

LAKSON MONEY MARKET FUND  
Annual Report 2015



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==== **Vision** ====

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.



==== **Mission** ====

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.

## Fund's Information

### Management Company

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

### Board of Directors of the Management Company

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

### Chief Financial Officer & Company Secretary of the Management Company

Ms. Sana Quadri

### Audit Committee

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

### Human Resource and Remuneration Committee

Mr. Iqbal Ali Lakhani - Chairman  
Mr. Babar Ali Lakhani  
Mr. Daniel Scott Smaller

### Trustee

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

### Auditors

BDO Ebrahim & Co.  
Chartered Accountants  
2nd Floor, Block C,  
Lakson Square, Building No. 1,  
Sarwar Shaheed Road,  
Karachi - 74200.

### Bankers to the Fund

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
National Bank of Pakistan  
United Bank Limited

**Legal Adviser**

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

**Registrar**

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

**Distributors**

Adam Securities  
Amir Noorani  
BMA Financial Services Limited  
Elixir Securities (Pvt.) Limited  
Ismail Iqbal Securities  
Metro Securities Pvt. Limited  
Pearl Securities Pvt. Limited  
Rabia Fida  
Topline Securities (Pvt.) Limited  
Vector Capital (Pvt.) Limited

**Rating by PACRA**

AA(f) : Fund Stability Rating  
AM2- : Asset Manager Rating



## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015**

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Money Market Fund ("LMMF") is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2015

### **Fund Objective**

The objective of the fund is to provide stable and competitive returns with low volatility that are in line with the money markets and consistent with capital preservation. Accordingly, the fund consists of a liquid portfolio of low risk, short-term investments.

### **Fund Profile**

LMMF is an open end money market fund which invests in Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts and other short term instruments. The weighted average maturity of the portfolio is kept below 3 months. LMMF invests in only those securities that have been assigned at least an "AA" rating by a rating agency in Pakistan and are of less than 6 months maturity. An in-depth credit analysis is conducted before taking any exposure to any counter party to mitigate the credit risk. Short maturity of the portfolio protects the Unit Holders against interest rate movements while enhancing the liquidity of the Fund. LMMF is allowed to borrow up to 15% of Net Assets to meet redemptions, however, LMMF did not utilize this facility during the period under review.

### **Fund Performance**

The LMMF yielded 8.57% in FY15 compared to 7.90% in FY14. The Benchmark of the LMMF (50% average 3M T-Bills yield + 50% average 3M TDR rate of minimum AA rated banks) yielded 8.45% in FY15. The LMMF outperformed the Benchmark by 12bps. An interim dividend distribution of PKR 8.44/unit was made in line with the Fund's policy of paying out more than 90% of the year's income to unit holders. The LMMF shrank by 44% in FY15 to PKR 4.21 bn from PKR 7.49 bn at the start of the year. The decline in the fund size came about as investors opted for funds which could take longer term PIB exposure in an environment where interest rates were declining.

### **Earnings 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 during the year declared the interim payout of PKR 8.4431 per unit (8.4431% face value of PKR 100/-) amounting to PKR 118.11 million distribution in cash for the year ended June 30, 2015

### **Fund and Asset Manager Rating**

The Pakistan Credit Rating Agency Limited ('PACRA') has upgraded the asset manager rating of the Management Company from AM3+ to AM2-. PACRA has maintained the Fund Stability Rating of LMMF at "AA(f)".

### **Corporate Governance**

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

1. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.
2. Proper books of accounts of the Fund have been maintained.

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

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

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



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

13. During the year, one meeting of the Human Resource and Remuneration Committee comprising of Mr. Iqbal Ali Lakhani - Chairman, Mr. Babar Ali Lakhani - Member and Mr. Daniel Scott Smaller - Member was held, all the three members of the Committee attended the meeting.

14. The pattern of unit holding is given in note No. 23.1 of the Financial Statements.

15. During the year under review trades in the Units of the Fund were carried out by the Directors, the Chief Executive Officer, the Executives and including their spouses and minor children are as under:

S.No.	Name	Designation	Investment	Redemption
			(Number of Units)	
1	Mr. Iqbal Ali Lakhani	Chairman	35,043.6086	-
2	Mrs. Ronak Iqbal Lakhani	Spouse of Chairman	1,621,534.3156	1,150,879.3636
3	Mr. Babar Ali Lakhani	Chief Executive	11,097.7784	222,488.0457
4	Mr. Hasan Ali Lakhani	Minor Child of Chief Executive	4,261.3069	8,506.5709
5	Mr. Amin Mohammed Lakhani	Director	260,565.3129	694,255.4527
6	Mrs. Saira Amin Lakhani	Spouse of Director	169,523.6732	-
7	Mr. Kashif Mustafa	Executive	8,423.1415	4,629.0596
8	Mrs. Tazeen Fatima	Spouse of Executive	461.5568	2,782.1906

#### External Auditor

The existing auditors M/s. BDO Ebrahim & Co., Chartered Accountants being eligible have given their consent for reappointment as auditors for the year ending June 30, 2016. The Board of Directors, on the recommendations of the Audit Committee, has reappointed M/s. BDO Ebrahim & Co., Chartered Accountants for the year ending June 30, 2016.

#### Economic Review FY2015

The highlight of FY15 was the massive drop in global oil prices starting from October 2014. On the back of lower oil prices, Pakistan's CPI inflation clocked in at an 11-year low of 4.5%, much lower than the CPI target of 8% set by the government. Pakistan is a major oil importer and a sharp decline in global crude oil prices helped in attaining sizable savings in the national exchequer and thus giving a significant boost to the economy. International Arab prices declined by 32% in FY15 and domestic petrol prices were lowered by 28% in the same period. Food inflation during FY15 stood at 2.7% versus 8.6% in FY14 and core inflation declined to 6.5% in FY15 compared to 8.3% in FY14.

Drop in oil prices and the subsequent drop in inflation persuaded the central bank to cut the discount rate thrice to finally reach an all-time low of 7%. The cut in discount rate has been a significant factor in giving the country's economy a much needed boost and steer growth in large scale manufacturing particularly in cements and automobile sectors.

The country's liquidity position has improved due to sale of government's stake in HBL, IMF inflows and a reduction in CA deficit. The year saw massive inflows due to sale of the government's stake in HBL. Current account deficit in FY15 clocked in at USD 2.28 bn (0.8% of GDP), a massive decline of 27% from FY14. This decline was due mainly to the CSF payment of USD 717 million and a staggering growth in remittances which reached an historic high of USD 18 billion in June 2015. In future, the country's economic prospects look positive as the proposed infrastructure development projects and Pak China Economic Corridor are expected to accelerate growth.

In June, the government presented its annual budget which focused on infrastructure development and is thus expected to give a significant boost to the cement and construction sectors. Also, in June, Moody's upgraded Pakistan's rating to B3 and rated the country's outlook stable. Key factors contributing to this improvement in rating include strengthening external payments position and significant progress in structural reforms under the IMF program. The improvement in rating would help to lower the government's borrowing cost and would also provide wider visibility to the country's equity and debt markets globally.

#### **Future Outlook**

The LMMF will continue to maintain significant exposure in T-Bills to maintain high liquidity in accordance with its investment objective. The LMMF may switch between different maturities depending upon the liquidity conditions of the market and interest rate outlook. Also in order to generate competitive returns for unit holders the Fund will continue to explore placement options with high quality banks and DFIs at every available opportunity. The SBP cut the discount rate by 300bps during FY15 and we feel that the policy rate is likely to remain stable over FY16.

#### **Acknowledgment**

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

**For and on behalf of the Board**

**Dated: August 20, 2015**

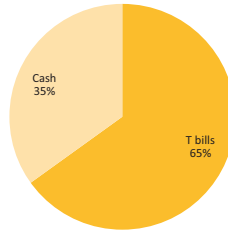
**Babar Ali Lakhani**  
**Chief Executive Officer**

**REPORT OF THE FUND MANAGER  
FOR THE YEAR ENDED JUNE 30, 2015**

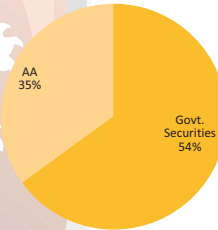
**Fund Facts**

Fund Type	Open-End
Category	Money Market Fund
Net Assets (PKR Mil.)	4,209
NAV (30.06.2015)	100.2271
Pricing Mechanism	Previous Day
Trustee	Central Depository Company of Pakistan Limited
Auditor	BDO Ebrahim & Co.
Management Fee	10% of Gross Earnings subject to a minimum of 1.00% and maximum of 1.25% of the average annual net assets
Front End Load	None
Back End Load	None
Launch Date	November 13, 2009
Benchmark	50% average 3M T bills yield + 50% Average 3M TDR rate of minimum AA rated banks
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM
Fund Rating	'AA(f)' by PACRA (19.03.2015)
Asset Manager Rating	AM2- by PACRA (22.04.2015)

**Asset Allocation**



**Credit Split**



Morningstar	LMMF	Benchmark
FY15	8.57%	8.45%
June-15	9.31%	6.20%
2 Months	8.20%	6.29%
3 Months	7.99%	6.88%
6 Months	8.39%	7.66%
12 Months	8.57%	8.45%
CY15 - YTD	8.39%	7.66%

Simple Annualized	LMMF	Benchmark
FY15	8.57%	8.45%
June-15	8.94%	6.03%
2 Months	7.93%	6.14%
3 Months	7.76%	6.64%
6 Months	8.22%	7.51%
12 Months	8.57%	8.45%
CY15 - YTD	8.22%	7.51%
3 Years	9.14%	9.47%
5 Years	11.65%	11.95%
Since Inception	12.25%	12.51%

**Investment Committee**

Babar Ali Lakhani	Chairman
Mustafa O. Pasha, CFA	Fund Manager
Syed Saifullah Kazmi	
Farhan Bashir	
Maryam Hidayatallah	

**Investment Objective**

The investment objective of the Lakson Money Market Fund ("LMMF") is to provide stable and competitive returns in line with the money markets, exhibiting low volatility consistent with capital preservation by constructing a liquid portfolio of low risk short term investments.

The LMMF achieved its investment objective by constructing a liquid portfolio of short term instruments mainly comprising of risk free T-Bills and placements with high credit quality banks and DFIs.

**Investment Strategy**

The LMMF's Investment Committee focused on maintaining a low risk and liquid portfolio in accordance with its Investment Objective. Exposure of the LMMF in T-Bills, TDRs, and other money market placements was managed based on the relative yield analysis of these instruments and our yield curve expectations. The LMMF maintained an average exposure of 45% in risk free T-Bills in order to maintain credit quality and liquidity in line with the low risk profile of the Fund. In contrast to last year, the

Fund also maintained 44.0% average exposure to short term placements with banks & DFIs. This exposure was taken as the returns available on these placements were favorable when compared to T-Bills. Cash levels generally remained on the lower side (2.7% average in 1HFY15) except for near the year end where excess liquidity was retained in the face of a volatile market and regulatory environment. As of June 30, 2015 the WAM of the LMMF portfolio stood at 58 days while exposure to T bills was 65.0%. Portfolio WAM was kept on the higher side in FY15 order to take advantage of the decrease in interest rates and averaged 63.7 days over the year. This strategy of following a market neutral WAM combined with significant exposure to short term placements allowed the Fund to insulate itself from adverse mark to market shocks while maintaining a competitive return. The LMMF maintained all its exposure in instruments having a minimum rating of 'AA'.

### **Fixed Income Market Review**

During FY15 the country's macroeconomic indicators improved substantially which allowed the SBP to slash the policy rate by 300bps to 7.0% (the lowest level in 42 years). Inflation dropped significantly to 4.5% in FY15 against 8.6% last year leading to positive real interest rates. Foreign reserves increased by 32.3% to USD 18,706 mn as proceeds from privatization, creditors, international bond issuances, CSF payments and worker remittances pushed the country's import cover to over 5 months. In addition to the monetary easing, a notable development during the year came from the implementation of an interest rate corridor. The central bank moved to introduce a 'Target Rate' for the overnight money market repo rate as the new policy rate. The use of the target rate is in line with the broader policy of moving towards international best practices and aims to achieve a more effective transmission of the central bank's monetary stance. The SBP continued to actively intervene in the inter-bank market in order to inject and drain liquidity from the system. This intervention was executed through weekly Open Market Operations (OMO) in which the SBP injected PKR 24.6tn at an average rate of 8.45%.

Due to increased investor confidence in growth prospects and lower inflation, activity picked up substantially in long term bonds. This helped the government to alter the duration of its borrowing profile which had been excessively reliant on short term T-Bills in favor of PIBs. As a result yields on the 3Y, 5Y and 10Y bonds declined by 429 bps, 371 bps and 306 bps respectively during the year. Total amount accepted during FY15 was approximately PKR 1.014tn in PIBs via 15 auctions conducted by the SBP where major concentration was focused towards 3YR and 5YR tenor bonds. FY16 is expected to follow a similar trend; participation should remain skewed towards the shorter tenor on the back of expectation of stable interest rates. With private sector credit off take yet to materialize, the liquidity being generated by strong deposit growth will most likely be diverted into PIBs.

Going forward the optimistic macro scenario lends us confidence that the low interest rate environment can be sustained over FY16 provided that commodity prices remain range bound.

### **Fund Performance**

The LMMF yielded 8.57% in FY15 compared to 7.90% in FY14. The Benchmark of the LMMF (50% average 3M T-Bills yield + 50% average 3M TDR rate of minimum AA rated banks) yielded 8.45% in FY15. The LMMF outperformed the Benchmark by 12bps. An interim dividend distribution of PKR 8.44/unit was made in line with the Fund's policy of paying out more than 90% of the year's income to unit holders. The LMMF shrank by 44% in FY15 to PKR 4.21 bn from PKR 7.49 bn at the start of the year. The decline in the fund size came about as investors opted for funds which could take longer term PIB exposure in an environment where interest rates were declining.

### **Future Outlook**

The LMMF will continue to maintain significant exposure in T-Bills to maintain high liquidity in accordance with its investment objective. The LMMF may switch between different maturities depending upon the liquidity conditions of the market and interest rate outlook. Also in order to generate competitive returns for unit holders the Fund will continue to explore placement options with high quality banks and DFIs at every available opportunity. The SBP cut the discount rate by 300bps during FY15 and we feel that the policy rate is likely to remain stable over FY16.

**Circumstances Materially Affecting Interests of Unit Holders**

During the period under review, the Fund Stability Rating of 'AA' was maintained for the LMMF by PACRA, which denotes a fund consistently outperforming its peers with strong capacity to respond to future opportunities or stress situations. PACRA upgraded the Asset manager Rating of Lakson Investments to 'AM2-' during FY15.

Any change in interest rates would affect the market values of tradable instruments present in the LMMF's portfolio. Any change in counterparty credit ratings can materially affect the interests of unit holders. Such changes could impact the NAV and credit split of the LMMF.

As of June 30, 2015 judgment of the Sind High Court is awaited on the petition regarding exemption of the mutual funds from the WWF. The Unit Holders of the LMMF will have a downside protection in case the judgment comes against the mutual funds industry as the LMMF is one of the funds already providing for this liability. As of June 30, 2015 the LMMF has maintained provisions against Workers' Welfare Fund's liability to the tune of PKR 53.0 mn. If the same were not made the NAV per unit of the LMMF would be higher by PKR 1.26. If the LMMF would not have made the WWF provisions during FY15, the return of the LMMF for FY15 would be higher by 0.06%.

In the Sindh Budget for FY16 the Sindh Government has reduced Sindh Sales Tax ("SST") on services (chargeable on management fee) to 14.0%.

**Other Disclosures**

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

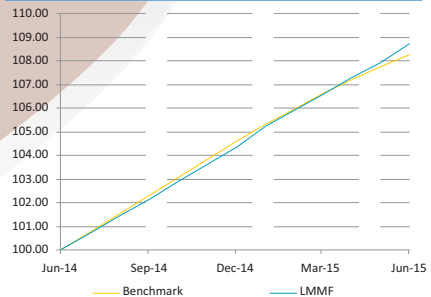
There was no unit split undertaken during the year.

As of June 30, 2015 the LMMF does not employ leverage.

**Performance Table**

	FY15	FY14
Net Assets - Beginning (PKR Mil.)	7,490	10,423
Net Assets - Ending (PKR Mil.)	4,209	7,490
Highest Offer Price (PKR)	108.3718	101.1451
Lowest Offer Price (PKR)	100.1206	100.0039
Highest Redemption Price (PKR)	108.3718	101.1451
Lowest Redemption Price (PKR)	100.1206	100.0039
Beginning NAV - (PKR)	100.1170	100.7055
Interim Distributions (PKR)	8.4431	7.5313
Final Distribution (PKR)	Nil	Nil
Ending NAV - (PKR)	100.2271	100.1170
Return	8.57%	7.90%
Net Income (PKR Mil.)	118.8914	594.2184
WAM (Days)	58	34

**LMMF vs. Benchmark**



Distributions	FY15	FY14	Distributions	FY15	FY14
	PKR per Unit			PKR per Unit	
1st Interim Distribution	8.4431	0.5783	7th Interim Distribution		0.7497
NAV before Distribution	108.5450	100.5903	NAV before Distribution		100.7535
NAV after Distribution	100.1019	100.0120	NAV after Distribution		100.0038
Distribution Date	22-Jun-15	31-Jul-13	Distribution Date		30-Jan-15
2nd Interim Distribution		0.5565	8th Interim Distribution		0.6397
NAV before Distribution		100.5658	NAV before Distribution		100.6510
NAV after Distribution		100.0093	NAV after Distribution		100.0113
Distribution Date		30-Aug-13	Distribution Date		27-Feb-14
3rd Interim Distribution		0.5197	9th Interim Distribution		0.6040
NAV before Distribution		100.5235	NAV before Distribution		100.6079
NAV after Distribution		100.0038	NAV after Distribution		100.0039
Distribution Date		27-Sep-13	Distribution Date		27-Mar-15
4th Interim Distribution		0.5414	10th Interim Distribution		0.6549
NAV before Distribution		100.5454	NAV before Distribution		100.6588
NAV after Distribution		100.0040	NAV after Distribution		100.0039
Distribution Date		25-Oct-13	Distribution Date		25-Apr-14
5th Interim Distribution		0.6546	11th Interim Distribution		0.7725
NAV before Distribution		100.6586	NAV before Distribution		100.7764
NAV after Distribution		100.0040	NAV after Distribution		100.0039
Distribution Date		28-Nov-13	Distribution Date		29-May-14
6th Interim Distribution		0.6039	12th Interim Distribution		0.6561
NAV before Distribution		100.6134	NAV before Distribution		100.6562
NAV after Distribution		100.0095	NAV after Distribution		100.0001
Distribution Date		27-Dec-13	Distribution Date		25-Jun-14

**Breakdown of Unit Holding by Size**

Units Range	No. of Clients	Units Held
1 - 100	13	541
101 - 500	7	1,784
501 - 1,000	2	1,399
1,001 - 5,000	18	52,516
5,001 - 10,000	6	39,815
10,001 - 50,000	18	514,494
50,001 - 100,000	4	318,350
100,001 - 500,000	5	1,581,086
500,001 - 1,000,000	4	2,946,274
1,000,001 - 5,000,000	9	21,877,419
5,000,001 - above	2	14,661,145
	<b>88</b>	<b>41,994,822</b>

CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED

**Head Office**

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



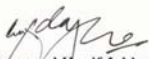
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**LAKSON MONEY MARKET FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of Lakson Money Market Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 in accordance with the provisions of the following:

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

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited  
Karachi: September 29, 2015

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

Category	Names
Independent Directors	<ol style="list-style-type: none"><li>1. Mr. Mahomed J. Jaffer</li><li>2. Mr. Daniel Scott Smaller</li><li>3. Mr. Zahid Zakiuddin</li></ol>
Executive Director	<ol style="list-style-type: none"><li>1. Mr. Babar Ali Lakhani</li></ol>
Non-Executive Directors	<ol style="list-style-type: none"><li>1. Mr. Iqbal Ali Lakhani - Chairman</li><li>2. Mr. A. Aziz H. Ebrahim</li><li>3. Mr. Amin Mohammed Lakhani</li><li>4. Mr. Sher Afgan Malik</li></ol>

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

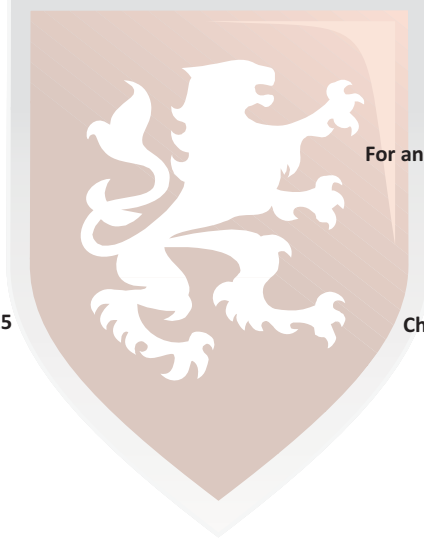
2. The Directors of the Management Company have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company.
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer ('CEO'), other Executive and Non-Executive Directors, have been taken by the Board. Further their remunerations are being borne by the Management Company. No new appointment of the CEO and the directors were made during the year.



8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The Directors are conversant of the relevant laws applicable to the Management Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The directors of the Company having 15 years of experience on the board of a listed company are exempted from the requirement of director's training program. All the board members except three directors qualify for exemption under this provision of the CCG or having completed all parts of the program offered by the Pakistan Institute of Corporate Governance and duly certified. The Management Company, intends to complete the said requirement in full within the time specified in the Code.
10. The new appointment of Chief Financial Officer and Company Secretary was made during the year and is duly approved by the Board of Directors including her terms of employment. The Company has designated one of its employees as 'Coordinator/Head of Internal Audit' to act as coordinator between the firm providing internal audit services and the Audit Committee.
11. The Directors' Report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the units of the Fund other than those disclosed in the Annual Report.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are Non-Executive Directors of the Management Company and the Chairman of the Committee is an Independent Director.
16. The meetings of the Audit Committee were held at least once every quarter and prior to approval of interim and final results of the Fund. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board of the Management Company has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are Non-Executive Directors and the Chairman of the Committee is a Non-Executive Director.
18. The Board has outsourced the internal audit function to M/s. Grant Thornton Anjum Rahman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan ('ICAP'), that they or any of the partners of the firm, their spouses and minor children do not hold

units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'Closed Period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other applicable material principles enshrined in the Code have been complied with.



**For and on behalf of the Board**

**Babar Ali Lakhani**  
**Chief Executive Officer**

**Dated: August 20, 2015**



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Lakson Investments Limited, the Management Company of **LAKSON MONEY MARKET FUND** ("the Fund") for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No XI of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Fund for the year ended June 30, 2015.

KARACHI

DATED: AUGUST 20, 2015



**CHARTERED ACCOUNTANTS**

Engagement partner: Zulfikar Ali Causer

**BDO Ebrahim & Co. Chartered Accountants**

BDO Ebrahim & Co., a Pakistan registered partnership firm. It 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 Money Market Fund ("the Fund"), which comprise of the statement of assets and liabilities as at June 30, 2015 and the income statement, statement of comprehensive income, distribution statement, cash flow statement and statement of movement in unit holders' fund for the year then ended and summary of significant accounting policies and other explanatory notes.

#### Management Company's responsibility for the financial statements

Lakson Investments Limited, the Management Company 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 Fund'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 Fund'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.

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**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.



**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, 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

**Other matters**

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

The financial statements for the year ended June 30, 2014 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated August 18, 2014.

KARACHI

DATED: 20 AUG 2015

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

**Statement of Assets and Liabilities  
As at June 30, 2015**

	Note	2015	2014
<b>ASSETS</b>		(Rupees)	
Bank balances	5	<b>1,514,468,904</b>	4,909,444,639
Investments	6	<b>2,769,036,920</b>	1,186,711,533
Certificate of investment and letter of placement	7	-	1,390,000,000
Markup receivable	8	<b>17,635,481</b>	86,086,337
Deferred formation cost	9	-	148,731
Prepayments		<b>129,235</b>	105,000
<b>TOTAL ASSETS</b>		<b><u>4,301,270,540</u></b>	<u>7,572,496,240</u>
<b>LIABILITIES</b>			
Payable to the Management Company	10	<b>33,655,284</b>	24,822,869
Remuneration payable to the Trustee	11	<b>323,571</b>	517,605
Annual fee payable to Securities and Exchange Commission of Pakistan	12	<b>4,833,641</b>	5,946,531
Accrued expenses and other liabilities	13	<b>53,441,890</b>	50,963,067
<b>TOTAL LIABILITIES</b>		<b><u>92,254,386</u></b>	<u>82,250,072</u>
<b>NET ASSETS</b>		<b><u>4,209,016,154</u></b>	<u>7,490,246,168</u>
<b>UNIT HOLDERS' FUND (as per statement of movement in unit holders' fund)</b>		<b><u>4,209,016,154</u></b>	<u>7,490,246,168</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		
(Number of units)			
<b>Number of units in issue</b>	15	<b><u>41,994,822</u></b>	<u>74,814,937</u>
(Rupees)			
<b>Net assets value per unit</b>		<b><u>100.2271</u></b>	<u>100.1170</u>

The annexed notes from 1 to 25 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, 2015

	Note	2015	2014
		(Rupees)	
<b>INCOME</b>			
Mark-up income	16	616,375,608	754,912,511
Gain / (loss) on sale of investments - net		9,814,064	(1,598,444)
Unrealised appreciation / (diminution) in the fair value classified as ' held for trading' - net	6.1 & 6.2	<u>1,126,168</u>	<u>(281,081)</u>
		<b>627,315,840</b>	<b>753,032,986</b>
<b>EXPENSES</b>			
Remuneration to the Management Company	10.1	66,559,466	90,808,427
Sindh Sales Tax on remuneration to Management Company	10.2	11,581,347	16,854,044
Federal Excise Duty on remuneration to Management Company	10.3	10,649,514	14,529,348
Remuneration to the Trustee	11	5,583,641	6,696,529
Annual fee to the Securities and Exchange Commission of Pakistan	12	4,833,641	5,946,531
Auditors' remuneration	17	307,495	315,420
Fees and subscription		272,126	245,000
Printing charges		32,599	29,672
Brokerage expenses		1,063,698	1,087,035
Amortization of deferred formation cost	9	148,731	399,172
Bank charges		118,198	227,588
Workers' Welfare Fund	13.1	2,426,357	12,126,908
		<u>103,576,813</u>	<u>149,265,674</u>
Net income from operating activities		<b>523,739,027</b>	<b>603,767,312</b>
Element of loss and capital losses included in the prices of units issued less those in units redeemed - net		<b>(404,847,531)</b>	<b>(9,548,829)</b>
<b>Net income for the year</b>		<u><b>118,891,496</b></u>	<u><b>594,218,483</b></u>

The annexed notes from 1 to 25 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, 2015**

	2015	2014
	(Rupees)	
Net income for the year	118,891,496	594,218,483
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u><u>118,891,496</u></u>	<u><u>594,218,483</u></u>

The annexed notes from 1 to 25 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, 2015**

	Note	2015 (Rupees)	2014
Undistributed income at beginning of the year - realised		9,033,582	72,728,740
Accumulated loss at beginning of the year - unrealised		(281,081)	293,994
Total undistributed income at beginning of the year		<u>8,752,501</u>	<u>73,022,734</u>
Final distribution of nil (2014: Re 0.7026 per unit approved on July 8, 2013)			
Cash distribution		-	-
Issue of bonus units		-	(72,722,041)
		-	(72,722,041)
Comprehensive income for the year		<u>118,891,496</u>	594,218,483
Interim distributions during the year	18		
Cash distribution		(118,110,055)	-
Issue of bonus units		-	(585,766,675)
		<u>781,441</u>	<u>8,451,808</u>
		<u>9,533,942</u>	<u>8,752,501</u>
Undistributed income at end of the year - realised		8,407,774	9,033,582
Undistributed income / (accumulated loss) at end of the year - unrealised		1,126,168	(281,081)
<b>Undistributed income at end of the year</b>		<u>9,533,942</u>	<u>8,752,501</u>

The annexed notes from 1 to 25 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, 2015**

Note	2015 (Rupees)	2014
<b>Net assets at the beginning of the year</b>	<b>7,490,246,168</b>	10,423,441,276
Amount received on issue of 79,323,441 units (2014: 82,012,986 units)	<b>8,077,420,331</b>	8,224,372,831
Amount paid on redemption of 112,143,556 units (2014: 117,286,770 units)	<b>(11,764,279,317)</b>	(11,761,335,251)
	<b>(3,686,858,986)</b>	(3,536,962,420)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	<b>404,847,531</b>	9,548,829
Final distribution Nil (2014: Re 0.7026 per unit approved on July 8, 2013)"	-	-
Cash distribution	-	(72,722,041)
Issue of bonus units	-	(72,722,041)
Issue of nil (2014: 727,199) bonus units as final distribution	-	72,722,041
Comprehensive income for the year	<b>118,891,496</b>	594,218,483
Interim distributions during the year 18	<b>(118,110,055)</b>	-
Cash distribution	-	(585,766,675)
Issue of bonus units	-	(585,766,675)
Comprehensive income for the year less distribution	<b>781,441</b>	8,451,808
Issue of nil (2014: 5,857,336) bonus units as interim distribution	-	585,766,675
<b>Net assets as at the end of the year</b>	<b><u>4,209,016,154</u></b>	<u>7,490,246,168</u>
Net assets value per unit at the beginning of the year	<b><u>100.1170</u></b>	<u>100.7055</u>
Net assets value per unit at the end of the year	<b><u>100.2271</u></b>	<u>100.1170</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

**Cash Flow Statement**  
**For the year ended June 30, 2015**

	2015	2014
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	118,891,496	594,218,483
<b>Adjustments for:</b>		
Amortisation of formation cost	148,731	399,172
Unrealised (appreciation) /diminution in the fair value of investments classified as held for trading - net	(1,126,168)	281,081
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	404,847,531	9,548,829
	<u>522,761,590</u>	<u>604,447,565</u>
<b>(Increase) / decrease in assets</b>		
Investments	(1,581,199,219)	1,341,811,948
Letter of placement and certificate of investment	1,390,000,000	(1,390,000,000)
Markup receivable	68,450,856	(35,774,361)
Prepayments	(24,235)	(5,000)
	<u>(122,772,598)</u>	<u>(83,967,413)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	8,832,415	14,725,586
Remuneration payable to the Trustee	(194,034)	(38,835)
Annual fee payable to Securities and Exchange Commission of Pakistan	(1,112,890)	(315,055)
Accrued expenses and other liabilities	2,478,823	12,151,211
	<u>10,004,314</u>	<u>26,522,907</u>
<b>Net cash generated from operating activities</b>	<u>409,993,306</u>	<u>547,003,059</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	8,077,420,331	8,224,372,831
Payment against redemption of units	(11,764,279,317)	(11,761,335,251)
Cash dividend paid	(118,110,055)	-
<b>Net cash used in financing activities</b>	<u>(3,804,969,041)</u>	<u>(3,536,962,420)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(3,394,975,735)</u>	<u>(2,989,959,361)</u>
Cash and cash equivalents at the beginning of the year	4,909,444,639	7,899,404,000
<b>Cash and cash equivalents at the end of the year</b>	<u>1,514,468,904</u>	<u>4,909,444,639</u>

The annexed notes from 1 to 25 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, 2015

### 1. LEGAL STATUS AND NATURE OF BUSINESS

The Lakson Money Market Fund (the "Fund") was established under the Trust Deed executed on September 2, 2009 between the Lakson Investments Limited as its Management Company and the 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 (NBFC Regulations). The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore.

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

The Fund is categorised as "Money Market Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and the Fund primarily invests in Government securities, certificates of investment, certificates of deposits, term deposit receipts, commercial papers, reverse repo, etc. subject to the guidelines issued by SECP from time to time.

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

The Pakistan Credit Rating Agency (PACRA) has maintained AA(f) (Fund Stability Rating) to the Fund and 'AM2-' (Management Company Quality Rating) to the Management Company.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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 investments that are stated at fair values.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency.

## **2.4 Use of estimates and judgments**

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

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

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

### **Classification and valuation of investments**

For details please refer notes 4.1 and 22 to these financial statements.

### **Impairment of investment**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria for non performing exposures as per the requirements of Circular No. 33 of 2012 dated October 24, 2012.

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

For details please refer note 4.9 to these financial statements.

### **Provision for taxation**

For details please refer notes 4.7 and 19 to these financial statements.

### **Workers' Welfare Fund**

For details please refer note 13.1 to these financial statements.

### **Other assets**

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

## **3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

### **3.1 Standards or interpretations that are effective in current year but not relevant to the Fund**

The Fund has adopted the following accounting standards and interpretations which became effective during the year:

**Effective date  
(annual periods  
beginning on or after)**

IFRIC 21 Levies

January 01, 2014

**3.2 Amendments that are effective in current year but not relevant to the Fund**

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

IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014

		<b>Effective date (annual periods beginning on or after)</b>
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

### **3.3 Amendments not yet effective**

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

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements)	January 01, 2016
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10	Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19	Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016



### 3.4 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

The Fund expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies has been consistently applied to all the periods pretested in the preparation of these financial statements and are set out below:

### 4.1 Investments

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

4.1.2 The Fund classifies its investments in the following categories:

#### a) Financial assets at fair value through profit or loss

This category has two sub-categories, namely; financial instruments classified as held for trading, and those designated at fair value through profit or loss upon initial recognition:

- i) 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.
- ii) Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented investment strategy.

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

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

#### 4.1.3 Basis of valuation of investments

Fair value of the investments in Federal Government securities comprising Market Treasury Bills and Pakistan Investment Bond are determined by reference to the quotations obtained from the PKRV rate notified by the mutual fund association of Pakistan (MUFAP) as at the year end.

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.

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

#### 4.2 Securities under resale / repurchase agreements

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

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

#### 4.3 Formation cost

This represents expenses incurred on the formation of the Fund. As permitted in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, these expenses are being amortised to the income statement over a period of five years i.e. effective from November 14, 2009.

#### 4.4 Unit holders' fund

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

#### 4.5 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received (however units are issued on realisation of cheques). The offer price represents the net assets value of units at end of the day plus the allowable sales load (if any).

Units are redeemed at the redemption price prevalent on the day on which the applications for the redemption of units are received. The redemption price represents the net assets value at end of the day.

#### 4.6 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 at the year end.

**4.7 Taxation**

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

**4.8 Revenue recognition**

- Gains / (losses) arising on sale of investments are included in the income on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as held for trading are included in the income statement in the period in which they arise.
- Interest income on Government securities, reverse repurchase arrangements, certificates of investment, certificates of deposits, term deposit receipts, commercial paper, placements and bank deposits are recognised in the income statement at rate of return implicit in the instrument on time proportionate basis.

**4.9 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net**

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 issued less those in units redeemed" is created.

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

**4.10 Financial instruments**

Financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Fund loses control of the contractual rights that comprises that financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. The particular recognition method adopted for measurement of financial liabilities and investments subsequent to initial recognition is disclosed in the individual policy statement associated with each item.

**4.11 Offsetting of financial assets and financial liabilities**

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

**4.12 Impairment**

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

Provision for diminution in the value of debt securities is made as per the requirements of Circular No. 33 of 2012 dated October 24, 2012 (which is essentially the same as contained in Circular No. 1 of 2009 previously issued by the SECP) and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular.

In case of impairment of other available-for-sale investments, the cumulative loss that has been recognised directly in statement of comprehensive income is taken to the income statement.

Other individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in income statement.

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

**4.13 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.

**4.14 Cash and cash equivalents**

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

**4.15 Cash and bank balances**

Cash and bank balances are carried at nominal value, except the foreign currency account balances which are translated into rupees at the rates of exchange approximating those prevailing at the balance sheet date.

**4.16 Dividend (including bonus units)**

Dividend (including bonus units) declared are recorded in the period in which they are approved.

**4.17 Other assets**

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

	Note	2015	2014
		(Rupees)	
<b>5. BANK BALANCES</b>			
<b>Local currency</b>			
In profit and loss sharing accounts	5.1	<b>1,514,468,904</b>	104,126,240
In current accounts		-	2,805,318,399
Term deposits receipts		-	2,000,000,000
		<u><b>1,514,468,904</b></u>	<u>4,909,444,639</u>

5.1 These represents profit and loss account maintained with banks carrying profit rates ranging from 4.5% to 7.05% (2014: 7.00% to 11.83%) per annum.

**6. INVESTMENTS - financial assets at fair value through profit or loss - held for trading**

**Government securities**

Market Treasury Bills	6.1	<b>2,769,036,920</b>	158,144,872
Pakistan Investment Bonds	6.2	-	1,028,566,661
		<u><b>2,769,036,920</b></u>	<u>1,186,711,533</u>

**6.1 Market Treasury Bills**

	Number of treasury bills				Balance as at June 30, 2015			Market value as percentage of net assets of the Fund	Market value as percentage of total investment	
	Number of holdings at beginning of the year	Acquired during the year	Disposed/ matured during the year	Number of holdings at the end of the year	Carrying Value	Market value	Unrealized appreciation / (diminution)			
Government Securities					(Rupees)					
3 Months Market Treasury Bills (face value of Rs. 100,000 each)	6.1.1	-	129,040	114,040	15,000	1,483,240,056	1,483,238,500	(1,556)	35.24	53.57
6 Months Market Treasury Bills (face value of Rs. 100,000 each)	6.1.2	1,640	132,136	125,631	8,145	800,882,104	801,988,920	1,106,816	19.05	28.96
12 Months Market Treasury Bills (face value of Rs. 100,000 each)	6.1.3	-	16,178	11,178	5,000	483,788,592	483,809,500	20,908	11.49	17.47
						<u>2,767,910,752</u>	<u>2,769,036,920</u>	<u>1,126,168</u>	<u>65.79</u>	<u>100.00</u>
						<u>158,127,661</u>	<u>158,144,872</u>	<u>17,211</u>	<u>2.11</u>	<u>13.33</u>

6.1.1 This represents investments in 3 months Government Treasury Bills carrying effective profit rate ranging from 6.95% to 6.96% (2014: nil) per annum having maturity from August 20, 2015 to September 17, 2015. The face value of Market Treasury Bills as at June 30, 2015 amounted to Rs. 1,500 million (2014: nil).

6.1.2 This represents investments in 6 months Government Treasury Bills carrying effective profit rate ranging from 7.25% to 8.1171% (2014: 10.01%) per annum having maturity from September 3, 2015 to October 29, 2015. The face value of Market Treasury Bills as at June 30, 2015 amounted to Rs. 814.50 million (2014: Rs. 164 million).

6.1.3 This represents investments in 12 months Government Treasury Bills carrying a effective profit rate of 6.95% (2014: nil) per annum having maturity on December 24, 2015. The face value of Market Treasury Bills as at June 30, 2015 amounted to Rs. 500 million (2014: nil).

**6.2 Pakistan Investment Bond**

	Number of Pakistan Investment Bonds				Balance as at June 30, 2015			Market value as percentage of net assets of the Fund	Market value as percentage of total investment
	Number of holdings at beginning of the year	Acquired during the year	Disposed/ matured during the year	Number of holdings at the end of the year	Carrying Value	Market value	Unrealized appreciation / (diminution)		
Government Securities									
3 years Pakistan Investment Bond (face value of Rs. 100,000 each)	10,273	2,500	12,773	-	-	-	-	-	-
			June 30, 2015						
			June 30, 2014		1,028,864,953	1,028,566,661	(298,292)	13.73	86.67

**7. CERTIFICATE OF INVESTMENT AND LETTER OF PLACEMENT**

Note	2015	2014
	(Rupees)	
Certificate of investment - unsecured	-	790,000,000
Letter of placement - unsecured	-	600,000,000
	<u>-</u>	<u>1,390,000,000</u>

**8. MARKUP RECEIVABLE**

**Considered good**

Mark up / profit receivable on:

Profit and loss sharing accounts	17,635,481	6,369,277
Letter of placement	-	657,534
Certificate of investment	-	23,516,028
Term deposits receipts with banks	-	13,431,234
Pakistan Investment Bonds	-	42,112,264
	<u>17,635,481</u>	<u>86,086,337</u>

**9. DEFERRED FORMATION COST**

Opening balance	9.1	148,731	547,903
Amortisation during the year		(148,731)	(399,172)
Closing balance		<u>-</u>	<u>148,731</u>

9.1 This represents expenses incurred on the formation of the Fund. The 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 Assets Management Company (AMC) 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 with in 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.

	Note	2015 (Rupees)	2014
<b>10. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration payable to the Management Company	10.1	<b>3,498,321</b>	6,411,721
Sales tax payable on remuneration to the Management Company	10.2	<b>4,520,146</b>	3,423,845
Federal excise duty payable on remuneration to the Management Company	10.3	<b>25,636,817</b>	14,987,303
		<u><b>33,655,284</b></u>	<u>24,822,869</u>

10.1 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 Company is charging its remuneration at the rate of 10% of the gross earnings of the Fund, calculated on a daily basis. The fee is subject to a minimum of 1% and maximum of 1.25% of the average annual net assets of the Fund.

10.2 Provincial Government of Sindh has levied Sindh Sales Tax on the remuneration of the management company through Sindh Sales Tax on Services Act, 2011 with effect from July 01, 2011. This amount is paid / payable to the Management Company who then pays it to the Government of Sindh.

10.3 The Finance Act, 2013 has enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED is not justified.

On September 4, 2013, a constitutional Petition has been filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED. In this respect, the Honorable SHC has issued a stay order against recovery proceedings. The hearing of the petition is in progress.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from June 13, 2013, aggregating to Rs. 25.636 million (June 30, 2014: Rs. 14.987 million).

**11. REMUNERATION PAYABLE TO THE TRUSTEE**

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

**Net assets upto Rs. 1 billion**

0.15% per annum of the daily average net assets of the Fund.

**Net assets ranging between Rs 1 billion to Rs 10 billion**

Rs 1.5 million plus 0.075% per annum of the daily average net assets of the Fund exceeding Rs 1 billion.

**Net assets exceeding Rs 10 Billion**

Rs 8.25 million plus 0.06% per annum of the daily average net assets of the Fund exceeding Rs 10 billion.

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Currently, the Fund is required to pay annual fee to SECP at the rate of 0.075% of the average daily net assets of the Fund.

	Note	2015 (Rupees)	2014
<b>13. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		199,500	207,480
Workers' Welfare Fund	13.1	53,035,330	50,608,973
Brokerage payable		177,060	115,414
Others		30,000	31,200
		<u>53,441,890</u>	<u>50,963,067</u>

**13.1 Workers' Welfare Fund**

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year 2011, a single bench of the Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. However, in the month of March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and overruled a single-member LHC bench judgment issued in August 2011. However, the Honorable Peshawar High Court on May 29, 2014 on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

However, as per the advice of legal counsel of MUFAP, the stay granted to CIS (as mentioned in the first paragraph) remains intact and the constitution petitions filed by the CIS to challenge the Workers' Welfare Fund contribution have not been affected by the SHC judgment.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of prudence and abundant caution, has decided to make provision for WWF amounting to Rs. 53.035 million up to June 30, 2015.

Had the above recognition not been made, the net assets value per unit of the Fund would be higher by Rs. 1.26 / 1.26% (2014: Re. 0.68 / 0.68%).



**14. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2015.

	2015	2014
		(Units)
<b>15. NUMBER OF UNITS IN ISSUE</b>		
Units in issue at beginning of the year	74,814,937	103,504,186
Units issued during the year	79,323,441	82,012,986
Bonus units issued	-	6,584,535
Units redeemed during the year	<u>(112,143,556)</u>	<u>(117,286,770)</u>
Units in issue at the end of the year	<u>41,994,822</u>	<u>74,814,937</u>

Face value of the unit is Rs. 100 each.

	2015	2014
		(Rupees)
<b>16. MARK-UP INCOME</b>		
Mark-up / return on financial assets comprises of:		
Letters of placements	28,215,418	38,857,502
Certificates of investments	105,177,193	37,823,263
Profit and loss sharing account	47,611,327	117,503,389
Term deposits receipts with banks	170,123,426	81,648,767
Market Treasury Bills	251,339,292	448,901,355
Pakistan Investment Bonds	13,908,952	30,178,235
	<u>616,375,608</u>	<u>754,912,511</u>

**17. AUDITORS' REMUNERATION**

Annual audit fee	157,500	157,500
Fee for review of half yearly financial statements	78,750	78,750
Fee for review of statement of compliance with the best practices of Code of Corporate Governance	26,250	26,250
Other services	15,750	15,750
Out of pocket expenses	29,245	37,170
	<u>307,495</u>	<u>315,420</u>

**18. INTERIM DISTRIBUTIONS DURING THE YEAR**

----- For the year ended June 30, 2015 -----

	Distribution per unit	No. of Bonus Units Issued	Bonus ------(Rupees)-----	Cash
<b>Date of distributions</b>				
June 22, 2015	8.4431	-	-	118,110,055
	<u>8.4431</u>	<u>-</u>	<u>-</u>	<u>118,110,055</u>

----- For the year ended June 30, 2014 -----

Date of distributions	Distribution per unit	No. of Bonus Units Issued	Bonus ------(Rupees)-----	Cash -----
July 29, 2013	0.5783	400,796	40,084,451	-
August 28, 2013	0.5565	421,199	42,123,800	-
September 25, 2013	0.5197	417,718	41,773,425	-
October 23, 2013	0.5414	425,538	42,555,520	-
November 26, 2013	0.6546	508,503	50,852,343	-
December 25, 2013	0.6039	477,706	47,775,154	-
January 28, 2014	0.7497	613,274	61,329,725	-
February 25, 2014	0.6397	515,637	51,569,539	-
March 25, 2014	0.6040	479,491	47,950,977	-
April 23, 2014	0.6549	519,333	51,935,319	-
May 27, 2014	0.7225	616,544	61,656,791	-
June 25, 2014	0.6561	461,596	46,159,631	-
	<u>7.5313</u>	<u>5,857,335</u>	<u>585,766,675</u>	<u>-</u>

**19. 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 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 therefore no provision for taxation has been made in these financial statements.

**20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS**

Related parties / connected persons include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee of the fund, SIZA Services (Private) Limited being the holding company of the Management Company, associated companies of the Management Company, key management personnel, other funds being managed by the Management Company and unit holders holding more than 10% in the units of the Funds as at the balance sheet.

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

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

20.1	Balance as at year end	Note	2015 (Rupees)	2014
	<b>Lakson Investments Limited - Management Company</b>			
	Remuneration payable	10.1	<u>3,498,321</u>	<u>6,411,721</u>
	Sindh Sales Tax and Federal Excise Duty on remuneration to Management Company	10.2 & 10.3	<u>30,156,963</u>	<u>18,411,148</u>
	<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>			
	Remuneration payable	11	<u>323,571</u>	<u>517,605</u>
	<b>Others - Connected person due to holding more than 10% in units of the Fund</b>			
	Bank deposits		<u>-</u>	<u>4,098,721</u>
	Profit receivable		<u>-</u>	<u>108,185</u>



		Year ended June 30, 2015						Rupees			
		Number of Units			Number of Units			Balance as at			
		Units issued during the year	Bonus units issued during the year	Units redeemed during the year	Number of units as at June 30, 2015	Balance as at July 01, 2014	Units issued during the year	Bonus units issued during the year	Units redeemed during the year	Balance as at June 30, 2015	
	Lakson Investments Limited - Management Company	3,522,245	4,900,505	-	5,823,564	2,599,186	352,636,603	491,164,434	-	608,047,034	260,508,731
	Directors, Chief Executive and their spouse and minors	16,883,060	3,689,714	-	7,767,019	12,805,755	1,690,281,318	370,199,169	-	806,531,380	1,283,483,648
	Key management personnel, employees and connected persons of the management company	14,375,077	225,954	-	14,452,131	148,900	1,439,189,584	22,675,926	-	255,197,172	14,923,781
	<b>Holding company / associated companies / undertakings of the Management Company</b>										
	SIZA Services (Private) Limited	2,743,471	3,448,026	-	6,034,744	156,753	274,668,086	349,651,745	-	625,983,483	15,710,858
	Holding Company of the Management Company	5,114,275	1,839,080	-	6,091,150	862,205	512,025,870	186,921,820	-	640,787,810	86,416,326
	SIZA (Private) Limited	1,440,477	130,729	-	1,446,110	125,096	144,216,236	13,089,748	-	145,765,971	12,538,071
	Hasanali & Gulbanoo Lakhani Foundation	1,474,239	749,097	-	1,474,239	749,097	147,596,386	75,000,000	-	154,729,378	75,079,779
	Century Insurance Company Limited	-	47,380	-	47,380	-	-	5,000,000	-	5,123,377	-
	Syrie (Private) Limited	1,059,098	3,030,868	-	3,038,064	1,051,502	106,033,714	306,286,411	-	317,430,153	105,429,012
	Premier Fashions (Private) Limited	23,462	-	-	23,462	-	2,348,945	-	-	2,537,023	-
	Century Enterprises (Private) Limited	12,687,574	20,304,510	-	25,001,721	7,990,363	1,270,241,846	2,150,000,000	-	2,660,674,719	800,850,974
	Colgate Palmolive (Pakistan) Limited	3,086,867	2,955,830	-	3,266,045	2,776,652	309,047,863	297,000,000	-	352,206,402	278,295,680
	Clover Pakistan Limited	4,317	4,394	-	4,317	4,394	432,205	440,000	-	465,528	440,428
	Lakson Power Limited	788,336	2,504,255	-	3,292,591	-	78,925,835	252,692,695	-	334,712,528	-
	SIZA Commodities (Private) Limited	109,033	149,036	-	123,232	134,837	10,916,057	15,000,000	-	13,325,575	13,514,360
	Baluchistan Polyproducts (Private) Limited	-	-	-	-	-	-	-	-	-	-
	Others - Connected person due to holding more than 10% in units of the Fund	7,419,601	-	-	-	-	742,828,193	-	-	-	-

**20.2 Unit Holders' Fund**

Lakson Investments Limited - Management Company  
Directors, Chief Executive and their spouse and minors  
Key management personnel, employees and connected persons of the management company

**Holding company / associated companies / undertakings of the Management Company**

SIZA Services (Private) Limited  
Holding Company of the Management Company  
SIZA (Private) Limited  
Hasanali & Gulbanoo Lakhani Foundation  
Century Insurance Company Limited  
Syrie (Private) Limited  
Premier Fashions (Private) Limited  
Century Enterprises (Private) Limited  
Colgate Palmolive (Pakistan) Limited  
Clover Pakistan Limited  
Lakson Power Limited  
SIZA Commodities (Private) Limited  
Baluchistan Polyproducts (Private) Limited  
Others - Connected person due to holding more than 10% in units of the Fund



	Number of Units				Rupees				
	Number of Units as at July 01, 2013	Units issued during the year	Units redeemed during the year	Number of units as at June 30, 2014	Balance as at July 01, 2013	Units issued during the year	Bonus units issued during the year	Units redeemed during the year	Balance as at June 30, 2014
<b>20.2 Unit Holders' Fund</b>									
Lakson Investments Limited - Management Company	2,115,305	1,233,699	233,139	3,522,245	213,022,798	124,000,000	16,057,890	3,000,000	352,636,603
Directors, Chief Executive and their spouse and minors	46,612,571	9,228,270	1,975,048	16,883,060	4,694,142,219	924,071,798	197,514,575	4,105,044,659	1,690,281,318
Key management personnel, employees and connected persons of the Management company	27,466,971	19,112,346	483,752	14,375,077	2,766,075,009	1,915,893,818	48,378,016	3,276,783,193	1,439,189,584
<b>Holding company / associated companies / undertakings of the Management Company</b>									
SIZA Services (Private) Limited	526,678	3,338,009	178,916	1,300,132	53,039,370	335,000,000	17,892,551	130,700,000	274,668,086
Holding Company of the Management Company	3,580,254	4,115,017	383,994	5,114,275	360,551,316	413,100,000	38,401,485	297,500,000	512,025,870
Siza (Private) Limited	746,817	1,483,320	26,525	816,185	75,208,585	149,145,000	2,652,619	81,762,203	144,216,236
Hasanali & Gulbanoo Lakhani Foundation	2,641,450	1,284,675	189,584	2,641,450	266,008,591	129,000,000	18,957,530	265,037,780	147,596,386
Century Insurance Company Limited	21,420	1,869,344	49,581	1,881,247	1,059,098	187,500,000	4,958,292	83,500,000	106,033,714
Premier Fashions (Private) Limited	21,613	-	1,849	-	2,176,564	-	184,874	-	2,348,945
Century Enterprises (Private) Limited	5,735,900	11,981,033	703,417	5,732,776	12,687,574	2,000,000,000	70,345,470	575,000,000	1,270,241,846
Colgate Palmolive (Pakistan) Limited	3,380,127	3,086,867	259,525	3,639,652	340,397,370	308,761,354	25,953,890	364,383,380	309,047,863
Clover Pakistan Limited	4,269	-	347	4,317	429,881	-	34,711	30,000	432,205
Lakson Power Limited	44,794	1,813,145	45,744	1,115,347	4,510,952	182,000,000	4,574,644	112,000,000	78,925,835
SIZA Commodities (Private) Limited	83,575	42,852	7,477	24,871	8,416,507	4,300,000	747,743	2,500,000	10,916,057
Baluchistan Polyproducts (Private) Limited	8,933,566	4,950,651	654,896	7,119,512	894,401,827	496,000,000	65,493,160	713,098,441	742,828,193
Others - Connected Person due to holding more than 10% in units of the Fund									

	Note	2015 (Rupees)	2014
<b>20.3 Transactions during the year</b>			
<b>Lakson Investments Limited - Management Company</b>			
Remuneration to the Management Company	10.1	<u>66,559,466</u>	<u>90,808,427</u>
Sindh Sales Tax and Federal Excise Duty on remuneration to the Management Company	10.2 & 10.3	<u>22,230,861</u>	<u>31,383,392</u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>			
Remuneration to the Trustee		<u>5,583,641</u>	<u>6,696,529</u>
<b>Directors, Chief Executive &amp; their Spouse and Minors</b>			
Dividend Paid		<u>1,139,793</u>	<u>-</u>
<b>Key Management personnel, employees and connected persons of the Management company</b>			
Dividend Paid		<u>888,437</u>	<u>-</u>
<b>Others - Connected Person due to holding more than 10% in the units of the Fund)</b>			
Profit on bank deposits		<u>-</u>	<u>4,971,441</u>
Bank charges		<u>-</u>	<u>168,614</u>

**21. FINANCIAL RISK MANAGEMENT**

**Introduction and overview**

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

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

This disclosure 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.

**21.1 Credit risk**

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

**Management of credit risk**

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

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

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analysing credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with minimum long term credit rating of AA.

**Exposure to credit risk**

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

	Note	June 30, 2015		June 30, 2014	
		Statement of Assets and Liabilities	Maximum exposure	Statement of Assets and Liabilities	Maximum exposure
		----- (Rupees) -----		----- (Rupees) -----	
Bank balances including profit receivables	5 & 7	<b>1,532,104,385</b>	<b>1,532,104,385</b>	4,929,245,150	4,929,245,150
Investments including profit receivables	6 & 8	<b>2,769,036,920</b>	-	1,228,823,797	-
Letter of placements and certificates of investments including profit receivables	7 & 8	-	-	<u>1,414,173,562</u>	<u>1,414,173,562</u>
		<u><b>4,301,141,305</b></u>	<u><b>1,532,104,385</b></u>	<u>7,572,242,509</u>	<u>6,343,418,712</u>

Difference in the balances as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investments of Rs. 2,769.037 million (2014: Rs. 1,228.824 million) relates to investments in Government Securities which are not considered to carry credit risk.

**Past due / impaired assets**

None of the financial assets of the Fund are past due or impaired as at year end.

**Credit ratings and Collaterals**

Credit risk arising from bank balances is mitigated through deposit held with banks which are rated AA or above. The Fund is required to follow the guidelines / restrictions imposed in its offering document and the SECP in respect of the minimum ratings prior to any investment.

Details of the credit ratings (entitles' credit rating) of investments, (other than Government securities) and bank balances including term deposits receipts as at year end are as follows:

Ratings	2015	2014
AAA	0.04	44.39
AA+	0.98	12.91
AA	98.98	42.70
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Above ratings are on the basis of available ratings assigned by PACRA and JCR-VIS on year end dates. The bank balances are unsecured.

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 64.38% (2014: 19.27%) of the Fund's financial assets are in Government securities which are not exposed to the credit risk, while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk. The Fund's concentration of credit risk of financial assets by industrial distribution are with Central bank and Commercial banks.

**Settlement risk**

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

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

**21.2 Liquidity risk**

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

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

**Management of liquidity risk**

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily



in Government securities, marketable debt securities and other financial instruments having remaining maturity less than 6 months, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

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

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, during the 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, 2015		
	Less than 3 months	3 to 12 months	Total
<b>Financial liabilities</b>	----- (Rupees) -----		
Non-derivative liabilities			
Payable to the Management Company	33,655,284	-	33,655,284
Remuneration payable to the Trustee	323,571	-	323,571
Annual fee payable to Securities and Exchange Commission of Pakistan	4,833,641	-	4,833,641
Accrued expenses and other liabilities	406,560	-	406,560
	<u>39,219,056</u>	<u>-</u>	<u>39,219,056</u>
Unit Holders' Fund *	<u>4,209,016,154</u>	<u>-</u>	<u>4,209,016,154</u>

	June 30, 2014		
	Less than 3 months	3 to 12 months	Total
<b>Financial liabilities</b>	----- (Rupees) -----		
Non-derivative liabilities			
Payable to the Management Company	24,822,869	-	24,822,869
Remuneration payable to the Trustee	517,605	-	517,605
Annual fee payable to Securities and Exchange Commission of Pakistan	5,946,531	-	5,946,531
Accrued expenses and other liabilities	354,094	-	354,094
	<u>31,641,099</u>	<u>-</u>	<u>31,641,099</u>
Unit Holders' Fund *	<u>7,490,246,168</u>	<u>-</u>	<u>7,490,246,168</u>

Above financial liabilities do not carry any mark-up.

\* Payable on demand

**21.3 Market risk**

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

**Management of market risks**

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

Market risk comprise of three types of risk: interest rate risk, currency risk and other price risk.

**21.3.1 Interest rate risk**

21.3.1.1 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the Funds interest rate exposure arises on investment in Government Securities, Term Deposits with banks, bank balances in profit and loss sharing accounts and placement with and certificate of investments of financial institutions. Currently all of the Fund's investment carry fixed interest rates. The Management Company monitors the interest rate environment on a regular basis and may change the mix of its portfolio to enhance the earning potential of the Fund subject to the above defined guidelines. Other risk management procedures are the same as those mentioned in the credit risk management.

21.3.1.2 Details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

<b>Fixed rate instruments</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>(Rupees)</b>	
Financial assets			
Investments in Government Treasury Bills	6.1	<b>2,769,036,920</b>	158,144,872
Investments in Pakistan Investment Bond	6.2	-	1,028,566,661
Bank balances	5.1	<b>1,514,468,904</b>	104,126,240
Letter of placement		-	600,000,000
Certificate of investment		-	790,000,000
		<u><b>4,283,505,824</b></u>	<u><b>2,680,837,773</b></u>

None of the financial liabilities carry any interest rate. In addition, none of the financial assets bear variable interest rate.

**Fair value sensitivity analysis for fixed rate instruments**

Interest bearing Government securities are held by the Fund at fair value through profit and loss account (held for trading) exposes the Fund to the fair value risk. In case of 100 basis points decrease / increase in yield rates of the above Government Securities during the year, the net assets of the Fund would have been lower / higher by Rs. 2.77 million (2014: Rs. 2.3 million) with consequential effect on net income for the year.

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

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

June 30, 2015	Mark-up/ profit rate (%)	Less than one month	One to three month	More than three months & upto one year	Total
----- (Rupees) -----					
<b>Financial assets</b>					
Bank balances	4.50 to 7.05	1,514,468,904	-	-	1,514,468,904
Investments	6.95 to 8.1171	-	2,040,812,170	728,224,750	2,769,036,920
<b>Total assets</b>		<u>1,514,468,904</u>	<u>2,040,812,170</u>	<u>728,224,750</u>	<u>4,283,505,824</u>
<b>June 30, 2014</b>					
<b>Financial assets</b>					
Bank balances	7.00 to 11.83	104,126,240	-	-	104,126,240
Investments	10.01 to 11.25	1,028,566,661	-	158,144,872	1,186,711,533
Letter of placements	10.00	600,000,000	-	-	600,000,000
Certificate of investments	10.25	-	790,000,000	-	790,000,000
<b>Total assets</b>		<u>1,732,692,901</u>	<u>790,000,000</u>	<u>158,144,872</u>	<u>2,680,837,773</u>

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

### 21.3.2 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.

### 21.3.3 Other price risk

Other price risk is the risk that the fair value of financial instrument will fluctuate as a result of change in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. The Fund is expecting minimal price fluctuation on its investment in debt securities (i.e. government securities) for change in factors other than those arising from interest rate or currency risk.

### 21.4 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.

**21.5 Unit Holders' Fund risk management**

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

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units and with effect from July 1, 2012, the Fund is subject to maintain minimum fund size of Rs. 100 million at all times.

**21.6 Financial instruments by category**

	----- As at June 30, 2015 -----			
	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
	----- (Rupees) -----			
<b>Assets</b>				
Bank balances	1,514,468,904	-	-	1,514,468,904
Investments	-	2,769,036,920	-	2,769,036,920
Markup receivable	17,635,481	-	-	17,635,481
	<u>1,532,104,385</u>	<u>2,769,036,920</u>	<u>-</u>	<u>4,301,141,305</u>
	----- As at June 30, 2015 -----			
	Liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total	
	----- (Rupees) -----			
<b>Liabilities</b>				
Payable to the Management Company	-	33,655,284	33,655,284	
Remuneration payable to the Trustee	-	323,571	323,571	
Annual fee payable to Securities and Exchange Commission of Pakistan	-	4,833,641	4,833,641	
Accrued expenses and other liabilities	-	406,560	406,560	
	<u>-</u>	<u>39,219,056</u>	<u>39,219,056</u>	

----- As at June 30, 2014 -----				
	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
----- (Rupees) -----				
<b>Assets</b>				
Bank balances	4,909,444,639	-	-	4,909,444,639
Investments	-	1,186,711,533	-	1,186,711,533
Certificate of investment and letter of placement	-	1,390,000,000	-	1,390,000,000
Markup receivable	86,086,337	-	-	86,086,337
	<u>4,995,530,976</u>	<u>2,576,711,533</u>	<u>-</u>	<u>7,572,242,509</u>

----- As at June 30, 2014 -----			
	Liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
----- (Rupees) -----			
<b>Liabilities</b>			
Payable to the Management Company	-	24,822,869	24,822,869
Remuneration payable to the Trustee	-	517,605	517,605
Annual fee payable to Securities and Exchange Commission of Pakistan	-	5,946,531	5,946,531
Accrued expenses and other liabilities	-	354,094	354,094
	<u>-</u>	<u>31,641,099</u>	<u>31,641,099</u>

## 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements of the investments is discussed in note 4.2 to these financial statements.

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2015 the investments were categorised as below:

June 30, 2015

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
<b>Financial assets at fair value through profit and loss (held for trading)</b>				
Market treasury bills	-	2,769,036,920	-	2,769,036,920
	-	<u>2,769,036,920</u>	-	<u>2,769,036,920</u>

June 30, 2014

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
<b>Financial assets at fair value through profit and loss (held for trading)</b>				
Market treasury bills	-	158,144,872	-	158,144,872
Pakistan investment bonds	-	1,028,566,661	-	1,028,566,661
Letter of placement and Certificate of investments	-	-	1,390,000,000	1,390,000,000
	-	<u>1,186,711,533</u>	<u>1,390,000,000</u>	<u>2,576,711,533</u>

**23. 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:

**23.1 Unit holding pattern of the Fund**

Category	June 30, 2015		
	No of Investors	Investment amount (Rupees)	% of total net assets
Individuals	52	27,278,183	0.65
Associated Companies and Directors	24	2,879,951,094	68.42
Insurance Companies	4	118,698,532	2.82
NBFCs	1	260,508,537	6.19
Retirement Funds	1	56,583,313	1.34
Public Limited Companies	6	865,996,494	20.57
	<u>88</u>	<u>4,209,016,153</u>	<u>100.00</u>

Category	June 30, 2014		
	No of Investors	Investment amount (Rupees)	% of total net assets
Individuals	66	33,168,695	0.44
Associated Companies and Directors	35	4,840,078,546	64.62
Insurance Companies	4	195,320,474	2.61
Banks and DFIs	3	1,068,051,838	14.26
NBFCs	1	352,636,437	4.71
Retirement Funds	3	62,944,209	0.84
Public Limited Companies	10	938,045,969	12.52
	<u>122</u>	<u>7,490,246,168</u>	<u>100.00</u>

**23.2 List of brokers by percentage of commission paid**

Name of broker	Commission paid (Percentage %)	
	2015	2014
- Arif Habib Limited	2.78	2.58
- BMA Capital Management Limited	-	0.08
- C&M Management (Private) Limited	3.39	0.07
- First Capital Securities Corporation Limited	0.94	0.03
- Global Securities Pakistan Limited	8.18	11.26
- Icon Securities (Private) Limited	5.37	10.17
- Invest & Finance Securities Limited	17.60	19.91
- Invest Capital Investment Bank Limited	-	2.81
- Invest Capital Markets Limited	6.44	-
- Invest One Markets Limited	3.79	5.85
- JS Global Capital Limited	8.46	7.35
- KASB Securities Limited	0.96	7.28
- Optimus Markets (Pvt.) Limited	30.47	21.77
- Pearl Securities Limited	1.12	3.18
- Vector Capital (Private) Limited	10.48	7.66
	<u>100.00</u>	<u>100.00</u>

**23.3 Particulars of the Investment Committee and Fund manager**

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

- Mr. Babar Ali Lakhani (Chairman Investment Committee)
- Mr. Mustafa O. Pasha (Fund Manager)
- Syed Saifullah Kazmi
- Mr. Farhan Bashir
- Ms. Maryam Hidayatallah

**Mr. Babar Ali Lakhani - Chief Executive Officer**

Mr. Lakhani has over 15 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 a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young Presidents' Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.

**Mr. Mustafa O. Pasha, CFA – Head of Fixed Income**

Mr. Pasha has over seven years of experience in the asset management and investment advisory industry. He did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and obtained his CFA charter in 2012.

At Lakson Investments Limited he is responsible for driving out performance of all fixed income portfolios against their respective benchmarks by formulating the investment outlook and implementing strategy through asset allocation. As a member of the Investment Committee he is a key member of the team that develops and executes the investment strategy for both fixed income and equity portfolios.

He was previously associated with BMA where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised fixed income / money market investments across all mutual funds and institutional / HNW accounts advised by BMA. He is currently managing the following funds.

1. Lakson Money Market Fund
2. Lakson Income Fund
3. Lakson Asset Allocation Developed Markets Fund

**Syed Saifullah Kazmi – Head of Equities**

Mr. Saifullah has over eight years of experience and currently holds positions of Head of Equities Investments in Lakson Investments Limited. He is a qualified Finance major from Kingston University. He has experience in Emerging and Frontier Financial Markets, with focus in Pakistan, Strong Fixed Income background, with investment strategy and trading experience in instruments including, Government Securities, Corporate Bonds, Banking Products and Islamic Sukkuks.

**Mr. Farhan Bashir Khan - Head of Research**

Mr. Farhan Bashir has over eight years of experience and currently holds the position of Head of Research at Lakson Investments Limited. He has completed his MBA in Finance from Bahria University. He has experience in Finance and Research Analysis. His experience includes working in NIB Bank Limited and IGI Financial Services Limited.

**Ms. Maryam Hidayatallah - Deputy Manager Risk and Compliance**

Ms. Hidayatallah is heading Risk Management and Compliance division at Lakson Investments Limited, since 2012, undertaking organizational risk assessment, internal control process management and regulatory affairs compliance. She has prior experience of 9 years including four years articleship at Ernst and Young Global Limited within Bahrain, UAE and Pakistan as Engagement Auditor and Senior Audit Executive in Business Risk Services and Audit and Assurance Business Services.

She is currently undertaking CA Final from Institute of Chartered Accountants of Pakistan and is a post graduate in MA (Economics) from University of Karachi. Her professional memberships include CICA (Certified Associate Member of Institute for Internal Controls USA) , Associate member of Institute of Internal Auditors and Associate member of Pakistan Institute of Public Finance Accountants .



**23.4 Directors meeting attendance**

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

2015

Name of directors	Meeting Attended	August 18, 2014	October 22, 2014	February 16, 2015	April 20, 2015
Mr. Iqbal Ali Lakhani	4	✓	✓	✓	✓
Mr. Babar Ali Lakhani	4	✓	✓	✓	✓
Mr. A. Aziz H. Ebrahim	4	✓	✓	✓	✓
Mr. Mahomed J. Jaffer	4	✓	✓	✓	✓
Mr. Sher Afgan Malik	2	✓	✓	X	X
Mr. Daniel Scott Smaller	3	X	✓	✓	✓
Mr. Zahid Zakiuddin	4	✓	✓	✓	✓
Mr. Amin Mohammed Lakhani	3	✓	✓	✓	X
		7	8	7	6

**23.5 Rating of the Fund and the management company**

**PACRA Rating**

Lakson Investments Limited (Management Company)  
Lakson Money Market Fund

**Management Quality Rating**

AM2-

-

**Stability Rating**

-

AA(f)

**24. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on August 20, 2015 by the Board of Directors of the Management Company.

**25. GENERAL**

Figures have been rounded off to the nearest rupee.

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

Performance Table	FY15	FY14	FY13	FY12	FY11	FY10
Net Assets - Beginning (PKR Mil.)	7,490	10,423	6,876	4,155	3,003	872
Net Assets - Ending (PKR Mil.)	4,209	7,490	10,423	6,876	4,155	3,003
Net Asset value per share	100.2271	100.1170	100.7055	100.8703	101.0097	102.7909
Selling Price for units	100.2271	100.1170	100.7055	100.8703	101.0097	102.7909
Repurchase Price for units	100.2271	100.1170	100.7055	100.8703	101.0097	102.7909
Highest Offer Price (PKR)	108.3718	101.1451	100.9823	101.1143	102.9162	102.7653
Lowest Offer Price (PKR)	100.1206	100.0039	100.0202	100.0264	100.0325	100.0530
Highest Redemption Price (PKR)	108.3718	101.1451	100.9823	101.1143	102.9162	102.7653
Lowest Redemption Price (PKR)	100.1206	100.0039	100.0202	100.0264	100.0325	100.0530
Beginning NAV - Ex-Div. (PKR)	108.5450	100.0029	100.0001	100.0001	100.0000	100.0000
Interim Distributions (PKR)	8.4431	6.875	7.7256	9.8150	10.1776	3.7208
Final Distribution (PKR)	-	0.6561	0.7026	0.8702	1.0096	2.7909
Ending NAV - Ex-Div. (PKR)	100.1019	100.0001	100.0029	100.0001	100.0001	100.0000
Return	8.57%	7.90%	8.76%	11.19%	11.69%	10.79%
Net Income (PKR Mil.)	119	594	716	610	411	148
Total Distribution	118	659	702	592	451	67
Accumulated Capital Growth	9	8	73	59	42	81
WAM (Days)	58	34	9	33	70	70
Average Annual return of the Fund						
One Year	8.57%	7.92%	8.76%	11.19%	11.69%	10.58%
Two year	8.07%	8.69%	10.47%	12.09%	11.74%	-
Three year	8.51%	10.17%	11.69%	12.35%	-	-
Since inception	10.83%	11.07%	12.14%	12.35%	11.74%	10.58%

Distribution	FY15	FY14	FY13	FY12	FY11	FY10
1st Interim Distribution	8.4431	0.5783	0.8030	0.9112	2.4880	1.2875
NAV before Distribution	108.5450	100.5903	100.8040	100.9115	102.6190	101.3552
NAV after Distribution	100.1019	100.0120	100.0010	100.0003	100.1310	100.0677
Distribution Date	22-Jun-15	29-Jul-13	30-Jul-12	01-Aug-11	04-Oct-10	05-Jan-10
2nd Interim Distribution	-	0.5565	0.8731	0.9391	2.8270	2.4333
NAV before Distribution	-	100.5658	101.0086	100.9758	102.8271	102.7037
NAV after Distribution	-	100.0093	100.1355	100.0367	100.0001	100.2704
Distribution Date	-	28-Aug-13	31-Aug-12	29-Aug-12	31-Dec-10	02-Apr-10
3rd Interim Distribution	-	0.5197	0.6993	0.9619	2.9383	
NAV before Distribution	-	100.5235	100.7865	100.9968	102.9438	
NAV after Distribution	-	100.0038	100.0872	100.0349	100.0055	
Distribution Date	-	25-Sep-13	26-Sep-12	28-Sep-11	30-Mar-11	
4th Interim Distribution	-	0.5414	0.6676	0.9043	0.9598	
NAV before Distribution	-	100.5454	100.7865	101.1469	100.9829	
NAV after Distribution	-	100.0040	100.1358	100.2426	100.0231	
Distribution Date	-	23-Oct-13	24-Oct-12	28-Oct-11	29-Apr-11	
5th Interim Distribution	-	0.6546	0.7960	0.9340	0.9645	
NAV before Distribution	-	100.6586	100.9081	101.0794	100.9646	
NAV after Distribution	-	100.0040	100.1121	100.1454	100.0001	
Distribution Date	-	26-Nov-13	28-Nov-12	28-Nov-11	30-May-11	
6th Interim Distribution	-	0.6039	0.6541	0.9352		
NAV before Distribution	-	100.6134	100.7060	100.9780		
NAV after Distribution	-	100.0095	100.0519	100.0428		
Distribution Date	-	25-Dec-13	27-Dec-12	30-Dec-11		
7th Interim Distribution	-	0.7497	0.7428	0.9335		
NAV before Distribution	-	100.7535	100.7769	100.9851		
NAV after Distribution	-	100.0038	100.0341	100.0516		
Distribution Date	-	28-Jan-14	29-Jan-13	31-Jan-12		
8th Interim Distribution	-	0.6397	0.6291	0.7503		
NAV before Distribution	-	100.6510	100.6292	100.7504		
NAV after Distribution	-	100.0113	100.0001	100.0001		
Distribution Date	-	25-Feb-14	28-Feb-13	27-Feb-12		
9th Interim Distribution	-	0.6040	0.5453	0.8350		
NAV before Distribution	-	100.6079	100.5454	100.8351		
NAV after Distribution	-	100.0039	100.0001	100.0001		
Distribution Date	-	25-Mar-14	27-Mar-13	29-Mar-12		
10th Interim Distribution	-	0.6549	0.6886	0.7990		
NAV before Distribution	-	100.6588	100.7227	100.7991		
NAV after Distribution	-	100.0039	100.0341	100.0001		
Distribution Date	-	23-Apr-14	29-Apr-13	27-Apr-12		
11th Interim Distribution	-	0.7725	0.6267	0.9115		
NAV before Distribution	-	100.7764	100.6268	100.9116		
NAV after Distribution	-	100.0039	100.0001	100.0001		
Distribution Date	-	27-May-14	29-May-13	30-May-12		
12th Interim Distribution	-	0.6561	-	-	-	-
Final Distribution	-	-	0.7026	0.8702	1.0096	2.7909
NAV before Distribution	-	100.6562	100.7055	100.8703	101.0097	102.7909
NAV after Distribution	-	100.0001	100.0029	100.0001	100.0001	100.0000
Distribution Date	-	25-Jun-14	08-Jul-13	05-Jul-12	04-Jul-11	06-Jul-10

**Disclaimer**

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



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