Annual Report 2010

LAKSON
investments
partner with confidence

The Lakson Group

Lakson Investments Limited

Lakson Income Fund

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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.laksoninvestments.com.pk E-mail: info@laksoninvestments.com.pk
Board of Directors of the Management Company	Mr. Iqbal Ali Lakhani - Chairman Mr. A. Aziz H. Ebrahim Mr. Mahomed J. Jaffer Mr. Babar Ali Lakhani - Chief Executive Officer Mr. Sher Afgan Malik Mr. Muhammad Abdul Qadir Mr. Daniel Scott Smaller Mr. Zahid Zakiuddin
Chief Financial Officer & Company Secretary of the Management Company	Mr. Amir Mobin
Audit Committee	Mr. Iqbal Ali Lakhani - Chairman Mr. A. Aziz H. Ibrahim Mr. Sher Afgan Malik Mr. Zahid Zakiuddin
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahra-e-Faisal, Karachi, Pakistan.
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants Sheikh Sultan Trust Building No.2, Beaumont Road, Karachi - 75530, Pakistan
Bankers to the Fund	Allied Bank Limited Bank Al-Falah Limited Deutsche Bank AG Habib Metropolitan Bank NIB Bank Limited Soneri Bank Limited Standard Chartered Bank Limited United Bank Limited

Legal Adviser	Fazleghani Advocates F-72/I, Block 8, KDA-5, Kehkashan, Clifton, Karachi, Pakistan.
Registrar	Lakson Investments Limited Lakson Square Building No.2, Sarwar Shaheed Road, Karachi-74200, Pakistan
Distributors	Alfalah Securities (Pvt.) Limited Atlas Capital Markets (Pvt.) Limited IGI Investment Bank Limited Pyramid Financial Consultants
Rating by PACRA	AA-(f) Fund Stability Rating AM3with positive outlook for Management Company Quality Rating

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE PERIOD FROM NOVEMBER 14, 2009 TO JUNE 30, 2010

The Board of Directors of the Lakson Investments Limited, the Management Company of the Lakson Income Fund (LIF), is pleased to present its report together with audited Financial Statements for the period from November 14, 2009 to June 30, 2010.

Fund Objective

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

Fund Profile

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

Funds Performance

The net income for the period from November 14, 2009 to June 30, 2010 was PKR 26.82 million which was comprised mainly of markup income from bank deposits, placements, certificate of investments, term deposit receipts, treasury bills and term finance certificates amounting to PKR 28.79 million. The unrealized appreciation was mainly due to the valuation of treasury bills and term finance certificates that amounted to PKR 1.37 million. During the period under review LIF recorded an annualized yield of 11.42%.

The detailed fund performance and significant matters relating to the industry are given 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

In the meeting held on July 06, 2010, the Board of Directors of the Management Company declared a final payout of PKR 2.9932 per unit amounting to PKR.13.08 million (PKR.12.34 million of bonus distribution and PKR 0.73 million of cash distribution) for the period from November 14, 2009 to June 30, 2010. This was in addition to the interim payout of PKR 3.6148 per unit. The total distribution for the period from November 14, 2009 to June 30, 2010 was PKR 6.608 per unit (6.61%of face value of PKR 100/-).

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. The Financial Statements prepared by the Management Company present fairly the state of affairs of the Fund and results of its operations, Cash Flows and Movement in Unit Holders' Fund. Proper books of account of the Fund have been maintained and appropriate accounting policies have been consistently applied in the preparation of Financial Statements. Accounting estimates are based on reasonable and prudent judgment. International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of Financial Statements. The system of internal control is sound in design and has been effectively implemented and monitored. There are no events or conditions which create a doubt about the Fund's ability to continue as going concern. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations. Key financial data is summarized in the Fund Manager Report. Outstanding statutory payments on account of taxes, duties, levies and charges, have been fully disclosed in the Financial Statements. 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. The detailed pattern of Unit Holding, as required by the NBFC Regulation and Code of Corporate Governance, is given in note no. 20.1 of the Financial Statements.

Statement showing attendance of Board meetings is as under:
ATTENDANCE OF BOARD MEETINGS FROM NOVEMBER 14, 2009 TO JUNE 30, 2010

S.No.	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1	Mr. Iqbal Ali Lakhani	Chairman	4	2	2
2	Mr. Babar Ali Lakhani	Chief Executive	4	4	-
3	Mr. A. Aziz H. Ebrahim	Director	4	3	1
4	Mr. Mahomed J. Jaffer	Director	4	2	2
5	Mr. Sher Afgan Malik	Director	2	2	2
6	Mr. M. A. Qadir	Director	4	4	-
7	Mr. Daniel Scott Smaller	Director	4	3	1
8	Mr. Zahid Zakiuddin	Director	4	4	-
9	Mr. Khaleeq Kayani	Former Director	1	-	1

During the period, Mr. Sher Afgan Malik was appointed as a Director to fill the casual vacancy arising due to the resignation of Mr. Khaleeq Kayani with effect from February 12, 2010. 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. Sher Afgan Malik on March 11, 2010.

During the period, there were no trades in Units of the Fund carried out by the Directors, the Chief Executive Officer, the Chief Financial Officer and Company Secretary, their spouses and minor children.

External Auditor

As recommended by the Audit Committee, the Board of Directors of the Management Company has reappointed M/s. KPMG Taseer Hadi & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2011.

Economic and Markets Review

FY10 was yet another challenging year for Pakistan as the country strived to achieve macroeconomic stability in the face of significant challenges. Economic indicators like inflation, foreign exchange reserves, exchange rates, and the current account balance posted improvement in FY10. However, the pace of recovery was much slower in 2HFY10 as compared to 1HFY10. The economic recovery is still fragile and a greater fiscal consolidation is required to avoid the loss of economic gains so far achieved. Lack of foreign flows limited the fiscal space, forcing the Government to cut developmental spending and rely on the domestic sources to finance burgeoning fiscal deficit, crowding out the private sector credit off-take.

Despite the forgoing challenges, the economy showed some resilience and the GDP grew by 4.1% in FY10 as compared to revised GDP growth of 1.2% in FY09. The agriculture sector could not repeat the stellar performance of FY09 and grew by only 2.0% in FY10 against a target of 3.8%, mainly due to late winter rains. A 0.4% decline in production of crops was compensated to some extent by 4.1% growth in Livestock. The Country faced a severe energy crisis in FY10 yet in spite of this, industrial output expanded by 4.9% in FY10 fuelled by a recovery in the Large Scale Manufacturing ("LSM") sector. The LSM sector that had contracted by 8.2% in FY09 is expected to have expanded by 4.4% in FY10 mainly due to a revival in demand of consumer durables, as indicated by a pick-up in automobile sales. The LSM growth would have been much higher if the inter-corporate circular debt conundrum would not have reduced the operating capacity of the entire energy chain. As per the statistics released by the Federal Bureau of Statistics ("FBS") for 10MFY10, petroleum production has declined by 6.7% Year on Year ("YoY"). The services sector also showed the signs of recovery with a growth of 4.6% in FY10 as compared to 1.6% in FY09 on the back of recovery in Wholesale & Retail Trade and Finance & Insurance sectors.

Support in the form of the International Monetary Fund's ("IMF") Stand-By Arrangement ("SBA") continues to flow into the country, albeit with delays due to the non-implementation of certain mandated benchmarks. The SBA has buttressed foreign exchange reserves to approximately USD 16.6 billion by the end of the fiscal year, which at the start of the fiscal year were USD 12.4 billion. The State Bank of Pakistan ("SBP") and the Government were able to meet three key criteria of the IMF pertaining to the Net Foreign Assets ("NFA"), Net Domestic Assets ("NDA") and zero net borrowings from the SBP in 4QFY10. However, the fiscal deficit target was missed due to higher expenditures, mainly a result of higher than expected War-on-Terror related expenditures and lower revenue collection due to a slowdown in the economy. As per media reports, preliminary estimates suggest a fiscal deficit of over PKR 900 billion or 6.2% of the GDP for FY10. This would be significantly higher than the revised IMF target of 5.1% of GDP or PKR 769 billion. The Government still needs to phase out subsidies as well as implement the Reformed GST regime leading to the Value Added Tax ("VAT") in order to comply with other key criteria as mandated by the IMF.

Headline inflation, as measured by the YoY variations in the Consumer Price Index ("CPI"), settled at 11.7% for FY10, which is within the revised target of 12.0% and considerably lower than 20.8% in FY09. Inflation went down in FY10 due to slowdown in aggregate demand caused by the tight monetary policy stance of the SBP and the high base effect. The thrust to the inflation numbers was provided by high food items prices and the energy subsidy phase-out, as core inflation as measured by the Non-Food-Non-Energy ("NFNE") index clocked in at 11.0% YoY for FY10, while the food sub-component of the CPI increased by 12.5% YoY. The Government had to increase the electricity tariff by 4.5% in October '09 and 12.0% in January '10 to reduce the subsidies in-line with the IMF conditions.

Balance of Payments ("BoP") in FY10 have displayed significant improvement and recorded a surplus of USD 1.27 billion, largely a result of a lower current account deficit that stood at USD 3.51 billion in FY10 compared to USD 9.26 billion in FY09, a remarkable improvement of 62%. The Trade Deficit declined by 10.54% in FY10 as the exports grew by 9.6% to USD 19.38 billion, while imports witnessed a correction of 0.3% to USD 34.71 billion. Higher export of items like rice, fruits and cotton due to recovery of global demand and Rupee depreciation were major reasons for the increase in exports. Bumper crop of wheat saved approximately USD 0.90 billion in imports while a steep decline was also witnessed in the import of power generation machinery. Remittances continue to post stellar growth in FY10, reaching USD 8.90 billion, increasing by

14.01% YoY. The growth in remittances can be attributed to the Government's crackdown on informal transfer channels as well as the steps taken under Pakistan Remittance Initiatives scheme.

Money Supply (M2) growth in FY10 was 12.46%, on the back of a 29.43% increase in the NFA and 10.56% growth in the NDA. Government borrowing for the budgetary support was PKR 330 billion in FY10 as compared to PKR 316 billion in FY09. The high borrowing needs of the Government continued to crowd out private sector borrowing, which increased by a tepid 3.9% as against 20.0% growth in net Government sector borrowing. In FY10 Government relied heavily on commercial banks for financing as the IMF had placed a ceiling on the Government borrowing from the SBP at PKR 1,130 billion. The Government borrowed PKR 77 billion in FY10 for its commodity operations that takes the outstanding balance of financing for commodity operations to PKR 413 billion.

At the start of FY10, the discount rate was 14.0% and during the 1HFY10 the SBP eased its monetary policy by 150bps to bring the discount rate down to 12.5% during the first half. The persistence seen in inflation prompted the SBP to maintain the discount rate at 12.5% thereafter, contrary to expectations of a further rate cut in the second half of FY10. To reduce volatility in the shorter tenure money market rates, the SBP introduced an interest rate corridor with an interest rate spread of 300bps between the floor and the ceiling, with the ceiling being the discount rate. The SBP had to intervene on many occasions through Open Market Operations ("OMO") to manage the liquidity in the banking system. In a policy statement, the SBP indicated its intention to keep the overnight Repo rates in the middle of the interest rates corridor (currently 11%) through more active liquidity management in the form of frequent OMOs.

The money market remained volatile during FY10 and the overnight Repo rates averaged 11.72% which shows that the market liquidity remained relatively tight mainly due to higher Government borrowing from the commercial banks. Despite a cut of 150bps in the discount rate during FY10, an upward trend has been witnessed in the yields of the medium to long-term Government securities. 10-Year PIB that was trading around 11.50% at the start of the year was trading close to 13.00% at the close of the year, indicating expectations of inflationary pressures in the economy and the possibility of a discount rate hike going forward. However, yields on the shorter tenure Government securities have declined, further strengthening this view. 6-month KIBOR that is widely used as benchmark for the corporate lending averaged 12.40% during FY10. KIBOR declined during the year, in line with the discount rate reduction, however, the extent of decline was much lower and averaged at 45bps as compared to 150bps decline in the discount rate. Despite a decline in the KIBOR, private sector credit-off could not pick up as the commercial banks were not willing to take exposure on the private sector, having already booked huge provisions on the Non Performing Loans ("NPL") and they already had the opportunity of risk free lending to the Government.

Corporate bond activity picked up in FY10 as investor confidence improved despite the default of many 'A' rated corporate bonds during the year. Discounts on good quality bonds were reduced and some of the bonds even traded at premiums. Investor interest was seen in bonds issued by the commercial banks, fertilizer and telecom companies. New bond issuance remained sluggish during the year and there were only a few new issues mainly from commercial banks to meet their tier-II capital requirements. Currently yields on high quality corporate bonds range between 14.00-14.50% indicating a credit spread of 1.60-2.10% and the credit spread on the bonds of the commercial banks is lower as compared to other sectors as they are considered relatively secure.

In FY10, the equity market, as measured by the KSE-100 index, rose by an astounding 35.74% despite expectations of tepid economic growth. Average daily traded volume during the fiscal year was 161 million shares, with the first half of the fiscal faring relatively better in terms of volumes traded. The index touched a high of 10,677 during April '10, and settled at a level of 9,721 at year-end. Foreign investors were the largest buyers in the market in terms of value, with net buying of USD 578 million during the fiscal year. Despite the stellar performance, all hopes for the KSE being re-classified to the Emerging Markets category were quashed when the MSCI Barra in its 2010 review deferred placing the MSCI Pakistan Index up for potential reclassification till June 2011. Therefore, the inclusion of Pakistan equities in the Emerging Markets category shall only be possible when the results of the June 2011 review are announced. Recovery was seen in the share prices of all the sectors, however, major interest was seen in Oil & Gas, Chemicals, Banks, Construction & Materials and Fixed Line Telecommunication sectors.

Future Outlook

Our economy has shown resilience in a very challenging macroeconomic environment and we expect the phase of recovery to continue if the Government were to embark upon a structural adjustment program, targeting challenges such as the low tax-to-GDP ratio, low overall productivity in the economy and the large fiscal deficit. Inflation is expected to remain a formidable challenge for the economic managers, keeping in view the inflationary impact of the measures to be implemented under the IMF program. For fiscal consolidation, the Government will have to introduce fiscal reforms as the foreign and domestic debt is approaching unsustainable levels. Foreign flows hold the key for economic growth as they will provide much needed cushion against any fiscal slippages. Key risks to economic recovery are the inability of the Government to contain fiscal deficit at 4.0% of the GDP, the failure of the Government to introduce fiscal reforms, the lack of foreign flows, external shocks in the form of high commodity prices and a deterioration of internal security environment.

Acknowledgment

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

For and on behalf of the Board

Babar Ali Lakhani
Chief Executive Officer

Karachi, July 28, 2010

REPORT OF THE FUND MANAGER FOR THE PERIOD FROM NOVEMBER 14, 2009 TO JUNE 30, 2010

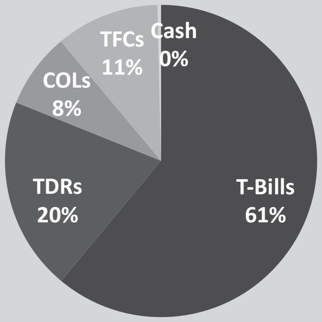
Fund Facts

Fund Type	Open-End
Category	Income Fund
Net Assets (PKR Mil.)	451
NAV (30.06.2010)	103.3062
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	KPMG Taseer Hadi & Co.
Management Fee	1.50%
Front End Load	1.50%
Back End Load	None
Launch Date	November 13, 2009
Benchmark	Average of returns earned by the Income Funds in the industry
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM
Fund Rating	'AA-' by PACRA

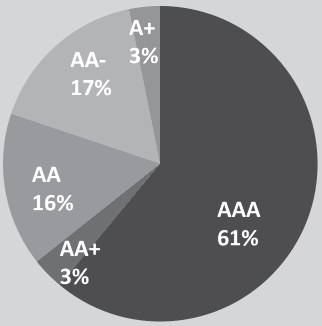
Fund Performance	LIF	Benchmark
June-10	10.59%	9.82%
2 Months	10.84%	9.56%
3 Months	11.22%	10.42%
4 Months	11.22%	8.66%
6 Months	11.67%	8.45%
FY10	11.42%	8.73%
Since Inception	11.42%	8.73%

* All returns have been calculated by Morning Star Method
** FY10 and Since Inception returns are from November 13, 2009
*** In the Benchmark the Income Funds that provided negative returns since November 13, 2009 have not been included

Asset Allocation



Credit Split



Investment Committee

Iqbal Ali Lakhani	Chairman
Babar Ali Lakhani	CEO
Muhammad Umair Chauhan	CIO
Amir Mobin	CFO
Umar Ashfaq	Jr. Fund Manager

Investment Objective

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

The LIF managed to achieve its investment objective by constructing a diversified portfolio of high credit quality fixed income securities including T-Bills, PIBs TDRs, COIs, and TFCs. The LIF provided positive returns to its investors in every month since its inception despite the negative returns provided by other income funds in the industry. The portfolio of the LIF comprises of short, medium and long term instruments ranging from instruments maturing in 7 days to 7.5 years. However, all the investments with maturities of greater than 6 months are in tradable instruments.

Investment Strategy

The LIF focused on the construction of a liquid and diversified portfolio of high credit quality instruments in accordance with its Investment Objective. The LIF maintained an average exposure of 56% in risk free T-Bills and 9% in TFCs. High exposure of the LIF in the tradable instruments enabled the LIF to remain liquid and meet all the obligations in a timely manner. During the period under review, the LIF switched between different instruments of varying maturities depending upon the market dynamics and interest rate outlook. Liquidity of the LIF portfolio can also be judged from the fact that on average 65% exposure of the LIF remained in the tradable instruments. The LIF also maintained 25% exposure on average in TDRs and COIs to ensure positive returns for the investors as the majority exposure of the LIF is in tradable instruments that are affected by the market and interest rates movements. The LIF maintained 25% exposure in cash and T-Bills of up to 90 days at all times. The LIF is not invested in any instrument having a rating less than 'A+'.

Market Review

Despite all the challenges, our economy showed some resilience in FY10 and the economic indicators like inflation, exchange rate, and current account balance posted improvement in FY10. However the pace of recovery was much slower in 2HFY10 as compared to 1HFY10 as is evident from the monetary policy stance of the State Bank of Pakistan ("SBP"). At the start of FY10 the discount rate was 14.0%, and during the 1HFY10 the SBP eased its monetary policy by 150bps to bring the discount rate down to 12.5%. At the start of the year the analysts were expecting a 300-400bps cut in the discount rate during the year, however, persistent inflation and mounting fiscal pressures prompted the SBP to maintain the discount rate at 12.5%.

Income Funds continued to suffer from their huge exposures in TFCs as some of the 'A' rated TFCs defaulted during the year resulting in negative returns for the income funds. The assets under management of the Income Funds declined by PKR 17.84 billion in FY10 as investors switched their positions from Income Funds to Money Market Funds, mainly due to lack of confidence in the TFC allocations of the Income Funds. Currently we have 40 Income Funds out of which 8 funds were launched in FY10. On average 30-40% of the assets of the Income Funds are invested in TFCs and Sukuks.

Movement of rates in the money market was largely influenced by the Government borrowing from the banking system and the shorter tenure rates remained on higher side indicating relatively tight liquidity situation. Money Supply (M2) growth in FY10 was 12.46%, on the back of a 29.43% increase in the Net Foreign Assets ("NFA") and 10.56% growth in the Net Domestic Assets ("NDA"). Government borrowing for the budgetary support was PKR 330 billion in FY10 that crowded out the private sector borrowing, which increased by a tepid 3.9% as against 20.0% growth in net Government sector borrowing. The overnight Repo rates averaged 11.72% in FY10 and relative stability was seen in the Repo rates after the introduction of Interest Rate Corridor by the SBP, which put the ceiling at the discount rate and floor at a discount of 300bps. The SBP had to intervene throughout the year through Open Market Operations ("OMO") to manage the liquidity in the system. During FY10 the SBP conducted 26 T-Bill auctions and realized PKR 1,512 billion through these auctions. Secondary market yields of the T-Bills went up during the year as the T-Bills were trading at very low yields at the start of the year in anticipation of monetary policy easing. 3, 6 and 12 months T-Bills traded in the range of 11.27% - 12.58% during the year. 6-month KIBOR- which is widely used as benchmark for the corporate lending- averaged 12.40% during FY10. KIBOR declined during the year in-line with reduction in the discount rate. However, the extent of decline was much lower and averaged at 45bps as compared to 150bps decline in the discount rate.

Financial institutions (at least 'AA' rated) offered better rates in December '09 and June '10 on TDRs and COIs to improve their balance sheet positions on these period ends. As a result, mutual funds benefited in these periods. In December '09, rates offered by different financial institutions were in the range of 12.75% - 13.25% while in June '10 these rates were 12.25% - 12.75%. Excluding these two months, the TDR rates were low in remaining months of the year and even could not match the yields offered by the T-Bills.

Corporate bond activity picked up in FY10 despite the default of many 'A' rated corporate bonds during the year. Discounts on good quality bonds were reduced and some of the bonds even traded at premiums. Investor interest was seen in bonds issued by the commercial banks, fertilizer and telecom companies. Currently, yields on high quality corporate bonds range between 14.00-14.50% indicating a credit spread of 1.60-2.10%. The credit spread on the bonds of the commercial banks is even lower.

Fund Performance

The LIF yielded 11.42% since its inception on 13th November 2009, compared to the benchmark return of 8.73% in the corresponding period. The LIF outperformed the Benchmark by 269bps despite the fact that it provided for the Workers Welfare Fund ("WWF") liability, in accordance with the decision of the Sindh High Court. The majority of the income funds in the industry did not provide this liability. The standard deviation, a measure of the volatility of the fund's performance, of monthly returns of the LIF is just 1.24% since inception despite the fact that the majority of the portfolio of the LIF is comprised of tradable instruments that are affected by the movement in interest rates. The LIF provided positive returns every month while many income funds provided negative monthly returns due to provisions against defaulting TFCs. As of 30th June 2010, the WAM of the LIF was 229 days which indicates that the LIF can further increase its exposure in longer term instruments once the interest rates stabilize.

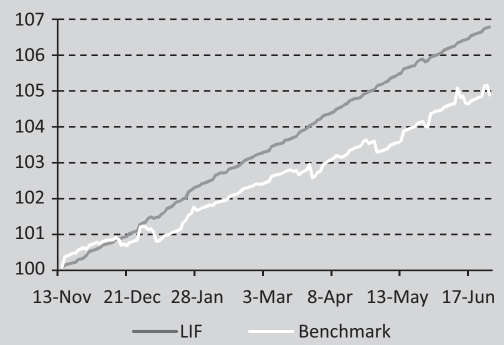
Distributions

	PKR per Unit
1st Interim Distribution - Mar '10	3.6148
NAV before Distribution	104.2186
NAV after Distribution	100.6038
Final Distribution*	2.9932
NAV before Distribution	103.3062
NAV after Distribution	100.3130
Beginning NAV - November 13, 2010	100.0000
Interim Distributions in FY10	3.6148
Closing NAV - June 30, 2010 (Ex-Div.)	103.3062
Closing NAV - June 30, 2010 (Cum-Div.)	106.9210

* Final Distribution is related to the period ended June 30, 2010 but recorded and distributed on July 1, 2010

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

LIF vs. Benchmark



Performance Table

Net Assets - Beginning (PKR Mil.)	302
Net Assets - Ending (PKR Mil.)	451
Highest Offer Price	105.7819
Lowest Offer Price	101.5254
Highest Redemption Price	104.2186
Lowest Redemption Price	100.0250
Beginning NAV	100.0000
Interim Distributions	3.6148
Ending NAV (Ex-Div.)	103.3062
Final Distribution	2.9932
FY10 Return	11.42%
Net Income (PKR Mil.)	26.82
WAM (Days)	229

Future Outlook

The LIF will continue to focus on liquid and high quality instruments to ensure stable and positive returns despite economic and market uncertainties. The LIF may increase exposure in corporate bonds without compromising the credit quality of the portfolio however the exposure will only be taken if the corporate bonds offer better risk adjusted returns. If the Government cannot contain the fiscal deficit at the targeted level of 4.0% of the GDP, then Government borrowing will remain high and we foresee an upward trend in yields.

Circumstances Materially Affecting Interests of Unit Holders

During the period under review, the LIF received a Fund Stability Rating of 'AA-' from PACRA, which denotes a strong capacity to manage relative stability in returns and very low exposure to risks. Any change in interest rates would affect the market values of tradable instruments present in the LIF's portfolio. Any change in counterparty credit ratings can materially affect the interests of unit holders. Such changes could impact the NAV and credit split of the LIF. The Mutual Fund Association of Pakistan ("MUFAP") had filed a petition in the Sind High Court regarding exemption of mutual funds from the WWF, however, the Sind High Court's verdict went against MUFAP's petition. As a result the management decided to provide for the liability of the WWF. This caused a decline in the NAV of the LIF on May 27, 2010.

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.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	3	155
101 - 500	2	793
500 - 1,000	1	707
1,001 - 5,000	1	1,036
10,001 - 15,000	7	228,480
100,001 - 200,000	2	246,999
200,001 - 500,000	3	1,072,820
500,001 - 1,000,000	1	728,450
1,000,001 - 5,000,000	1	2,086,248
Total	**21**	**4,365,687**

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED
Head Office
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON INCOME FUND

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

The Lakson Income Fund (the Fund), an open-end Fund was established under a trust deed dated August 18, 2009, executed between Lakson Investments Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from November 14, 2009 to June 30, 2010 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: September 09, 2010

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM NOVEMBER 14, 2009 TO JUNE 30, 2010

This statement is being presented to comply with the Code of Corporate Governance ('the Code') contained in the Regulation No. 35 of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The Board of Directors ('Board') of Lakson Investments Limited ('Management Company'), an un-listed public limited company, manages the affairs of Lakson Income Fund ('Fund'). The Fund being a unit trust open ended scheme does not have its own Board of Directors.

The Management Company has applied the principles contained in the Code to the Fund, whose units are listed as a security on the Exchange, in the following manner:

1. The Management Company encourages representation of independent non-executive directors. All the Directors of the Management Company, except the Chief Executive Officer (CEO) are the non-executive Directors.

2. The Directors of the Management Company have confirmed that none of them is serving as a director in more than ten 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 NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the period under review one casual vacancy occurred on the Board which was duly filled in by another Director within the prescribed period of thirty days.

5. The Management Company has prepared a 'Statement of Ethics and Business Practices' which has been approved by the Board of Directors and signed by the Directors and employees of the Management Company.

6. The Board has approved a vision/mission statement, an overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which these were approved 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 CEO have been taken by the Board. There is no other executive director of the Management Company besides the CEO.

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 the 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, arrangements were made to acquaint the Directors with the recent development /changes in applicable laws and regulations affecting the mutual fund industry including changes proposed in the Code of Corporate Governance. Furthermore, 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.

10. The Board has approved the appointment, remuneration and terms and conditions of employment of Chief Financial Officer (CFO) and Company Secretary as determined by the CEO.

11. The Directors' Report of the Fund for this period 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 the CEO and CFO of the Management Company before approval of the Board.

13. The Directors, CEO and executives of the Management Company do not hold any interest in the units of the Fund other than disclosed in the financial statment.

14. The Management Company has complied with the corporate and financial reporting requirements of the Code relevant 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, including the Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference of the Audit Committee have been approved by the Board and were advised to the Committee for compliance.

17. 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 Company and their representatives are involved in the internal audit function.

18. 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 partner of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

19. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

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. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Babar Ali Lakhani
Chief Executive Officer

Karachi, July 28, 2010

KPMG

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Management Company of the **Lakson Income Fund** to comply with the listing regulation of the Lahore Stock Exchanges, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. 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.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 sub-regulation (xiii-a) of Listing Regulations 35 notified by the Lahore Stock Exchange (Guarantee) Limited requires the 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 requirement 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 Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

KPMG Taseer Hadi & Co.

Date: 28 July 2010

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Independent Auditors' Report to the Unit Holders

We have audited the accompanying financial statements of **Lakson Income Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2010, and the income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' Fund for the period from 14 November 2009 to 30 June 2010 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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 30 June 2010, and of its financial performance, cash flows and transactions for the period from 14 November 2009 to 30 June 2010 in accordance with approved accounting standards as applicable in Pakistan.

KPMG

KPMG Taseer Hadi & Co.

Other matters

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

Date: 28 July 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

Statement of Assets and Liabilities
As at 30 June 2010

Assets	Note	**(Rupees)**
Bank balances	4	**91,636,330**
Investments	5	**322,418,446**
Placements	6	**35,000,000**
Mark-up receivable	7	**3,432,441**
Deposit and prepayment		**284,109**
Deferred formation cost	8	**1,598,907**
Total assets		**454,370,233**
Liabilities		
Payable to the Management Company	9	**2,376,591**
Remuneration payable to the Trustee	10	**73,101**
Annual fee payable to Securities and Exchange Commission of Pakistan	11	**173,396**
Accrued expenses and other liabilities	12	**744,232**
Total liabilities		**3,367,320**
Net assets		**451,002,913**
Unit holders' funds (as per the statement attached)		**451,002,913**
		(Number)
Number of units in issue	13	**4,365,687**
		(Rupees)
Net assets value per unit		**103.3062**

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer **Director**

Income Statement
For the period from 14 November 2009 to 30 June 2010

Income	Note	(Rupees)
Mark-up income	14	**28,788,113**
Element of income and capital gains in prices of units sold less those in units redeemed - net		**1,911,081**
Gain on sale of held for trading investments - net		**30,503**
Net unrealised appreciation in the fair value of investments - held for trading	5	**1,367,074**
		32,096,771
Expenses		
Remuneration to the Management Company	9.1	**3,467,912**
Remuneration to the Trustee	10	**475,414**
Annual fee to the Securities and Exchange Commission of Pakistan	11	**173,396**
Auditors' remuneration		**221,290**
Fees and subscription		**45,891**
Printing charges		**62,075**
Brokerage expenses		**39,206**
Settlement and bank charges		**11,309**
Amortisation of deferred formation cost	8.1	**229,417**
Workers' Welfare Fund	12.1	**547,305**
Others		**5,632**
		5,278,847
Net income for the period		**26,817,924**

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer **Director**

Statement of Comprehensive Income
For the period from 14 November 2009 to 30 June 2010

	(Rupees)
Net income for the period	**26,817,924**
Other comprehensive income	**-**
Total comprehensive income	**26,817,924**

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer **Director**

Distribution Statement
For the period from 14 November 2009 to 30 June 2010

	(Rupees)
Undistributed income brought forward	
Total comprehensive income	**26,817,924**
Interim distribution at the rate of Rs. 3.6148 per unit approved on 2 April 2010	
- Cash distribution	**(881,389)**
- Issue of bonus units	**(11,502,300)**
	14,434,235
Undistributed income at the end of the period - realised	**13,067,161**
Undistributed income at the end of the period - unrealised	**1,367,074**
Total undistributed income at the end of the period	**14,434,235**

The annexed notes from 1 to 21 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 period from 14 November 2009 to 30 June 2010

	(Rupees)
Net assets at the beginning of the period	
Cash received on issue of 5,764,439 units	581,215,974
Cash paid on redemption of 1,513,085 units	(154,238,515)
	426,977,459
Element of income and capital gains in prices of units sold less those in units redeemed - net	(1,911,081)
Net income for the period	26,817,924
Interim distribution at the rate of Rs. 3.6148 per unit approved on 2 April 2010	
- Cash distribution	(881,389)
- Issue of Bonus units	(11,502,300)
Net income for the period less distribution	14,434,235
Issue of 114,333 bonus units for the period	11,502,300
Net assets as at end of the period	451,002,913
Net assets value per unit at the beginning of the period (on the incorporation of the Fund)	100.0000
Net assets value per unit at end of the period	103.3062

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer **Director**

Cash Flow Statement
For the period from 14 November 2009 to 30 June 2010

CASH FLOWS FROM OPERATING ACTIVITIES	**(Rupees)**
Net Income for the period	**26,817,924**
Adjustments for non-cash items and others items:	
Amortisation of deferred formation cost	**229,417**
Net unrealised diminution in the fair value of investments - held for trading	**(1,367,074)**
Element of income and capital gains in prices of units sold less those in units redeemed - net	**(1,911,081)**
	23,769,186
Increase in assets	
Investments	**(321,051,372)**
Placement	**(35,000,000)**
Mark-up receivable	**(3,432,441)**
Deposit and prepayment	**(284,109)**
	(359,767,922)
Increase in liabilities	
Payable to the Management Company	**548,267**
Remuneration payable to the trustee	**73,101**
Annual fee payable to Securities and Exchange Commission of Pakistan	**173,396**
Accrued expenses and other liabilities	**744,232**
	1,538,996
Net cash used in operating activities	**(334,459,740)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Received on issue of units	**581,215,974**
Paid against redemption of units	**(154,238,515)**
Cash dividend paid	**(881,389)**
Net cash from financing activities	**426,096,070**
Net increase in cash and cash equivalents during the period	**91,636,330**
Cash and cash equivalents at beginning of the period	**-**
Cash and cash equivalents at end of the period	**91,636,330**

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer	**Director**

Notes to the Financial statements
For the period from 14 November 2009 to 30 June 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

Lakson Income Fund (the "Fund") was established under Trust Deed executed on 18 August 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 18 September 2009 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). Its registered office is located at 41K, Model 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 be redeemed by surrendering them to the Fund.

The Fund primarily invests in Government Securities, Certificates of Investment, Certificates of Deposits, Term Deposit Receipts, Commercial Papers, Reverse Repo, Preference Shares, Spread Transactions and Debt Securities etc. (subject to the guidelines given by SECP).

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements of the Fund as at and for the period as at 30 June 2010 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, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Rules and Regulations). In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the Trust Deed and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, 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.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of statement in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Investment stated at fair value

Management has determined fair value of certain investments by using quotation from active market / rates quoted by MUFAP. Fair value estimates are made at a specific point in time, based on market conditions and statements about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

Impairment of investment

Investments are considered to be impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Fund evaluates among other factors, the normal volatility in prices. In addition the impairment may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational financial cash flows.

Other assets

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

Workers welfare fund liability

For details please refer note 12.1 to these financial statements.

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010.Improvements to IFRSs 2009 (effective for annual periods beginning on or after 1 July 2010).

The IASB issued amendments to various standard effective. Below is the summary of the amendments that are effective for either annual periods beginning on or after 1 January 2010 or annual periods beginning on or after 1 January 2011.

- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. The amendment is not relevant to the Fund's operations.

- Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Fund's operations.

- Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

- Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.

- Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Fund's operations.

- Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Fund's operations.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities to not reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Fund's operations.

- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Retrospective application is subject to the transitional requirements in IFRS 2. The amendment is not relevant to the Fund's operations.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Fund's operations.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7.

Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011.

- Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. The amendment is not relevant to the Fund's operations.

- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. The amendment is not relevant to the Fund's operations.

- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after 1 January 2011). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. These amendments are unlikely to have an impact on the Fund's financial statements.

- IFRS 1 First-time Adoption of IFRSs (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that IAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevant to the Fund's operations.

- IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011) The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Fund.

- IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

- IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is not relevant to the Fund's operations.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Investments

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

3.1.2 Held for trading

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

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

Available for sale

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

3.1.3 Basis of valuation of investments

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.

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

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

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

3.2 Derivative Financial Instruments

Derivative instruments that are held by the Fund primarily comprise of futures contracts in the capital market and are classified in held for trading investments. These are measured at cost initially and of each subsequent measurement at their fair values which is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently. All derivatives in a net receivables positions (positive fair values) we reported as financial asset held for trading. All derivatives in a net payable position (negative fair values) are reported as financial liabilities held for trading.

3.3 Securities under repurchase / resale agreements (including those purchased / sold under Continuous Funding System)

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

Transactions of sale under repurchase (repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as financial liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement. All reverse repo / continuous funding system transactions are accounted for on the settlement date.

3.4 Formation cost

This represents expenses incurred on the formation of the Fund. As permitted in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, these expenses are being amortised to the income statement over a period of not less than five years effective from 14 November 2009.

3.5 Unit holders' fund

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

3.6 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Fund, applicable for the day on which the completed application form is received. 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 business hours of that 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). Redemption of units is recorded on acceptance of application for redemption.

3.7 Net asset value per unit

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

3.8 Taxation

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

3.9 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income on the date at which the transaction takes place.

- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets held for trading are included in the Income Statement in the period in which they arise.

- Income on Government securities reverse repurchase arrangements and continuous funding system lending arrangement, return on certificates of investment, certificates of deposits, term deposit receipts, commercial paper, placements, bank deposits and investments in debt securities are recognised at rate of return implicit in the instrument on a time proportionate basis.

- Dividend income on spread transactions in equity securities is recognised in the income statement on the date that the Fund's right to receive payment is established.

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

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

The "element of income and capital gains 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 and capital gains included in prices of units sold less those in units redeemed" during an accounting period is recognised in the Income Statement.

3.11 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.

3.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only offset and 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.

3.13 Impairment

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss account.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

3.14 Provision

A provision is recognised in the balance sheet when the Fund has a 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.

3.15 Cash and cash equivalents

Cash and cash equivalent comprise of bank balances including term deposits with banks (that are readily convertible to known amount of cash) and are subject to an in significant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

3.16 Dividend (including bonus units)

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

3.17 Other assets

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

4. BANK BALANCES - local currency

		30 June 2010 (Rupees)
In profit and loss sharing accounts	*4.1*	**1,636,330**
In term deposits	*4.2*	**90,000,000**
		91,636,330

4.1 These accounts carry profit rates ranging between 5% to 11% per annum.

4.2 These term deposits carry profit rates ranging between 12.25% and 12.40% per annum and will mature between 03 August 2010 and 15 September 2010.

5. INVESTMENTS

Held for trading		
Government securities	*5.1*	**274,035,861**
Term Finance Certificate - Listed	*5.2*	**33,612,205**
Term Finance Certificate - Unlisted	*5.3*	**14,770,380**
		322,418,446

5.1 Held for trading investments - government securities

Details are as follows:

	Note	Number of holdings at beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at the end of the period	Cost as at 30 June 2010	Market value as at 30 June 2010	Unrealized (diminution)	% of net assets of the Fund	% of total investments
						--------(Rupees)--------				
- Treasury Bills - 12 months (face value of Rs. 100,000 each)	5.1.1	-	2,250	2,000	250	23,920,740	23,877,182	(43,558)	5.29	7.41
- Treasury Bills - 6 months (face value of Rs. 100,000 each)	5.1.2	-	2,300	1,500	800	77,154,905	77,113,887	(41,018)	17.10	23.92
- Treasury Bills - 3 months (face value of Rs. 100,000 each)	5.1.3	-	3,400	1,650	1,750	173,070,044	173,044,792	(25,252)	38.37	53.67
						Total	274,035,861	(109,828)	60.76	85.00

5.1.1 These represent 12 months Treasury bills of Government carrying a fixed mark-up rate of 12.1913% and will mature on 18 November 2010. The face value of Treasury bills held as at 30 June 2010 amounted to Rs.25 million.

5.1.2 These represent 6 months Treasury bills of Government carrying a fixed mark-up rate ranging from 12.1223% to 12.2577% and maturing between 07 October 2010 and 04 November 2010. The face value of Treasury bills held as at 30 June 2010 amounted to Rs.80 million.

5.1.3 These represent 3 months Treasury bills of Government carrying a fixed mark-up rate ranging from 11.8742% to 12.1013% and maturing between 02 July 2010 and 09 September 2010. The face value of Treasury bills held as at 30 June 2010 amounted to Rs.175 million.

5.2 Held for trading investments - term finance certificates (Listed debt securities)

Details are as follows:

Term finance certificate (face value of Rs. 5,000 each)

Quoted (Refer Note 5.4)	Note	Number of holdings at beginning of the period	Acquired during the period	Matured / disposed during the period	As at 30 June 2010	Cost as at 30 June 2010	Market value as at 30 June 2010	Unrealized appreciation / (diminution)	% of net assets of the Fund	% of total investments
		------ Number of Certificates ------				------(Rupees)------				
Commercial Banks										
United Bank Limited	5.2.1	-	3,000	-	3,000	13,358,973	14,249,092	890,119	3.16	4.42
NIB Bank Limited	5.2.2	-	3,000	-	3,000	13,753,719	14,390,908	637,189	3.19	4.46
Fertilizer										
Engro Fertilizer Limited	5.2.3	-	1,000	-	1,000	4,986,104	4,972,205	(13,899)	1.10	1.54
							33,612,205	1,513,409	7.45	10.42

5.2.1 This represents listed term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Interbank Offer Rate (KIBOR) per annum (plus margin of 0.85% for the first five years and 1.35% for the remaining period) receivable semi-annually in arrears with no floor or cap and will mature in February 2018. These term finance certificates are unsecured. The rating of the instrument is AA.

5.2.2 This represents listed term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Interbank Offer Rate (KIBOR) per annum plus margin of 1.15% receivable semi-annually in arrears with no floor or cap and will mature in March 2016. These term finance certificates are unsecured. The rating of the instrument is A+.

5.2.3 This represents listed term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Interbank Offer Rate (KIBOR) per annum plus margin of 2.40% receivable semi-annually in arrears with no floor or cap and will mature in December 2016. These term finance certificates are secured. The rating of the instrument is AA.

5.3 Held for trading investments - term finance certificates (Unlisted debt securities)

Term finance certificate (face value of Rs. 5,000 each)

	Note	Number of holdings at beginning of the period	Acquired during the period	Matured / disposed during the period	As at 30 June 2010	Cost as at 30 June 2010	Market value as at 30 June 2010	Unrealized appreciation / (diminution)	% of net assets of the Fund	% of total investments
		Number of Certificates				(Rupees)				
Technology and Communication										
Pakistan Mobile Communication Limited - privately placed	*5.3.1*	-	6,000	-	6,000	**14,806,890**	**14,770,380**	**(36,510)**	**3.28**	**4.58**
							14,770,380	**(36,510)**		

5.3.1 This represents un-listed term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Interbank Offer Rate (KIBOR) per annum plus margin of 1.30% receivable semi-annually in arrears with no floor or cap and will mature in October 2010. These term finance certificates are unsecured. The rating of the instrument is A+.

5.4 The term "listed" indicated in note 5.2 refers to listing in the stock exchanges However their rates are quoted by MUFAP.

6. PLACEMENTS

		30 June 2010 (Rupees)
6.1 Certificates of investment - unsecured		
Saudi Pak Industrial and Agricultural Investment Company Limited	*6.1.1*	**15,000,000**
Pak Libya Holding Company (Private) Limited	*6.1.2*	**20,000,000**
		35,000,000

6.1.1 These certificates carry mark-up rate of 12.25% per annum and mature on 3 August 2010. This represent 3.33% of the net assets of the Fund on the basis of the carrying amount. The rating of the entity is AA+.

6.1.2 These certificates carry mark-up rate of 12.5% per annum and mature on 30 September 2010. This represent 4.43% of the net assets of the Fund on the basis of the carrying amount. The rating of the entity is AA-.

7. MARKUP RECEIVABLE - considered good

Mark-up / return receivable on:		
- profit and loss sharing bank balances	*7.1*	**69,017**
- term deposits with banks		**1,116,384**
- term finance certificates		**1,943,170**
- certificates of investments		**303,870**
		3,432,441

7.1 The amount was received subsequent to the period-end.

8. DEFERRED FORMATION COST

		30 June 2010 (Rupees)
Unamortised Cost	*8.1*	**1,828,324**
Amortised to the income statement during the period		**(229,417)**
Balance as at 30 June		**1,598,907**

8.1 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 amount is now payable after the year- end and as explained). The said formation cost shall be amortised by the collective investment scheme over a period of not less then five years or with in the maturity date of collective investment scheme. Accordingly the said expenses are being amortised over a period of five years effective from 14 November 2009, i.e. after the close of initial period of the Fund.

9. PAYABLE TO THE MANAGEMENT COMPANY

		30 June 2010 (Rupees)
Remuneration payable to the management company	*9.1*	**548,267**
Preliminary and formation cost payable	*8.1*	**1,828,324**
		2,376,591

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

10. REMUNERATION TO THE TRUSTEE

The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed.

Net assets ranging from Rs. 1 million to Rs. 1,000 million

The Trustee (Central Depository Company) is entitled to remuneration at the rate of Rs 0.7 million or 0.20% per annum of the daily average net assets of the Fund, which ever is higher.

Exceeding Rs. 1,000 million

The Trustee (Central Depository Company) is entitled to remuneration of Rs. 2.0 million plus 0.10% per annum of the daily average net assets of the Fund exceeding Rs. 1,000 million.

11. ANNUAL FEE 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 0.075% of the average daily net assets of the Fund.

12. ACCRUED AND OTHER LIABILITIES

	Note	30 June 2010 (Rupees)
Auditors' remuneration		165,000
Payable to Workers' Welfare Fund	*12.1*	547,305
Other liabilities		31,927
		744,232

12.1 The Finance Act, 2008 brought an amendment in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) with the intention to make the definition of "Industrial Establishment" applicable to any establishment to which the West Pakistan Shop and Establishment Ordinance, 1969 (1969 Ordinance) applies. As a result of this amendment, the WWF Ordinance has become applicable to all Collective Investment Schemes (CIS) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay two percent of their total income to Workers Welfare Fund (as defined in section 4 & 2(i) of the WWF Ordinance). The Mutual Fund Association of Pakistan (MUFAP) had filed a constitutional petition before High Court of Sindh on the major grounds that CIS are not covered under the definition of industrial establishment, CIS do not have any worker and amendment was made through money bill.

The Honourable High Court of Sindh vide its order dated 25 May 2010 has dismissed the petition on the main ground that the MUFAP (petitioner) cannot be held to be entitled to maintain a petition in respect of its members as MUFAP is not the aggrieved party in respect of its members. Consequently, few CISs have filed constitutional petitions.

However, the Management Company in pursuance of the order passed by the Honourable High Court of Sindh considers it prudent to record the provision for WWF for the period ended 30 June 2010 amounting to Rs. 0.547 million in these financial statements.

13. NUMBER OF UNITS IN ISSUE

	30 June 2010 (Unit)
Total outstanding at beginning of the period	-
Sales during the period	5,764,439
Bonus units issued	114,333
Redemption during the period	(1,513,085)
Total units in issue at the end of the period	4,365,687

Face value of the unit is Rs. 100 each.

14. MARK-UP INCOME

	For the period from 14 November 2009 to 30 June 2010 (Rupees)
Mark-up / return on:	
- Government Securities	15,234,257
- placement	3,482,195
- profit and loss sharing account	1,946,649
- term deposits with banks	4,459,013
- term finance certificates	3,665,999
	28,788,113

15. 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 period to the unit holders in the manner explained above, no provision for taxation has been made in these financial statements.

16. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

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

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively as disclosed in note 9 and 10 of these financial statements. 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:

16.1 Transactions relating to the units of the Fund

	2010								
	As at the beginning of the period	Issued	Bonus	Redeemed	As at 30 June 2010	As at the beginning of the period	Issued for cash	Redeemed	Net Asset value as at 30 June 2010
	---Units---					---(Rupees)---			
- Lakson Investment Limited (Management Company)	-	703,184	25,266	-	728,450	-	70,347,166	-	75,253,423
Associated Companies / Undertakings									
- Siza (Private) Limited	-	2,013,887	72,361		2,086,248	-	201,388,663	-	215,522,321
- Siza (Private) Limited	-	512,995	-	512,995	-	-	52,796,194	52,326,818	-
- Clover (Pakistan) Limited Employees Contribution Fund	-	14,903	535	-	15,438	-	1,500,000	-	1,594,841
- Colgate Palmolive (Pakistan) Limited Employee Contribution Provident Fund	-	134,129	4,819	-	138,948	-	13,500,000	-	14,354,241
- Colgate Palmolive (Pakistan) Limited Employee Gratuity Fund	-	74,516	2,677	-	77,193	-	7,500,000	-	7,974,515
- Accuray Surgical Limited Employee Contribution Provident Fund	-	9,935	357	-	10,292	-	1,000,000	-	1,063,277
- Cyber Internet Services (Private) Limited Employee Contribution Provident Fund	-	104,303	3,748	-	108,051	-	10,500,000	-	11,162,338
- GAM Corporation (Private) Limited Employees Contribution Provident Fund	-	29,794	1,071	-	30,865	-	3,000,000	-	3,188,523
- Princeton Travels (Private) Limited Employee Contribution Provident Fund	-	11,923	428	-	12,351	-	1,200,000	-	1,275,933
- Siza Foods (Pvt) Limited Employee Contribution Provident Fund	-	64,581	2,320	-	66,901	-	6,500,000	-	6,911,301
- Century Insurance Company Ltd	-	974,521	-	490,317	484,204	-	100,000,000	50,584,605	50,021,257
- Century Insurance Company Ltd Employee Contribution Provident Fund	-	14,903	535	-	15,439	-	1,500,000	-	1,594,926

	30 June 2010 (Rupees)
16.2 Other Transactions and balance with the Connected Persons / Related Parties	
- Lakson Investment Limited (Management Company)	
Formation cost payable	1,828,324
- Central Depository Company of Pakistan Limited (Trustee)	
Security deposit	100,000
Settlement charges for the period	4,026

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Introduction and overview

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

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

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

Risk management framework

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

The Fund maintains positions in a variety of financial instruments in accordance with its investment management strategy and the guidelines given by SECP. The Fund primarily invests in government securities, Certificates of Investment, Certificates of Deposits, Term Deposit Receipts, Commercial Papers, Reverse Repo, Preference Shares, Spread Transactions and debt securities etc. (subject to the guidelines given by SECP). Such investments are subject to varying degrees of risk.

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

17.1 Credit risk

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

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC Rules and Regulations.

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

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

- Assignment of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.

- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.

- Cash is held only with reputable banks with high quality external credit enhancements.

Exposure to credit risk

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk as at 30 June 2010 was as follows:

		30 June 2010	
	Note	**Statement of assets and liabilities**	**Maximum exposure**
		(Rupees)	
Bank balances	*4*	**91,636,330**	**91,636,330**
Investments	*5*	**322,418,446**	**48,382,585**
Placements	*6*	**35,000,000**	**35,000,000**
Mark-up receivable	*7*	**3,432,441**	**3,432,441**
Deposit		**100,000**	**100,000**
		452,587,217	**178,551,356**

Differences in the balances as per the the Statement of Assets & Liabilities and maximum exposure in investments is due to the fact that investments of Rs. 274.036 million relates to investments in Government Securities which are not considered to carry credit risk.

Past due / impaired assets

None of the financial assets of the Fund were past due or impaired as at 30 June 2010.

Credit ratings and Collaterals

Credit risk arising on debt securities is mitigated by investing primarily in investment-grade rated instruments published by MUFAP (and as determined by Pakistan Credit Rating Agency or JCR-VIS). The Fund is required to follow the guidelines / restrictions imposed in its offering document and the SECP in respect of the minimum ratings prior to any investment.

Details of the credit ratings of investment in debt securities and the balance of placements and bank balances as at 30 June 2010 are as follows:

Ratings	**Debt securities (including profit due) % of balance**	**Placements (including profit due) % of balance**	**Bank balances (including profit due) % of balance**
AAA	**-**	**-**	**0.016**
AA+	**29.79**	**43.33**	**0.011**
AA	**9.94**	**-**	**56.646**
AA-	**29.90**	**56.67**	**43.327**
A+	**30.37**	**-**	**-**
Total	**100.00**	**100.00**	**100.00**

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS (as of 30 June 2010). The investments in debt securities and the placements and bank balances are unsecured except for those mentioned in Note 5.2.3 to these financial statements.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund’s total credit exposure. Around 60.55% of the Fund's financial assets are in Government securities which are not exposed to the credit risk, while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

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

	30 June 2010	
	(Rupees)	**Percentage**
Development financial institutions	**35,303,870**	**19.772**
Commercial banks	**123,404,901**	**69.115**
Fertilizers	**4,972,205**	**2.785**
Technology and communication	**14,770,380**	**8.272**
Miscellaneous	**100,000**	**0.056**
	178,551,356	**100**

Settlement risk

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

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

17.2 Liquidity risk

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

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

Management of liquidity risk

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

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

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

Maturity analysis for financial liabilities

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

	30 June 2010			
	Carrying amount	less than 1 month	1 to 3 months	Total
	----------------------------------Rupees----------------------------------			
Non-derivative liabilities				
Payable to Lakson Investments Limited - Management Company	2,376,591	548,267	1,828,324	2,376,591
Payable to Central Depository Company of Pakistan Limited - Trustee	73,101	73,101	-	73,101
Payable to Securities and Exchange Commission of Pakistan	173,396	-	173,396	173,396
Accrued expenses and other liabilities	196,927	6,927	190,000	196,927
	2,820,015	628,295	2,191,720	2,820,015

Above financial liabilities do not carry any mark-up.

17.3 Market risk

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

Management of market risks

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

The Fund is exposed to interest rate risk only.

17.3.1 Interest rate risk

17.3.1.1 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the Funds interest rate exposure arises on investment in Government securities, term finance certificates, placements with financial institutions, term deposit receipts with banks and profit and loss sharing bank balances. Currently all of the Fund's investment carry fixed interest rates except for investments in Term Finance Certificates. In addition/ the Fund may change the mix of its portfolio to enhance the earning potential of the Fund subject to the above defined guidelines, etc. Other risk management procedures are the same as those mentioned in the credit risk management.

17.3.1.2 At 30 June, details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

		30 June 2010 (Rupees)
Fixed rate instruments		
Investment in Government treasury bills	*5.1*	**274,035,861**
Placements	*6*	**35,000,000**
Bank balances	*4*	**91,636,330**
		400,672,191
Variable rate instruments		
Investment in Term Finance Certificates	*5.2 & 5.3*	**48,382,585**
		540,691,106

None of the financial liabilities carry any interest rate.

Fair value sensitivity analysis for fixed rate instruments

Interest bearing Government Securities are held by the Fund at fair value through profit and loss account (held for trading) exposes the Fund to the fair value risk. In case of 100 basis points increase / decrease in yield rates of the above Government Securities as on 30 June 2010, the net asset of the Fund would have been higher / lower by Rs. 0.473 million with consequential effect on net income for the period.

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the period end, unit holder Fund would have increased / (decreased) by Rs. 0.142 million. The analysis assumes that all other variables remain constant.

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

	30 June 2010				
	mark-up/ profit (%)	less than one month	one to three months	More than three months and upto an exceed one year	Total
		---(Rupees)---			
Assets					
Bank balances	5 to 12.4	1,636,330	90,000,000	-	91,636,330
Investments	11.87 to 14.75	79,754,059	136,701,093	105,963,276	322,418,428
Placements	12.25 to 12.5	-	35,000,000	-	35,000,000
		81,390,389	261,701,093	105,963,276	449,054,758

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

Operational risks

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

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

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. 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.

17.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units and the Fund is not subject to any externally imposed minimum Fund maintenance requirement.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
30 June 2010	(Rupees)			
Financial assets at fair value through profit and loss (held for trading)				
Government Securities	-	274,035,861	-	274,035,861
Debt securities	-	33,612,205	14,770,380	48,382,585
Total	**-**	**307,648,066**	**14,770,380**	**322,418,446**

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

	30 June 2010 (Rupees)
Balance as at 14 November 2009	-
Amortisation of discount net revaluation loss included in the income statement	(36,510)
Purchase during the period (at cost)	19,656,890
Redemption during the period	(4,850,000)
Balance as at 30 June 2010	14,770,380

19. DISTRIBUTIONS BY THE FUND

19.1 Non-adjusting event after the balance sheet date

The Board of Directors of the management company have approved a final distribution of Rs. 2.9932 per unit for the period ended 30 June 2010, amounting to Rs. 13.067 million in their meeting (Rs. 12.34 million of Bonus distribution and Rs. 0.730 million of cash distribution) held on 6 July 2010. These financial statements do not include the effect of the above final distribution of Rs. 13.067 million that will be accounted for subsequent to the period end.

19.2 Interim distribution

The Board of Directors of the management company have approved interim distributions already paid at Rs. 3.6148 per unit amounting to Rs. 12.38 million (Rs. 11.50 million of Bonus distribution and Rs. 0.88 million of cash distribution).

19.3 Above distributions meet the dividend distribution requirements indicated in note 15 to these financial statements.

20. 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:

20.1 Unit holding pattern of the Fund

	30 June 2010		
Category	**No of Investors**	**Investment amount (Rupees)**	**% of total net assets**
Individuals	7	277,893	0.06
Associated Companies and Directors	12	389,917,291	86.46
Banks and DFIs	2	60,807,729	13.48
	21	451,002,913	100

20.2 List of brokers by percentage of commission paid

Broker Name	**Percentage of commission paid (%)**
- BMA Capital Management Limited	6.38
- Elixir Securities Pakistan Limited	0.83
- Invest Capital Investment Bank Limited	7.79
- Invisor Securities (Pvt.) Limited	33.47
- JS Global Capital Limited	50.71
- KASB Securities Limited	0.83
	100

20.3 Particulars of the Investment Committee and Fund manager

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

- Mr. Iqbal Ali Lakhani
- Mr. Babar Ali Lakhani
- Mr. Amir Mobin
- Mr. Muhammad Umair Chauhan (Fund Manager)
- Mr. Mohammad Umar Ashfaq

Mr. Iqbal Ali Lakhani - Chairman of the Board

Mr. Lakhani has over 36 years of top management experience in group companies in finance, marketing, manufacturing industry and government relations. His special interests include Marketing, Finance, Total Quality Management and Reengineering. Mr. Lakhani is Chairman of the Corporate Boards of 5 Lakson companies which are listed on the stockexchanges of

Karachi and Lahore. Mr. Lakhani was Chairman of the Cigarette Manufacturers Association of Pakistan, Agha Khan Economic Planning Board for Pakistan and Vice President of the American Business Council of Pakistan.

Mr. Lakhani received his B.A from the University of California – Berkeley. He was a member of the PSI-National Accounting fraternity; Honor Student's Society, member of Phi Beta Kappa and received the departmental award for outstanding undergraduate achievement.

Mr. Babar Ali Lakhani - Chief Executive

Mr. Lakhani has over 12 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 a member of the GARP (Global Association of Risk Professionals) and the Society of Financial Service Professionals. Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.

Mr. Amir Mobin - Chief Financial Officer and Company Secretary

Mr. Amir has over 3 years of post qualification experience which includes working at IGI funds Limited as Head of Operations and National Clearing Company of Pakistan Limited as Manager-Operations. At IGI Mr. Amir has been actively involved in acquisition of the software application, preparation of manuals and operations related procedures. He has actively participated in the rating process of the company and was responsible for managing the settlement and Unit holder management functions. At NCCPL Amir has been an active member of the team responsible for the implementation of the Financial Institution Risk Management System. He has actively participated in the implementation of the CFS MK-II. Further, he has worked on the concept paper of the Security Lending and Borrowing Module.

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

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

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

Mr. Muhammad Umair Chauhan has over six 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 managing Lakson Money Market Fund and Lakson Equity Funds.

Mohammad Umar Ashfaq – Junior Fund Manager

Mohammad Umar Ashfaq has 2 years of work experience relating to the Asset Management Industry. Prior to joining Lakson Investments, Umar was part of the research department at IGI Funds Limited. His responsibilities include coverage and investment recommendations pertaining to several sectors spanning the manufacturing side. Mr. Ashfaq is a member of the Investment Committee at Lakson Investments Limited. Besides his primary responsibility as an equities analyst, he also assists the Chief Investment Officer with fixed income placements.

Mr. Ashfaq received his B.Sc. in Mathematics and Economics from Lahore University of Management Sciences, Lahore.

20.4 Directors meeting attendance

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

Name of directors	Meeting Attended	2010 05 Jan 10	12 Feb 10	02 Apr 10	22 Apr 10
Mr. Iqbal Ali Lakhani	2	1	1	-	-
Mr. Babar Ali Lakhani	4	1	1	1	1
Mr. A. Aziz H. Ebrahim	3	-	1	1	1
Mr. M. A. Qadir	4	1	1	1	1
Mr. Sher Afgan Malik	2	-	-	1	1
Mr. Daniel Scott Smaller	3	1	1	-	1
Mr. Mahomed J. Jaffer	2	-	1	-	1
Mr. Zahid Zakiuddin	4	1	1	1	1
Mr. Khaleeq Kayani	-	-	-	-	-
		5	**7**	**5**	**7**

During the period ended 30 June 2010 Mr. Sher Afgan Malik was appointed as a Director to fill the casual vacancy arising due to the resignation of Mr. Khaleeq Kayani with effect from 12 February 2010. The Securities & Exchange Commission of Pakistan accorded its approval for the appointment of Mr. Sher Afgan Malik on March 11, 2010.

20.5 Rating of the Fund and the Management Company

PACRA Rating	**Management Quality Rating**	**Stability Rating**
Lakson Investments Limited (Management Company)	AM3 (Positive Outlook)	N/A
Lakson Income Fund	N/A	AA-(f)

21. GENERAL

21.1 Lakson Income Fund has prepared its financial statements for the first time. Therefore, corresponding figures have not been included.

21.2 These financial statements were authorized for issue by Board of Directors of the Management Company on 28 July 2010.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer	**Director**

Lakson Investments Limited

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