

LAKSON EQUITY FUND
Annual Report 2011



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

CONTENTS

Mission & Vision Statement	1
Fund's Information	2
Report of the Directors of the Management Company	4
Report of the Fund Manager	10
Trustee Report to the Unit Holders	13
Statement of Compliance with the Code of Corporate Governance	14
Review Report to the Unit Holders on Statement of Compliance with the Best Practices of Code of Corporate Governance	16
Independent Auditor's Report to the Unit Holders	17
Statement of Assets and Liabilities	18
Income Statement	19
Statement of Comprehensive Income	20
Distribution Statement	21
Statement of Movement in Unit Holders' Fund	22
Cash Flow Statement	23
Notes to and forming part of the Financial Statements	24

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

Chief Financial Officer & Company Secretary of the Management Company

Mr. Amir Mobin

Audit Committee

Mr. 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
Askari 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

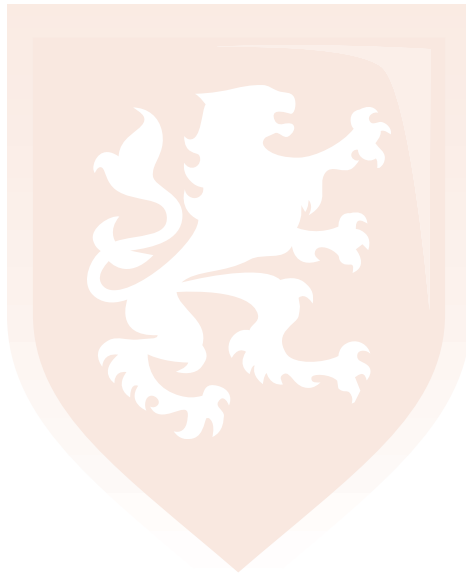
Lakson Investments Limited
Lakson Square Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan

Distributors

Alfalah Securities (Pvt.) Limited
Burj Capital Limited
Elixir Securities (Pvt.) Limited
IGI Investment Bank Limited
Pearl Securities (Pvt.) Limited
Vector Capital (Pvt.) Limited

Rating by PACRA

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



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Equity Fund ('LEF'), is pleased to present its annual report together with the audited financial statements for the year ended June 30, 2011.

Fund Objective

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

Fund Profile

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

Funds Performance

The net assets of the Fund as at June 30, 2011 stood at PKR 132.994 million compared to PKR 128.039 million at June 30, 2010 registering an increase of 3.87%.

The net income for the year ended June 30, 2011 was PKR 22.691 million which was mainly comprised of capital gains amounting to PKR 19.816 million, dividend income amounting to PKR 9.012 million mark-up income from bank deposits and treasury bills amounting to PKR 3.771 million. The unrealized appreciation, mainly due to the valuation of equity securities, amounted to PKR 3.299 million.

The detailed fund performance and significant matters relating to the industry are disclosed in the Fund Manager Report which is a part of this Annual Report.

Earning Per Unit (EPU)

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

Income Distribution

The Board of Directors of the Management Company in its meeting held on July 04, 2011, declared a final payout of PKR 17.4453 per unit (17.4453% of face value of PKR 100/-) amounting to PKR 19.392 million distributed as bonus units for the year ended June 30, 2011.

Fund and Asset Manager Rating

PACRA has assigned normal performance ranking of "3 - Star" to the LEF.

The Pakistan Credit Rating Agency Limited ('PACRA') has upgraded the asset manager rating of the Management Company to "AM3+".

Corporate Governance

The Fund is listed on the Lahore Stock Exchange; therefore, the Management Company is required to comply with the requirements of the Code of Corporate Governance for listed companies.

1. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.
2. Proper books of accounts of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table / key financial data is summarized in the Fund Manager Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in the Financial Statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. Meetings of the Board of Directors of the Management Company are held at least once in every quarter. During the year under review five meetings were held. Attendance of the Directors in these meetings is as follows:

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

During the year ended June 30, 2011, no casual vacancy occurred on the Board of Directors.

12. The pattern of unit holding is given in note no. 20.1 of the Financial Statements.

13. During the year under review trades in the Units of the Fund were carried out by the Directors, the Chief Executive Officer, the Chief Financial Officer / Company Secretary and their spouses and minor children are as under:

S.No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1	Mr. Daniel Scott Smaller	Director	1,378	Nil	Nil

External Auditor

The Fund's external auditors M/s. BDO Ebrahim & Co., Chartered Accountants have expressed their willingness to continue as the Fund auditors for the ensuing year ending June 30, 2012. On the recommendation of the Audit Committee, the Board of Directors of the Management Company has re-appointed M/s. BDO Ebrahim & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2012.

Economic Review

Pakistan's economy continues to weather an unprecedented set of challenges in the form of security hazards caused by the intensified war against terrorism, flash floods, rising international commodity prices, a widening energy deficit, and persistent inflation. The economy has lost momentum with the GDP growth in last three years averaging just 2.6%; which is the lowest level in the history of the country. In FY10, the economy showed some resilience and signs of stabilization, however, the flash floods at the start of FY11 hampered the economic recovery process and derailed the economy. In terms of GDP growth in FY11, Pakistan lags behind the projected Global GDP growth rate of 4.4%, developing economies growth rate of 6.5% and the South Asian growth rate of 8.7%. Rising costs, associated with the war against terrorism have limited the fiscal space for critical development and social sector expenditures which in turn will hamper the future growth prospects of the economy.

Heavy rains in the Northern areas of the country, at the start of FY11, triggered flash floods that ravaged 20% of the country's landmass. The flood wrecked havoc on the lives of 20 million people while the destruction to physical and economic infrastructure was significant. The economic impact of the floods was very severe as the destruction of crops and infrastructure lowered the economic growth potential. The National Income Accounts Committee estimated the GDP growth at 2.4% for FY11, which is lower than the growth of 3.8% in FY10. The Commodity Producing Sector ("CPS") which has a 46.7% share in the GDP witnessed a growth of just 0.5% in FY11 compared to a growth of 4.7% in FY10. A 4.0% decline in the production of major crops led to the lowest growth level in the CPS since 1992-93. On a positive note, the post flood recovery in wheat, sugarcane and minor crops helped agricultural growth surpass previous year's level. Pakistan faced a severe energy crisis in FY11 and despite that the industrial output expanded by 3.0% in FY11 supported by 7.5% growth in the Small Scale Manufacturing. Energy crisis further intensified towards the end of the year and the Government is finding it very difficult to come up with a proper gas load management plan. The Large Scale Manufacturing ("LSM") sector that had grown by 4.9% in FY10 is expected to have expanded by just 1.0% in FY11 mainly due to the inter-corporate circular debt that reduced the operating capacity of the entire energy chain. The Services sector with a share of 53.3% in the GDP posted a growth of 4.1% in FY11 as the Wholesale and Retail Trade segment recorded a rise of 3.9%. The per capita income grew by a meager 0.7% in FY11 and currently stands at USD 1,254. The share of Investments in the GDP witnessed further contraction in FY11 to 13.4% compared to 15.4% in FY10 as the gross fixed capital formation contracted by 0.4% in real terms in FY11. Public sector investment, which acts as a catalyst for economic development, declined further as the Government had to cut its development spending due to rising fiscal deficit.

Fiscal management in the outgoing year was very tough owing to modest growth in tax revenues, lower than anticipated foreign inflows and rising expenses associated with war against terrorism and power sector subsidies. The Ministry of Finance ("MoF") reported a consolidated fiscal deficit of PKR 783 billion (4.5% of the GDP) in the 9MFY11 compared to a fiscal deficit of PKR 626 billion (4.2% of the GDP) in the 9MFY10. In the Federal Budget for FY11, the Government targeted to curtail the fiscal deficit at 4.0% of the GDP (PKR 685 billion); however, later on it was revised upward to 5.3% of the GDP in consultation with the International Monetary Fund ("IMF"). The Government had to face severe resistance from the opposition parties and its coalition partners in introducing Reformed General Sales Tax ("RGST") and eventually in March '11 the President of Pakistan promulgated three Ordinances to introduce taxation measures to contain the fiscal deficit at 5.3% of the GDP. All these taxation measures were expected to generate additional PKR 53 billion in revenues. The Federal Government cut its development budget by PKR 100 billion to generate fiscal space to meet its current expenditures. The IMF stalled the Stand-By Arrangement ("SBA") as the Government failed to introduce taxation reforms, remove power sector subsidies, and meet the fiscal deficit and Government borrowing targets. The SBA was scheduled to expire on December 31, 2010 however the Government has been given a nine month extension in the SBA from the IMF. The extension was granted by the IMF providing an opportunity to the Government to implement the taxation and power sector reforms to get the withheld amount of USD 3.6 billion.

Headline inflation, as measured by the YoY variations in the Consumer Price Index ("CPI"), averaged 13.92% in FY11 compared to 11.73% in FY10. Food and Beverages group, that has 40% weight in the CPI basket, recorded an average inflation of 18.1% in FY11 compared to 12.5% in FY10. A sharp increase in the prices of perishable food items was triggered by the supply disruptions caused by the floods at the start of FY11. International oil prices witnessed a sharp increase amidst rising unrest in the Middle East. Due to mounting political pressure, the Government tried to absorb the impact of high international oil prices by reducing the Petroleum Levy but eventually it had to increase the domestic oil prices to contain the fiscal deficit which had a negative impact on inflation. The Wholesale Price Index ("WPI") was up 23.4% on average during FY11 compared to 12.6% in FY10. A very large increase in the WPI was due to high raw material and fuel prices. Core inflation as measured by the Non-Food Non-Energy ("NFNE") Index remained in the single digits for nine consecutive months during FY11 and averaged 9.7% during FY11 compared to 11.0% in FY10.

Despite fiscal slippages, Pakistan's external accounts continue to portray a better image of the economy with a surplus of USD 1.4 billion in the 11MFY11 compared to a surplus of USD 0.8 billion in the 11MFY10. Against all expectations, the current account posted a surplus of USD 0.2 billion compared to a deficit of USD 3.4 billion in the 11MFY10 owing to higher remittances and a lower trade and services deficit. The country received record remittances of USD 11.2 billion in FY11 compared to USD 8.9 billion in FY10, up 26% YoY. In last four months of FY11 country received remittances in excess of USD 1.0 billion every month. The full year target of USD 9.0 billion was achieved in the 10th month of the year. The trade deficit in FY11 increased by a meager 1% aided by a 29% YoY growth in exports versus a 16% YoY increase in the imports. Textile constitutes the largest share in exports and despite lower cotton output due to floods textile exports increased credited by record cotton prices in the international markets. Total exports in the FY11 stood at USD 24.8 billion which is the highest level of exports ever achieved by the country. As against the current account, the financial account deteriorated in the 11MFY11 due to a decline in both Foreign Direct Investment ("FDI") and loans. The FDI declined by 28.6% YoY to USD 1.2 billion in the 11MFY11 compared to USD 1.7 billion in the 11MFY10. Record remittances and exports provided much needed support to the economy in the wake of weak fiscal position and helped the foreign exchange reserves to cross USD 18 billion. The PKR also exhibited strength against US Dollar and depreciated by only 0.5% compared to an average depreciation of 10.8% in last three years.

Money Supply (M2) growth in FY11 was 15.89% compared to 12.46% in FY10 as the broad money increased by PKR 918 billion. Higher M2 growth in FY11 came on the back of a 43.1% increase in the Net Foreign Assets ("NFA") and 13.1% growth in the Net Domestic Assets ("NDA") of the banking system. In the absence of foreign flows the Government had to rely on the domestic resources to finance its fiscal deficit and the Federal Government borrowed PKR 617 billion from the scheduled banks for budgetary support. The outstanding stock of the Government borrowing from the SBP crossed PKR 1,500 billion in the mid of December '10, however, in the 2HFY11 it was brought down as per the understanding reached with the SBP that the Government will keep this level below PKR 1,290 billion by the end of FY11. Government borrowing for budgetary support was 78.6% higher than the PKR 330 billion borrowed in FY10. The higher borrowing needs of the Government continued to crowd out the private sector borrowing, which increased by a tepid 4.0% as against 23.7% growth in net Government sector borrowing. The Government allowed export of wheat, as FY11 was another year of bumper wheat crop and it helped in reducing the dependence on the banking system for commodity operations financing that contracted by PKR 15.7 billion in FY11.

Given the persistent rise in inflation, continued reliance of the Government on borrowing from the SBP to meet its power, flood and military related expenditure, the SBP was left with no option but to raise the Discount Rate by 150bps during the 1HFY11 to 14%. However, in the 2HFY11 the SBP adopted a wait and see approach by keeping the Discount Rate unchanged at 14%. The SBP's optimism was based on a couple of sources of comfort that were improved external account position and understanding reached between the Government and the SBP to keep the Government borrowing from the SBP at September '10 level. The SBP tried to strike a balance between the risks to inflation and economic growth by keeping policy rate unchanged. The SBP continuously cautioned against the increased risks to macroeconomic stability if the Government failed to initiate meaningful economic reforms to address the structural economic weaknesses.

Markets Review

The stock market provided a positive return for the second consecutive year wherein the benchmark KSE-100 index posted a return of 28.5%. The KSE-100 index crossed the 12,000 level in December '10 for the first time since July 2008 and closed the year at 12,496. FY11 can be described as a year of two halves for the stock market as in the 1HFY11 the KSE-100 index went up by 23.7% despite an increase in the discount rate by 150bps while in the 2HFY11 the KSE-100 index was only up by 3.9%. The imposition of Capital Gains Tax ("CGT") in the FY11 Budget caused a decline in the volumes that averaged 95 million shares per day in FY11 compared to 164 million shares in the preceding year. Market volumes crawled to a 9 year low as investors were concerned about the calculations and documentation required by the CGT. The implementation of Margin Trading System ("MTS") during the year also failed to create any momentum in the trading activity on the bourse. Interestingly foreign activity in the market was also skewed towards the 1HFY11 with a net inflow of USD 250 million versus mere USD 30 million in the 2HFY11. Lower foreign flows in the 2HFY11 is in line with the global trends as the foreign fund managers have adopted a cautious stance on the emerging markets over concerns of monetary tightening in the emerging markets due to rising inflation. Local and foreign investors showed their immunity to the fragile economic and political situation and preferred investing in fundamentally strong blue-chips especially Oil & Gas, Banks and Chemical sectors.

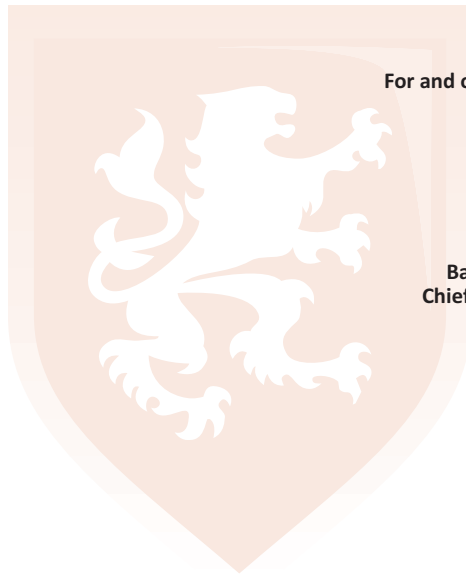
Future Outlook

As the economy moves through a crucial phase of stabilization, the Government faces tough challenges to bring the economy back on the growth track. Keeping in view the structural issues in the economy, targets set by the Government in Federal Budget FY12 regarding tax collection and fiscal deficit seem very optimistic. Economic stability in the next fiscal year will largely depend upon the capability of the Government to introduce fiscal and energy sector reforms,

better debt management, and improved law and order situation. The external account may not be able to repeat the same performance in FY12 due to a decline in international cotton prices, persistence in international oil prices, suspension of the IMF's SBA and the debt obligations due in FY12. Sustainable growth can be achieved if we bring down the debt to manageable levels, contain inflation in single digits, remove the untargeted subsidies, reduce Government borrowing from banking system and increase private investment.

Acknowledgment

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



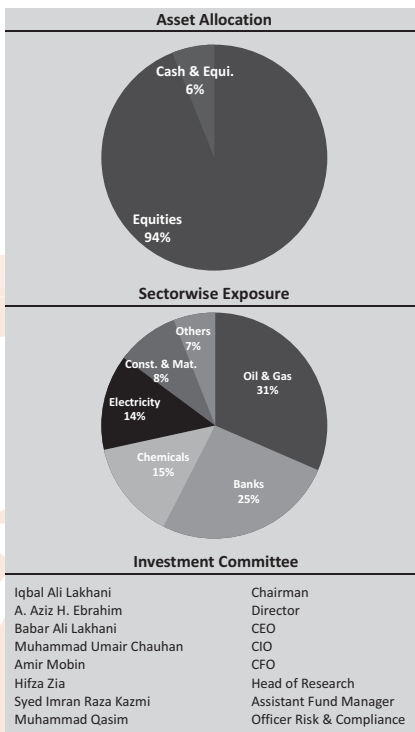
For and on behalf of the Board

Dated: July 22, 2011

Babar Ali Lakhani
Chief Executive Officer

**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2011**

Fund Facts			
Fund Type	Open-End		
Category	Equity Fund		
Net Assets (PKR Mil.)	133		
NAV (30.06.2011)	119.6452		
Pricing Mechanism	Forward Day		
Trustee	CDC Pakistan Limited		
Auditor	BDO Ebrahim & Co.		
Management Fee	3.00%		
Front End Load	3.00%		
Back End Load	None		
Launch Date	November 13, 2009		
Benchmark	KSE-100 Index		
Dealing Days	Mon-Fri		
Cut-Off Time	04:00 PM		
Asset Manager Rating	AM3+		
Cut-Off Time	04:00 PM (Mon-Fri)		
Fund Performance			
	LEF	KSE-30	KSE-100
June-11	-1.91%	-1.50%	3.08%
2 Months	-1.86%	-1.11%	3.64%
3 Months	-1.25%	0.22%	5.81%
6 Months	1.00%	-0.02%	3.94%
12 Months	20.44%	21.24%	28.53%
CY11 - YTD	1.00%	-0.02%	3.94%
FY11 - YTD	20.44%	21.24%	28.53%
Since Inception	19.65%	21.17%	37.82%
* Since Inception returns are from November 13, 2009			



Investment Objective

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

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

Investment Strategy

The LEF invests in fundamentally sound stocks based on the recommendations of its team of equity analysts and market dynamics. The asset allocation to different sectors and different stocks in the same sector remained dynamic, keeping in view the market conditions, opportunities and the relative attractiveness of each sector and individual stocks. The asset allocation pattern of the LEF changed from time to time keeping in view the market conditions, opportunities, political and economic factors. The LEF maintained a 77% exposure in equities on average

during FY11. The LEF aims to build a diverse portfolio ranging across companies deemed the most attractive among peers. Companies with high earnings potential despite a weak economic outlook were sought, resulting in a portfolio that was heavily invested with stocks offering high dividend yields and lower price to earnings multiples relative to the market. The LEF adopted a combination of top-down and bottom-up methodologies to invest in fundamentally sound stocks.

Market Review

Pakistan witnessed a mixed economic situation in FY11. On the fiscal side, all the targets related to growth, revenue collection, fiscal deficit and inflation were missed while the external front portrayed a very positive image of the economy supported by record remittances and exports. The flash floods at the start of FY11 hampered the overall economic recovery process and the economy missed the gains of macroeconomic stabilization achieved in FY10 after the global financial crisis. In the absence of foreign flows and a modest growth in tax revenues, the Government had to rely heavily on the banking system to finance the fiscal deficit that resulted in high inflation and consequently monetary tightening by the SBP. Headline inflation, as measured by the YoY variations in the Consumer Price Index ("CPI"), averaged 13.92% in FY11 compared to 11.73% in FY10. Given the persistent rise in inflation, continued reliance of the Government on borrowing from the SBP to meet its power, flood and military related expenditure, the SBP was left with no option but to raise the Discount Rate by 150bps during the 1HFY11 to 14%. The IMF stalled the Stand-By Arrangement ("SBA") as the Government failed to introduce taxation reforms, remove power sector subsidies, and meet the fiscal deficit and Government borrowing targets. In absence of the SBA, record remittances and exports helped the foreign exchange reserves to cross USD 18 billion and provided strength to PKR against US Dollar.

In FY11, the benchmark KSE-100 index posted return of 28.5% despite all the economic challenges. Foreign investors were the largest buyers in the market in terms of value, with net buying of USD 280 million during FY11. Interestingly foreign activity in the market was skewed towards the 1HFY11 with a net inflow of USD 250 million versus mere USD 30 million in the 2HFY11. Vigorous foreign interest in blue-chip stocks was the main factor driving the market therefore the appreciation in the KSE-100 Index also followed the foreign inflows and provided a return of 23.7% in the 1HFY11 while the appreciation in the KSE-100 Index in the 2HFY11 was only 3.9%. The KSE-100 index crossed the 12,000 level in December '10 for the first time since July 2008 and closed the year at 12,496.

The imposition of Capital Gains Tax ("CGT") in the FY11 Budget caused a decline in the volumes that averaged 95 million shares per day in FY11 compared to 164 million shares in the preceding year. Market volumes crawled to a 9 year low as investors were concerned about the calculations and documentation required by the CGT. The implementation of Margin Trading System ("MTS") during the year also failed to create any momentum in the trading activity on the bourse. The factors that kept foreign investors at bay during the 2HFY11 were the ongoing MENA upheaval and devastating earth quake and Tsunami in Japan, making them reposition their investments in other regions as well.

During the year major interest was seen in Oil & Gas and Chemical sectors. High international oil prices due to ongoing MENA upheaval and increase in fertilizer owing to gas curtailment to fertilizer manufacturers helped in rerating of these sectors. Banking sector underperformed the market as there were concerns on credit portfolio of the banks and there were rumors of an increase in corporate tax rate for banks in the Federal Budget FY12. Investor interest was also seen in some illiquid stocks like Nestle that recorded an unexpected appreciation of 228% in FY11 and became the second largest market capitalized company of Pakistan. Excluding the contribution of Nestle, return of the KSE-100 index comes down to 21% in FY11. There were rumors in the market towards the end of the year that the CGT would be eliminated or some relaxations will be given in the CGT in the Federal Budget of FY12 as the FBR could not collect any meaningful amount through CGT, however, no measures were announced in the budget.

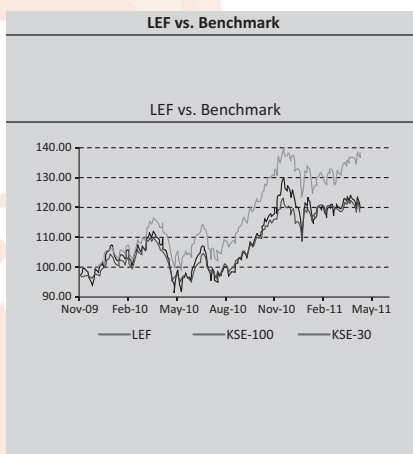
MSCI did not include Pakistan Index in the review list for potential reclassification to Emerging Markets as part of 2012 Annual Market Classification Review. Pakistan remained a part of MSCI Emerging Markets Index for 14 years. In 2009 Pakistan was classified as Frontier Market by MSCI after the imposition of floor in 2008. MSCI believes that the Pakistani equity market continued to be characterized by a very limited number of sizable securities. New listings on the market were very few and failed to get a good response from the market.

Fund Performance

The LEF provided a return of 20.4% during FY11 compared to 28.5% appreciation in the KSE-100 Index and 21.2% appreciation in the KSE-30 Index. The LEF underperformed by 8.5% against KSE-100 Index and 0.8% against KSE-30 Index. Underperformance of the LEF against KSE-100 Index is mainly due to the contribution of Nestle to the KSE-100 Index. If we exclude the contribution of Nestle then the return of KSE-100 Index comes down to 21% which is in line with the performance of the LEF and KSE-30 Index which is a free float market capitalization index. Moreover return of the LEF is net of all expenses while the returns of the KSE-100 and KSE-30 Indices are price returns.

Performance Table	FY11	FY10
Net Assets - Beginning (PKR Mil.)	128	136
Net Assets - Ending (PKR Mil.)	134	128
Highest Offer Price (PKR)	127.5518	115.2487
Lowest Offer Price (PKR)	102.1798	99.7229
Highest Redemption Price (PKR)	123.8367	111.8919
Lowest Redemption Price (PKR)	99.2036	96.8183
Beginning NAV - Ex-Div. (PKR)	99.3374	100.0000
Interim Distributions (PKR)	-	-
Final Distribution (PKR)	17.4453	-
Ending NAV - Ex-Div. (PKR)	102.1999	99.3374
Return	20.44%	-0.66%
Net Income / (Loss) (PKR Mil.)	23	(1)

Performance Table	FY11	FY10
Final Distribution	17.4453	
NAV before Distribution	119.6452	
NAV after Distribution	102.1999	
Distribution Date	04-Jul-11	



Future Outlook

Market is expected to remain strong in the short term as the result season starts and blue-chip companies are expected to post decent growth in earnings despite tough economic situation in the country. The LEF will maintain at least 70% exposure in equities on average and the sector and stock selection will depend upon the economic, political and market developments. Any relaxation in the CGT will be positive for the market and will help in improving volumes.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 -100	3	192
501-1,000	1	1,000
1,001 - 5,000	2	3,052
400,001 - 600,000	1	503,472
600,001 - 800,000	1	603,854
Total	8	1,111,570

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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

TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON EQUITY FUND

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

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 year ended June 30, 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the management company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 08, 2011

**STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2011**

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 ('the Exchange') 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 non-executive directors, three of which are independent 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 year there was no casual vacancy on the Board.
- 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 of the Management Company have been taken by the Board.
- 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 developments / changes in applicable laws and regulations affecting the mutual fund industry. Furthermore, one Director on the Board also completed one part out of five of the certification "Corporate Governance Leadership Skills" formerly "The Board Development Series" offered by the Pakistan Institute of Corporate Governance. 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), Company Secretary and Internal Auditor as determined by the CEO. There has been no new appointment during the period.

11. The Directors' Report of the Fund for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Fund were duly endorsed by 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 annual report.

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 advised the Committee for compliance.

17. The Management Company 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 Fund 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 partners 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 Institute of Chartered Accountants of Pakistan.

19. 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.

20. 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.

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

For and on behalf of the Board

Karachi, July 22, 2011

Babar Ali Lakhani
Chief Executive Officer



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2011 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) (xliia) requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended June 30, 2011.

KARACHI

DATED: JULY 22, 2011

CHARTERED ACCOUNTANTS
Engagement partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

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



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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Lakson Equity Fund ("the Fund"), which comprise of the statement of assets and liabilities as at June 30, 2011 and the income statement, statement of comprehensive income, distribution statement, cash flow statement and statement of movement in unit holders' fund for the year ended June 30, 2011 ("the year") and summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2011 and of its financial performance, cash flows and transactions for the year ended June 30, 2011 in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

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

KARACHI

DATED: 22 JUL 2011

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

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

**Statement of Assets and Liabilities
As at June 30, 2011**

	Note	2011 (Rupees)	2010
ASSETS			
Bank balances	4	4,721,215	20,047,743
Investments	5	125,138,266	105,446,327
Dividend and other receivables	6	806,709	728,411
Security deposits and prepayments	7	2,720,961	2,650,000
Deferred formation cost	8	910,601	1,180,603
Total assets		<u>134,297,752</u>	<u>130,053,084</u>
LIABILITIES			
Payable to the Management Company	9	357,927	1,667,302
Payable to the Trustee	10	58,646	58,151
Annual fee payable to Securities and Exchange Commission of Pakistan	11	148,691	79,068
Accrued and other liabilities	12	738,372	209,111
Total liabilities		<u>1,303,636</u>	<u>2,013,632</u>
NET ASSETS		<u>132,994,116</u>	<u>128,039,452</u>
UNIT HOLDERS' FUND (as per statement of movement in Unit holders' Fund)		<u>132,994,116</u>	<u>128,039,452</u>
CONTINGENCIES AND COMMITMENTS			
	13	(Number of units)	
Number of units in issue	14	<u>1,111,570</u>	<u>1,288,935</u>
		(Rupees)	
Net asset value per unit		<u>119.6452</u>	<u>99.3374</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Income Statement

For the year ended June 30, 2011

	For the year ended June 30, 2011	For the period from November 14, 2009 to June 30, 2010
Note	(Rupees)	
INCOME		
Income from Government securities	711,701	606,700
Capital gain on sale of investments - net	19,816,293	2,746,202
Dividend income	9,011,871	3,625,575
Mark-up income	3,059,318	2,200,268
	32,599,183	9,178,745
Unrealised appreciation / (diminution) in the fair value of investments classified as 'held for trading' - net	3,299,441	(6,280,510)
	35,898,624	2,898,235
EXPENSES		
Remuneration to the Management Company	9.1 4,695,522	2,496,956
Remuneration to the Trustee	10.1 699,999	439,178
Annual fee to Securities and Exchange Commission of Pakistan	11 148,691	79,068
Brokerage, settlement and bank charges	649,419	414,354
Amortisation of deferred formation cost	8.1 270,002	169,397
Auditors' remuneration	237,999	217,500
Fees and subscription	49,040	20,000
Printing charges	52,180	59,580
Workers' Welfare Fund	12.1 463,085	-
	7,265,937	3,896,033
Net income / (loss) from operating activities	28,632,687	(997,798)
Element of (loss) / income and capital (loss) / gain in prices of units sold less those of units redeemed - net	(5,941,527)	143,760
Net income / (loss) for the year / period	22,691,160	(854,038)

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Statement of Comprehensive Income
For the year ended June 30, 2011**

	For the year ended June 30, 2011	For the period from November 14, 2009 to June 30, 2010
	(Rupees)	
Net income / (loss) for the year / period	22,691,160	(854,038)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year / period	<u>22,691,160</u>	<u>(854,038)</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Distribution Statement
For the year ended June 30, 2011

	For the year ended June 30, 2011	For the period from November 14, 2009 to June 30, 2010
	(Rupees)	
Undistributed income at the beginning of the year / period - realised	5,426,472	-
Accumulated loss at the beginning of the year / period - unrealised	(6,280,510)	-
Accumulated loss at the beginning of the year / period	(854,038)	-
Total comprehensive income / (loss) for the year / period	22,691,160	(854,038)
Undistributed income / (Accumulated loss) at the end of the year / period	<u>21,837,122</u>	<u>(854,038)</u>
Undistributed income at the end of the year / period - realised	18,537,681	5,426,472
Undistributed income / (Accumulated loss) at the end of the year / period - unrealised	3,299,441	(6,280,510)
Undistributed income / (Accumulated loss) at the end of the year / period	<u>21,837,122</u>	<u>(854,038)</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Statement of Movement In Unit Holders' Fund
For the year ended June 30, 2011**

	For the year ended June 30, 2011	For the period from November 14, 2009 to June 30, 2010
	(Rupees)	
Net assets at the beginning of the year / period	128,039,452	-
Cash received on issue of 445,945 (2010: 1,489,621) units	52,459,317	149,130,894
Cash paid on redemption of 623,310 (2010: 200,686) units	(76,137,340) (23,678,023)	(20,093,644) 129,037,250
Element of loss / (income) and capital loss / (gain) in prices of units sold less those of units redeemed - net	5,941,527	(143,760)
Total comprehensive income / (loss) for the year / period	22,691,160	(854,038)
Net assets at the end of the year / period	<u>132,994,116</u>	<u>128,039,452</u>
Net assets value per unit at the beginning of the year / period	<u>99.3374</u>	<u>100.0000</u>
Net assets value per unit at the end of the year / period	<u>119.6452</u>	<u>99.3374</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Statement of Cash Flow
For the year ended June 30, 2011

	For the year ended June 30, 2011	For the period from November 14, 2009 to June 30, 2010
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year / period	22,691,160	(854,038)
Adjustments for non-cash charges and other items:		
Capital gain on sale of investments - net	(19,816,293)	(2,746,202)
Unrealised (appreciation) / diminution in the fair value of investments classified as 'held for trading' - net	(3,299,441)	6,280,510
Amortisation of deferred formation cost	270,002	169,397
Element of loss / (income) and capital loss / (gain) in prices of units sold less those of units redeemed - net	5,941,527	(143,760)
	<u>5,786,955</u>	<u>2,705,907</u>
Decrease / (increase) in assets		
Investments - net	3,423,795	(108,980,635)
Dividend and other receivables	(78,298)	(728,411)
Security deposits and prepayments	(70,961)	(2,650,000)
Deferred formation cost	-	(1,350,000)
	<u>3,274,536</u>	<u>(113,709,046)</u>
(Decrease) / increase in liabilities		
Payable to the Management Company	(1,309,375)	1,667,302
Payable to the Trustee	495	58,151
Annual fee payable to Securities and Exchange Commission of Pakistan	69,623	79,068
Accrued and other liabilities	529,261	209,111
	<u>(709,996)</u>	<u>2,013,632</u>
Net cash generated from / (used in) operating activities	<u>8,351,495</u>	<u>(108,989,507)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issuance of units	52,459,317	149,130,894
Cash paid on redemption of units	(76,137,340)	(20,093,644)
Net cash (used in) / generated from financing activities	<u>(23,678,023)</u>	<u>129,037,250</u>
Net (decrease) / increase in cash and cash equivalents	<u>(15,326,528)</u>	<u>20,047,743</u>
Cash and cash equivalents at the beginning of the year / period	20,047,743	-
Cash and cash equivalents at the end of the year / period	<u>4,721,215</u>	<u>20,047,743</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

Notes to and forming part of the Financial Statements For the year ended June 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments are stated at fair values.

2.3 Functional and presentation currency

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

2.4 Standards, Interpretations and Amendments to Published Approved Accounting Standards that have been or are not yet effective:

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 12 - Income Taxes: Deferred Tax Amendment - Recognition of Underlying Assets	January 01, 2012
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

2.5 Use of estimates and judgments

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

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

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

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 or loss - Held for trading

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

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

b) Available for sale

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

sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in unit holders' funds is included in income.

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 Formation cost

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

3.4 Other assets

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

3.5 Accrued expenses and other liabilities

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

3.6 Unit holders' fund

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

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

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

3.9 Revenue recognition

- Dividend income on equity securities is recognised when the right to receive dividend is established.
- Gains or losses on sale of securities and unrealised gains or losses arising on revaluation of securities classified as 'financial assets at fair value through profit or loss - held for trading' are included in the income statement in the period in which they arise.
- Income from investment in treasury bills are recognised at rate of return implicit in the instrument on a time proportionate basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued and redeemed is included in the income on the date of the issuance and redemption of units.
- Mark-up on bank balances is recognised on an accrual basis.

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

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

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

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

3.11 Taxation

The Fund is exempt from taxation on income under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its income excluding realised and unrealised capital gain for the year is distributed amongst the unit holders.

3.12 Financial instruments

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

3.13 Offsetting of financial assets and financial liabilities

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

3.14 Impairment loss

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

3.15 Provisions

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

	Note	June 30, 2011	June 30, 2010
		(Rupees)	
4. BANK BALANCES			
PLS savings accounts	4.1	<u>4,721,215</u>	<u>20,047,743</u>
4.1			
			These carry mark-up at rates ranging from 5.00% to 11.50% (June 30, 2010: 5.00% to 11.00%) per annum.
5. INVESTMENTS - financial assets at fair value through profit or loss - held for trading			
Listed equity securities	5.1	<u>125,138,266</u>	105,446,327
Government securities	5.2	<u>-</u>	-
		<u>125,138,266</u>	<u>105,446,327</u>

5.1 Listed equity securities

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

Name of investee company	Number of shares				Balance as at June 30, 2011				Market value as a percentage of total net investments	Market value as a percentage of the paid-up capital of the investee company
	As at July 01, 2010	Purchased during the year / period	Disposed during the year / period	Bonus / right shares	As at June 30, 2011	Carrying Cost	Market value	Appreciation / (diminution)		
Chemicals										
Engro Corporation Limited	40,000	68,000	9,000	12,550	82,000	35,000	6,038,994	5,713,750	(325,244)	4.30
Fajri Fertiliser (P) Quam Limited	166,000	10,000	10,000	17,960	17,960	10,000	6,038,994	5,713,750	(325,244)	4.30
Fertiliser (P) Quam Limited	166,000	10,000	10,000	17,960	17,960	10,000	6,038,994	5,713,750	(325,244)	4.30
IC Pakistan Limited	86,300	86,300	750	107,045	107,045	45,000	5,624,135	6,145,750	521,615	5.08
Shara Chemicals Industries Limited	13,993	31,300	23,993	23,993	21,000	21,000	3,092,382	3,188,950	96,568	2.40
	14,009	6,550	550	8,000	8,000	17,839,271	798,480	(729,588)	0.60	
	238,304	262,206	10,300	351,810	159,000	17,839,271	18,674,330	735,059	13.97	
Oil and Gas										
Attock Petroleum Limited	12,550	12,550	2,810	17,960	17,960	10,000	2,382,565	3,742,700	955,135	2.81
Attock Refinery Limited	25,000	25,000	10,000	10,000	10,000	15,000	2,028,407	1,840,950	(187,457)	1.38
National Refinery Limited	10,751	9,500	20,251	20,251	12,000	12,000	1,833,000	1,835,980	2,980	1.38
Oil & Gas Development Company Limited	28,209	46,000	62,209	62,209	10,000	10,000	10,889,340	11,496,350	607,010	5.72
Pakistan Offshores Limited	42,000	72,000	42,000	42,000	54,000	54,000	10,889,340	11,496,350	607,010	5.72
Pakistan Offshores (P) Limited	42,000	72,000	42,000	42,000	54,000	54,000	10,889,340	11,496,350	607,010	5.72
Pakistan State Oil Company Limited	20,600	25,000	14,600	8,337,151	31,000	31,000	8,337,151	8,201,980	(335,171)	61.7
Shell Pakistan Limited	5,657	264,000	13,029	298,257	158,000	36,547,428	39,473,770	2,881,342	31.50	
Construction and Materials										
Attock Cement Limited	85,000	85,000	27,000	75,000	75,000	117,000	3,011,346	2,689,830	(321,516)	2.02
Lucky Cement Limited	43,650	114,600	62,650	95,000	62,650	95,000	6,937,437	6,729,800	(232,863)	5.06
	138,650	199,600	27,000	137,650	212,000	9,538,803	9,419,630	(89,173)	7.08	
General Industrials										
Tr-Track Films Limited	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Industrial Metals and Mining										
International Industries Limited	-	31,388	-	1,655,412	1,655,412	1,655,412	1,655,412	1,655,412	1,655,412	1.17
Personal Goods										
Niche Mills Limited	69,690	53,689	57,679	70,000	3,892,174	3,623,800	(368,374)	(368,374)	(368,374)	2.65
Fixed Line Telecommunications										
Pakistan Telecommunications Company Limited	162,850	110,000	12,850	260,000	4,763,434	3,697,200	(1,066,334)	(1,066,334)	(1,066,334)	2.78
Electricity										
Hub Power Company Limited	310,405	157,640	198,045	198,045	270,000	9,121,899	10,125,000	1,003,101	7.61	
Kor Aditi Power Company Limited	35,359	159,296	16,245	178,410	4,787,840	7,602,050	114,210	114,210	114,210	6.09
Niche Chunan Power Limited	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	0.08
Niche Power Limited	345,264	331,936	229,290	468,410	16,609,739	17,272,050	1,112,311	1,112,311	1,112,311	14.17
Banks										
Allied Bank Limited	68,145	49,821	8,589	36,555	90,000	5,090,050	5,772,600	712,550	4.34	
Bank of Punjab Limited	229,424	52,742	16,284	224,250	130,450	3,422,177	3,540,651	127,484	2.67	
Bank of Habib Limited	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	0.08
Habib Bank Limited	42,581	60,000	64,581	40,900	8,358,132	8,358,132	8,358,132	8,358,132	8,358,132	6.51
MCB Bank Limited	13,750	141,000	43,444	125,306	7,211,632	6,319,959	(903,703)	(903,703)	(903,703)	4.75
National Bank of Pakistan Limited	52,482	39,000	39,248	39,000	6,019,712	5,939,200	(80,512)	(80,512)	(80,512)	0.08
United Bank Limited	366,637	42,873	42,873	42,873	31,037,641	31,042,630	185,989	185,989	185,989	24.59
Non Life Insurance										
Amalgam Insurance Company Limited	28,695	16,000	45,695	45,695	45,695	45,695	45,695	45,695	45,695	0.07
Total - June 30, 2011	1,698,698	1,659,216	1,629,093	1,936,414	131,038,052	121,138,266	(3,269,441)	(3,269,441)	(3,269,441)	80.85
Total - June 30, 2010	2,033,551	2,033,551	66,101	1,669,898	111,029,833	105,446,937	(6,289,510)	(6,289,510)	(6,289,510)	100.00

*Associated company due to common directorship.

- 5.1.1 Investments include shares with market value aggregating to Rs. 3.750 million (June 30, 2010: 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

Number of holdings at beginning of the year	Acquired during the year	Disposed / matured during the year	Number of holdings at the end of year	Cost as at June 30, 2011	Market Value as at June 30, 2011	Unrealized appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments
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Treasury Bill-3 months
(face value of Rs. 100,000 each)

1,050 1,050

Rupees

	Note	June 30, 2011	June 30, 2010
		(Rupees)	
6. DIVIDEND AND OTHER RECEIVABLES			
Unsecured - considered good			
Dividend receivable		735,000	644,801
Mark-up income accrued on PLS savings accounts		70,999	83,261
Others		710	349
		<u>806,709</u>	<u>728,411</u>
7. SECURITY DEPOSITS AND PREPAYMENTS			
Security deposit			
National Clearing Company of Pakistan Limited		2,550,000	2,550,000
Central Depository Company of Pakistan Limited		100,000	100,000
		<u>2,650,000</u>	<u>2,650,000</u>
Prepayments			
Pakistan Credit Rating Agency		70,961	-
		<u>2,720,961</u>	<u>2,720,961</u>
8. DEFERRED FORMATION COST			
Unamortised cost	8.1	1,180,603	1,180,603
Amortised to the income statement during the year / period		(270,002)	(270,002)
Closing balance		<u>910,601</u>	<u>910,601</u>

- 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 than five years or within the maturity date of collective investment scheme. Accordingly the said expenses are being amortised over a period of five years effective from November 14, 2009, i.e. after the close of initial period of the Fund.

		June 30, 2011	June 30, 2010
	Note	(Rupees)	
9. PAYABLE TO MANAGEMENT COMPANY			
Remuneration to the Management Company	9.1	357,927	317,302
Formation cost	8.1	-	1,350,000
		<u>357,927</u>	<u>1,667,302</u>

- 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.

		June 30, 2011	June 30, 2010
	Note	(Rupees)	
10. PAYABLE TO THE TRUSTEE			
Remuneration to the Trustee	10.1	57,534	57,537
CDC settlement charges		1,112	614
		<u>58,646</u>	<u>58,151</u>

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

Net assets up to Rs. 1 billion

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

Exceeding Rs. 1 billion

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

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

	Note	June 30, 2011	June 30, 2010
(Rupees)			
12. ACCRUED AND OTHER LIABILITIES			
Auditors' remuneration		174,999	165,000
Brokerage and settlement charges		70,288	18,862
Workers' Welfare Fund	12.1	463,085	-
Others		30,000	25,249
		<u>738,372</u>	<u>209,111</u>

12.1 Through the Finance Act, 2008 an amendment was made in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. The Trustee of the CISs filed a petition before the Honorable High Court of Sindh on the ground that the CISs (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 08, 2010 issued advice and clarifications which stated that WWF Ordinance does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including mutual funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated July 15, 2010, the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers' Welfare Fund under Section 4 of WWF Ordinance. However, the income on mutual fund(s), the product being sold, is exempted under the law *ibid*."

Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated October 06, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formation for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by Tax department for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and we understand that MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds.

On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter, clarification of the Ministry and the response filed by the Ministry in the Court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the Management Company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 0.463 million as at June 30, 2011.

13. CONTINGENCIES AND COMMITMENTS

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

	June 30, 2011	June 30, 2010
	(Number of units)	
14. NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year / period	1,288,935	-
Sales during the year / period	445,945	1,489,621
Redemption during the year / period	(623,310)	(200,686)
Total units in issue at the end of the year / period	1,111,570	1,288,935

15. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner explained above and disclosed in note 19 to the financial statements, no provision for taxation has been made in these financial statements.

16. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

	June 30	June 30	June 30	June 30
	2011	2010	2011	2010
	-----Units-----		-----Rupees-----	
16.1 Balance of Investments in units of the Fund				
Lakson Investments Limited - Management Company Units held	<u>603,854</u>	<u>653,993</u>	<u>72,248,266</u>	<u>64,965,953</u>
Directors of the Management Company Daniel Scott Smaller Units held	<u>1,378</u>	<u>-</u>	<u>164,838</u>	<u>-</u>
Key Management Personnel, Employees and Connected Persons of the Management Company Units held	<u>-</u>	<u>522</u>	<u>-</u>	<u>51,898</u>
Associated Companies / Undertakings of the Management Company				
SIZA (Private) Limited Units held	<u>503,472</u>	<u>503,472</u>	<u>60,237,967</u>	<u>50,013,565</u>
			June 30	June 30
			2011	2010
			-----Rupees-----	
16.2 Other balances as at year end				
Lakson Investments Limited - Management Company Remuneration payable			<u>357,927</u>	<u>317,302</u>
Preliminary and formation cost payable			<u>-</u>	<u>1,350,000</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund Remuneration payable			<u>57,534</u>	<u>57,537</u>
Settlement charges payable			<u>1,112</u>	<u>614</u>
Security Deposit			<u>100,000</u>	<u>100,000</u>

For the "year ended" June 30, 2011	For the period from November 14, 2009 to June 30, 2010	For the "year ended" June 30, 2011	For the period from November 14, 2009 to June 30, 2010
-----Units-----		-----Rupees-----	

16.3 Transactions relating to the units of the Fund

Lakson Investments Limited -
Management Company

Issue of units for cash	-	853,788	-	85,378,810
Redemption of units	<u>50,139</u>	<u>199,795</u>	<u>6,000,000</u>	<u>20,000,000</u>

Directors of the Management
Company

Daniel Scott Smaller

Issue of units for cash	<u>1,378</u>	-	<u>147,250</u>	-
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Key Management Personnel,
Employees and Connected Persons
of the Management Company

Issue of units for cash	-	892	-	62,000
Redemption of units	<u>522</u>	<u>369</u>	<u>57,610</u>	<u>39,482</u>

Associated Companies / Undertakings
of the Management Company

SIZA (Private) Limited

Issue of units for cash	-	503,472	-	50,347,166
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16.4 Other transactions during the year / period

Lakson Investments Limited - Management
Company

Remuneration for the year / period		<u>4,695,522</u>	2,496,956
Sales load for the year / period		<u>5,824</u>	2,477

Central Depository Company of Pakistan Limited -
Trustee of the Fund

Remuneration for the year / period		<u>699,999</u>	439,178
Settlement charges		<u>10,351</u>	5,090

ICI Pakistan Limited - Associated undertaking due
to common directors

Dividend received during the year / period		<u>353,712</u>	48,924
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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

Risk management framework

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

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

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

17.1 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).

17.1.1 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.

17.1.2 Interest rate risk

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

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

June 30, 2011				
Interest rate %	Total	Exposed to interest rate risk		Not exposed to interest rate risk
		Up to three Months	(Rupees)	
On balance sheet financial instruments				
Financial assets				
5.00 to 11.50	4,721,215	4,721,215	-	-
	125,138,266	-	-	125,138,266
	806,709	-	-	806,709
	2,650,000	-	-	2,650,000
	133,316,190	4,721,215	128,594,975	128,594,975

June 30, 2010				
Interest rate %	Total	Exposed to interest rate risk		Not exposed to interest rate risk
		Up to three Months	(Rupees)	
On balance sheet financial instruments				
Financial assets				
5.00 to 11.50	20,047,743	20,047,743	-	-
	105,446,327	-	-	105,446,327
	728,411	-	-	728,411
	2,650,000	-	-	2,650,000
	128,872,481	20,047,743	108,824,738	108,824,738

None of the financial liabilities carry any interest rate.

17.1.3 Price Risk

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

In case of five percent increase / decrease in the prices of all shares held by Fund at the year end, net income for the year would increase / decrease by Rs. 6.257 (2010: 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.

17.2 Credit risk

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

Management of credit risk

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

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

Exposure to credit risk

The maximum exposure to credit risk at June 30, 2011 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.

17.3 Liquidity risk

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

Management of liquidity risk

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

The Fund has ability to borrow, with prior approval of trustee, for meeting 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 within 90 days of such borrowings. No such borrowings have arisen during the year.

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

Maturity analysis for financial liabilities

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

-----June 30, 2011-----				
	Carrying amount	Less than 1 month	More than 1 month and upto one year	Total
------(Rupees)-----				
Financial liabilities				
Payable to the Management Company	357,927	357,927	-	357,927
Payable to the Trustee	58,646	58,646	-	58,646
Annual fee payable to Securities and Exchange Commission of Pakistan	148,691	-	148,691	148,691
Accrued and other liabilities	275,287	275,287	-	275,287
	<u>840,551</u>	<u>691,860</u>	<u>148,691</u>	<u>840,551</u>
-----June 30, 2010-----				
	Carrying amount	Less than 1 month	More than 1 month and upto one year	Total
------(Rupees)-----				
Financial liabilities				
Payable to the Management Company	1,667,302	1,667,302	-	1,667,302
Payable to the Trustee	58,151	58,151	-	58,151
Annual fee payable to Securities and Exchange Commission of Pakistan	79,068	-	79,068	79,068
Accrued and other liabilities	209,111	209,111	-	209,111
	<u>2,013,632</u>	<u>1,934,564</u>	<u>79,068</u>	<u>2,013,632</u>

17.4 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.

17.5 Unit Holder's Fund risk management

Management's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of unit holders' funds.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units and the Fund is not subject to any externally imposed minimum fund maintenance requirement except for at the time of its establishment, which is Rs. 100 million out of which Rs. 50 million shall remain invested in the Fund for at least two years from the date of its establishment.

18. 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, 2011, all the investments were categorised in level 1 (2010: level 1).

19. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

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

20. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund Manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company are as follows:

20.1 PATTERN OF UNIT HOLDING

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

June 30, 2010			
Category	No. of Unit Holders	Investment Amount (Rupees)	"% of Total"
Individuals	11	303,435	0.24%
Associated companies and Directors	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%

20.2 TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

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

Broker Name	Percentage 2010
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%

20.3 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. A. Aziz H. Ebrahim
- Mr. Amir Mobin
- Mr. Muh ammad Umair Chauhan (Fund Manager)
- Syed Imran Raza Kazmi
- Mr. Muhammad Qasim
- Ms. Hifza Zia

Mr. Iqbal Ali Lakhani - Chairman of the Board

Mr. Iqbal Ali Lakhani is the Chairman of the Lakson Group of Companies, five of which are listed on the Stock Exchanges of Pakistan covering a diversified range of businesses such as paper & board, soap, detergents and toothpaste, printing & packaging, food and insurance. Three Funds of a Group Investment Company are also listed and traded. American franchises/affiliation includes Colgate-Palmolive Company & McDonalds Corporation. The spectrum of unlisted Companies includes textiles, surgicals, media (T.V. & Print), software development & consultancy, travel & tourism, investment & mutual funds, ISP-broad band & data centre, business process outsourcing house into call centre & I.T. The businesses of the Lakson Group provide gainful employment to over 12,000 persons.

Mr. Lakhani attained his Bachelor of Business Administration from the University of California at Berkley, U.S.A. with Majors in Marketing and Finance. While at UC Berkley he received many awards such as Beta Alpha PSI - The National Accounting Fraternity, Honour Students' Society - High Scholastic Attainment, Departmental Citation Award - Outstanding Undergraduates Accomplishment, Phi Beta Kappa - High Attainment in Liberal Scholarship etc.

Mr. Lakhani has over 38 years experience of Senior Management in consumer marketing, finance, manufacturing, industry and government relations. Areas of special interest cover marketing, total quality management and leadership. He is a Charter Member of The Indus Entrepreneurs and Director of Pakistan Business Council. In addition, he is also on the Board of Trustees of the Layton Rahmatullah Benevolent Trust. Previously he has served as the Chairman Cigarette Manufacturers Association of Pakistan, Chairman Aga Khan Economic Planning Board for Pakistan and Vice President American Business Council of Pakistan.

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

Mr. Babar Ali Lakhani - Chief Executive Officer

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 of Pakistan. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

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

Mr. Lakhani is the Chairman of Tritex Cotton Mills Ltd., a board member of the Mutual Fund Association of Pakistan (MUFAP), a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young President's Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.

Mr. A. Aziz H. Ebrahim

Mr. Ebrahim has over 44 years of varied experience in financial management in Private Industries in Pakistan. After qualifying Chartered Accountancy Examination, (at present fellow member of Institute of Chartered Accountant of Pakistan), Mr. Ebrahim started his career in 1967 as Finance Manager with ARAG Industries dealing in various businesses such as Pharmaceuticals, Cosmetics, and Biscuits Manufacturing etc. He left the ARAG Group in 1977, as a Financial Advisor.

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

Mr. Amir Mobin - Chief Financial Officer and Company secretary

Mr. Amir has over 4 years of post qualification experience which includes working at IGI Funds Limited as Head of Operations and National Clearing 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, Mr. Amir has been an active member of the team responsible for the implementation of the Financial Institution Risk Management System. He has actively participated in the implementation of the CFS Mk-II. Further, he has worked on the concept paper of the Security Lending and Borrowing Module.

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

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

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

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

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

Mr. Umair is also the Fund Manager of Lakson Income Fund and Lakson Money Market Funds.

Mr. Imran Raza Kazmi - Assistant Fund Manager

Mr. Imran Kazmi has over 6 years of experience in Fixed Income Market. He was previously affiliated with Alfalah GHP Investment Management Limited as Assistant Manager – Fixed Income where he managed Income fund and Cash fund with the fund size of PKR 4.5 billion. He has also worked with IGI Finex Securities Limited (formerly; Finex Securities Limited) for 2.5 years as Money Market Dealer.

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

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

Mr. Muhammad Qasim - Officer Risk Management and Compliance

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

Mr. Qasim is an Associated Member of Institute of Cost and Management Accountants of Pakistan.

Ms. Hifza Zia – Head of Research

Ms. Hifza Zia joined Lakson Investments Limited in February 2011 as Senior Equity Research Analyst and was later on promoted to Head of Research. She is currently covering Economy and Financial sector besides Telecom and Textiles. She has been associated with the equity research for more than six years. Prior to joining Lakson, she worked for Elixir Securities Pakistan, Atlas Capital Market and First National Equities where she covered Banking, Telecom, Fertilizer and Auto sectors.

Hifza holds an MBA degree (Finance majors) from Institute of Business Administration, Karachi. Currently, she is also CFA Level I candidate for December 2011.

20.4 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, 9th, 10th, 11th, 12th and 13th Board meetings were held on July 06, 2010, July 28, 2010, October 28, 2010, February 21, 2011 and April 21, 2011 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	05	03	02	10th and 12th meeting
2	Mr. Babar Ali Lakhani	05	05	-	N/A
3	Mr. A. Aziz H. Ebrahim	05	04	01	13th meeting
4	Mr. Mahomed J. Jaffer	05	03	02	9th and 10th meeting
5	Mr. Sher Afgan Malik	05	02	03	9th, 10th and 12th meeting
6	Mr. M. A. Qadir	05	03	02	12th and 13th meeting
7	Mr. Daniel Scott Smaller	05	02	03	9th, 11th and 13th meeting
8	Mr. Zahid Zakiuddin	05	04	01	9th meeting

20.5 RATING OF THE FUND AND THE MANAGEMENT COMPANY

PACRA Rating	Management Quality Rating	Star Ranking (Normal)
Lakson Investments Limited	AM3+	N/A
Lakson Equity Fund	N/A	3 - Star

21. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on July 22, 2011 by the Board of Directors of the Management Company.

22. GENERAL

22.1 Figures have been rounded off to the nearest rupee.

22.2 Comparative figures in the income statement, statement of comprehensive income, distribution statement, statement of cash flow and statement of movement in unit holders' fund are not comparable as they are for a period of less than one year.



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

Chief Executive Officer

Director



A Lakson Group Company

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