Annual Report 2010

LAKSON investments
partner with confidence

The Lakson Group

Lakson Investments Limited

Lakson Equity 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. Ebrahim 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	BDO Ebrahim & Co. Chartered Accountants 2nd Floor, Block C, Lakson Square, Building No. 1, Sarwar Shaheed Road, Karachi - 74200.
Bankers to the Fund	Allied Bank Limited Deutsche Bank AG Faysal Bank Limited Habib Metropolitan Bank Limited Soneri Bank Limited United Bank Limited

Legal Adviser	Fazleghani Advocates F-72/I, Block 8, KDA-5, Kehkashan, Clifton, Karachi, Pakistan.
Registrar	Lakson Investments Limited Lakson Square Building No.2, Sarwar Shaheed Road, Karachi-74200, Pakistan
Distributors	Alfalah Securities (Pvt.) Limited Atlas Capital Markets (Pvt.) Limited IGI Investment Bank Limited Pyramid Financial Consultants
Rating of Management Company	AM3 with positive outlook by PACRA

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

Fund Profile

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

Fund Performance

The Net Assets of the Fund as at June 30, 2010 stood at PKR 128.04 million. The Net Asset Value (NAV) per unit at the start of the period was PKR 100, and with a decrease of PKR 0.6626 in the NAV per unit during the period, the NAV per unit as on June 30, 2010 was PKR 99.3374. During the period, LEF has earned a negative return of 0.66%.

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.

Reasons for Loss

The Fund incurred a net loss of PKR 0.85 million as equity prices fell sharply during the fourth quarter of the financial year ended June 30, 2010 due to uncertainties emanating from the imposition of the Capital Gains Tax. Equity Funds are required to be 70% invested in equity market securities and while we were able to mitigate some of the losses by moving to cash we were influenced by the decline in the bellwether KSE100 Index. The earnings of the Fund net of expenses excluding unrealized losses amounted to PKR 5,426,472 comprising mainly of capital gain, dividends, mark-up on bank deposits and treasury bills. The unrealized diminution in the fair value of investments was PKR 6,280,510, resulting in a net loss amounting to PKR 854,038 for the period from November 14, 2009 to June 30, 2010. Given these factors, the Board has not proposed distribution for the period from November 14, 2009 to June 30, 2010.

Loss Per Unit (LPU)

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

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. 18 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	-
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. BDO Ebrahim & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2011.

Market 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 and on behalf of the Board

Babar Ali Lakhani
Chief Executive Officer

Karachi, July 28, 2010

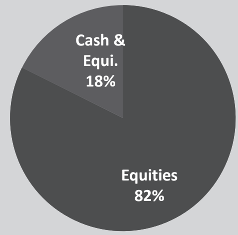
REPORT OF THE FUND MANAGER FOR THE PERIOD FROM NOVEMBER 14, 2009 TO JUNE 30, 2010

Fund Facts	
Fund Type	Open-End
Category	Equity Fund
Net Assets (PKR Mil.)	128
NAV (30.06.2010)	99.3374
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	BDO Ebrahim & Co.
Management Fee	3.00%
Front End Load	3.00%
Back End Load	None
Launch Date	November 13, 2009
Benchmark	KSE-100 Index
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM

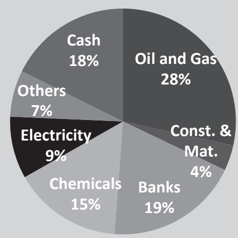
Fund Performance	LEF	Benchmark
June-10	1.56%	4.34%
2 Months	-8.53%	-6.69%
3 Months	-8.58%	-4.40%
4 Months	-4.52%	0.76%
6 Months	-2.66%	3.67%
FY10	-0.66%	7.32%
Since Inception	-0.66%	7.32%

* FY10 and Since Inception returns are from November 13, 2009

Asset Allocation



Sectorwise Exposure



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

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

Investment Strategy

The investment strategy, devised in light of the investment objective, adopted a combination of top-down and bottom-up methodologies to invest in fundamentally sound stocks while maintaining a minimum equity exposure of 70% of the net assets (based on quarterly average investment figures calculated on a daily basis). The asset allocation to different sectors remained dynamic, keeping in view the market conditions, opportunities and the relative attractiveness of each sector and individual stocks in a particular sector. The LEF aimed to build a diverse portfolio ranging across companies deemed the most attractive among peers. The fundamentals of investee companies were thoroughly analyzed prior to taking a position. Our focus remained on defensive companies that are relatively insulated from the prevailing macro-economic uncertainties marring the economy. Furthermore, companies with high earnings potential despite a weak economic outlook were sought, resulting in a portfolio that was heavily invested with stocks offering high dividend yields and low price to earnings multiples relative to the market.

Market Review

Despite significant challenges, our economy showed some resilience in FY10 and economic indicators such as inflation, exchange rate, and current account balance posted improvements 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, analysts were expecting a 300-400bps cut in the discount rate. During the year however the persistence seen in inflation and mounting fiscal pressures prompted the SBP to maintain the discount rate at 12.5%.

In FY10, the local equity market, as measured by the KSE-100 index, posted return of 35.74% despite expectations of tepid economic growth in FY10. Average daily traded volume during the fiscal year was 161 million shares, higher than last year but significantly lower than volumes witnessed at index peak levels in yesteryears. The index touched a high of 10,677 during April '10, and closed 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 FY10. Market participants regard the vigorous foreign interest in blue-chip stocks as the main factor driving the KSE-100, while rough estimates suggest foreign ownership of KSE stocks to be around 7% by the end of the fiscal year, up from last year's figure of 4.5%. On the flipside, the increased foreign ownership deems the market more susceptible to the vagaries of foreign flows and the global investment climate; a major selling point of the local bourses till late had been their relative insulation and low correlation with global markets performance. Foreigners are estimated to now own approximately 25-30% of the free float of the KSE.

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 the Oil & Gas, Chemicals, Banks, Construction & Materials and Fixed Line Telecommunication sectors.

Fund Performance

The LEF declined by 0.66% since its inception on 13th November 2009, while the benchmark KSE-100 index appreciated by 7.32%, which resulted in an underperformance of 7.98% relative to the benchmark. This underperformance of the LEF against its benchmark can be attributed to the outperformance of OGDC relative to the market. OGDC has 24% weight in the KSE-100 index and it has outperformed the index in the period under review by 30.59% due to foreign buying in this stock. Equity funds were allowed to take an exposure of only 10% in any individual stock therefore the LEF could not beat its benchmark. The preferred sectors for investment were mainly high dividend yielding, defensive stocks in light of the uncertainties marring the macro-economic outlook. The portfolio of the LEF is comprised of stocks offering high dividend yields and low price to earnings multiples relative to the market. The P/E and dividend yield of the portfolio as on 30th June 2010 was 7.12x and 7.65% respectively.

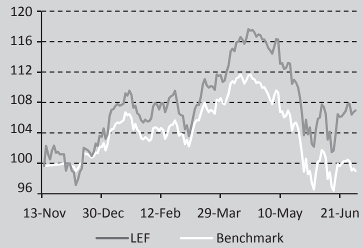
Performance Table	
Net Assets - Beginning (PKR Mil.)	136
Net Assets - Ending (PKR Mil.)	128
Highest Offer Price	115.2487
Lowest Offer Price	99.7229
Highest Redemption Price	111.8919
Lowest Redemption Price	96.8183
Beginning NAV	100.0000
Ending NAV	99.3374
FY10 Return	0.66%
Net Loss (PKR Mil.)	0.85

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

Distributions

There was no distribution in the period under review.

LEF vs. Benchmark



Future Outlook

After the imposition of the Capital Gains Tax ("CGT"), volumes are expected to remain low in the market as the CGT will reduce speculative activity. However, the introduction of leverage products in the market can help in improving volumes depending upon the nature of the products. Foreign flows remain strong in the market and can help the market to continue its recovery phase. The market is currently trading at a steep discount to the regional markets and this can help in attracting foreign investment.

Circumstances Materially Affecting Interests of Unit Holders

Any change in the prices of underlying securities present in the portfolio of the LEF could affect the NAV and the NAV per unit.

The Mutual Fund Association of Pakistan (“MUFAP”) had filed a petition in the Sind High Court regarding exemption of the mutual funds from the Workers Welfare Fund ("WWF"). However the Sind High Court ruled against MUFAP’s petition. As no income was earned during the period under review therefore no liability was booked in the LEF.

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	5	303
101 - 500	4	818
500 - 1,000	2	1,934
100,001 - 200,000	1	128,416
500,001 - 1,000,000	2	1,157,465
Total	**14**	**1,288,935**

CENTRAL DEPOSITORY COMPANY
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CDC House, 99-B, Block 'B'
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Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON EQUITY FUND

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

The Lakson Equity Fund (the Fund), an open-end Fund was established under a trust deed dated September 02, 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 Equity 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 statement.

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

BDO

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REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the period from November 14, 2009 to June 30, 2010 prepared by the Board of Directors of Lakson Investments Limited, the Management Company of **LAKSON EQUITY FUND ("the Fund")** to comply with the Listing Regulation No.XI (35) of the Lahore Stock Exchange (Guarantee) Limited, where the Fund is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulation XI (35) (xiiia) requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the period from November 14, 2009 to June 30, 2010.

KARACHI

BDO Ebrahim & Co.

CHARTERED ACCOUNTANTS

DATED: 28 JUL 2010

Engagement partner: Zulfikar Ali Causer

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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

Management Company's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2010 and of its financial performance, cash flows and transactions for the period from November 14, 2009 to June 30, 2010 in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

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

BDO Ebrahim & Co.

KARACHI
DATED: 28 JUL 2010

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

Statement of Assets and Liabilities
As at June 30, 2010

	Note	2010 Rupees
ASSETS		
Bank balances	4	20,047,743
Investments	5	105,446,327
Dividend and other receivables	6	728,411
Security deposits	7	2,650,000
Deferred formation cost	8	1,180,603
Total assets		130,053,084
LIABILITIES		
Payable to Lakson Investments Limited - Management Company	9	1,667,302
Payable to Central Depository Company of Pakistan Limited - Trustee	10	58,151
Annual fee payable to Securities & Exchange Commission of Pakistan	11	79,068
Accrued and other liabilities	12	209,111
Total liabilities		2,013,632
NET ASSETS		128,039,452
UNITHOLDERS' FUND (as per statement of movement in Unitholders' Fund)		128,039,452
CONTINGENCIES AND COMMITMENTS	13	
		Numbers
Number of units in issue		**1,288,935**
		Rupees
Net asset value per unit		**99.3374**

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer **Director**

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

	Note	For the period from November 14, 2009 to June 30, 2010 Rupees
INCOME		
Income from Government securities		606,700
Capital gain on sale of investments - net		2,746,202
Dividend income		3,625,575
Mark-up income		2,200,268
		9,178,745
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - held for trading		(6,280,510)
		2,898,235
EXPENSES		
Remuneration of Management Company	9.1	2,496,956
Remuneration of the Trustee	10.1	439,178
Annual fee to Securities & Exchange Commission of Pakistan	11	79,068
Brokerage and settlement charges		414,354
Amortisation of deferred formation cost	8	169,397
Auditors' remuneration		217,500
Listing fee		20,000
Printing charges		59,580
		3,896,033
Net loss from operating activities		(997,798)
Element of income in prices of units sold less those of units redeemed - net		143,760
Taxation	14	-
Net loss for the period		(854,038)

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer **Director**

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

	For the period from November 14, 2009 to June 30, 2010 Rupees
Net loss for the period	(854,038)
Other comprehensive income for the period	-
Total comprehensive loss for the period	(854,038)

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer	**Director**

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

	For the period from November 14, 2009 to June 30, 2010 Rupees
Total comprehensive loss for the period	(854,038)
Undistributed loss carried forward (includes unrealized loss on investments of Rs. 6,280,510)	(854,038)

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

Statement of Movement In Unit Holders' Fund
For the period from November 14, 2009 to June 30, 2010

	For the period from November 14, 2009 to June 30, 2010 Rupees
Issue of 1,489,620.5334 units	149,130,894
Redemption of 200,685.6356 units	(20,093,644)
	129,037,250
Element of income in prices of units sold less those of units redeemed - net	(143,760)
Net loss for the period	(854,038)
Net assets at the end of the period	128,039,452
Net asset value per unit at beginning of the period	100.000
Net asset value per unit at end of the period	99.3374

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer **Director**

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

	For the period from November 14, 2009 to June 30, 2010 Rupees
CASH FLOW FROM OPERATING ACTIVITIES	
Net loss for the period	(854,038)
Adjustments for non-cash charges and other items:	
Capital (gain) on sale of investments	(2,746,202)
Mark-up income	(2,200,268)
Income from Government securities	(606,700)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss - held for trading	6,280,510
Amortisation of deferred formation cost	169,397
Element of income in prices of units sold less those of units redeemed - net	(143,760)
	(101,061)
(Increase) in assets	
Investments - net	(109,018,736)
Security deposits	(2,650,000)
Deferred formation cost	(1,350,000)
	(113,018,736)
Increase in liabilities	
Payable to Management Company	1,667,302
Payable to Trustee	58,151
Annual fee payable to Securities & Exchange Commission of Pakistan	79,068
Accrued and other liabilities	209,111
	2,013,632
	(111,106,165)
Mark-up income received	2,116,658
Net cash (used in) operating activities	(108,989,507)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net receipts from issue of units	149,130,894
Net payments on redemption of units	(20,093,644)
Net cash generated from financing activities	129,037,250
Net increase in cash and cash equivalents end of the period	20,047,743

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer | **Director**

Notes to and forming part of the Financial Statements
For the period from November 14, 2009 to June 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

Lakson Equity Fund (the "Fund") was established under Trust Deed executed on September 2, 2009 between Lakson Investments Limited as its Management Company and Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a notified entity on September 18, 2009 by the Securities & Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The Management Company of the Fund has been licensed by SECP as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Asset Management Company is located at 41-K, 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 also be redeemed by surrendering them to the Fund.

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

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

These financial statements comprise of statement of assets and liabilities as at June 30, 2010 and the related income statement, statement of comprehensive income, statement of cash flows, distribution statement, statement of movement in unit holders' fund and notes thereto, for the period from November 14, 2009 to June 30, 2010.

These financial statements are being submitted to the unit holders as required under Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

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 have been prepared in Pakistani Rupees, which is presentational and functional currency of the Fund.

2.4 Standards, interpretations and amendments that have been effective during the period

IAS 1 (revised). 'Presentation of financial statements' - effective 1 January 2009. The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, all non-owner changes in equity are presented in the statement of comprehensive income.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by- transaction basis. The application of this standard is not likely to have an effect on the Fund's financial information.

"Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Fund's financial information.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after July 1, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Fund's operations.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Fund's financial information.

IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a Fund distributes non cash - assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Fund does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Fund's financial information.

The other new standards, amendments and interpretations that are mandatory for accounting period beginning on or after July 1, 2009 are considered not to be relevant or to have any significant effect on the Fund's financial reporting and operations.

2.5 Standards, interpretations and amendments to the published approved accounting standards that are not yet effective and have not been early adopted

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial information.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 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. This interpretation has no impact on the Fund's financial information.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Fund's financial information.

IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after 1 January 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual 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. This amendment is not likely to have any impact on Fund's financial information.

Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after 1 July 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale if criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Fund's financial information.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project. Such improvements are generally effective for accounting periods beginning on or after January 1, 2010. The Fund's management expects that such improvements to the standards will not have any material impact on the Fund's financial statements.

2.6 Critical accounting estimates and judgments

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

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

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

a) Investments stated at fair value

Management has determined fair value of certain investments by using quotation from active market. Fair value estimates are made at a specific point in time, based on market conditions and information 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, cannot be determined with precision.

Impairment of investment

Management has determined that investments are 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.

b) Other assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Investments

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

3.2.2 The Fund classifies its investments in the following categories:

a) Financial assets at fair value through profit and loss - Held for trading

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

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

b) Held-to-maturity

Investments with fixed maturity where the management has both the intent and ability to hold till maturity are classified as held-to-maturity. These investments are stated at amortised cost. Amortisation of premium / discount, if any, on the acquisition of investments is carried out using the effective yield method.

c) Available for sale

Investments which do not fall under the above categories and which may be sold in response to the need for liquidity or changes in market rates are classified as available-for-sale. After initial recognition, investments classified as available-for-sale are remeasured at fair value, determined with reference to the year-end quoted rates. Gains or losses on re-measurement of these investments are recognised 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.

3.2.3 Basis of valuation of investments

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

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

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

3.3 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) are 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.

3.4 Securities under repurchase / resale agreements

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

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 liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

3.5 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 the close of the initial period.

3.6 Other assets

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

3.7 Accrued expenses and other liabilities

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

3.8 Unitholders' fund

Unitholders' 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.

3.9 Net asset value per unit

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

3.10 Issue and redemption of units

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

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

3.11 Revenue recognition

- Dividend income on equity securities is recognised when the right to receive dividend is established.

- Gain or losses on sale of securities and unrealised gains or losses arising on revaluation of securities classified as 'Financial assets at fair value through profit or loss - held for trading' are included in the income statement in the period in which they arise.

- Income on reverse repurchase arrangements, commercial paper, reverse repo, and investments in treasury bills are recognised at rate of return implicit in the instrument on a time proportionate basis.

- Element of income / (loss) included in prices of units issued and redeemed is included in the income on the date of the issuance and redemption of units.

- Mark-up on bank balances is recognised on an accrual basis.

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

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

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

3.13 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.

3.14 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.

3.15 Offsetting of financial assets and financial liabilities

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

3.16 Impairment loss

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

3.17 Provisions

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

	Note	2010 Rupees
4. BANK BALANCES		
In profit and loss sharing accounts	4.1	20,047,743

4.1 These carry mark-up at rates ranging from 5% to 11 % per annum.

5. INVESTMENTS - financial assets at fair value through profit and loss - held for trading

	Note	2010 Rupees
Listed equity securities	5.1	105,446,327
Government securities	5.2	-
		105,446,327

5.1 Listed equity securities

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

Name of investee company	Number of shares					Balance as at June 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investments	Market value as a percentage of the paid-up capital of the investee company
	As at November 14, 2009	Purchased during the period	Bonus / right shares	Disposed during the period	As at June 30, 2010	Cost	Market value	Appreciation / (diminution)			
						Rupees					
Chemicals											
Engro Corporation Limited	-	57,200	2,500	19,700	40,000	7,201,232	6,943,200	(258,032)	5.42	6.58	0.21
Fauji Fertilizer Bin Qasim Limited	-	206,028	-	101,226	104,802	2,709,108	2,729,044	19,936	2.13	2.59	0.03
Fauji Fertilizer Company Limited	-	86,850	-	20,850	66,000	6,902,340	6,802,620	(99,720)	5.31	6.45	0.10
ICI Pakistan Limited	-	15,998	-	2,505	13,493	2,199,710	1,599,730	(599,980)	1.25	1.52	0.12
Sitara Chemicals Industries Limited	-	14,009	-	-	14,009	2,406,082	1,890,234	(515,848)	1.48	1.79	0.93
	-	380,085	2,500	144,281	238,304	21,418,471	19,964,828	(1,453,643)	15.59	18.93	1.38
Oil and Gas											
Attock Petroleum Limited	-	12,550	-	-	12,550	4,273,526	3,636,363	(637,163)	2.84	3.45	0.63
National Refinery Limited	-	13,751	-	3,000	10,751	1,974,174	1,965,820	(8,354)	1.54	1.86	0.25
Oil & Gas Development Company Limited	-	61,209	-	33,000	28,209	3,026,610	3,996,933	970,323	3.12	3.79	0.01
Pakistan Oilfields Limited	-	57,350	-	15,000	42,350	9,458,840	9,143,365	(315,475)	7.14	8.67	0.39
Pakistan Petroleum Limited	-	67,596	-	8,000	59,596	11,030,908	10,972,816	(58,092)	8.57	10.41	0.11
Pakistan State Oil Company Limited	-	22,100	-	1,500	20,600	6,106,209	5,360,120	(746,089)	4.19	5.08	0.31
Shell Pakistan Limited	-	5,657	-	-	5,657	1,408,580	1,298,904	(109,676)	1.01	1.23	0.19
	-	240,213	-	60,500	179,713	37,278,847	36,374,321	(904,526)	28.41	34.50	1.89
Construction and Materials											
DG Khan Cement	-	85,000	-	-	85,000	2,407,869	2,007,700	(400,169)	1.57	1.90	0.05
Lucky Cement Limited	-	53,050	-	10,000	43,050	2,870,607	2,675,127	(195,480)	2.09	2.54	0.08
	-	138,050	-	10,000	128,050	5,278,476	4,682,827	(595,649)	3.66	4.44	0.14
General Industries											
Tri Pack Films Limited	-	3,000	-	-	3,000	285,480	292,590	7,110	0.23	0.28	0.10
Personal Goods											
Nishat Mills Limited	-	66,200	19,890	17,000	69,090	3,899,008	2,979,161	(919,847)	2.33	2.83	0.08
Fixed Line Telecommunication											
Pakistan Telecommunications Company Limited	-	170,850	-	8,000	162,850	2,823,960	2,898,730	74,770	2.26	2.75	0.01
Electricity											
Hub Power Company Limited	-	348,405	-	38,000	310,405	9,763,038	9,920,544	157,506	7.75	9.41	0.09
Kot Addu Power Company Limited	-	35,359	-	-	35,359	1,606,970	1,475,885	(131,085)	1.15	1.40	0.02
	-	383,764	-	38,000	345,764	11,370,008	11,396,429	26,421	8.90	10.81	0.10
Banks											
Allied Bank Limited	-	63,950	4,195	-	68,145	4,002,044	3,880,858	(121,186)	3.03	3.68	0.05
Bank Alfalah Limited	-	274,250	-	50,000	224,250	3,060,237	2,121,405	(938,832)	1.66	2.01	0.02
Bank Al-Habib Limited	-	47,598	3,826	-	51,424	1,592,111	1,619,856	27,746	1.27	1.54	0.02
MCB Bank Limited	-	59,529	2,052	19,000	42,581	8,623,149	8,268,804	(354,345)	6.46	7.84	0.11
National Bank of Pakistan	-	26,000	3,750	16,000	13,750	817,552	881,375	63,823	0.69	0.84	0.01
United Bank Limited	-	151,620	7,662	17,000	142,282	8,100,104	7,713,107	(386,997)	6.02	7.31	0.06
	-	622,947	21,485	102,000	542,432	26,195,196	24,485,405	(1,709,791)	19.12	23.22	0.27
Non Life Insurance											
Adamjee Insurance Company Limited	-	30,450	2,245	3,000	29,695	3,177,391	2,372,036	(805,355)	1.85	2.25	0.19
Total - June 30, 2010	**-**	**2,035,559**	**46,120**	**382,781**	**1,698,898**	**111,726,837**	**105,446,327**	**(6,280,510)**	**82.35**	**100.00**	**4.16**

5.1.1 Investments include shares with market value aggregating to Rs. 3.196 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades.

5.2 Government Securities

Name of investee company	Face value					Balance as at June 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at November 14, 2009	Purchased during the period	Disposed during the period	Matured during the period	As at June 30, 2010	Cost	Market value	Appreciation / (diminution)		
Treasury Bills - 3 months	-	30,000,000	30,000,000	-	-	-	-	-	-	-

6. DIVIDEND AND OTHER RECEIVABLES

	2010 Rupees
Unsecured - considred good	
Dividend receivable	644,801
Mark-up income accrued on profit and loss sharing accounts	83,261
Others	349
	728,411

	Note	2010 Rupees
7. SECURITY DEPOSITS		
National Clearing Company of Pakistan Limited		2,550,000
Central Depository Company of Pakistan Limited		100,000
		2,650,000

8. DEFERRED FORMATION COST

	Note	2010 Rupees
Unamortised cost	8.1	1,350,000
Amortised to the income statement during the period		(169,397)
Closing balance		1,180,603

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 said formation cost shall be amortised by the collective investment scheme over a period of not less then five years or within the maturity date of collective investment scheme. Accordingly the said expenses are being amortised over a period of five years effective from November 14, 2009, i.e. after the close of initial period of the Fund.

9. PAYABLE TO LAKSON INVESTMENTS LIMITED - MANAGEMENT COMPANY

	Note	2010 Rupees
Management fee	9.1	317,302
Formation cost	8.1	1,350,000
		1,667,302

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 at the rate of three percent of the average daily net assets of the Fund.

10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	Note	2010 Rupees
Trustee fee	10.1	57,537
CDC settlement charges		614
		58,151

10.1 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 of Pakistan Limited) is entitled to remuneration amounting to Rs. 0.7 million or at the rate of 0.20% per annum of the daily average net assets of the Fund, whichever is higher.

Exceeding Rs. 1,000 million

The Trustee (Central Depository Company of Pakistan Limited) 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.

The remuneration is paid to the Trustee monthly in arrears.

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

This represents annual fee payable to Securities & Exchange Commission of Pakistan (SECP) in accordance with Rule 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, whereby the Fund is required to pay annual fee to SECP at the rate of 0.095% of the average daily net assets of the Fund.

12. ACCRUED AND OTHER LIABILITIES

	2010 Rupees
Auditors' remuneration	165,000
Brokerage and settlement charges	18,862
Others	25,249
	209,111

13. CONTINGENCIES AND COMMITMENTS

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

14. TAXATION

Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax to any income derived by a Mutual Fund, if not less than ninety percent of its accounting income of a year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. 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 unitholders. The Fund intends to avail the tax exemption by distributing atleast ninety percent of its accounting income as reduced by capital gains, whether realised or unrealised, to its unit holders every year. No provision for taxation has been made in these financial statements due to loss for the year.

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited 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. Transactions with these related parties involve issue and redemption of units.

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2008, and the Constitutive Documents respectively. Security deposit has been placed with CDC under normal terms of the business.

Transactions and balances with related parties other than those disclosed elsewhere in the financial statements are as follows:

Unit Holder's Fund

	2010								
	As at November 14, 2009	Issued for cash	Redeemed	As at June 30, 2010	As at November 14, 2009	Issued for cash	Redeemed	As at June 30, 2010	Net Asset value as at June 30, 2010
	Units				(Rupees)				
Associated Companies / Undertakings									
Lakson Investments Limited (Management Company)	-	853,788	199,795	653,993	-	85,378,810	20,000,000	65,378,810	64,965,953
SIZA (Private) Limited	-	503,472	-	503,472	-	50,347,166	-	50,347,166	50,013,565
Other Related Parties									
Key management personnel	-	443	150	293	-	45,000	16,275	28,725	29,078

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Introduction and overview

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

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

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

Risk management framework

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed 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 the SECP. The Fund primarily invests in a portfolio of equity securities. The Fund may also invest in cash and / or near cash instruments which include cash in bank accounts (excluding TDRs) and treasury bills not exceeding 90 days maturity (subject to above guidelines, etc). Such investments are subject to varying degrees of risk.

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

16.1 Market risk

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

Management of market risks

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

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

16.1.1 Currency risk

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

16.1.2 Interest rate risk

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

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

	Yield / effective interest rate	Total	Up to three months	More than three months and up to one year	More than one year	Net exposed to interest rate risk
	June 30, 2010					
			Exposed to interest rate risk			
	%	Rupees				
On-balance sheet financial instruments						
Financial assets						
Bank balances	5 to 11	20,047,743	20,047,743	-	-	-
Investments						
Listed equity securities		105,446,327	-	-	-	105,446,327
Dividend and other receivables		728,411	-	-	-	728,411
Security deposits		2,650,000	50,000	-	-	2,600,000
		128,872,481	20,097,743	-	-	108,774,738
Financial liabilities						
Payable to Lakson Investments Limited - Management Company		1,667,302	-	-	-	1,667,302
Payable to Central Depository Company of Pakistan Limited - Trustee		58,151	-	-	-	58,151
Annual fee payable to Securities and Exchange Commission of Pakistan		79,068	-	-	-	79,068
Accrued and other liabilities		209,111	-	-	-	209,111
		2,013,632	-	-	-	2,013,632
On balance sheet gap		126,858,849	20,097,743	-	-	106,761,106

16.1.3 Price risk

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

In case of five percent increase / decrease in KSE 100 index on June 30, 2010, net loss for the period would decrease / increase by Rs. 5.272 million and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2010 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

16.2 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 with banks and financial institutions, and credit exposure arising as a result of dividends receivable on equity securities.

Management of credit risk

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

For banks and financial institutions, only reputed institutions are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

Exposure to credit risk

The maximum exposure to credit risk before any credit enhancement as at June 30, 2010 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Concentration on credit risk

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

16.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents and guidelines laid down by Securities & Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in listed equity securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements. The present settlement system for listed equity securities is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six business days from the date of the redemption request.

The Fund has ability to borrow, with prior approval of trustee, for meeting redemption. 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 have arisen during the period.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

Maturity analysis for financial liabilities

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

	June 30, 2010			
	Total	Upto three months	Over three months and up to one year	Over One Year
	Rupees			
Liabilities				
Payable to the Lakson Investments Limited	1,667,302	1,667,302	-	-
Payable to the Central depository Company of Pakistan Limited -Trustee	58,151	58,151	-	-
Annual fee payable to Securities & Exchange Commission of Pakistan	79,068	79,068	-	-
Accrued and other liabilities	209,111	209,111	-	
	2,013,632	2,013,632	-	-

16.4 Operational risks

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

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

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

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

16.5. 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.

17. FAIR VALUE OF FINANCIAL INVESTMENTS

The Fund's accounting policy on fair value measurements of the investments is discussed in note 3.2 to these financial statements.

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

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

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

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

As at June 30, 2010, all the investments were categorised in Level 1.

18. PATTERN OF UNIT HOLDING

Category	No. of Unit Holders	Investment amount Rupees	% of Total
Individuals	11	303435	0.24%
Associated companies	2	114,979,518	89.80%
Banks and DFIs	-	-	-
NBFCs	-	-	-
Retirement funds	-	-	-
Public limited companies	1	12,756,498	9.96%
Insurance companies	-	-	-
Others	-	-	-
	14	128,039,452	100.00%

19. TOP TEN BROKERS BY PERCENTAGE OF COMMSSION PAID

Broker Name	Percentage
IGI Finex Securities Limited	12.57%
JS Global Capital Limited	12.35%
Topline Securities (Private) Limited	11.12%
KASB Securities Limited	11.07%
Al Habib Capital Markets (Private) Limited	10.95%
BMA Capital Management Limited	9.67%
Invest & Finance Securities Limited	9.07%
Saya Securities (Private) Limited	8.33%
Invest Capital Investment Bank Limited	8.03%
Jan Mohammad A. Latif Nini & Sons (Private) Limited	4.54%

20. PARTICULARS OF 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
Mr. Mohammad Umar Ashfaq

Name Mr. Iqbal Ali Lakhani
Designation Chairman of the Board

Experience 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 stock exchanges 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.

Education 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.

Name Mr. Babar Ali Lakhani
Designation Chief Executive Officer

Experience 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.

Education Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University.

Mr. Lakhani 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.

Name Mr. Amir Mobin
Designation Chief Financial Officer and Company Secretary

Experience 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.

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

Name Mr. Muhammad Umair Chauhan
Designation Chief Investment Officer and Fund Manager

Experience Mr. Muhammad Umair Chauhan has over six (6) 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.

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

Other Funds managed by the Fund Manager are:

Lakson Income Fund
Lakson Money Market Fund

Name Mohammad Umar Ashfaq
Designation Junior Fund Manager

Experience 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 equity analyst, he also assists the Chief Investment Officer with fixed income placements.

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

21. ATTANDENCE AT MEETINGS OF BOARD OF DIRECTORS

During the period from November 14, 2009 to June 30, 2010, 5th, 6th, 7th and 8th Board meetings were held on January 05, 2010, February 12, 2010, April 02, 2010 and April 22, 2010 respectively. Information in respect of attendance by Directors in the meeting is given below:

Sr. No.	Name	Meetings			Meetings not attended
		Total	Attended	Leave granted	
1	Mr. Iqbal Ali Lakhani	4	2	2	7th and 8th meeting
2	Mr. Babar Ali Lakhani	4	4	-	-
3	Mr. A. Aziz H. Ebrahim	4	3	1	5th meeting
4	Mr. M. A. Qadir	4	4	-	-
5	Mr. Sher Afgan Malik	2	2	-	-
6	Mr. Daniel Scott Smaller	4	3	1	7th meeting
7	Mr. Mahomed J. Jaffer	4	2	2	5th and 7th
8	Mr. Zahid Zakiuddin	4	4	-	-
9	Mr. Khaleeq Kayani	1	-	1	5th meeting

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 12 February 2010. The Securities & Exchange Commission of Pakistan accorded its approval for the appointment of Mr. Sher Afgan Malik on 11 March 2010.

22. RATING OF THE MANAGEMENT COMPANY AND THE FUND

PACRA Rating	Management Quality Rating	Star Ranking
Lakson Investments Limited	AM3 (Positive Outlook)	N/A
Lakson Equity Fund	N/A	N/A

23. DATE OF AUTHORIZATION FOR ISSUE

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

24. GENERAL

24.1 Figures have been rounded off to the nearest rupee.

24.2 As this is the first period of the operation of the Fund, comparative figures have not been disclosed in these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer **Director**

Lakson Investments Limited

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