Budget for FY14 the government has imposed 16% Federal Excise Duty ("FED") on the asset management services. The management Company has started applying this FED on the management fee charged by it.

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, 2013 the LEF does not employ leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1-500	5	364
501-1,000	1	1,300
1,001 - 5,000	3	8,327
5,001 - 10,000	0	-
10,001 - 100,000	2	84,648
100,001 - 400,000	0	-
400,001 - 800,000	0	-
800,001 - 1,000,000	1	757,791
1,000,001 - 2,000,000	0	-
2,000,001 - 5,000,000	0	-
5,000,001 - 10,000,000	0	-
10,000,001-15,000,000	0	-
Total	12	852,430



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON 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, 2013 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 14, 2013



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

Category	Names
Independent Directors	<ol style="list-style-type: none">1. Mr. Mahomed J. Jaffer2. Mr. Daniel Scott Smaller3. Mr. Zahid Zakiuddin
Executive Director	<ol style="list-style-type: none">1. Mr. Babar Ali Lakhani
Non-Executive Directors	<ol style="list-style-type: none">1. Mr. Iqbal Ali Lakhani - Chairman2. Mr. A. Aziz H. Ebrahim3. Mr. Amin Mohammed Lakhani4. Mr. Sher Afgan Malik

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

2. The Directors of the Management Company have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company.
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board of the Management Company on February 15, 2013 was filled up by the directors on the same date. Further, the Board was re-elected on March 29, 2013 in the Fourth Annual General Meeting of the Management Company after the completion of term.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer ('CEO'), other Executive and Non-Executive Directors, have been taken by the Board. The CEO of the Company was reappointed for a term of three years with the approval of 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. During the year one Director has completed all five parts of the program offered by Pakistan Institute of Corporate Governance and was duly certified. 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 Securities & Exchange Commission of Pakistan.
10. The existing Chief Financial Officer and 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 'Coordinator/Head of Internal Audit' to act as coordinator between the firm providing internal audit services and the Audit Committee.
11. The Directors' Report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the units of the Fund other than those disclosed in the Annual Report.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are Non-Executive Directors of the Management Company and the Chairman of the Committee is an Independent Director.
16. The meetings of the Audit Committee were held at least once every quarter and prior to approval of interim and final results of the Fund. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board of the Management Company has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are Non-Executive Directors and the Chairman of the Committee is a Non-Executive Director.

18. The Board has outsourced the internal audit function to M/s. Anjum Asim Shahid Rahman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan ('ICAP'), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'Closed Period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other applicable material principles enshrined in the Code have been complied with.



For and on behalf of the Board

Dated: August 30, 2013

Babar Ali Lakhani
Chief Executive Officer



Tel: +92 21 3568 3030
Fax: +92 21 3568 4239
www.bdo.com.pk

2nd Floor, Block-C
Lakson Square, Building No.1
Sarwar Shaheed Road
Karachi-74200
Pakistan

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, 2013 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 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 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, 2013.

KARACHI

DATED: AUGUST 30, 2013

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.



Tel: +92 21 3568 3030
Fax: +92 21 3568 4239
www.bdo.com.pk

2nd Floor, Block-C
Lakson Square, Building No. 1
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Karachi-74200
Pakistan

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, 2013 and the income statement, statement of comprehensive income, distribution statement, cash flow statement and statement of movement in unit holders' fund for the year then ended 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, 2013 and of its financial performance, cash flows and transactions for the year then ended 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 2013


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, 2013**

	Note	2013 (Rupees)	2012
ASSETS			
Bank balances	5	27,080,634	33,980,089
Investments	6	92,817,993	111,611,150
Dividend and other receivables	7	185,852	347,074
Security deposit and prepayments	8	2,650,000	2,650,000
Deferred formation cost	9	370,601	640,601
Receivable against sale of investments		341,737	-
TOTAL ASSETS		123,446,817	149,228,914
LIABILITIES			
Payable to the Management Company	10	456,428	415,037
Payable to the Trustee	11	59,418	58,680
Annual fee payable to Securities and Exchange Commission of Pakistan	12	161,284	136,716
Payable against purchase of investments		-	1,869,014
Payable against redemption of units		489,588	-
Accrued expenses and other liabilities	13	1,694,601	1,028,895
TOTAL LIABILITIES		2,861,319	3,508,342
NET ASSETS		120,585,498	145,720,572
UNIT HOLDERS' FUND (as per statement of movement in Unit holders' Fund)		120,585,498	145,720,572
CONTINGENCIES AND COMMITMENTS			
	14		
		(Number of units)	
Number of units in issue	15	852,430	1,299,300
		(Rupees)	
Net assets value per unit		141.4609	112.1531

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, 2013

	Note	2013 (Rupees)	2012
INCOME			
Income from Government securities		310,021	109,592
Capital gain on sale of investments - net		43,149,592	8,440,298
Dividend income		10,143,050	10,378,676
Mark-up income		2,189,441	1,993,887
		55,792,104	20,922,453
Unrealised appreciation in the fair value of investments classified as 'held for trading' - net		11,736,933	579,786
		67,529,037	21,502,239
EXPENSES			
Remuneration to the Management Company	10.1	5,093,204	4,317,332
Sales tax on remuneration to the Management Company	10.2	817,754	690,773
Federal excise duty on remuneration to the Management Company	10.3	17,762	-
Remuneration to the Trustee	11.1	700,000	700,000
Annual fee to Securities and Exchange Commission of Pakistan	12	161,284	136,716
Brokerage, settlement and bank charges		997,755	796,581
Amortization of deferred formation cost	9.1	270,000	270,000
Auditors' remuneration		275,250	270,000
Fees and subscription		120,000	140,960
Printing charges		61,350	57,820
Workers' Welfare Fund	13.1	693,922	272,349
		9,208,281	7,652,531
Net income from operating activities		58,320,756	13,849,708
Element of loss and capital losses included in the prices of units issued less those of units redeemed - net		(24,318,602)	(504,626)
Net income for the year		34,002,154	13,345,082

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

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

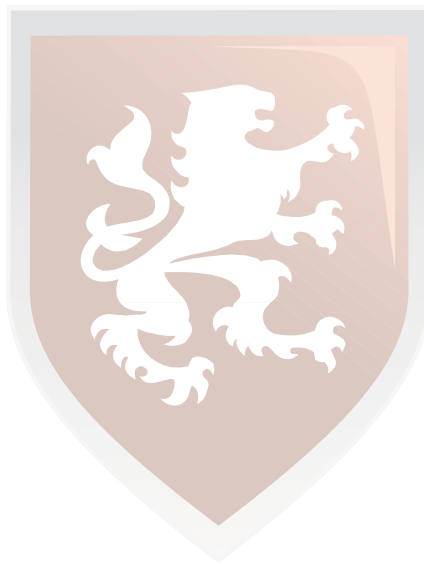
Chief Executive Officer

Director

Statement of Comprehensive Income
For the year ended June 30, 2013

	2013	2012
	(Rupees)	
Net income for the year	34,002,154	13,345,082
Other comprehensive income	-	-
Total comprehensive income for the year	<u>34,002,154</u>	<u>13,345,082</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

**Distribution Statement
For the year ended June 30, 2013**

	2013	2012
	(Rupees)	
Undistributed income at the beginning of the year - realised	15,210,747	18,537,681
Undistributed income at the beginning of the year - unrealised	579,786	3,299,441
Undistributed income at the beginning of the year	15,790,533	21,837,122
Less: Final distribution as issue of bonus units at the rate of Rs. 11.1215 (2012: Rs. 17.4453) per unit approved on July 04, 2012	(14,450,169)	(19,391,671)
	1,340,364	2,445,451
Total comprehensive income for the year	34,002,154	13,345,082
Undistributed income at the end of the year	35,342,518	15,790,533
Undistributed income at the end of the year - realised	23,605,585	15,210,747
Undistributed income at the end of the year - unrealised	11,736,933	579,786
Undistributed income at the end of the year	35,342,518	15,790,533

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, 2013**

	2013	2012
	(Rupees)	
Net assets at the beginning of the year	145,720,572	132,994,116
Cash received on issue of 226,508 (2012: 157,059) units	26,823,247	16,563,370
Cash paid on redemption of 816,404 (2012: 159,072) units	(110,279,077)	(17,686,622)
	(83,455,830)	(1,123,252)
Element of loss and capital loss included in prices of units issued less those of units redeemed - net	24,318,602	504,626
Less: Final distribution as issue of bonus units at the rate of Rs. 11.1215 (2012: Rs. 17.4453) per unit approved on July 04, 2012	(14,450,169)	(19,391,671)
Issue of 143,026 (2012: 189,743) bonus units as final distribution	14,450,169	19,391,671
Total comprehensive income for the year	34,002,154	13,345,082
Net assets at the end of the year	<u>120,585,498</u>	<u>145,720,572</u>
Net assets value per unit at the beginning of the year	<u>112.1531</u>	<u>119.6452</u>
Net assets value per unit at the end of the year	<u>141.4609</u>	<u>112.1531</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 Cash Flow

For the year ended June 30, 2013

	2013	2012
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	34,002,154	13,345,082
Adjustments for non-cash charges and other items:		
Capital (gain) on sale of investments - net	(43,149,592)	(8,440,298)
Unrealised (appreciation) in the fair value of investments classified as 'held for trading' - net	(11,736,933)	(579,786)
Amortisation of deferred formation cost	270,000	270,000
Element of loss and capital loss included in prices of units included less those of units redeemed - net	24,318,602	504,626
	3,704,231	5,099,624
Decrease / (increase) in assets		
Investments - net	73,679,682	22,547,200
Dividend and other receivables	161,222	459,635
Security deposits and prepayments	-	70,961
Receivable against sale of investments	(341,737)	-
	73,499,167	23,077,796
Increase / (decrease) in liabilities		
Payable to the Management Company	41,391	57,110
Payable to the Trustee	738	34
Annual fee payable to Securities and Exchange Commission of Pakistan	24,568	(11,975)
Payable against purchase of investments	(1,869,014)	1,869,014
Payable against redemption of units	489,588	
Accrued expenses and other liabilities	665,706	290,523
	(647,023)	2,204,706
Net cash generated from operating activities	76,556,375	30,382,126
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issuance of units	26,823,247	16,563,370
Cash paid on redemption of units	(110,279,077)	(17,686,622)
Net cash used in financing activities	(83,455,830)	(1,123,252)
Net (decrease) / increase in cash and cash equivalents	(6,899,455)	29,258,874
Cash and cash equivalents at the beginning of the year	33,980,089	4,721,215
Cash and cash equivalents at the end of the year	27,080,634	33,980,089

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, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

Lakson Equity Fund ("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.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 2 star (Fund Performance Ranking) to the Fund and 'AM3 +' (Management Company quality rating) to the Management Company.

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 by 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 asset 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 Company

The Company has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IAS 12	Income Taxes	January 01, 2012

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	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2013
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IFRS 10	Consolidated Financial Statements - Amendments to transitional guidance	January 01, 2013
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 11	Joint Arrangements - Amendments to transitional guidance	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013

		Effective date (annual periods beginning on or after)
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
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
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013
IAS 36	Impairment of Assets - Recoverable amount disclosures for non financial assets	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014

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 9	Financial Instruments	January 01, 2013
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
IFRIC 21	Levies	January 01, 2014

The Company expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company'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 purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investments.

4.2.5 Income accrued on treasury bills are included in the carrying value of 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 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, have been realised or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

4.16 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	2013 (Rupees)	2012
5. BANK BALANCES			
PLS savings accounts	5.1	<u>27,080,634</u>	<u>33,980,089</u>
5.1		These carry mark-up at rates ranging from 6.00% to 9.25% (June 30, 2012: 6.00% to 11.25%) per annum.	
6. INVESTMENTS - financial assets at fair value through profit or loss - held for trading			
Listed equity securities	6.1	92,817,993	111,611,150
Government securities	6.2	-	-
		<u>92,817,993</u>	<u>111,611,150</u>

6.1 Listed equity securities

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

Name of investee company	As at July 01, 2012			Number of shares		Balance as at June 30, 2013				Market value as a percentage of total investments	Market value as a percentage of the paid-up capital of the investee company
	Purchased during the year	Bonus / right shares	Disposed during the year	As at June 30, 2013	Carrying value	Market value	Appreciation / (depreciation)	Market value as a percentage of net assets			
Chemicals											
Energ Corporation Limited	140,500	-	85,500	55,000	6,470,273	6,702,850	223,577	5.56	7.22	0.13	
Fafira Fertilizer Company Limited	270,000	-	33,500	230,000	5,519,797	5,710,900	191,103	4.74	6.15	0.13	
Fauji Fertilizer Company Limited	88,000	-	139,000	60,000	6,772,669	6,445,800	(326,869)	5.35	6.94	0.05	
ICI Pakistan Limited	358,000	-	28,500	358,000	18,771,739	18,659,550	(87,811)	15.64	20.31	-	
Oil and Gas											
Attock Petroleum Limited	11,000	-	12,400	-	-	-	-	-	-	-	
Oil & Gas Development Company Limited	40,000	-	160,000	10,000	2,441,826	2,287,500	(154,326)	1.90	2.46	0.01	
Pakistan Oilfields Limited	21,000	-	39,500	18,000	7,526,262	8,582,660	1,056,398	7.42	9.65	0.38	
Pakistan Petroleum Limited	61,000	16,000	99,700	40,000	6,858,175	8,463,200	1,605,025	7.02	9.12	-	
Pakistan State Oil Company Limited	45,600	4,800	50,500	4,800	50,500	-	-	-	-	-	
	133,000	277,000	20,800	68,800	16,233,268	19,933,360	2,880,097	16.34	21.23	-	
Construction and Materials											
Attock Cement Pakistan Limited	31,000	4,500	35,500	-	-	-	-	-	-	-	
Cherent Cement Company Limited	170,000	-	116,500	53,500	3,141,394	3,113,165	(28,229)	2.58	3.35	0.33	
D.G. Khan Cement Company Limited	162,500	270,500	381,000	72,000	4,254,123	6,025,680	1,771,557	5.00	6.49	0.14	
Fauji Cement Company Limited	325,000	-	325,000	-	-	-	-	-	-	-	
Kohat Cement Company Limited	159,000	-	73,000	86,000	2,007,873	2,592,540	584,667	2.15	3.79	0.52	
Lucky Cement Limited	81,000	49,000	97,500	32,500	5,693,733	6,865,400	1,171,667	5.69	7.40	0.53	
Pioneer Cement Limited	280,000	-	2,80,000	-	4,554,348	6,815,900	2,261,552	5.65	7.34	0.21	
	243,500	1,468,000	1,429,000	292,000	19,751,425	25,413,685	5,662,260	21.07	27.37	-	
Personal Goods											
Ashtech Limited	87,300	369,000	409,300	60,000	4,516,826	4,710,600	193,774	3.91	5.07	0.13	
Treet Corporation Limited (PTCo)	277,800	-	295,600	80,000	2,543,832	3,604,000	1,060,168	2.99	3.88	0.29	
Treet Corporation Limited	145,104	640,801	57,801	713,706	7,060,761	8,314,500	1,253,739	6.30	8.95	-	
	135,000	287,500	322,500	300,000	5,948,417	6,165,000	216,583	5.11	6.64	0.05	
Electricity											
The Hub Power Company Limited	-	-	-	-	-	-	-	-	-	-	
Banks											
Allied Bank Limited	71,251	66,749	82,500	61,700	3,700,461	4,228,918	528,457	3.51	4.56	0.04	
Bank Alfalah Limited	277,500	287,500	340,000	225,000	3,831,186	4,099,500	268,314	3.40	4.42	0.03	
Bank Al Habib Limited	179,995	110,000	147,995	142,000	4,141,075	3,860,980	(280,095)	3.20	4.16	0.04	
MCB Bank Limited	47,000	66,500	113,000	16,500	-	-	-	-	-	-	
United Bank Limited	50,000	240,000	290,000	16,500	-	-	-	-	-	-	
	700,746	875,759	24,200	118,205	11,672,732	12,189,398	516,676	10.11	13.14	-	
Beverages											
Murree Brewery Company Limited	29,392	18,068	41,560	7,800	1,052,733	2,172,500	1,119,767	1.80	2.34	1.04	
	175,000	290,000	465,000	-	-	-	-	-	-	-	
Non Life Insurance											
Pakistan Reinsurance Company Limited	1,292,742	4,440,568	109,401	5,108,111	81,081,000	92,817,993	11,736,993	77	100	-	
	1,839,414	3,544,347	95,667	3,545,686	111,031,364	111,611,150	579,786	93.02	100.00	-	
Total - June 30, 2013											
	1,839,414	3,544,347	95,667	3,545,686	111,031,364	111,611,150	579,786	93.02	100.00	-	

6.1.1 Investments include shares with market value aggregating to Rs. 6.655 million (June 30, 2012: Rs. 4.189 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades.

6.2 Government securities

No. of holdings				Balance as at June 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total investments
As at July 01, 2012	Purchased during the year	Sold/matured during the year	As at June 30, 2013	Carrying value	Market value	Appreciation/(diminution)		
Treasury Bills: 3-months (face value of Rs 100,000 each)				74,700	74,700			

2013
(Rupees) 2012

7. DIVIDEND AND OTHER RECEIVABLES

Dividend receivable	-	82,500
Mark-up income accrued on PLS savings accounts	185,565	264,301
Others	287	273
	<u>185,852</u>	<u>347,074</u>

8. SECURITY DEPOSIT

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>

9. DEFERRED FORMATION COST

Unamortised cost	9.1	640,601	910,601
Amortised to the income statement during the year		(270,000)	(270,000)
Closing balance		<u>370,601</u>	<u>640,601</u>

9.1 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.

10. PAYABLE TO MANAGEMENT COMPANY

Remuneration payable to the Management Company	10.1	369,769	351,993
Sales tax payable on remuneration to the Management Company	10.2	62,003	56,318
Federal excise duty payable on remuneration to the Management Company	10.3	17,762	-
Sales load payable		6,894	6,726
		<u>456,428</u>	<u>415,037</u>

- 10.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the NBFC Regulations of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. Currently, the Management fee is charged @ 3.00% of the average daily net assets of the Fund. Effective from July 1, 2011, through The Sindh Sales Tax on Services Act, 2011, sales tax @ 16% is imposed on the fund management services. The remuneration is paid to the Management Company monthly in arrears.
- 10.2 Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 16% on the remuneration of the management company through Sindh Sales Tax on Services Act, 2011 with effect from July 01, 2011.
- 10.3 As per Finance Act, 2013, the duties on all types of financial services has been clubbed. Federal Excise Duty is charged at 16.00% on services provided or rendered by asset management companies with effect from June 13, 2013. The remuneration of asset management companies have been levied twice in respect of asset management services by way of Federal Excise Duty and Sindh Sales Tax on Services. All the Collective Investment Schemes through MUFAP has taken up this matter to SECP and FBR. Remuneration of the Management Company charged to the Fund during the current year includes the imposed taxes.

	Note	2013	2012
		(Rupees)	
11. PAYABLE TO THE TRUSTEE			
Remuneration to the Trustee	11.1	57,536	57,377
CDC settlement charges		1,882	1,303
		<u>59,418</u>	<u>58,680</u>

- 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.

Net assets 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	2013	2012
		(Rupees)	
13. ACCRUED AND OTHER LIABILITIES			
Auditors' remuneration		211,500	190,000
Brokerage and settlement charges		17,746	73,461
Workers' Welfare Fund	13.1	1,429,355	735,434
Others		36,000	30,000
		<u>1,694,601</u>	<u>1,028,895</u>

13.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it 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.

Subsequent to the year ended 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.

During the year, a larger bench of the Honorable High Court of Sindh has passed an order declaring that the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008, respectively, do not suffer from any constitutional or legal infirmity. The Legal counsel appointed by Mutual Fund Association of Pakistan is of the opinion that the constitution petitions filed by the Mutual Funds to challenge Workers' Welfare Fund have not been affected by the judgment passed by the larger bench of Sindh High Court and the stay granted to Mutual Funds in separate constitutional petitions remains intact.

In view of above stated facts and considering the vagaries of litigation, the Management Company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 1.429 million upto June 30, 2013. If the same had not been recorded, the net assets value per unit of the Fund would have been higher by Rs. 1.68.

14. CONTINGENCIES AND COMMITMENTS

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

	2013	2012
	(Number of Units)	
15. NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	1,299,300	1,111,570
Sales during the year	226,508	157,059
Redemption during the year	(816,404)	(159,072)
Issuance of bonus units	143,026	189,743
Total units in issue at the end of the year	<u>852,430</u>	<u>1,299,300</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 the 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 holding more than 10% in the units of the Funds as at June 30, 2013.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively. Other transactions are in normal course of business, at contracted rates and terms determined in accordance with the market rates.

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

	2013	2012
	(Rupees)	
17.1 Balance as at year end		
Lakson Investments Limited - Management Company of the Fund		
Remuneration payable	<u>369,769</u>	<u>351,993</u>
Sales load payable	<u>6,894</u>	<u>6,726</u>
Units held as at the year end		
757,791 (June 30, 2012: 682,646) units	<u>107,197,815</u>	<u>76,560,850</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable	<u>57,536</u>	<u>57,377</u>
Settlement charges payable	<u>1,882</u>	<u>1,303</u>
Security deposit	<u>100,000</u>	<u>100,000</u>

	2013	2012
	(Rupees)	
Mr. Daniel Scott Smaller - Director of the Management Company		
Units held as at the year end		
2,233 (June 30, 2012: 2,012) units	<u>315,936</u>	<u>225,642</u>
Key Management Personnel, Employees and Connected Person of the Management Company		
Units held as at the year end		
Nil (June 30, 2012: 284) units	<u>-</u>	<u>31,880</u>
SIZA (Private) Limited - Associated company of the Management Company		
Units held as at the year end		
64,882 (June 30, 2012: 589,413) units	<u>9,178,303</u>	<u>66,104,514</u>
	For the year ended	
	2013	2012
	(Rupees)	
17.2 Transactions related to units of the Fund		
Lakson Investments Limited - Management Company of the Fund		
Remuneration for the year	<u>5,928,720</u>	<u>5,008,105</u>
Sales load for the year	<u>6,894</u>	<u>6,726</u>
Issue of bonus units: 75,145 (2012: 103,077) units	<u>-</u>	<u>10,534,419</u>
Redemption of units: Nil (2012: 24,285) units	<u>-</u>	<u>2,600,000</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the year	<u>700,000</u>	<u>700,000</u>
Settlement charges	<u>25,223</u>	<u>14,311</u>
Mr. Daniel Scott Smaller - Directors of the Management Company		
Issue of units: Nil (2012: 399) units	<u>-</u>	<u>45,096</u>
Issue of bonus units: 221 (2012: 235) units	<u>22,375</u>	<u>24,035</u>
Key Management Personnel, Employees and Connected Persons of the Management Company		
Issue of units: 236 (2012: 466) units	<u>27,500</u>	<u>47,500</u>
Issue of bonus units: 31 (2012: 181) units	<u>77,081</u>	<u>20,232</u>
Redemption of units: 552 (2012: 181) units	<u>3,161</u>	<u>-</u>
SIZA (Private) Limited - Associated company of the Management Company		
Issue of bonus units: 64,882 (2012: 85,942) units	<u>6,555,159</u>	<u>8,783,214</u>
Redemption of units: 589,413 (2012: nil) units	<u>83,640,086</u>	<u>-</u>
ICI Pakistan Limited- Associated undertaking due to common directors		
Dividend income	<u>-</u>	<u>56,000</u>

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 management of the 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, 2013				
Exposed to interest rate risk				
On balance sheet financial instruments	Interest rate %	Total	Up to three Months (Rupees)	Not exposed to interest rate risk
Financial assets				
Bank balances	6.00 to 9.25	27,080,634	27,080,634	-
Investments		92,817,993	-	92,817,993
Dividend and other receivables		185,852	-	185,852
Security deposits		2,650,000	-	2,650,000
		<u>122,734,479</u>	<u>27,080,634</u>	<u>95,653,845</u>
June 30, 2012				
Exposed to interest rate risk				
On balance sheet financial instruments	Interest rate %	Total	Up to three Months (Rupees)	Not exposed to interest rate risk
Financial assets				
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
		<u>148,588,313</u>	<u>33,980,089</u>	<u>114,608,224</u>

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. 4.641 million (2012: Rs. 5.581 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 and guidelines given by SECP from time to time.

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. 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, 2013 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, 2013-----			
	Carrying amount	Less than 1 month	More than 1 month and upto one year	Total
	----- (Rupees) -----			
Financial liabilities				
Payable to the Management Company	456,428	456,428	-	456,428
Payable to the Trustee	59,418	59,418	-	59,418
Annual fee payable to Securities and Exchange Commission of Pakistan	161,284	161,284	-	161,284
Payable against purchase of investments	-	-	-	-
Accrued expenses and other liabilities	265,246	265,246	-	265,246
	<u>942,376</u>	<u>942,376</u>	<u>-</u>	<u>942,376</u>

-----June 30, 2012-----

	Carrying amount	Less than 1 month	More than 1 month and upto one year	Total
------(Rupees)-----				

Financial liabilities

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>

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, 2013, 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. 26.3075 (2012: Rs. 11.1215) per unit for the year ended June 30, 2013 amounting to Rs. 22.425 (2012: Rs. 14.450) million as bonus issue in their meeting held on July 08, 2013. These financial statements do not include the effect of the above final distribution of Rs. 22.425 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, 2013		
	No. of Unit Holders	Investment Amount (Rupees)	% of Total
Individuals	8	1,097,365	0.91%
Associated companies and Directors	3	116,692,069	96.77%
Banks and DFIs	-	-	-
NBFCs	-	-	-
Retirement funds	-	-	-
Public limited companies	1	2,796,064	2.32%
Insurance companies	-	-	-
Others	-	-	-
	<u>12</u>	<u>120,585,498</u>	<u>100.00%</u>

June 30, 2012

Category	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	-	-	-
	<u>12</u>	<u>145,720,572</u>	<u>100.00%</u>

21.2

Top ten brokers by percentage of commission paid

**Percentage
2013**

Broker Name

Habib Metro Financial Services Limited	7.86%
Arif Habib Limited	7.32%
Invest & Finance Securities Limited	7.27%
Elixir Securities Pakistan Limited	7.24%
KASB Securities Limited	7.24%
Al Habib Capital Markets (Private) Limited	7.22%
AKD Securities	7.12%
Topline Securities Limited	7.12%
Jan Mohammad Nini A. Latif	7.11%
NAEL Capital Limited	7.03%

Broker Name

**Percentage
2012**

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

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 Investment Committee)
- Mr. Muhammad Umair Chauhan
- Mr. Mustafa O. Pasha (Fund Manager)
- Mr. Syed Imran Raza Kazmi
- Ms. Maryam Hidayatallah

Mr. Babar Ali Lakhani - Chief Executive

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

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

Mr. Lakhani was looking after Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund. Subsequently, Mr. Umair and Mr. Pasha were designated to manage the Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund respectively.

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

Mr. Muhammad Umair Chauhan has over 9 years of experience in the asset management industry of Pakistan. He has previously served as Vice President Investments & Research at IGI Funds Limited and was part of Investment & 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. Umair is also the Fund Manager for Lakson Asset Allocation Emerging Markets Fund and Lakson Asset Allocation Developed Markets Fund.

Mr. Mustafa O. Pasha – Vice President Investments

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

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

Mr. Syed Imran Raza Kazmi - Assistant Fund Manager

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

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

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

Ms. Maryam Hidayatallah - Deputy Manager Risk and Compliance

Ms. Maryam Hidayatallah has over 08 months of experience in the asset management industry. Before joining Lakson Investments Limited she previously worked as Finance and Audit Executive at Ernst and Young Ford Rhodes Sidat Hyder and Co., Chartered Accountants at Karachi, Bahrain and UAE Offices in Business Risk Services and Audit and Assurance Business Services for 9 years which includes 4 years of articleship. During the given period, she has conducted the audits, due diligence and risk and compliance assignments of various asset management companies, oil and gas companies, commercial banks and service sector entities.

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

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, 2012	August 30, 2012	October 19, 2012	February 15, 2013	April 29, 2013
Mr. Iqbal Ali Lakhani	4	✓	✓	✓	X	✓
Mr. Babar Ali Lakhani	5	✓	✓	✓	✓	✓
Mr. Amin Mohammed Lakhani	2	-	-	-	✓	✓
Mr. A. Aziz H. Ebrahim	4	✓	✓	✓	✓	X
Mr. Mahomed J. Jaffer	4	X	✓	✓	✓	✓
Mr. Sher Afgan Malik	4	X	✓	✓	✓	✓
Mr. Muhammad Abdul Qadir *	1	✓	X	X	-	-
Mr. Daniel Scott Smaller	2	X	X	X	✓	✓
Mr. Zahid Zakiuddin	4	X	✓	✓	✓	✓
		4	6	6	7	7

* Former Director

During the period end 30 June 2013 Mr. Amin Mohammed Lakhani was appointed as a Director to fill the casual vacancy arising due to the resignation of Mr. Muhammad Abdul Qadir with effect from 15 February 2013. The Securities & Exchange Commission of Pakistan accorded its approval for the appointment of Mr. Amin Mohammed Lakhani on 22 March, 2013.

21.5 Performance Table

Key Financial data / performance table has been summarised on page no 48 of the annual report.

21.6 Rating of the Fund and the Management Company

PACRA Rating	Management quality rating	Star ranking
Lakson Investments Limited (Management Company)	AM3+	-
Lakson Equity Fund	-	2 - Star

22. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 30, 2013 by the Board of Directors of the Management Company.

23. GENERAL

Figures have been rounded off to the nearest rupee.



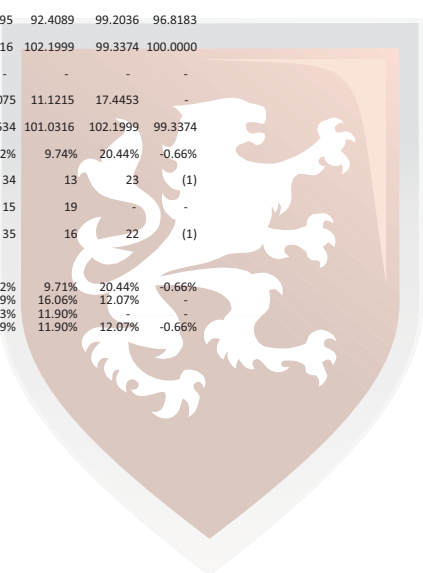
**For Lakson Investments Limited
 (Management Company)**

Chief Executive Officer

Director

Performance Table

Performance Table	FY13	FY12	FY11	FY10	Distributions	PKR per Unit			
						FY13	FY12	FY11	FY10
Net Assets - Beginning (PKR Mil.)	146	134	128	136	Final Distribution	26.3075	11.1215	17.4453	-
Net Assets - Ending (PKR Mil.)	121	146	134	128	NAV before Distribution	141.4609	112.1531	119.6452	-
Net Asset value per share	141.4609	112.1531	119.6452	99.3374	NAV after Distribution	115.1534	101.0316	102.1999	-
Selling Price for units	145.7048	115.5177	123.2346	102.3176	Distribution Date	08-Jul-13	05-Jul-12	04-Jul-11	-
Repurchase Price for units	141.4609	112.1531	119.6452	99.3374					
Highest Offer Price (PKR)	150.1842	120.9177	127.5518	115.2487					
Lowest Offer Price (PKR)	106.4191	95.1812	102.1798	99.7229					
Highest Redemption Price (PKR)	145.8099	117.3958	123.8367	111.8919					
Lowest Redemption Price (PKR)	103.3195	92.4089	99.2036	96.8183					
Beginning NAV - Ex-Div. (PKR)	101.0316	102.1999	99.3374	100.0000					
Interim Distributions (PKR)	-	-	-	-					
Final Distribution (PKR)	26.3075	11.1215	17.4453	-					
Ending NAV - Ex-Div. (PKR)	115.1534	101.0316	102.1999	99.3374					
Return	40.02%	9.74%	20.44%	-0.66%					
Net Income / (loss) (PKR Mil.)	34	13	23	(1)					
Total Distribution (PKR Mil.)	15	19	-	-					
Accumulated Capital Growth (PKR Mil.)	35	16	22	(1)					
Average Annual return of the Fund									
One Year	40.02%	9.71%	20.44%	-0.66%					
Two year	26.79%	16.06%	12.07%	-					
Three year	28.33%	11.90%	-	-					
Since inception	23.09%	11.90%	12.07%	-0.66%					



Disclaimer

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



A Lakson Group Company

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

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