

Quarterly Report (30 September 2010)



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The Lakson Group

Lakson Investments Limited
Lakson Income Fund

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Fund's Information

Management Company

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

Board of Directors of the Management Company

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

Chief Financial Officer & Company Secretary of the Management Company

Mr. Amir Mobin

Audit Committee

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

Trustee

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

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road,
Karachi - 75530, Pakistan

Bankers to the Fund

Allied Bank Limited
Bank Al-Falah Limited
Deutsche Bank AG
Habib Metropolitan Bank
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank Limited
United Bank Limited

Legal Adviser

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

Registrar

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

Distributors

Alfalah Securities (Pvt.) Limited
Atlas Capital Markets (Pvt.) Limited
IGI Investment Bank Limited
Pyramid Financial Consultants

Rating by PACRA

AA-(f) Fund Stability Rating
AM3with positive outlook for Management
Company Quality Rating

REVIEW REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2010

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Income Fund ("LIF") is pleased to submit its review report together with Condensed Interim Financial Statements for the quarter ended September 30, 2010.

Fund Objective

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

Fund Profile

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

Fund Performance

The net income for the quarter ended September 30, 2010 was PKR 14.51 million which comprised mainly of mark-up income from Bank deposits, Placements, COI's, Term Deposit Receipt's and Term Finance Certificate's amounting to PKR 15.74 million. The unrealized diminution mainly due to the valuation of T-bills and TFCs amounted to PKR 0.330 million. During the period under review LIF recorded an annualized yield of 10.40%.

Income Distribution

Subsequent to the period end the Chief Executive Officer of the management company under the authority of the Board of Directors has approved an interim distribution of PKR 2.4702 per unit for the quarter ended September 30, 2010 amounting to PKR 13.78 million (PKR 13.18 million of Bonus distribution and PKR .60 of cash distribution).

Earning per Unit (EPU)

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

Economic & Market Review

Heavy rains in the Northern areas of the country triggered both flash floods and riverine floods that ravaged 20% of the country's landmass destroying the physical and economic infrastructure that lay in its path. The economic impact of the flood is very severe and international agencies have estimated the losses at USD 9.5 billion. As a result of these floods the GDP is expected to grow by only 2.5% with an inflation of 13.5-14.5% for FY11 as compared to original estimates of 4.5% and 9.5% respectively. Pakistan has received pledges of aid from different sources however the materialization of the commitments is very slow as the international community is demanding the imposition of flood tax on the rich and a cut in expenses that the Government has failed to comply so far. The State Bank of Pakistan ("SBP") announced two monetary policies in the period under review and increased the policy rate by 100bps (50bps each time) to counter

ever increasing fiscal imbalances. In 1QFY11 the headline inflation settled at 13.8% on the back of 16.6% food inflation as the supply disruptions due to floods caused an upsurge in the prices of food items. The country received USD 2.6 billion in remittances in 1QFY11 that gave some respite to the external current account position in the wake of declining foreign investment (down 28.5% YoY) and increasing trade deficit (up 22% YoY). The Government could not introduce the Reformed General Sales Tax ("RGST") as consensus could not be created among provinces. The IMF has linked the disbursement of next tranche under the Stand-by Arrangement with the imposition of the RGST and the introduction of energy sector reforms. Forex reserves of the country increased by USD 1.03 billion in 1QFY11 and reached USD 16.99 billion as on October 1, 2010. Money supply (M2) increased by 0.60% in FY11 as of October 1, 2010 mainly due to Government borrowing for the budgetary support that stood at PKR 133 billion during this period.

The money market remained tight during the period under review and the overnight repo rates averaged 11.62% during 1QFY11. The SBP had to intervene on many occasions through open market operations to manage the liquidity in the system and during 1QFY11 the SBP injected PKR 25 billion on net basis in the system to ease off the tight liquidity situation. The SBP conducted 6 T-Bill auctions in 1QFY11 with a combined target of PKR 535 billion and raised PKR 614 billion by raising cut-off yields by 64, 54 and 37bps on 3, 6 and 12 months T-Bills respectively. The SBP also conducted two PIB auctions however all bids were rejected on both occasions. Led by an increase in the policy rate an upward trend was witnessed in the market yields of government securities which went up by 68bps on average. At the same time a larger increase was witnessed on longer tenures. The 6-month KIBOR that is widely used as benchmark lending rate averaged 12.70% in 1QFY11 and it increased by 90bps during the period under review. Corporate bonds witnessed some correction in the 1QFY11 as interest rates started rising however activity was limited to only specific corporate bonds in the financial, fertilizer, and telecom sectors. Rates offered by the higher-rated commercial banks and DFIs could not match the yields offered by the T-Bills therefore the fixed income mutual funds focused more on T-Bills as compared to the TDRs or COIs.

Future Outlook

Pakistan experienced a phase of economic recovery and stabilization after the global financial crisis however the recent flood has derailed the economy and the country is once again facing severe economic challenges in the form of high inflation, low growth, high interest rates, and increasing deficits. Inflation is expected to show persistence in the short term however the situation will improve in a couple of months once the supply of food items is restored to pre-flood levels. The Government will have to implement the RGST in order to overcome its fiscal imbalances and we expect the rate of the RGST to be higher than 15% in order to cover the revenue shortfalls caused by the flood and to compensate for the delay in the implementation of the RGST. The Government borrowing from the banking system will remain high in the absence of other sources to finance the fiscal deficit which will force the SBP to continue with its tight monetary policy stance. A materialization of the commitments made through the FoDP forum, Kerry Lugar Bill, and Coalition Support Fund can benefit Pakistan in reducing the fiscal imbalances, however an absence of these inflows will result in even higher interest rates and increasingly lackluster economic performance.

Acknowledgement

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

For and on behalf of the Board

Babar Ali Lakhani
Chief Executive Officer

Karachi, July 28, 2010

Condensed Interim Statement of Assets and Liabilities As at 30 September 2010

		30 September 2010 (Unaudited) (Rupees)	30 June 2010 (Audited)
Assets	Note		
Bank balances	5	199,590,085	91,636,330
Investments	6	322,118,629	322,418,446
Placements		-	35,000,000
Receivable against reverse repurchase transaction	7	50,000,000	-
Mark-up receivable		2,303,818	3,432,441
Deposit and prepayment		256,347	284,109
Deferred formation cost		1,506,739	1,598,907
Total assets		575,775,618	454,370,233
Liabilities			
Payable to the Management Company		684,440	2,376,591
Remuneration payable to the Trustee		91,259	73,101
Annual fee payable to Securities and Exchange Commission of Pakistan		95,068	173,396
Accrued expenses and other liabilities	8	954,740	744,232
Total liabilities		1,825,507	3,367,320
Net assets		573,950,111	451,002,913
Unit holders' funds (as per the statement attached)		573,950,111	451,002,913
		(Number)	
Number of units in issue		5,580,720	4,365,687
		(Rupees)	
Net assets value per unit		102.8451	103.3062

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

Condensed Interim Income Statement (Unaudited) For the quarter ended 30 September 2010

(Rupees)

Income

Mark-up income	15,740,181
Gain on sale of held for trading investments - net	1,861
Net unrealised diminution in the fair value of investments - held for trading	(330,414)
Element of income and capital gains in prices of units sold less those in units redeemed - net	1,899,415
	17,311,043

Expenses

Remuneration to the Management Company	1,901,367
Remuneration to the Trustee	253,516
Annual fee to the Securities and Exchange Commission of Pakistan	95,068
Auditors' remuneration	66,596
Fees and subscription	57,975
Printing charges	25,205
Brokerage expenses	9,565
Settlement and bank charges	2,214
Amortisation of deferred formation cost	92,167
Workers' Welfare Fund	296,147
	2,799,820

Net income for the period

14,511,223

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

**Condensed Interim Statement
of Comprehensive Income (Unaudited)
For the quarter ended 30 September 2010**

(Rupees)

Net income for the period	14,511,223
Other comprehensive income	-
Total comprehensive income	<u>14,511,223</u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

Condensed Interim Distribution Statement (Unaudited) For the quarter ended 30 September 2010

(Rupees)

Undistributed income brought forward	14,434,235
Final distribution at the rate of Rs 2.9932 per unit approved on 6 July 2010	
- Cash distribution	(729,825)
- Issue of bonus units	(12,337,549)
	(13,067,374)
Total Income income for the period	14,511,223
	<hr/>
	15,878,084
Undistributed income at the end of the period - realised	16,208,498
Undistributed income at the end of the period - unrealised	(330,414)
Total undistributed income at the end of the period	<hr/> 15,878,084 <hr/>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

**Condensed Interim Statement of Movement
 in Unit Holders' Fund (Unaudited)
 For the quarter ended 30 September 2010**

	(Rupees)
Net assets at the beginning of the period	451,002,913
Cash received on issue of 1,447,900 units	147,043,000
Cash paid on redemption of 355,858 units	(35,977,785)
	111,065,215
Element of income and capital gains in prices of units sold less those in units redeemed - net	(1,899,415)
Final distribution at the rate of Rs 2.9932 per unit approved on 6 July 2010	
- Cash distribution	(729,825)
- Issue of Bonus units	(12,337,549)
	(13,067,374)
Net income for the period	14,511,223
Issue of 122,991 bonus units for the period	12,337,549
Net assets as at end of the period	573,950,111
Net assets value per unit at the beginning of the period	103.3062
Net assets value per unit at end of the period	102.8451

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

Condensed Interim Cash Flow Statement (Unaudited) For the quarter ended 30 September 2010

	(Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income for the period	14,511,223
Adjustments for non-cash and others items:	
Amortisation of deferred formation cost	92,167
Net unrealised diminution in the fair value of investments - held for trading	(330,414)
Element of income and capital gains in prices of units sold less those in units redeemed - net	(1,899,415)
	12,373,561
(Increase) / decrease in assets	
Investments	630,232
Placement	35,000,000
Receivable against reverse repurchase transaction	(50,000,000)
Mark-up receivable	1,128,623
Deposit and prepayment	27,762
	(13,213,383)
(Decrease) / Increase in liabilities	
Payable to the Management Company	(1,692,151)
Remuneration payable to the trustee	18,158
Annual fee payable to Securities and Exchange Commission of Pakistan	(78,328)
Accrued expenses and other liabilities	210,508
	(1,541,813)
Net cash used in operating activities	(2,381,635)
CASH FLOWS FROM FINANCING ACTIVITIES	
Received on issue of units	147,043,000
Paid against redemption of units	(35,977,785)
Cash dividend paid	(729,825)
Net cash from financing activities	110,335,390
Net increase in cash and cash equivalents during the period	107,953,755
Cash and cash equivalents at beginning of the period	91,636,330
Cash and cash equivalents at end of the period	199,590,085

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

Notes to the Condensed Interim Financial statements (Unaudited) For the quarter ended 30 September 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

The Fund primarily invests in Government Securities, Certificates of Investment, Certificates of Deposits, Term Deposit Receipts, Commercial Papers, Reverse Repo, preference shares, spread transactions and debt securities etc (subject to the guidelines given by SECP).

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements of the Fund for the quarter ended 30 September 2010 have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Rules and Regulations). In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the Trust Deed and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: "Interim Financial Reporting".

These condensed interim financial statements comprise of condensed interim statement of assets and liabilities as at 30 September 2010 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim distribution statement, condensed interim statement of movement in unit holder's fund, and notes thereto, for the quarter ended 30 September 2010.

These condensed interim financial statements are being submitted to the unit holders as required under Regulation 38(g) of the NBFC Regulation.

2.2 Basis of measurement

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

2.4 Use of estimates and judgments

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

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

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

Investment stated at fair value

Management has determined fair value of certain investments by using quotation from active market. 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, can not be determined with precision.

Impairment of investment

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

Other assets

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

Workers welfare fund liability

For details please refer note 8.1 to these condensed interim financial statements

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual audited financial statements for the period ended 30 June 2010.

4. FINANCIAL RISK MANAGEMENT

The Fund financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the period ended 30 June 2010.

5. BANK BALANCES - local currency		30 September 2010 (Unaudited) (Rupees)	30 June 2010 (Audited)
In profit and loss sharing accounts	5.1	4,590,085	1,636,330
In term deposits	5.2	195,000,000	90,000,000
		<u>199,590,085</u>	<u>91,636,330</u>

5.1 These accounts carry profit rates ranging between 5% to 11% (30 June 2010: 5% to 11%) per annum.

5.2 These Term Deposits carry profit rates ranging between 12.40% to 12.55% (30 June 2010: 12.25% to 12.40%) per annum and will mature between 07 October 2010 to 21 October 2010.

6. INVESTMENTS

Held for trading	6.1	284,638,241	322,418,446
Available for sale	6.2	37,480,388	-
		<u>322,118,629</u>	<u>322,418,446</u>
6.1 Held for trading			
Government securities	6.1.1	236,288,290	274,035,861
Term Finance Certificate - Listed	6.1.2	33,383,191	33,612,205
Term Finance Certificate - Unlisted	6.1.3	14,966,760	14,770,380
		<u>284,638,241</u>	<u>322,418,446</u>
6.2 Available for sale			
Commercial paper	6.2.1	37,480,388	-
		<u>37,480,388</u>	<u>-</u>

6.1.1 Held for trading investments - government securities

Details are as follows:

Name of Security	Note	Number of holdings at beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at the end of the period	Cost as at 30 September 2010	Market value as at 30 September 2010	Unrealized (diminution)	% of net assets of the Fund	% of total investments
------(Rupees)-----										
- Treasury Bills - 12 months (face value of Rs. 100,000 each)	6.1.1.1	250	1,850	1,850	250	24,624,588	24,591,550	(33,038)	4.28	7.63
- Treasury Bills - 6 months (face value of Rs. 100,000 each)	6.1.1.2	800	1,980	1,880	900	88,566,555	88,498,365	(68,190)	15.42	27.47
- Treasury Bills - 3 months (face value of Rs. 100,000 each)	6.1.1.3	1,750	2,750	3,250	1,250	123,213,290	123,198,375	(14,915)	21.46	38.25
					Total	236,404,433	236,288,290	(116,143)	41.17	73.35
					30 June 2010:	274,145,689	274,035,861	(109,828)	60.76	85.00

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

6.1.1.2 These represent 6 months Treasury bills of Government carrying a fixed mark-up rate ranging from 11.60% to 12.79% (30 June 2010: 12.1223% to 12.2577%) and maturing between 07 October 2010 and 27 January 2011. The face value of Treasury bills held as at 30 September 2010 amounted to Rs.90 million (30 June 2010: Rs. 80 million).

6.1.1.3 These represent 3 months Treasury bills of Government carrying a fixed mark-up rate ranging from 12.20% to 12.68% (30 June 2010: 11.8742% to 12.1013%) and maturing between 02 July 2010 and 09 September 2010. The face value of Treasury bills held as at 30 September 2010 amounted to Rs.125 million (30 June 2010: Rs. 175 million).

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

Details are as follows:

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

Name of Security	Note	Number of holdings at beginning of the period	Acquired during the period	Matured / disposed during the period	As at 30 September 2010	Cost as at 30 September 2010	Market value as at 30 September 2010	Unrealized appreciation / (diminution)	% of net assets of the Fund	% of total investments
------(Rupees)-----										
Commercial Banks										
United Bank Limited	6.1.2.1	3,000	-	-	3,000	13,385,092	14,165,336	780,244	2.47	4.40
NIB Bank Limited	6.1.2.2	3,000	-	-	3,000	13,800,715	14,196,894	396,179	2.47	4.41
Fertilizer										
Engro Fertilizer Limited	6.1.2.3	1,000	-	-	1,000	4,986,211	5,020,961	34,750	0.87	1.56
						32,172,018	33,383,191	1,211,173	5.82	10.36
					30 June 2010:	32,098,796	33,612,205	1,513,409	7.45	10.42

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

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

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

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

Details are as follows:

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

Name of Security	Note	Number of holdings at beginning of the period	Acquired during the period	Matured / disposed during the period	As at 30 September 2010	Cost as at 30 September 2010	Market value as at 30 September 2010	Unrealized appreciation / (diminution)	% of net assets of the Fund	% of total investments
(Rupees)										
Technology and Communication										
Pakistan Mobile Communication Limited - privately placed	6.1.3.1	6,000	-	-	6,000	15,000,000	14,966,760	(33,240)	2.61	4.65
						<u>15,000,000</u>	<u>14,966,760</u>	<u>(33,240)</u>	<u>2.61</u>	<u>4.65</u>
30 June 2010 :						<u>14,806,890</u>	<u>14,770,380</u>	<u>(36,510)</u>	<u>3.28</u>	<u>4.58</u>

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

	30 September 2010 (Unaudited)	30 June 2010 (Audited)
6.1.4 Unrealised diminution in fair value of investment - 'Held for trading' - net	(Rupees)	
	284,638,241	322,418,446
Market value of investments	<u>(283,576,451)</u>	<u>(321,051,372)</u>
Less: Cost of investments	<u>1,061,790</u>	1,367,074
	(1,367,074)	-
Less: unrealised gain at the beginning of the period	<u>(25,130)</u>	-
Less: Realised on disposal during the period	<u>(1,392,204)</u>	-
	<u>(330,414)</u>	<u>1,367,074</u>

6.2.1 Available for sale - Commercial Paper

Name of Security	Note	Number of holdings at beginning of the period	Acquired during the period	Matured / disposed during the period	As at 30 September 2010	Carrying value as at 30 September 2010	% of net assets of the Fund	% of total investments
Engro Fertilizer Ltd (Face value Rs.1,000,000 each)	6.2.1.1	-	40	-	40	37,480,388	6.53	11.64
						<u>37,480,388</u>	<u>6.53</u>	<u>11.64</u>

6.2.1.1 These commercial papers have a face value of Rs. 40 million and carry markup at the rate of 14.14% and will mature on 24 March 2011. The rating of entity is AA.

	30 September 2010 (Unaudited)	30 June 2010 (Audited)
	(Rupees)	
7	Receivable against reverse repurchase transaction	50,000,000

7.1 The balance represents the amount receivable against the reverse repurchase transaction in debt securities. It carry rate of markup of 12.90% and will mature on 20 October 2010. The market value of the debt securities (TFCs) had on 30 September 2010 was Rs. 62,939,590.

7.2 These represents 8.71% of net assets on the basis of carrying amount.

	30 September 2010 (Unaudited)	30 June 2010 (Audited)
	(Rupees)	
8.	ACCRUED EXPENSES AND OTHER LIABILITIES	
	Auditors' remuneration	165,000
	Payable to Workers' Welfare Fund 8.1	547,305
	Brokerage payable	-
	Other liabilities	31,927
	55,867	744,232
	954,740	744,232

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

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

However, the Management Company in pursuance of the order passed by the Honourable High Court of Sindh considers it prudent to record the provision for WWF amounting to Rs.0.843 million (0.296 million for the quarter ended 30 September 2010 and 0.547 million for the period ended 30 June 2010) in these condensed interim financial statements.

9. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

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

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively. Other transactions are in normal course of business, at contracted rates and terms determined in accordance with the market rates.

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

9.1 Transactions relating to the units of the Fund

	2010								
	As at the beginning of the period as at 01 July 2010	Issued	Bonus	Redeemed	As at 30 September 2010	As at the beginning of the period as at 01 July 2010	Issued for cash	Redeemed	Net Asset value as at 30 September 2010
	Units				(Rupees)				
- Lakson Investment Limited (Management Company)	728,450	-	21,736	-	750,186	75,253,423	-	-	77,152,970
- Key Management Personnel and Employees of the Management Company	-	793	24	-	816	-	80,000	-	83,947
Associated Companies / Undertakings									
- Siza (Private) Limited	2,086,248	953,704	62,251	-	3,102,202	215,522,321	97,043,000	-	319,046,303
- Clover (Pakistan) Limited Employees Contribution Fund	15,438	-	461	-	15,899	1,594,841	-	-	1,635,100
- Colgate Palmolive (Pakistan) Limited Employee Contribution Provident Fund	138,948	-	4,146	-	143,095	14,354,241	-	-	14,716,571
- Colgate Palmolive (Pakistan) Limited Employee Gratuity Fund	77,193	-	2,303	-	79,496	7,974,515	-	-	8,175,810
- Accury Surgical Limited Employee Contribution Provident Fund	10,292	-	307	-	10,600	1,063,277	-	-	1,090,116
- Cyber Internet Services (Private) Limited Employee Contribution Provident Fund	108,051	-	3,224	-	111,275	11,162,338	-	-	11,444,096
- GAM Corporation (Private) Limited Employees Contribution Provident Fund	30,865	-	921	-	31,786	3,188,523	-	-	3,269,008
- Princeton Travels (Private) Limited Contribution Provident Fund	12,351	-	369	-	12,720	1,275,933	-	-	1,308,140
- Siza Foods (Pvt) Limited Contribution Provident Fund	66,901	-	1,996	-	68,897	6,911,301	-	-	7,085,756
- Century Insurance Company Limited	484,204	-	14,448	-	498,652	50,021,257	-	-	51,283,893
- Century Insurance Company Ltd Employee Contribution Provident Fund	15,439	-	461	-	15,899	1,594,926	-	-	1,635,185

9.2 Other transactions with the Connected Persons / Related Parties

Lakson Investment Limited (Management Company)
 Remuneration for the period

**30 September
 2010
 (Unaudited)
 (Rupees)**

1,901,367

Central Depository Company of Pakistan Limited (Trustee)
 Remuneration for the period
 Settlement charges for the period

253,516

1,500

	30 September 2010	30 June 2010
9.3 Other balances with the Connected Persons / Related Parties (Unaudited)	(Unaudited)	(Audited)
		(Rupees)
Lakson Investment Limited - (Management Company)		
Remuneration payable at period end	684,440	548,267
Preliminary expenses and formation cost payable	<u> -</u>	<u>1,828,324</u>
Central Depository Company of Pakistan Limited - (Trustee)		
Remuneration payable at period end	91,259	73,101
Security deposit	<u>100,000</u>	<u>100,000</u>

10 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Chief Executive Officer under the authority of the Board of Directors of the Management Company have approved an interim distribution of Rs. 2.4702 per unit for the quarter ended 30 September 2010, amounting to Rs. 13.785 million (Rs. 13.183 million of bonus distribution and Rs. 0.602 million of cash distribution) on 4 September 2010. These condensed interim financial statements do not include the effect of the above interim distribution of Rs. 13.785 million, that will be accounted for subsequent to the period end.

11. DATE OF AUTHORIZATION FOR ISSUE

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

12 GENERAL

12.1 Lakson Income Fund was launched on 14 November 2010. Therefore, corresponding figures for the quarter have not been presented.

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

Chief Executive Officer

Director

Lakson Investments Limited

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