

LAKSON MONEY MARKET FUND  
Quarterly Report (30 September 2011)



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

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## Fund's Information

### Management Company

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

### Board of Directors of the Management Company

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

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

Mr. Amir Mobin

### Audit Committee

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

### Trustee

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

### Auditors

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

### Bankers to the Fund

Allied Bank Limited  
Askari Bank Limited  
Bank Al-Falah Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Limited  
United Bank Limited

### Legal Adviser

Fazleghani Advocates  
F-72/1, Block 8, KDA-5,  
Kehkashan, Clifton,  
Karachi, Pakistan.

**Registrar**

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

**Distributors**

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

**Rating by PACRA**

AA(f) : Fund Stability Rating  
AM3 + : Management Company Quality Rating

## **REVIEW REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Money Market Fund ("LMMF") - is pleased to submit its review report together with Condensed Interim Financial Statements for the quarter ended September 30, 2011.

### **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 a "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**

During the 1QFY12 the assets under management of the Lakson Money Market Fund ("LMMF") increased by 20.6% from PKR 4.2 billion to PKR 5.0 billion. The LMMF yielded an annualized return of 12.23% in the 1QFY12 compared to the Benchmark (average return of all money market funds) return of 12.42% p.a. The LMMF underperformed the average money market fund by 10bps as the LMMF continues to provide liability related to the Workers Welfare Fund ("WWF") that has a negative impact of approximately 20bps in annualized performance. As of September 30, 2011, the LMMF portfolio is invested 91% in T-Bills and 9% in TDRs while the weighted average maturity of the LMMF portfolio stands at 85 days. The Standard Deviation, a measure of the volatility of the fund's performance, of monthly returns of the LMMF since inception is just 0.78% compared to 0.81% for the Benchmark.

### **Income Distribution**

The Chief Executive Officer of the management company under the authority of the Board of Directors has announced interim distributions of PKR 2.8122 per unit (2.8122% of face value of PKR 100/-) during the quarter ended September ended 30, 2011 amounting to PKR 137.46 million (PKR 106.74 million of Bonus distribution and PKR 30.72 million of cash distribution).

### **Earning per Unit (EPU)**

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

### **Economic Review**

Pakistan continues to face tough economic challenges in FY12 due to a rising fiscal deficit, declining foreign inflows, acute energy shortages and a poor law and order situation. Torrential monsoon rains in Sind triggered floods that damaged 4.2 million acres of land and affected those areas that were still recovering from last year's devastating floods. The floods have serious repercussions for the economy in the form of high inflation, low growth, lower agricultural production and higher fiscal deficit.

The State Bank of Pakistan ("SBP") started the monetary easing cycle during the 1QFY12 on the expectation that the inflation will settle around 12.0% in FY12, which is the target set by the Government for FY12. The SBP cut the discount rate by 50bps in July '11 in its first monetary policy of FY12. The Federal Bureau of Statistics ("FBS") changed the base year for the calculation of price indices from FY01 to FY08. The FBS also altered the weights of different groups in the Consumer Price Index ("CPI"). These changes by the FBS in calculation of price indices caused a steep decline in inflation numbers. The CPI increased by 11.5% YoY on average during the 1QFY12 compared to 13.4% YoY during the 1QFY11. This steep decline in the CPI provided room for the SBP to go for an aggressive monetary easing. The SBP cut the discount rate by 150bps in October '11 bringing it down to 12.0% from 14.0% at the start of FY12. The SBP also draws comfort from the fact that the Government borrowing from the SBP stands below June '11 level as it contracted by PKR 78.9 billion during the 1QFY12. The Government is expected to be the largest beneficiary of this monetary easing as Government is the largest borrower from the banking system.

The external account also came under pressure in the 1QFY12 after a good performance in FY11 as the Balance of Payments posted a deficit of USD 759 million in the 1QFY12 compared to a surplus of USD 88 million in the 1QFY11. The external account has deteriorated on the back of higher current account deficit and a decline in financial account flows. The current account posted a deficit of USD 1,209 million in the 1QFY12 compared to a deficit of USD 597 million during the 1QFY11. A 27.6% decline in international cotton prices compared to a nominal decline of 3.8% in international oil prices (Arab Light) during the 1QFY12 resulted in a 34.9% increase in the trade deficit. The hefty inflow of remittances continued in the 1QFY12 and provided much needed support to the deteriorating external account position. The remittances stood at USD 3.3 billion during the 1QFY12 compared to USD 2.6 billion in the 1QFY11, depicting a growth of 24.6% YoY. The financial account continued to show a dismal performance due to declining Foreign Direct Investment and the foreign outflows from the domestic stock market.

The USD 11.3 billion Stand-By Arrangement ("SBA") from the International Monetary Fund ("IMF") expired in September '11 without completion. In November '08, the IMF approved a USD 7.6 billion SBA for Pakistan which was later on extended to USD 11.3 billion on Pakistan's request. The SBA was stalled last year by the IMF after the disbursement of USD 8 billion as the Government failed to meet its commitments related to fiscal deficit and taxation reforms. Pakistan's forex reserves stood at USD 17.3 billion at the end of the 1QFY12 after peaking to USD 18.3 billion in July '11. The PKR remained fairly stable against the US Dollar in FY11 and depreciated by 0.53% only due to better external account position. A weak external account position has already caused a decline of USD 1.0 billion in reserves while the Government has to pay approximately USD 2.7 billion in FY12 as the principal repayment on outstanding foreign debt. After witnessing relative stability during FY11, Pak Rupee depreciated by 1.7% against US Dollar during the 1QFY12.

The Ministry of Finance ("MoF") released the fiscal operations details of the economy for FY11 and reported a fiscal deficit of PKR 1,194 billion (6.6% of the GDP) compared to a fiscal deficit of PKR 929 billion (6.3% of the GDP) in FY10. The fiscal deficit in FY11 stood well above the revised target of 5.3% of the GDP. The government imposed additional taxes through Presidential Ordinance in March '11 to improve the Tax to GDP ratio and to contain fiscal deficit, however, both the targets were missed. The Tax to GDP ratio declined to 9.6% in FY11 from 10.0% in FY10 as the FBR failed to achieve its tax collection target. In the absence of foreign inflows, the Government had to rely on domestic resources especially commercial banks to finance its fiscal deficit.

### **Fixed Income Market Review**

The money market witnessed a tight liquidity situation during the 1QFY12 as the overnight repo rates averaged 13.2% that is considerably higher than the midpoint (12.17%) of the interest rate corridor. In the 1QFY12 money supply contracted by 0.7% compared to a growth of 0.8% in the 1QFY11. A decline in the bank deposits and the Net Foreign Assets ("NFA") resulted in a contraction of money supply. In order to provide liquidity to the market, the SBP conducted Open Market Operations ("OMO") on regular intervals and injected PKR 314 billion on a net basis to ease off the tight liquidity situation in the market. A decline in bank deposits, contraction in private sector credit, and retirement of borrowing by the Government to the SBP contributed towards tight liquidity situation in the market. The SBP conducted six T-bill auctions on behalf of the MoF during the 1QFY12 and raised PKR 939

billion (face value) against the target of PKR 750 billion and a maturity of PKR 702 billion. Despite tight liquidity situation, healthy participation of PKR 1,292 billion was witnessed in the T-Bill auctions out of which 60% participation was seen in 12-month T-Bills in anticipation of monetary easing by the SBP. The cut-off yields on 3, 6 and 12 month T-Bills declined by 42, 50 and 60 bps respectively during the 1QFY12 while the market yields declined by 36, 65 and 88bps respectively. A higher decline was witnessed in the yields on PIBs that declined on average by 91bps. The SBP conducted two PIB auctions during the 1QFY12 and raised PKR 71 billion against a target of PKR 50 billion. A 50bps decline in the discount rate and an anticipation of further rate cut by the SBP caused a decline in yields of all fixed income instruments. The 6-month KIBOR (benchmark lending rate) also declined by 53bps during the 1QFY12 on the back of monetary easing by the SBP. A decline in KIBOR bodes well for the private sector as their borrowing cost is linked with 6-month KIBOR. The commercial banks did not offer good rates on term deposits during the 1QFY12 despite a decline in the banking sector deposits and the rates on term deposits remained well below the T-Bill yields.

### **Future Outlook**

The SBP started the monetary easing cycle to provide stimulus to the economic growth and to encourage private sector expansion. The key risks faced by the economy in achieving these goals include acute energy shortage, poor law and order situation, economic meltdown in Pakistan's export destinations and long pending circular debt issue that has crippled the productivity of the entire energy chain. In the absence of foreign inflows, external account is expected to come under pressure once the debt repayment starts in 2012. It is possible that the budgetary targets related to revenue collection, fiscal deficit, and GDP growth maybe missed in FY12.

### **Acknowledgement**

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

**For and on Behalf of the Board**

**Dated: October 27, 2011**

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

**Condensed Interim Statement of Assets and Liabilities  
As at 30 September 2011**

	Note	30 September 2011 Unaudited	30 June 2011 Audited
<b>(Rupees)</b>			
<b>Assets</b>			
Bank balances	6	455,776,673	405,093,721
Investments	7	4,582,030,265	3,704,424,065
Placements		-	60,000,000
Mark-up receivable		1,711,241	2,960,195
Prepayment		157,206	-
Deferred formation cost		1,245,912	1,346,251
<b>Total assets</b>		<b>5,040,921,297</b>	<b>4,173,824,232</b>
<b>Liabilities</b>			
Payable to the Management Company		5,990,915	4,387,474
Remuneration payable to the Trustee		420,067	368,211
Annual fee payable to Securities and Exchange Commission of Pakistan		912,646	2,756,865
Dividend payable		10,508,749	-
Accrued expenses and other liabilities	8	14,618,664	11,786,943
<b>Total liabilities</b>		<b>32,451,041</b>	<b>19,299,493</b>
<b>Net assets</b>		<b>5,008,470,256</b>	<b>4,154,524,739</b>
<b>Unit holders' funds</b>		<b>5,008,470,256</b>	<b>4,154,524,739</b>

**(Number)**

<b>Number of units in issue</b>	<b>50,029,857</b>	<b>41,129,989</b>
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**(Rupees)**

<b>Net assets value per unit</b>	<b>100.1097</b>	<b>101.0097</b>
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The annexed notes from 1 to 12 form an integral part of these condensed interim financial information.

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

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

\_\_\_\_\_  
Director



**Condensed Interim Income Statement (Unaudited)  
For the quarter ended 30 September 2011**

	2011	2010
<i>Note</i>	<b>(Rupees)</b>	
<b>Income</b>		
Mark-up income	<b>161,032,027</b>	100,059,604
Gain / (loss) on sale of 'held for trading' investments - net	<b>310,773</b>	(98,910)
Unrealised appreciation / (diminution) in the fair value of investments - 'held for trading' - net	7.1 <b>2,395,014</b>	(683,947)
Element of income and capital gains in prices of units sold less those in units redeemed - net	<b>2,203,083</b>	1,611,838
	<b>165,940,897</b>	100,888,585
<b>Expenses</b>		
Remuneration to the Management Company	<b>17,644,493</b>	10,365,608
Remuneration to the Trustee	<b>1,247,197</b>	1,081,304
Annual fee to the Securities and Exchange Commission of Pakistan	<b>912,646</b>	621,936
Auditors' remuneration	<b>62,842</b>	78,998
Fees and subscription	<b>60,328</b>	60,494
Printing charges	<b>15,081</b>	25,205
Brokerage expenses	<b>13,356</b>	76,780
Amortization of deferred formation cost	<b>100,339</b>	100,614
Workers' Welfare Fund	8.1 <b>2,917,236</b>	1,769,527
Bank charges	<b>22,843</b>	1,316
	<b>22,996,361</b>	14,181,782
<b>Net income for the period</b>	<b>142,944,536</b>	86,706,803

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

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

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

\_\_\_\_\_  
**Director**

**Condensed Interim Statement of Comprehensive Income (Unaudited)  
For the quarter ended 30 September 2011**

	2011	2010
	(Rupees)	
Net income for the period	<b>142,944,536</b>	86,706,803
Other comprehensive income	-	-
Total comprehensive income for the period	<u><b>142,944,536</b></u>	<u>86,706,803</u>

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

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

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

\_\_\_\_\_  
**Director**

**Condensed Interim Distribution Statement (Unaudited)  
For the quarter ended 30 September 2011**

	<i>Note</i>	2011 (Rupees)	2010
Undistributed income at beginning of the period - reliased		<b>42,617,483</b>	81,762,049
Accumulated loss at beginning of the period - unreliaed		<b>(1,091,670)</b>	(239,118)
<b>Undistributed income at beginning of the period</b>		<b>41,525,813</b>	81,522,931
Final distribution at the rate of Rs 1.0096 (2010: Rs 2.7909) per unit approved on 4 July 2011 (2010: 6 July 2010)			
- Cash distribution		<b>(9,420,516)</b>	(19,379,979)
- Issue of bonus units		<b>(32,104,321)</b>	(62,142,937)
		<b>(41,524,837)</b>	(81,522,916)
Total comprehensive income for the period		<b>142,944,536</b>	86,706,803
Interim distributions during the period	9		
- Cash distribution		<b>(30,723,259)</b>	-
- Issue of bonus units		<b>(106,737,747)</b>	-
		<b>5,483,530</b>	86,706,803
		<b>5,484,506</b>	86,706,818
Undistributed income at the end of the period - realised		<b>3,089,492</b>	87,390,765
Undistributed income / (accumulated loss) at the end of the period - unrealised		<b>2,395,014</b>	(683,947)
<b>Undistributed income at the end of the period</b>		<b>5,484,506</b>	86,706,818

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

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

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

\_\_\_\_\_  
Director

**Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited)  
For the quarter ended 30 September 2011**

	2011 <i>Note</i>	2010 <b>(Rupees)</b>
<b>Net assets at the beginning of the period</b>	<b>4,154,524,739</b>	3,002,595,035
Cash received on issue of 12,579,879 (2010: 6,400,507) units	<b>1,263,909,104</b>	647,587,000
Cash paid on redemption of 5,068,171 (2010: 3,125,556) units	<b>(510,561,265)</b>	(318,480,102)
	<b>753,347,839</b>	329,106,898
Element of income and capital gains in prices of units sold less those in units redeemed - net	<b>(2,203,083)</b>	(1,611,838)
Final distribution at the rate of Rs 1.0096 (2010: Rs 2.7909) per unit approved on 4 July 2011 (2010: 6 July 2010)		
- Cash distribution	<b>(9,420,516)</b>	(19,379,979)
- Issue of bonus units	<b>(32,104,321)</b>	(62,142,937)
	<b>(41,524,837)</b>	(81,522,916)
Issue of 321,043 (2010: 621,429) bonus units as final distribution	<b>32,104,321</b>	62,142,937
Total comprehensive income for the period	<b>142,944,536</b>	86,706,803
Interim distributions during the period	9	
- Cash distribution	<b>(30,723,259)</b>	-
- Issue of bonus units	<b>(106,737,747)</b>	-
	<b>5,483,530</b>	86,706,803
Issue of 1,067,117 (2010: Nil) bonus units as interim distribution	9	-
	<b>106,737,747</b>	-
<b>Net assets as at end of the period</b>	<b>5,008,470,256</b>	3,397,416,919
Net assets value per unit at the beginning of the period	<b>101.0097</b>	102.7909
Net assets value per unit at end of the period	<b>100.1097</b>	102.6190

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

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

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

\_\_\_\_\_  
Director

**Condensed Interim Cash Flow Statement (Unaudited)  
For the quarter ended 30 September 2011**

	2011	2010
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income for the period	142,944,536	86,706,803
<b>Adjustments for non-cash and others items:</b>		
Amortization of formation cost	100,339	100,614
Net unrealised (appreciation) / diminution in the fair value of investments - held for trading	(2,395,014)	683,947
Element of income and capital gains in prices of units sold less those in units redeemed - net	(2,203,083)	(1,611,838)
	<u>138,446,778</u>	<u>85,879,526</u>
<b>(Increase) / decrease in assets</b>		
Investments	(875,211,186)	(63,184,502)
Placements	60,000,000	375,000,000
Mark-up receivable	1,248,954	11,908,095
Receivable against sale of investments	-	(149,707,200)
Prepayment	(157,206)	20,494
	<u>(814,119,438)</u>	<u>174,036,887</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	1,603,441	(1,356,823)
Remuneration payable to the Trustee	51,856	51,123
Annual fee payable to Securities and Exchange Commission of Pakistan	(1,844,219)	(252,947)
Payable against redemption of units	-	(1,283,339)
Payable against purchase of investments	-	146,837,400
Accrued expenses and other liabilities	2,831,721	1,711,058
	<u>2,642,799</u>	<u>145,706,472</u>
<b>Net cash flow (used in) / from operating activities</b>	<u>(673,029,861)</u>	<u>405,622,885</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from issuance of units	1,263,909,104	647,587,000
Cash paid against redemption of units	(510,561,265)	(318,480,102)
Cash dividend paid	(29,635,026)	(19,379,979)
<b>Net cash flow from financing activities</b>	723,712,813	309,726,919
<b>Net increase in cash and cash equivalents during the period</b>	50,682,952	715,349,804
Cash and cash equivalents at beginning of the period	405,093,721	681,250,007
<b>Cash and cash equivalents at end of the period</b>	<u>455,776,673</u>	<u>1,396,599,811</u>

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

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

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

\_\_\_\_\_  
Director

## **Notes to the Condensed Interim Financial Information (Unaudited) For the quarter ended 30 September 2011**

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

The Lakson Money Market Fund (the "Fund") was established under the Trust Deed executed on 2 September 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 18 September 2009 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (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 has been shifted to 14 - Ali Block, New Garden Town, Lahore.

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

The Fund primarily invests in Government Securities, Certificates of Investment, Certificates of Deposits, Term Deposit Receipts, Commercial Papers, Reverse Repo, etc subject to guidelines given by SECP.

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

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

This condensed interim financial information has been presented in condensed form in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2011.

This condensed interim financial information comprise of condensed interim statement of assets and liabilities as at 30 September 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holder's fund, and notes thereto, for the quarter ended 30 September 2011.

This unaudited condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

#### **2.2 Functional and presentation currency**

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest rupees.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended 30 June 2011.

**4. ACCOUNTING ESTIMATES**

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to financial statements as at and for the year ended 30 June 2011.

**5. FINANCIAL RISK MANAGEMENT**

The Fund financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended 30 June 2011.

		<b>30 September 2011 Unaudited</b>	30 June 2011 Audited
<b>6. BANK BALANCES - local currency</b>		<b>(Rupees)</b>	
In profit and loss sharing accounts	6.1	<b>5,776,673</b>	5,093,721
In term deposit	6.2	<b>450,000,000</b>	400,000,000
		<b><u>455,776,673</u></b>	<u>405,093,721</u>

**6.1** These accounts carry profit rates ranging between 5% to 11% (30 June 2011: 5% to 11.50%) per annum.

**6.2** This term deposit carry profit rate at the rate of 13.55% (30 June 2010: 13.90%) per annum and will mature on 16 December 2011.

**7. INVESTMENTS**

**Held for trading**

Government securities	7.1	<b><u>4,582,030,265</u></b>	<u>3,704,424,065</u>
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## 7.1 Held for trading investments

Details are as follows:

	Number of holdings at beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying Cost as at 30 September 2011	Market value as at 30 September 2011	Unrealized (diminution) / appreciation	% of net assets of the Fund	% of total investments	
------(Rupees)-----										
<b>Government Securities</b>										
Treasury Bills - 3 months (face value of Rs. 100,000 each)	7.1.1	22,100	18,640	30,790	9,950	984,880,016	984,662,590	(217,426)	19.66	21.49
Treasury Bills - 6 months (face value of Rs. 100,000 each)	7.1.2	16,000	36,360	15,110	37,250	3,594,755,235	3,597,367,675	2,612,440	71.83	78.51
					<b>Total</b>	<b>4,579,635,251</b>	<b>4,582,030,265</b>	<b>2,395,014</b>	<b>91.49</b>	<b>100.00</b>
					As at 30 June 2011:	3,705,515,735	3,704,424,065	(1,091,670)	89.17	100.00

**7.1.1** These represent 3 months Government Treasury bills carrying a fixed mark-up rate ranging from 13.0236 % to 13.5313 % (30 June 2011: 13.7428% to 14.3556%) and will mature between 06 October 2011 and 17 November 2011. The face value of Treasury Bills held as at 30 September 2011 amounted to Rs. 995 million (30 June 2011: 2,210 million).

**7.1.2** These represent 6 months Government Treasury bills carrying a fixed mark-up rate ranging from 13.1876 % to 13.7815 % (30 June 2011: 13.9156% to 14.1353%) and will mature between 6 October 2011 and 22 March 2012. The face value of Treasury Bills held as at 30 September 2011 amounted to Rs. 3,725 million (30 June 2011: 1,600 million).

		<b>30 September 2011 Unaudited</b>	<b>30 June 2011 Audited</b>
<b>(Rupees)</b>			
<b>8. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		<b>237,841</b>	175,000
Payable to Workers' Welfare Fund	8.1	<b>14,330,376</b>	11,413,140
Brokerage payable		<b>2,965</b>	9,930
Other liabilities		<b>47,482</b>	188,873
		<b>14,618,664</b>	<b>11,786,943</b>

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

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance 1971 does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to



contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*.”

Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry’s letter may be circulated amongst field formation for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry in the Court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 14.33 million upto 30 September 2011.

## 9. INTERIM DISTRIBUTIONS DURING THE PERIOD

----- For the period ended 30 September 2011 -----				
Date of distributions	Distribution per unit	No. of Bonus Units Issued	Bonus ----- (Rupees) -----	Cash -----
30 July 2011	0.9112	343,479	34,347,995	9,954,851
29 August 2011	0.9391	351,201	35,133,028	10,259,659
29 September 2011	0.9619	372,437	37,256,724	10,508,749
	<u>2.8122</u>	<u>1,067,117</u>	<u>106,737,747</u>	<u>30,723,259</u>

## 10. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the year end by this Fund to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, no provision has been made in these condensed interim financial information.

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

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

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

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

		<b>30 September 2011</b>	30 June 2011
<b>11.1</b>	<b>Balance as at period / year end</b>	<b>Unaudited</b>	<b>Audited</b>
		<b>(Rupees)</b>	
<b>Lakson Investments Limited - Management Company</b>			
	Remuneration payable	<u>5,990,915</u>	<u>4,387,474</u>
	Units held as at the period / year end		
	1,242,901 (30 June 2011: 1,279,569) units	<u>124,426,418</u>	<u>129,248,836</u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>			
	Remuneration payable	<u>420,067</u>	<u>368,211</u>
<b>Directors of the Management Company</b>			
<b>Babar Ali Lakhani *</b>			
	Units held as at the period / year end		
	*73,301 (30 June 2011: 60,865) units	<u>7,338,145</u>	<u>6,147,963</u>
*56,705 (30 June 2011: 54,543) units held in joint account with spouse Ms. Zil Lakhani.			
*Includes 10,029 (30 June 2011: nil) units held by minor son Mr. Hasan Ali Lakhani.			
<b>Iqbal Ali Lakhani</b>			
	Units held as at the period / year end		
	3,087,545 (30 June 2011: 2,972,332) units	<u>309,093,169</u>	<u>300,234,299</u>
<b>Mahomed J. Jaffer</b>			
	Units held as at the period / year end		
	3,679 (30 June 2011: 3,542) units	<u>368,281</u>	<u>357,726</u>

	30 September 2011 Unaudited	30 June 2011 Audited
	<b>(Rupees)</b>	
<b>Key Management Personnel, Employees and Connected Persons of the Management Company</b>		
Units held as at the period / year end 1,071,929 (30 June 2011: 1,031,929) units	<u>107,310,493</u>	<u>104,234,884</u>
<b>Holding Company of the Management Company</b>		
<b>Siza Services (Private) Limited</b>		
Units held as at the period / year end 1,254,788 (30 June 2011: 160,981) units	<u>125,616,477</u>	<u>16,260,680</u>
<b>Associated Companies / Undertakings of the Management Company</b>		
<b>Siza (Private) Limited</b>		
Units held as at the period / year end 17,139,185 (30 June 2011: 16,131,818) units	<u>1,715,798,628</u>	<u>1,629,470,083</u>
<b>Alan (Private) Limited</b>		
Units held as at the period / year end 1,380,035 (30 June 2011: 1,328,539) units	<u>138,154,913</u>	<u>134,195,277</u>
<b>Accuray Surgical Limited - Employees Contribution Provident Fund Trust</b>		
Units held as at the period / year end 82,557 (30 June 2011: 79,477) units	<u>8,264,790</u>	<u>8,027,914</u>
<b>Hasanali Karabhai Foundation</b>		
Units held as at the period / year end 69,648 (30 June 2011: 64,484) units	<u>6,972,422</u>	<u>6,513,508</u>
<b>Lakson Business Solutions Limited Employee Contribution Provident Fund Trust</b>		
Units held as at the period / year end 789 (30 June 2011: 760) units	<u>79,002</u>	<u>76,737</u>
<b>Century Paper &amp; Board Mills Limited Employees Contribution Provident Fund Trust</b>		
Units held as at the period / year end 99,554 (30 June 2011: 95,840) units	<u>9,966,365</u>	<u>9,680,720</u>

	<b>30 September 2011 Unaudited</b>	<b>30 June 2011 Audited</b>
	<b>(Rupees)</b>	
<b>Century Insurance Company Limited</b>		
Units held as at the period / year end 2,736,010 (30 June 2011: 1,688,168) units	<u><b>273,901,155</b></u>	<u>170,521,388</u>
<b>Premier Fashions (Private) Limited</b>		
Units held as at the period / year end 511,191 (30 June 2011: 9,063) units	<u><b>51,175,206</b></u>	<u>915,441</u>
<b>Century Enterprises (Private) Limited</b>		
Units held as at the period / year end 19,994 (30 June 2011: 19,248) units	<u><b>2,001,589</b></u>	<u>1,944,222</u>
<b>Clover Pakistan Limited</b>		
Units held as at the period / year end 1,034,104 (30 June 2011: 995,516) units	<u><b>103,523,814</b></u>	<u>100,556,735</u>
<b>Lakson Power Limited</b>		
Units held as at the period / year end 3,787 (30 June 2011: 3,646) units	<u><b>379,123</b></u>	<u>368,257</u>
<b>Sybrid (Private) Limited</b>		
Units held as at the period / year end 10,739 (30 June 2011: nil) units	<u><b>1,075,112</b></u>	<u>-</u>
<b>Siza Commodities (PVT) Limited</b>		
Units held as at the period / year end 200,711 (30 June 2011: nil) units	<u><b>20,093,102</b></u>	<u>-</u>
	<b>Period ended 30 September 2011</b>	<b>Period ended 30 September 2010</b>
<b>11.2 Transactions during the period</b>	<b>(Rupees)</b>	
<b>Lakson Investments Limited - Management Company</b>		
Remuneration to the Management Company	<u><b>17,644,493</b></u>	<u>10,365,608</u>
Issue of units - 89,601 (2010: 58,535) units	<u><b>9,000,000</b></u>	<u>6,000,000</u>
Issue of bonus units - 47,213 (2010: 26,332) units	<u>-</u>	<u>-</u>
Redemption of units - 173,481 (2010: 14,747) units	<u><b>17,500,000</b></u>	<u>1,500,000</u>

	Period ended <b>30 September</b> <b>2011</b>	Period ended 30 September 2010
<b>(Rupees)</b>		
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>		
Remuneration to the Trustee	<u><u>1,247,197</u></u>	<u><u>1,081,304</u></u>
<b>Directors of the Management Company</b>		
<b>Babar Ali Lakhani *</b>		
Issue of units - *9,980 (2010: nil) units	<u><u>1,004,651</u></u>	<u><u>-</u></u>
Issue of bonus units - *2,456 (2010: 1,094) units	<u><u>-</u></u>	<u><u>-</u></u>
*Includes trades in joint account with spouse Ms. Zil Lakhani and trades by minor son Mr. Hassan Ali Lakhani.		
<b>Iqbal Ali Lakhani</b>		
Issue of bonus units - 115,213 (2010: 56,048) units	<u><u>-</u></u>	<u><u>-</u></u>
<b>Mahomed J. Jaffer</b>		
Issue of bonus units - 137 (2010: 87) units	<u><u>-</u></u>	<u><u>-</u></u>
<b>Key Management Personnel, Employees and Connected Persons of the Management Company</b>		
Issue of units - nil (2010: 198) units	<u><u>-</u></u>	<u><u>20,000</u></u>
Issue of bonus units - 40,000 (2010: 429) units	<u><u>-</u></u>	<u><u>-</u></u>
Redemption of units - nil (2010: 196) units	<u><u>-</u></u>	<u><u>20,000</u></u>
<b>Holding Company of the Management Company</b>		
<b>Siza Services (Private) Limited</b>		
Issue of units - 1,083,776 (2010: nil) units	<u><u>109,000,000</u></u>	<u><u>-</u></u>
Issue of bonus units - 16,478 (2010: 4,461) units	<u><u>-</u></u>	<u><u>-</u></u>
Redemption of units - 6,447 (2010: nil) units	<u><u>650,000</u></u>	<u><u>-</u></u>
<b>Associated Companies / Undertakings of the Management Company</b>		
<b>Siza (Private) Limited</b>		
Issue of units - 1,459,114 (2010: 349,195) units	<u><u>146,461,879</u></u>	<u><u>35,000,000</u></u>
Issue of bonus units - 643,328 (2010: 350,740) units	<u><u>-</u></u>	<u><u>-</u></u>
Redemption of units - 1,095,075 (2010: 10) units	<u><u>110,000,000</u></u>	<u><u>1,000</u></u>
<b>Alan (Private) Limited</b>		
Issue of units - nil (2010: 29,260) units	<u><u>-</u></u>	<u><u>3,000,000</u></u>
Issue of bonus units - 51,497 (2010: 14,396) units	<u><u>-</u></u>	<u><u>-</u></u>

	Period ended 30 September 2011	Period ended 30 September 2010
	(Rupees)	
<b>Accuray Surgical Limited - Employees Contribution Provident Fund Trust</b>		
Issue of bonus units - 3,081 (2010: 1,951) units	-	-
<b>Hasanali Karabhai Foundation</b>		
Issue of units - 2,591 (2010: nil) units	<b>26,000</b>	-
Issue of bonus units - 2,573 (2010: 1,747) units	-	-
<b>Lakson Business Solutions Limited Employee Contribution Provident Fund Trust</b>		
Issue of bonus units - 29 (2010: 19) units	-	-
<b>Century Paper &amp; Board Mills Limited Employees Contribution Provident Fund Trust</b>		
Issue of bonus units - 3,715 (2010: 2,353) units	-	-
<b>Century Insurance Company Limited</b>		
Issue of units - 992,070 (2010: nil) units	<b>100,000,000</b>	-
Issue of bonus units - 74,793 (2010: 19,022) units	-	-
Redemption of units - 19,022 (2010: nil) units	<b>1,916,611</b>	-
<b>Premier Fashions (Private) Limited</b>		
Issue of units - 496,998 (2010: nil) units	<b>50,000,000</b>	-
Issue of bonus units - 5,130 (2010: 223) units	-	-
<b>Century Enterprises (Private) Limited</b>		
Issue of bonus units - 746 (2010: 485) units	-	-
<b>Clover Pakistan Limited</b>		
Issue of units - nil (2010: 494,124) units	-	50,000,000
Issue of bonus units - 38,588 (2010: nil) units	-	-
<b>Colgate Palmolive (Pakistan) Limited</b>		
Issue of units - nil (2010: 1,976,497) units	-	200,000,000
Redemption of units - nil (2010: 988,249) units	-	101,107,432
<b>Lakson Power Limited</b>		
Issue of bonus units - 141 (2010: nil) units	-	-

	Period ended <b>30 September</b> <b>2011</b>	Period ended 30 September 2010
	(Rupees)	
<b>Siza Commodities (Private) Limited</b>		
Issue of units - 198,799 (2010: nil) units	<u><b>20,000,000</b></u>	<u>-</u>
Issue of bonus units - 1,912 (2010: nil) units	<u>-</u>	<u>-</u>
<b>Sybrid (Private) Limited</b>		
Issue of units - 69,883 (2010: nil) units	<u><b>7,000,000</b></u>	<u>-</u>
Issue of bonus units - 657 (2010: nil) units	<u>-</u>	<u>-</u>
Redemption of units - 59,801 (2010: nil) units	<u><b>6,000,000</b></u>	<u>-</u>

**12. GENERAL**

**12.1** This condensed interim financial information was authorised for issue on 27 October 2011 by the board of directors of the Management Company.



A Lakson Group Company

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

UAN +92.21 111-LAKSON  
T +92.21 3569.8000  
F +92.21 3568.1653  
E [info@li.com.pk](mailto:info@li.com.pk)  
[www.li.com.pk](http://www.li.com.pk)