

LAKSON MONEY MARKET FUND  
Annual Report 2012



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

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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. 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. 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 Shakra-e-Faisal,  
Karachi, Pakistan.

### Auditors

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

### Bankers to the Fund

Allied Bank Limited  
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/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 (Pvt.) Limited  
Alfalah Securities (Pvt.) Limited  
Burj Capital Limited  
Cyan Limited  
Elixir Securities (Pvt.) Limited  
Pearl Securities (Pvt.) Limited  
Vector Capital (Pvt.) Limited

**Rating by PACRA**

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



## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2012**

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Money Market Fund ('LMMF'), is pleased to present its annual report together with the audited financial statements for the year ended June 30, 2012.

### **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 year under review.

### **Funds Performance**

The net assets of the LMMF as at June 30, 2012 stood at PKR 6,876.251 million compared to PKR 4,154.528 million at June 30, 2011 registering an increase of 65.51%.

The net income for the year ended June 30, 2012 was PKR 610.212 million which was mainly comprised of mark-up income from bank deposits, treasury bills, placements, certificate of investments and term deposit receipts amounting to PKR 703.883 million. The unrealized diminution was mainly due to the valuation of treasury bills amounted to PKR 0.559 million.

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

### **Earning Per Unit (EPU)**

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

### **Income Distribution**

The Board of Directors of the Management Company in its meeting held on July 04, 2012, declared a final payout of PKR 0.8702 per unit amounting to PKR 59.321 million (PKR 54.559 million of Bonus distribution and PKR 4.762 of cash distribution) for the year ended June 30, 2012. This was in addition to the interim payouts of PKR 9.8150 per unit. The total distribution for the year ended June 30, 2012 was PKR 10.6852 per unit (10.6852% of face value of PKR 100/-).

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

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at AM3+. 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. A performance table / key financial data is summarized in the Fund Manager Report.
8. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in the Financial Statements.
9. 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.
10. Meetings of the Board of Directors of the Management Company are held at least once in every quarter. During the year under review five meetings were held. Attendance of the Directors in these meetings is as follows:

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

During the year ended June 30, 2012, no casual vacancy occurred on the Board of Directors.

11. 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	04	04	-
2	Mr. A. Aziz H. Ebrahim	Member	04	04	-
3	Mr. Iqbal Ali Lakhani	Member	04	03	01
4	Mr. Sher Afgan Malik	Member	04	03	01

\* In compliance with the Code of Corporate Governance 2012, the Board of Directors in its meeting held on April 19, 2012 appointed Mr. Zahid Zakiuddin as the Chairman of the Audit Committee in place on Mr. Iqbal Ali Lakhani.

12. The Board has arranged one Director to attend the "Corporate Governance Leadership Skills" program offered by the Pakistan Institute of corporate Governance. As of date, the Director has completed two parts out of the five parts of the program.
13. The pattern of unit holding is given in note no. 21.1 of the Financial Statements.
14. During the year under review trades in the Units of the Fund were carried out by the Directors, the Chief Executive Officer, the Chief Financial Officer / Company Secretary and their spouses and minor children are as under:

S.No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1	Mr. Iqbal Ali Lakhani	Chairman	4,963	1,993,660	194,196
2	Ms. Ronak Iqbal Lakhani	Spouse of Chairman	1,993,660	Nil	143,868
3	Mr. Babar Ali Lakhani	Chief Executive	29,837	4,997	991
4	Ms. Zil Lakhani / Mr. Babar Ali Lakahi	Spouse of Chief Executive / Chief Executive	27,460	22,467	6,607
5	Mr. Hassan Ali Lakhani	Minor child of Chief Executive	10,233	10,029	111
6	Mr. Mahomed J. Jaffer	Director	11	Nil	403

#### External Auditor

The Fund's external auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants have expressed their willingness to continue as the Fund's auditors for the ensuing year ending June 30, 2013. On the recommendation of the Audit Committee, the Board of Directors of the Management Company has reappointed M/s. KPMG Taseer Hadi & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2013.

#### Economic Review

FY12 was yet another challenging year for Pakistan's economy wherein it continued to weather an unprecedented set of challenges in the form of security hazards caused by the intensified war against terrorism, rising international commodity prices, widening energy deficit, falling FX reserves and persistent inflation. Pakistan's per capita real income grew at 2.3% during the year as against 1.3%



in FY11. In dollar terms, it increased from USD 1,258 in FY11 to USD 1,372 in FY12 while the headline GDP growth rate stood at 3.7%. While the overall GDP growth of 3.7% for FY12 was the highest in the last 3 years, it remained far below potential for a country exhibiting an average annual population growth of over 2%.

The National Income Accounts estimates show that the growth was primarily driven by consumption expenditure which grew by 11.1% compared to 3.9% in FY11. As a result, the share of consumption in real GDP increased to 88% in FY12 from 83% in FY11. Interestingly, most of the surge in overall consumption was contributed by a sharp increase in private consumption. Increase in rural income on account of better crop prices and steady growth in remittances from abroad over the last few years have been the main factors providing momentum to growth in private consumption. The segment-wise numbers reveal that the growth in the agriculture sector clocked in at 3.1% on the back of 4.0% growth in the livestock sector (highest contribution in the agricultural sector) and 3.0% growth in major crops. The industrial sector grew by 3.6% compared to 3.1% in FY11, showing some improvement during FY12. In particular, mining and construction sector reflected a healthy growth of 4.4% and 6.5%, respectively, in comparison to negative growth of 1.3% and 7.1% in FY11. Large Scale Manufacturing ("LSM"), which comprises of 11.9% of the GDP, clocked a subtle 1.8% growth in FY12, whereas small scale manufacturing once again showed the largest growth rate of 7.5% in FY12.

Whilst the official figures for FY12 fiscal deficit are not public as yet, the State Bank of Pakistan ("SBP") expects consolidated budget deficit to clock in at 6.4% of GDP (PKR 1,328 billion) while it may reach 8.3% of GDP after incorporating the debt consolidation of power and food sector arrears. Revenue generation was limited by exemptions and ineffective taxation of major segments of income generating sectors while untargeted subsidies and the continued provision of financial support to the loss making public sector enterprises kept the current expenditures on the higher side. The tax to GDP ratio nonetheless showed modest improvement as it increased to 9.5% during FY12 from 8.6% in FY11. While it is still considered very low in comparison with other comparable economies, it is nevertheless a welcome change.

The average CPI inflation for FY12 stood at 11.0% vis-à-vis 13.7% in FY11. CPI Inflation continued to persist in double digits for the fifth consecutive year. This persistence is primarily due to entrenched expectations of high inflation, higher energy costs and increased currency printing to finance government deficits. Core inflation, as measured by non-food non-energy CPI ("Core NFNE"), averaged 10.6% during FY12. Food and Beverages group, that has 35% weight in the new CPI basket, witnessed average inflation of 11% during FY12 versus 18% in FY11. A sharp increase in the prices of perishable food items was triggered by the supply disruptions caused by the floods at the start of FY12. While the floods in 1HFY12 did not cause the widespread destruction of crops as they did in 1HFY11, headline inflation remained high due to record food inflation, some crop losses and disruption to the supply chain. In addition, the increase in international oil prices during FY12 and the rationalization of gas and energy pricing by Utilities and the Government of Pakistan further spurred inflationary pressures. The Wholesale Price Index ("WPI") was up 10.4% on average during FY12 compared to 21.3% in FY11. The Sensitive Price Index ("SPI") was up 7.1% on average during FY12 compared to 16.6% in FY11.

Thus given the relative slowdown in inflation, SBP reduced the policy rate by a cumulative 200 bps from 14% to 12% in 1HFY12 (a reduction of 50 bps in July 2011 and 150 bps in October 2011). Thereafter, on account of difficulties in external accounts, higher government borrowing and persistent core-inflation, SBP kept its policy rate unchanged at 12% up till June 2012.

Inward remittances, the key supporting head, clocked in at USD 13.2 billion during FY12, yielding an impressive growth of 17.7% YoY. Trade Account, however, remained weak as the deficit broadened by 36% in FY12 to stand at USD 21.3 billion. Pakistan's exports were recorded at USD 23.6 billion,

down 4.7% YoY, while during the same period, imports rose 11.1% to USD 44.9 billion. Thus coupled with minimal foreign inflows, this led to a deficit of USD 4.5 billion in the Current Account for FY12, compared to a surplus of USD 214 million in FY11. The Current Account Deficit as percentage of GDP stood at 1.9% for FY12. The net capital and financial flows required to finance the current account deficit remained scarce at a meager USD 1.5 billion. The net private inflows, foreign direct and portfolio investments, came down to only USD 590 million in FY12. Consequently, the overall balance of payment position showed a deficit, which together with repayment of IMF loans resulted in a decline of USD 4 billion in SBP's liquid foreign exchange reserves during FY12. Overall, the foreign exchange reserves declined by USD 3.0 billion during the outgoing year to stand at USD 15.2 billion at the end of Jun '12. Resultantly, after staying stable during FY11, Pakistan Rupee depreciated by 10.0% to stand at PKR 94.55 against the greenback by the end of FY12.

Total investment and exports of goods and non-factor services showed a significant contraction. The total investment, as a percentage of GDP, fell to 12.5% in FY12. Private investment contracted to 7.9% of GDP in FY12 as compared to 8.6% in FY11 while national savings stood at 10.7% of GDP vis-à-vis 13.2% in FY11.

Nonetheless, the asset management industry posted an impressive growth of 53% YoY with the Assets under Management ("AUM's") standing at PKR 381 billion by the end of FY12. AUM's for closed-end funds declined by 2% YoY to PKR 23 billion, whilst AUM's for open-end funds grew 59% YoY to PKR 223 billion. After showing consistent decline in AUM's for the last three years, income fund category attracted the highest amount of fresh inflows as their total size grew 99% YoY to PKR 94 billion. Money market funds, nonetheless, continued to account for the highest share of 49% in total conventional open-end funds as their AUM's grew by 95% YoY to stand at PKR 151 billion by the end of FY12.

### **Market Review**

The deposits of scheduled banks stood at PKR 6,402 billion as of June 2012 end as compared to PKR 5,599 billion as of Jun '11, exhibiting a YoY growth of 14%. Money Supply (M2) growth in FY12 stood at 14.1% compared to 15.9% in FY11 as the broad money increased by PKR 947 billion. Higher M2 growth came on the back of 20.3% growth in the Net Domestic Assets ("NDA") of the banking system. In the absence of foreign flows, the government had to rely on the domestic resources to finance its fiscal deficit as the growth in both reserve money and broad money (M2) was primarily driven by fiscal borrowings for budgetary support. Of the total expansion of PKR 223 billion in reserve money, PKR 505 billion was due to direct fiscal borrowings from the SBP. On the other hand, Net Foreign Assets ("NFA") witnessed a significant contraction of PKR 225 billion during FY12.

A large trade deficit together with consistently falling foreign financial inflows and rising debt repayments were the major contributing factors behind this dismal performance. The fiscal borrowings from the scheduled banks grew by 50% in FY12 and contributed 67% to the overall increase of 14.1% in M2. These fiscal borrowings resulted in substantial crowding-out of private sector credit during the year. The annual target set to raise funds in the auctions of T-bills was set at PKR 3,345 billion for FY12. However the government only managed to raise PKR 3,221 billion during the year. On the other hand, in the auctions of Pakistan Investment Bonds ("PIB's") and Ijara Sukuks, the government raised substantially higher amounts (PKR 407 billion), when compared to the announced targets (PKR 335 billion).

### **Future Outlook**

The outlook for fiscal year 2012-13 looks better than the preceding year. Pakistan has re-opened the supply routes for NATO forces due to which the US has released the impending reimbursements of USD 1.12 billion under the Coalition Support Fund. This should help alleviate some of the concerns on fiscal account, as well on Balance of Payments.

More importantly, the SBP in its first monetary policy announcement for FY13 reduced the benchmark policy rate by 150 bps to 10.5% - the lowest since early 2008. This should go a long way in reviving the private sector credit offtake, ease working capital concerns for liquidity trapped companies and entice domestic groups towards investment in the economy.

Nonetheless, the overall economic climate of Pakistan continues to face numerous challenges. According to the latest review released by the Economic Intelligence Unit ("EIU"), a range of factors have recently conspired to render Pakistan's external position increasingly precarious in the short term. They believe that it appears increasingly likely that the country will need to seek financial assistance from the IMF within the next 12-18 months to avert a balance-of-payments crisis. However, the approaching general election and a potential change of guard are adding to overall uncertainty regarding economic policy.

Overall, the EIU expects real GDP growth to slow to 3.3% in FY12 on the back of a slowdown in private consumption (which is forecast to rise by 4.4%). Growth in private consumption, which accounts for nearly 90% of nominal GDP, will remain the primary driver of economic expansion in the forecast period. During FY13-16, the annual private consumption growth is forecast to average 5.5%. They expect investment to fall for the fifth consecutive year in FY13. Tight domestic credit markets and the lack of foreign financing, exacerbated by both the global economic slowdown and the domestic security situation, will continue to dampen investment spending.

#### **Acknowledgment**

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

**For and on behalf of the Board**

**Dated: August 30, 2012**

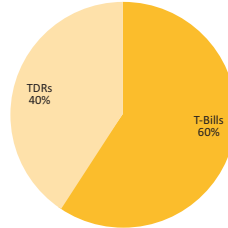
**Babar Ali Lakhani**  
**Chief Executive Officer**

**REPORT OF THE FUND MANAGER  
FOR THE YEAR ENDED JUNE 30, 2012**

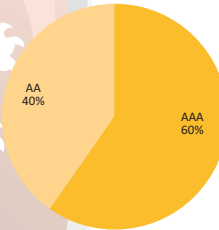
**Fund Facts**

Fund Type	Open-End
Category	Money Market Fund
Net Assets (PKR Mil.)	6,876
NAV (30.06.2012)	100.8703
Pricing Mechanism	Previous Day
Trustee	CDC Pakistan Limited
Auditor	KPMG Taseer Hadi & Co.
Management Fee	1.25%
Front End Load	None
Back End Load	None
Launch Date	November 13, 2009
Benchmark	Average of returns earned by Money Market Funds in the industry.
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM
Fund Rating	'AA' by PACRA
Asset Manager Rating	AM3+

**Asset Allocation**



**Credit Split**



**Morningstar LMMF Benchmark**

June-12	10.40%	10.10%
2 Months	10.46%	10.39%
3 Months	10.49%	10.53%
6 Months	10.50%	10.59%
12 Months	11.19%	11.31%
CY12 - YTD	10.50%	10.59%
FY12	11.19%	11.31%
Since Inception	11.28%	11.32%

**Simple Annualized LMMF Benchmark**

June-12	9.93%	9.66%
2 Months	10.03%	9.96%
3 Months	10.10%	10.14%
6 Months	10.24%	10.32%
12 Months	11.19%	11.31%
CY12 - YTD	10.24%	10.32%
FY12	11.19%	11.31%
Since Inception	12.35%	12.39%

**Investment Committee**

Babar Ali Lakhani	Chairman
Iqbal Ali Lakhani	
A. Aziz H. Ebrahim	
Muhammad Umair Chauhan	
Amir Mobin	
Hamad Aslam	
Syed Imran Raza Kazmi	
Muhammad Qasim	

**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. The LMMF provided a positive return to its investors on every single day during FY12. The LMMF exhibits very low volatility as its standard deviation, a measure of the volatility of returns, of monthly annualized returns was only 1.33% during the period.

**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 81% in risk free T-Bills as the T-Bills offered better risk adjusted yields. High exposure in the T-Bills enabled the LMMF to remain liquid and meet all its obligations in a timely manner. During the period under review, the LMMF switched between different maturities of T-Bills depending upon the market dynamics and interest rate outlook. During the 1HFY12 when the State Bank of Pakistan ("SBP") was easing its monetary policy the LMMF kept the Weighted Average Maturity ("WAM") of its portfolio high and maintained higher exposure in T-Bills however in the 2HFY12 the LMMF reduced its WAM. The average WAM of the LMMF portfolio in the 1HFY12 was just 74 days while in the 2HFY12 the WAM equaled 46 days. As of June 30, 2012 the WAM of the LMMF portfolio stood at 33 days. Since T-Bills are marketable instruments, they introduce volatility and in order to mitigate this, the LMMF maintains exposure in TDRs, keeping in view the investor profile of the LMMF. Exposure in TDRs was taken on quarter ends as the commercial banks usually offer better rates on the quarter ends. The LMMF maintained all its exposure in instruments having a minimum rating of 'AA'.

### Market Review

Pakistan witnessed yet another year of mediocre economic growth of 3.7% during FY12; the economy remained marred by problems ranging from deteriorating law and order situation, worsening current and fiscal account positions and unprecedented energy crisis. The burgeoning fiscal deficit along with no substantial external inflows left the fiscal managers with no choice but to borrow heavily from commercial banks and the State Bank of Pakistan ("SBP"). This led to two-pronged problems for the economy per se; crowding out of private sector credit and relentless inflation. Thus CPI inflation remained in double-digits for the fifth consecutive year and averaged at 11.0% in FY12. It nonetheless showed an encouraging slowdown when compared to CPI average of 13.7% in FY11, allowing the SBP to cumulatively cut the benchmark discount rate to 12.0% during the year.

On the positive side, despite numerous global challenges, Pakistan's economy performed better in FY12 when compared to several developed and developing economies. The global challenges included sharp increase in fuel and commodity prices, recessionary trend and weak inflows. The global recovery is threatened by intensifying strains in the euro area and fragilities elsewhere. Despite these challenges, Pakistan has managed to maintain its exports during FY12 at USD 23.6 billion. Remittances remained buoyant and closed the fiscal year at USD 13.2 billion, yielding an impressive YoY growth of 17.7%. Recessionary trend globally has, however, impacted capital flows to Pakistan. Current account balance was thus affected due to sharp increase in oil prices and import of 1.2 million metric tons of fertilizer. Overall, this translated into a decline of USD 3.0 billion in Pakistan's foreign exchange reserves which closed at USD 15.2 billion at the end of Jun '12. Thus, after staying stable during FY11, Pakistan Rupee depreciated by 10.0% to stand at PKR 94.55 against the greenback by the end of FY12. The deposits of scheduled banks stood at PKR 6,402 billion as of June 2012 end as compared to PKR 5,599 billion as of Jun '11, exhibiting a YoY growth of 14%. A disaggregated assessment of deposits shows that most of the increase in deposits was due to rise in demand deposits. Within demand deposits, there was a noticeable increase in saving deposits in 2HFY12 compared to the usual increase in current deposits. The surge in saving deposits was partially driven by an increase of 100 bps in the minimum rate of return to 6%, as enacted by SBP with effect from May 1, 2012.

Money Supply (M2) growth in FY12 stood at 14.1% compared to 15.9% in FY11 as the broad money increased by PKR 947 billion. Higher M2 growth came on the back of 20.3% growth in the Net Domestic Assets ("NDA") of the banking system. In the absence of foreign flows, the government had to rely on the domestic resources to finance its fiscal deficit as the growth in both reserve money and broad money (M2) was primarily driven by fiscal borrowings for budgetary support. Of the total expansion of PKR 223 billion in reserve money, PKR 505 billion was due to direct fiscal borrowings from the SBP. On the other hand, Net Foreign Assets ("NFA") witnessed a significant contraction of PKR 225 billion during FY12.

A large trade deficit together with consistently falling foreign financial inflows and rising debt repayments were the major contributing factors behind this dismal performance. The fiscal borrowings from the scheduled banks grew by 50% in FY12 and contributed 67% to the overall increase of 14.1% in M2. These fiscal borrowings resulted in substantial crowding-out of private sector credit during the year. The annual target set to raise funds in the auctions of T-bills was set at PKR 3,345 billion for FY12.

However the government only managed to raise PKR 3,221 billion during the year. On the other hand, in the auctions of Pakistan Investment Bonds ("PIB's") and Ijara Sukuks, the government raised substantially higher amounts (PKR 407 billion), when compared to the announced targets (PKR 335 billion).

The cut in discount rate nonetheless led to an across the board ease in T-bill yields, as they posted respective averages of 12.20%, 12.27% and 12.34% for 3M, 6M and 12M during FY12, compared to 12.97%, 13.23% and 13.43% in FY11.

#### **Fund Performance**

The LMMF yielded 11.19% in FY12 compared to 11.69% in FY11. Lower yield in FY12 was a result of 200bps cut in the discount rate by the SBP. The Benchmark of the LMMF, average return of money market funds, yielded 11.31% in FY12. The LMMF underperformed the Benchmark by 12bps due to the fact that the LMMF provided for the Workers Welfare Fund ("WWF") liability after the decision of the Sind High Court. There are some money market funds in the industry that are not providing for this liability. The LMMF grew by 65.5% in FY12 to PKR 6.88 billion from PKR 4.16 billion at the start of the year. The standard deviation of monthly returns of the LMMF was just 1.33% in FY12 despite the fact that majority of the portfolio of the LMMF is comprised of tradable instruments that are affected by the movement in interest rates and in FY12 the discount rate was cut by 200bps. As of June 30, 2012, the WAM of the LMMF portfolio was 33 days. The WAM of the LMMF portfolio moved in line with the interest rate trends. The NAV of the LMMF didn't decline on any single day during FY12.

#### **Future Outlook**

The LMMF will continue to maintain a higher 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 rates outlook. The SBP has adopted an aggressive monetary easing policy in FY13 and has already cut the discount rate by 150bps. We expect the SBP to maintain the discount rate at current levels in upcoming monetary policies as the Government borrowing requirement from the banking system to finance the fiscal deficit remain high.

#### **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 strong capacity to manage relative stability in returns and very low exposure to risks. PACRA maintained the Asset manager Rating of Lakson Investments at 'AM3+' during FY12. 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, 2012 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, 2012 the LMMF has maintained provisions against Workers' Welfare Fund's liability to the tune of PKR 23.87 million. If the same were not made the NAV per unit of the LMMF would be higher by PKR 0.3501. If the LMMF would not have made the WWF provisions during FY12, the return of the LMMF for FY12 would be higher by 0.20%.

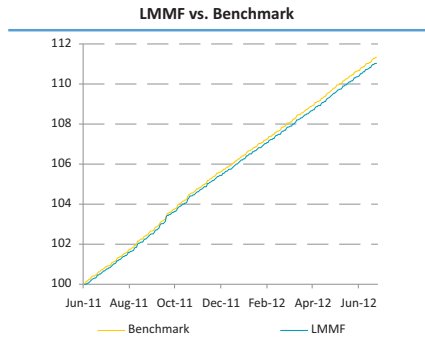
#### **Other Disclosures**

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, 2012 the LMMF does not employ leverage.

Performance Table	FY12	FY11	FY10
Net Assets - Beginning (PKR Mil.)	4,155	3,003	872
Net Assets - Ending (PKR Mil.)	6,876	4,155	3,003
Highest Offer Price (PKR)	101.1143	102.9162	102.7653
Lowest Offer Price (PKR)	100.0264	100.0325	100.0530
Highest Redemption Price (PKR)	101.1143	102.9162	102.7653
Lowest Redemption Price (PKR)	100.0264	100.0325	100.0530
Beginning NAV - Ex-Div. (PKR)	100.0001	100.0000	100.0000
Interim Distributions (PKR)	9.8150	10.1776	3.7208
Final Distribution (PKR)	0.8702	1.0096	2.7909
Ending NAV - Ex-Div. (PKR)	100.0001	100.0001	100.0000
Return	11.19%	11.69%	10.79%
Net Income (PKR Mil.)	610.21	410.88	148.36
WAM (Days)	33	70	43



Distributions	FY12	FY11	FY10	Distributions	FY12	FY11	FY10
PKR per Unit				PKR per Unit			
1st Interim Distribution	0.9112	2.4880	1.2875	7th Interim Distribution	0.9335		
NAV before Distribution	100.9115	102.6190	101.3552	NAV before Distribution	100.9851		
NAV after Distribution	100.0003	100.1310	100.0677	NAV after Distribution	100.0516		
Distribution Date	30-Jul-11	04-Oct-10	05-Jan-10	Distribution Date	31-Jan-12		
2nd Interim Distribution	0.9391	2.8270	2.4333	8th Interim Distribution	0.7503		
NAV before Distribution	100.9758	102.8271	102.7037	NAV before Distribution	100.7504		
NAV after Distribution	100.0367	100.0001	100.2704	NAV after Distribution	100.0001		
Distribution Date	29-Aug-12	31-Dec-10	02-Apr-10	Distribution Date	27-Feb-12		
3rd Interim Distribution	0.9619	2.9383		9th Interim Distribution	0.8350		
NAV before Distribution	100.9968	102.9438		NAV before Distribution	100.8351		
NAV after Distribution	100.0349	100.0055		NAV after Distribution	100.0001		
Distribution Date	29-Sep-11	30-Mar-11		Distribution Date	29-Mar-12		
4th Interim Distribution	0.9043	0.9598		10th Interim Distribution	0.7990		
NAV before Distribution	101.1469	100.9829		NAV before Distribution	100.7991		
NAV after Distribution	100.2426	100.0231		NAV after Distribution	100.0001		
Distribution Date	28-Oct-11	29-Apr-11		Distribution Date	27-Apr-12		
5th Interim Distribution	0.9340	0.9645		11th Interim Distribution	0.9115		
NAV before Distribution	101.0794	100.9646		NAV before Distribution	100.9116		
NAV after Distribution	100.1454	100.0001		NAV after Distribution	100.0001		
Distribution Date	28-Nov-11	30-May-11		Distribution Date	30-May-12		
6th Interim Distribution	0.9352			Final Distribution	0.8702	1.0096	2.7909
NAV before Distribution	100.9780			NAV before Distribution	100.8703	101.0097	102.7909
NAV after Distribution	100.0428			NAV after Distribution	100.0001	100.0001	100.0000
Distribution Date	30-Dec-11			Distribution Date	04-Jul-12	04-Jul-11	06-Jul-10

**Breakdown of Unit Holding by Size**

Units Range	No. of Clients	Units Held
1-500	25	3,947
501-1,000	9	7,294
1,001 - 5,000	28	67,897
5,001 - 10,000	8	49,905
10,001 - 100,000	34	1,422,516
100,001 - 400,000	14	3,054,091
400,001 - 800,000	5	2,502,742
1,000,001 - 2,000,000	9	13,396,630
2,000,001 - 5,000,000	8	25,158,266
5,000,001 - 10,000,000	1	6,742,496
10,000,001-15,000,000	1	15,763,476
<b>Total</b>	<b>142</b>	<b>68,169,261</b>

CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED

**Head Office**

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S.M.C.H.S. Main 'Shahra-e-Faisal'  
Karachi - 74400, Pakistan.  
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Fax: (92-21) 34326020 - 23  
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**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, 2012 in accordance with the provisions of the following:

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

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

Karachi: October 10, 2012





**STATEMENT OF COMPLIANCE  
WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2012**

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:

<b>Category</b>	<b>Names</b>
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. Sher Afgan Malik</li><li>4. Mr. Muhammad Abdul Qadir</li></ol>

The Independent Directors meets 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. No casual vacancy in the Board of the Management Company has occurred during the year.
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, other Executive and Non-Executive Directors, have been taken by the Board. Further their remunerations are being borne by the Management Company.

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. As of date one Director has completed two parts out of the five parts of the program offered by Pakistan Institute of Corporate Governance. Further, based on the criteria stipulated in the Code, a few of our Directors on the Board are exempt from the requirement to have certification under a directors' training program offered by any local or foreign institutions that meet the criteria specified by the SECP.
10. The existing CFO & Company Secretary continue to serve as per his respective terms of employment duly approved by the Board of Directors. The Company has designated one of its employees as '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 disclosed in the Directors' 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. Anjum Asim Shahid Rahman,

Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the 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 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**

**Karachi, August 30, 2012**

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



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

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Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

**Review Report to the Unit Holders on Statement of Compliance  
with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Management Company of **Lakson Money Market Fund** ("the Fund") to comply with the listing regulations of the Lahore Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. 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 Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Fund personnel and review of various documents prepared by the Management Company to comply with the Code.


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

Further sub-regulation (x) of Listing Regulations 35 notified by the Lahore Stock Exchange (Guarantee) Limited requires the Fund to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2012.

Date: 30 August 2012

Karachi

  
KPMG Taseer Hadi & Co.  
Chartered Accountants



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
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## Independent Auditors' Report to the Unit Holders

### *Report on the Financial Statements*

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 30 June, 2012 and the income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' Fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

The Management Company of the Fund is responsible for the preparation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of the financial statements that is free from material misstatement, whether due to fraud or error.

### *Auditors' 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 our judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation 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.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June, 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.



KPMG Taseer Hadi & Co.

*Report on Other Legal and Regulatory Requirements*

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: 30 August 2012

Karachi



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KPMG Taseer Hadi & Co.  
Chartered Accountants  
Amyr Pirani

**Statement of Assets and Liabilities  
As at June 30, 2012**

	Note	2012	2011
		(Rupees)	
<b>Assets</b>			
Bank balances	4	2,785,197,197	405,093,721
Investments	5	4,114,247,842	3,704,424,065
Placements		-	60,000,000
Mark-up receivable	6	12,970,889	2,960,195
Deferred formation cost	7	947,077	1,346,251
<b>Total assets</b>		<u>6,913,363,005</u>	<u>4,173,824,232</u>
<b>Liabilities</b>			
Remuneration payable to the Management Company	8	8,126,902	4,387,474
Remuneration payable to the Trustee	9	523,481	368,211
Annual fee payable to Securities and Exchange Commission of Pakistan	10	4,266,875	2,756,865
Payable against redemption of units		95,012	-
Accrued expenses and other liabilities	11	24,099,780	11,786,943
<b>Total liabilities</b>		<u>37,112,050</u>	<u>19,299,493</u>
<b>Net assets</b>		<u>6,876,250,955</u>	<u>4,154,524,739</u>
<b>Unit holders' funds (as per the statement attached)</b>		<u>6,876,250,955</u>	<u>4,154,524,739</u>
		(Number)	
<b>Number of units in issue</b>	12	<u>68,169,261</u>	<u>41,129,989</u>
		(Rupees)	
<b>Net assets value per unit</b>		<u>100.8703</u>	<u>101.0097</u>

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

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

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

\_\_\_\_\_  
Director

**Income Statement**  
**For the year ended June 30, 2012**

	Note	2012	2011 (Rupees)
<b>Income</b>			
Mark-up income	13	703,883,244	471,408,805
Gain / (loss) on sale of held for trading investments - net		2,222,851	(8,621)
Unrealised diminution in the fair value of investments: 'held for trading' - net		(559,225)	(1,091,670)
Element of income and capital gains in prices of units sold less those in units redeemed - net		<u>10,664,499</u>	<u>3,108,371</u>
		<b>716,211,369</b>	<b>473,416,885</b>
<b>Expenses</b>			
Remuneration to the Management Company	8.1	<b>82,492,913</b>	45,947,744
Remuneration to the Trustee	9	<b>5,575,625</b>	4,307,985
Annual fee to the Securities and Exchange Commission of Pakistan	10	<b>4,266,875</b>	2,756,865
Auditors' remuneration	14	<b>305,960</b>	275,925
Fees and subscription		<b>217,534</b>	240,000
Printing charges		<b>62,770</b>	55,510
Brokerage expenses		<b>86,900</b>	128,416
Amortization of deferred formation cost	7	<b>399,174</b>	399,175
Workers' Welfare Fund	11.1	<b>12,453,305</b>	8,385,388
Bank charges		<b>138,347</b>	35,876
		<b>105,999,403</b>	62,532,884
<b>Net income for the year</b>		<b><u>610,211,966</u></b>	<b><u>410,884,001</u></b>

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

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

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

\_\_\_\_\_  
Director





**Distribution Statement**  
**For the year ended June 30, 2012**

	Note	2012	2011
		(Rupees)	
Undistributed income at beginning of the year - realised		42,617,483	81,762,049
Accumulated loss at beginning of the year - unrealised		(1,091,670)	(239,118)
<b>Undistributed income at beginning of the year</b>		<u>41,525,813</u>	<u>81,522,931</u>
Final distribution at the rate of Rs 1.0096 (2010: 2.7909) per unit approved on 4 July 2011 (2010: 6 July 2010)			
- Cash distribution		(9,420,516)	(19,379,979)
- Issue of bonus units		(32,104,321)	(62,142,937)
		<u>(41,524,837)</u>	<u>(81,522,916)</u>
Total comprehensive income		<u>610,211,966</u>	410,884,001
Interim distributions during the period	15		
- Cash distribution		(125,538,664)	(86,591,029)
- Issue of bonus units		(425,349,403)	(282,767,174)
		<u>59,323,899</u>	41,525,798
		<u>59,324,875</u>	<u>41,525,813</u>
Undistributed income at the end of the year - realised		59,884,100	42,617,483
Accumulated loss at the end of the year - unrealised		(559,225)	(1,091,670)
<b>Undistributed income at the end of the year</b>		<u>59,324,875</u>	<u>41,525,813</u>

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

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

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

\_\_\_\_\_  
Director

**Statement of Movement In Unit Holders' Fund  
For the year ended June 30, 2012**

	Note	2012	2011
		(Rupees)	
<b>Net assets at the beginning of the year</b>		<b>4,154,524,739</b>	3,002,595,035
Cash received on issue of 66,574,992 (2011: 22,528,642) units		<b>6,690,126,633</b>	2,274,821,632
Cash paid on redemption of 44,108,103 (2011: 14,057,538) units		<b>(4,432,988,704)</b>	(1,424,696,550)
		<b>2,257,137,929</b>	850,125,082
Element of income and capital gains in prices of units sold less those in units redeemed - net		<b>(10,664,499)</b>	(3,108,371)
Final distribution at the rate of Rs 1.0096 (2010: 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
<b>Total comprehensive income</b>		<b>610,211,966</b>	410,884,001
Interim distributions during the year / period	15		
- Cash distribution		<b>(125,538,664)</b>	(86,591,029)
- Issue of bonus units		<b>(425,349,403)</b>	(282,767,174)
<b>Net income for the period less distribution</b>		<b>59,323,899</b>	41,525,798
Issue of 4,251,340 (2011: 2,826,735) bonus units as interim distribution	15	<b>425,349,403</b>	282,767,174
<b>Net assets as at end of the year</b>		<b><u>6,876,250,955</u></b>	<u>4,154,524,739</u>
Net assets value per unit at the beginning of the year		<b><u>101.0097</u></b>	102.7909
Net assets value per unit at end of the year		<b><u>100.8703</u></b>	101.0097

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

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

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

\_\_\_\_\_  
Director

**Cash Flow Statement**  
**For the year ended June 30, 2012**

	2012	2011
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	610,211,966	410,884,001
<b>Adjustments for non-cash and others items:</b>		
Amortisation of formation cost	399,174	399,175
Unrealised diminution in the fair value of investments: 'held for trading' - net	559,225	1,091,670
Element of income and capital gains in prices of units sold less those in units redeemed - net	(10,664,499)	(3,108,371)
	<u>600,505,866</u>	<u>409,266,475</u>
<b>(Increase) / decrease in assets</b>		
Investments	(410,383,002)	(1,765,475,475)
Placements	60,000,000	315,000,000
Mark-up receivable	(10,010,694)	11,969,039
Prepayment	-	177,534
	<u>(360,393,696)</u>	<u>(1,438,328,902)</u>
<b>Increase / (decrease) in liabilities</b>		
Remuneration payable to the Management Company	3,739,428	(457,182)
Remuneration payable to the Trustee	155,270	58,114
Annual fee payable to Securities and Exchange Commission of Pakistan	1,510,010	1,881,982
Payable against redemption of units	95,012	(1,283,339)
Accrued expenses and other liabilities	12,312,837	8,552,492
	<u>17,812,557</u>	<u>8,752,067</u>
<b>Net cash from / (used in) operating activities</b>	<u>257,924,727</u>	<u>(1,020,310,360)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Received on issuance of units	6,690,126,633	2,274,821,632
Paid against redemption of units	(4,432,988,704)	(1,424,696,550)
Cash dividend paid	(134,959,180)	(105,971,008)
<b>Net cash from financing activities</b>	<u>2,122,178,749</u>	<u>744,154,074</u>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	<u>2,380,103,476</u>	<u>(276,156,286)</u>
Cash and cash equivalents at beginning of the year	405,093,721	681,250,007
<b>Cash and cash equivalents at end of the year</b>	<u><u>2,785,197,197</u></u>	<u><u>405,093,721</u></u>

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

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

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

\_\_\_\_\_  
Director

## Notes to and forming part of the Financial Statements For the year ended June 30, 2012

### 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 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 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

These financial statements of the Fund as at and for the year ended 30 June 2012 have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Rules and Regulations). In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the Trust Deed and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

#### 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 currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupees.

#### 2.4 Use of estimates and judgments

The preparation of 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 note 3.1 and 19 to these financial statements.

*Element of income and capital gains in prices of units sold less those in units redeemed - net*

For details please refer note 3.9 to these financial statements.

*Provision for taxation*

For details please refer note 3.7 to these financial statements.

*Workers welfare fund liability*

For details please refer note 11.1 to these financial statements.

*Other assets*

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

**2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset’s economic benefits over the life of the asset. The amendment has no impact on financial statements of the Fund.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to

recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Fund.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments would result in increased disclosures in the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Fund.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on Fund’s financial statements.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendment has no impact on Fund's financial statements.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendment may result in modified disclosure in the interim financial statements.
- IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.

## **2.6 Changes in accounting policies**

There were no changes in accounting policies of the Fund during the year.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

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

### **3.1 Investments**

**3.1.1** 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.

#### **3.1.2 The Fund classifies its investments in the following categories:**

##### *Held for trading*

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

After initial recognition, above investments are 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.

##### *Available for sale*

Investments which do not fall under the above category 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 period end / 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 statement.

### **3.1.3 Basis of valuation of investments**

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

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

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

### **3.2 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 a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

### **3.3 Formation cost**

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

### **3.4 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.

### **3.5 Issue and redemption of units**

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

Units redeemed are recorded at the redemption price, applicable to the units for which the Fund receives redemption applications during business hours of that day. The redemption

price represents the net asset value per unit as of the close of the previous business day plus the allowable purchase load (if any). Redemption of units is recorded on acceptance of application for redemption.

### **3.6 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 with the number of units in issue at the year end.

### **3.7 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. Since the Board of Directors of the management company has declared such a dividend (refer note 15), accrual of the tax liability has not been made.

### **3.8 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 financial assets held for trading are included in the income statement in the period in which they arise.
- 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 a time proportionate basis.

### **3.9 Element of income / (loss) and capital gains / (losses) in prices of units sold 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 and capital gains included in prices of units sold less those in units redeemed" is created.

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

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

### **3.10 Financial instruments**

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

**3.11 Offsetting of financial assets and financial liabilities**

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

**3.12 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.

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 profit and loss account.

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.

**3.13 Provision**

A provision is recognised in the balance sheet when the Fund has a 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.

**3.14 Cash and cash equivalents**

Cash and cash equivalent 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.

**3.15 Dividend (including bonus units)**

Dividend (including the bonus units) declared subsequent to the balance sheet date are recorded in the period in which they are approved.

**3.16 Other assets**

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

	Note	2012	2011
		(Rupees)	
<b>4. BANK BALANCES - local currency</b>			
In profit and loss sharing accounts	4.1	40,197,197	5,093,721
In term deposits	4.2	2,745,000,000	400,000,000
		<u>2,785,197,197</u>	<u>405,093,721</u>

**4.1** These accounts carry profit rates ranging between 6% to 11.25% (2011: 5% to 11.50%) per annum.

4.2 These term deposits carry profit rates ranging between 12.10% to 12.25% (2011: 13.90%) per annum maturing between 16 July 2012 and 19 July 2012.

	Note	2012	2011
		(Rupees)	
<b>5. INVESTMENTS</b>			
<b>Held for trading</b>			
Government securities	5.1	<u>4,114,247,842</u>	<u>3,704,424,065</u>

**5.1 Government securities**

	Note	Number of holdings at beginning of the year	Acquired during the year	Disposed / matured during the year	Number of holdings at end of the year	Cost as at 30 June 2012	Market value as at 30 June 2012	Unrealized diminution	% of Net assets of the Fund	% of Total investments
						(Rupees)		Percentage (%)		
Treasury Bills - 3 months (face value of Rs. 100,000 each)	5.1.1	22,100	118,185	103,435	36,850	3,631,067,066	3,630,699,030	(368,036)	52.80	88.25
Treasury Bills - 6 months (face value of Rs. 100,000 each)	5.1.2	16,000	105,576	116,701	4,875	483,740,001	483,548,812	(191,189)	7.03	11.75
Treasury Bills - 12 months (face value of Rs. 100,000 each)		-	18,300	18,300	-	-	-	-	-	-
<b>Total</b>						<u>4,114,807,067</u>	<u>4,114,247,842</u>	<u>(559,225)</u>	<u>59.83</u>	<u>100.00</u>
30 June 2011						<u>3,705,515,735</u>	<u>3,704,424,065</u>	<u>(1,091,670)</u>	<u>89.17</u>	<u>100.00</u>

5.1.1 These represent 3 months Government Treasury bills carrying a fixed mark-up rate ranging from 11.8298% to 11.9201% (2011: 13.7428% to 14.3556%) maturing on between 12 July 2012 and 20 September 2012. The face value of Treasury Bills held as at 30 June 2012 amounted to Rs 3,685 million.

5.1.2 These represent 6 months Government Treasury bills carrying a fixed mark-up rate of 11.6272% (2011: 13.9156% to 14.1353%) maturing on 26 July 2012. The face value of Treasury Bills held as at 30 June 2012 amounted to Rs 487 million.

	Note	2012	2011
		(Rupees)	
<b>6. MARK-UP RECEIVABLE - considered good</b>			
Mark-up receivable on:			
- profit and loss sharing accounts		1,372,837	195,674
- term deposits with banks		11,598,052	2,741,918
- clean placement		-	22,603
		<u>12,970,889</u>	<u>2,960,195</u>

**7. DEFERRED FORMATION COST**

Unamortised cost	7.1	1,346,251	1,745,426
Amortised to the income statement during the year		<u>(399,174)</u>	<u>(399,175)</u>
Balance as at 30 June		<u>947,077</u>	<u>1,346,251</u>

7.1 This represents expenses incurred on the formation of the Fund. Regulation 60 (2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 requires that all

expenses incurred in connection with the incorporation, establishment and registration of collective investment scheme (formation cost) shall be reimbursable by a collective investment scheme to an 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 14 November 2009, i.e. after the close of initial period of the Fund.

**8. PAYABLE TO THE MANAGEMENT COMPANY**

	2012	2011
Note	(Rupees)	
Remuneration payable	8.1	8.1
	<u><b>8,126,902</b></u>	<u><b>4,387,474</b></u>

**8.1** 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 annual 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. The Management Fee is charged @ 1.25% of the average annual net assets of the Fund. Effective from 1 July 2011, through The Sindh Sales Tax on Services Act, 2011, sales tax @ 16% is imposed on the Fund management services. Remuneration of the Management Company charged to the Fund during the current year includes the imposed tax.

**9. REMUNERATION 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 ranging from Rs. 1 million to Rs. 1 billion**

Rs 0.6 million or 0.17% per annum of the daily average net assets of the Fund, which ever is higher.

**Net assets ranging between Rs 1 billion to Rs 5 billion**

Rs 1.70 million plus 0.085% per annum of the daily average net assets of the Fund exceeding Rs 1 billion.

**Exceeding Rs 5 Billion**

Rs 5.1 million plus 0.07% per annum of the daily average net assets of the Fund exceeding Rs 5 billion.

**10. ANNUAL FEE 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, whereby 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	2012	2011
		(Rupees)	
<b>11.</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Auditors' remuneration	<b>190,000</b>	175,000
	Payable to Workers' Welfare Fund 11.1	<b>23,866,445</b>	11,413,140
	Brokerage payable	<b>13,335</b>	9,930
	Other liabilities	<b>30,000</b>	188,873
		<b><u>24,099,780</u></b>	<u>11,786,943</u>

**11.1** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it is alleged 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, challenging the applicability of WWF to the CISs, which is pending adjudication.

After June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) vide its letter dated October 06, 2010 to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. However, the FBR vide its letter dated January 04, 2011 has cancelled its earlier letter dated October 06, 2010 ab initio and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

After 30 June 2011, the Honourable 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 a Constitutional Petition is pending in the Sindh High Court (SHC).

In view of above stated facts and considering the vagaries of litigation, the Management Company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs 23.866 million upto 30 June 2012. If the same had not been so recorded, the net assets value per unit of the Scheme would have been higher by Re. 0.35.

	2012	2011
<b>12.</b>	<b>(Number)</b>	
<b>NUMBER OF UNITS IN ISSUE</b>		
Total outstanding at beginning of the year	<b>41,129,989</b>	29,210,721
Sales during the year	<b>66,574,992</b>	22,528,642
Bonus units issued	<b>4,572,383</b>	3,448,164
Redemption during the year	<b>(44,108,103)</b>	(14,057,538)
Total units in issue at the end of the year	<b><u>68,169,261</u></b>	<u>41,129,989</u>

Face value of the unit is Rs. 100 each.

13. MARK-UP INCOME	2012	2011
	(Rupees)	
Mark-up / return on:		
- Government Securities	570,692,598	334,407,203
- placements	13,336,748	23,221,485
- PLS savings account	7,550,709	9,556,727
- term deposits with banks	112,303,189	104,223,390
	<u>703,883,244</u>	<u>471,408,805</u>

**14. AUDITORS' REMUNERATION**

Annual audit fee	150,000	150,000
Fee for review of half yearly financial statements	75,000	75,000
Fee for review of statement of compliance with the best practices of Code of Corporate Governance	25,000	25,000
Other certifications	30,000	-
Out of pocket expenses	25,960	20,925
	<u>305,960</u>	<u>270,925</u>

**15. INTERIM DISTRIBUTIONS DURING THE YEAR / PERIOD**

----- For the year ended 30 June 2012 -----				
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
28 October 2011	0.9043	367,052	36,794,250	9,879,469
28 November 2011	0.9340	422,781	42,339,552	9,730,549
29 December 2011	0.9352	417,314	41,749,218	11,888,162
31 January 2012	0.9335	405,222	40,543,130	14,185,659
27 February 2012	0.7503	326,835	32,683,477	11,401,713
29 March 2012	0.8350	365,659	36,565,937	12,771,996
29 April 2012	0.7990	387,996	38,799,632	12,380,617
29 May 2012	0.9115	491,364	49,136,460	12,577,240
	<u>9.8150</u>	<u>4,251,340</u>	<u>425,349,403</u>	<u>125,538,664</u>

----- For the year ended 30 June 2011 -----				
4 October 2010	2.4880	625,215	62,603,422	19,767,046
31 December 2010	2.8270	728,083	72,808,332	23,869,518
30 March 2011	2.9383	867,026	86,707,409	25,955,889
29 April 2011	0.9598	297,959	29,802,748	8,478,529
30 May 2011	0.9645	308,452	30,845,263	8,520,047
	<u>10.1776</u>	<u>2,826,735</u>	<u>282,767,174</u>	<u>86,591,029</u>

**16. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. Since the management has distributed the income earned by the Fund during the period to the unit holders in the manner explained above, no provision for taxation has been made in these financial statements (refer note 20).

**17. 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, other funds being managed by the Management Company and entities having holding more than 10% in the units of the Funds as at June 30, 2012.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively as disclosed in note 8 and 9 of these financial statements. 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:

	30 June 2012	30 June 2011
	(Rupees)	
<b>17.1 Balance as at year end</b>		
<b>Lakson Investments Limited - Management Company</b>		
Remuneration payable	<u>8,126,902</u>	<u>4,387,474</u>
Units held as at the year-ended 1,319,168 (2011: 1,279,569) units	<u>133,064,826</u>	<u>129,248,836</u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>		
Remuneration payable	<u>523,481</u>	<u>368,211</u>
<b>Directors of the Management Company</b>		
<b>Babar Ali Lakhani *</b>		
Units held as at the year-ended *98,611 (2011: 60,865) units	<u>9,946,887</u>	<u>6,147,963</u>



30 June 2012                      30 June 2011

(Rupees)

\*66,143 (2011: 54,543) units held in joint account with spouse Ms. Zil Lakhani.

\*Includes 315 (2011: nil) units held by minor son Mr. Hassan Ali Lakhani.

**Iqbal Ali Lakhani**

Units held as at the year-ended

1,177,830 (2011: 2,972,332) units                      118,808,059                      300,234,299

**Mrs. Ronak Iqbal Lakhani (Spouse of Director Mr. Iqbal Ali Lakhani)**

Units held as at the year-ended

2,137,528 (2011: nil) units                      215,613,057                      -

**Mahomed Jaffer**

Units held as at the year-ended

3,956 (2011: 3,542) units                      398,994                      357,726

**Key Management Personnel, Employees and Connected Persons of the Management Company**

Units held as at the year-ended

1,680,638 (2011: 1,031,929) units                      169,526,425                      104,234,884

**Holding Company of the Management Company**

**Siza Services (Private) Limited**

Units held as at the year-ended

2,781,547 (2011: 160,981) units                      280,575,446                      16,260,680

**Associated Companies / Undertakings of the Management Company**

**Siza (Private) Limited**

Units held as at the year-ended

18,611,051 (2011: 16,131,818) units                      1,877,302,300                      1,629,470,083

**Accuray Surgical Limited - Employees Contributory Provident Fund Trust**

Units held as at the year-ended

87,885 (2011: 79,477) units                      8,864,974                      8,027,914

**Hasanali Karabhai Foundation**

Units held as at the year-ended

132,114 (2011: 64,484) units                      13,326,334                      6,513,508

	30 June 2012	30 June 2011
	(Rupees)	
<b>Lakson Business Solutions Limited</b>		
<b>Employees Contributory Provident Fund Trust</b>		
Units held as at the year-ended		
846 (2011: 760) units	<u>85,346</u>	<u>76,737</u>
<b>Century Paper &amp; Board Mills Limited</b>		
<b>Employees Contributory Provident Fund Trust</b>		
Units held as at the year-ended		
106,739 (2011: 95,840) units	<u>10,766,748</u>	<u>9,680,720</u>
<b>Century Insurance Company Limited</b>		
Units held as at the year-ended		
3,360,517 (2011: 1,688,168) units	<u>338,976,322</u>	<u>170,521,388</u>
<b>Premier Fashions (Private) Limited</b>		
Units held as at the year-ended		
2,193,033 (2011: 9,063) units	<u>221,211,892</u>	<u>915,441</u>
<b>Century Enterprises (Private) Limited</b>		
Units held as at the year-ended		
19,840 (2011: 19,248) units	<u>2,001,263</u>	<u>1,944,222</u>
<b>Colgate Palmolive (Pak.) Limited</b>		
Units held as at the year-ended		
2,531,959 (2011: nil) units	<u>255,399,418</u>	<u>-</u>
<b>Clover Pakistan Limited</b>		
Units held as at the year-ended		
4,122,329 (2011: 995,516) units	<u>415,820,532</u>	<u>100,556,735</u>
<b>Lakson Power Limited</b>		
Units held as at the year-ended		
4,060 (2011: 3,646) units	<u>409,569</u>	<u>368,257</u>
<b>Siza Commodities (Private) Limited</b>		
Units held as at the year-ended		
389,212 (2011: nil) units	<u>39,259,954</u>	<u>-</u>
<b>Baluchistan Polyproducts (Private) Limited</b>		
Units held as at the year-ended		
46,425 (2011: nil) units	<u>4,682,873</u>	<u>-</u>

17.2 Transactions during the year	For the year ended 30 June 2012	For the year ended 30 June 2011
	(Rupees)	
<b>Lakson Investments Limited - Management Company</b>		
Remuneration to the Management Company	<u>82,492,913</u>	<u>45,947,74</u>
Issue of units: 184,338 (2011: 283,000) units	<u>18,500,000</u>	<u>28,700,000</u>
Issue of bonus units: 133,245 (2011: 139,964) units	<u>13,330,746</u>	<u>14,000,198</u>
Redemption of units: 277,985 (2011: 86,913) units	<u>28,000,000</u>	<u>7,900,000</u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>		
Remuneration to the Trustee	<u>5,575,625</u>	<u>4,307,985</u>
<b>Directors of the Management Company</b>		
<b>Babar Ali Lakhani</b>		
Issue of units: 67,529 (2011: 35,407) units	<u>6,120,507</u>	<u>3,572,387</u>
Issue of bonus units: 7,710 (2011: 5,979) units	<u>771,274</u>	<u>598,082</u>
Redemption of units: 37,493 (2011: 19,723) units	<u>3,759,881</u>	<u>2,007,889</u>
<b>Iqbal Ali Lakhani</b>		
Issue of units: 4,963 (2011: 639,459) units	<u>500,000</u>	<u>64,300,000</u>
Issue of bonus units: 194,196 (2011: 324,605) units	<u>19,426,560</u>	<u>32,468,378</u>
Redemption - 1,993,660 (2011: nil) units	<u>200,000,000</u>	<u>-</u>
<b>Mrs. Ronak Iqbal Lakhani (Spouse of Director Mr. Iqbal Ali Lakhani)</b>		
Issue of units: 1,993,660 (2011: nil) units	<u>200,000,000</u>	<u>-</u>
Issue of bonus units: 143,868 (2011: nil) units	<u>14,395,648</u>	<u>-</u>
<b>Mahomed Jaffer</b>		
Issue of units: 11 (2011: 15) units	<u>1,124</u>	<u>1,491</u>
Issue of bonus units: 403 (2011: 424) units	<u>40,304</u>	<u>42,412</u>
<b>Key Management Personnel, Employees and Connected Persons of the Management Company</b>		
Issue of units: 523,559 (2011: 1,950,787) units	<u>52,715,600</u>	<u>196,744,609</u>
Issue of bonus units: 126,092 (2011: 2,142) units	<u>12,670,908</u>	<u>213,790</u>
Redemption of units: 942 (2011: 936,357) units	<u>94,745</u>	<u>95,322,254</u>

	For the year ended 30 June 2012	For the year ended 30 June 2011
	(Rupees)	
<b>Holding Company of the Management Company</b>		
<b>Siza Services (Private) Limited</b>		
Issue of units: 3,759,419 (2011: nil) units	<u>378,615,000</u>	-
Issue of bonus units: 58,602 (2011: 21,445) units	<u>5,865,515</u>	<u>2,145,062</u>
Redemption of units: 1,197,455 (2011: nil) units	<u>120,505,200</u>	-
<b>Associated Companies / Undertakings of the Management Company</b>		
<b>Siza (Private) Limited</b>		
Issue of units: 10,133,045 (2011: 2,133,121) units	<u>1,018,039,603</u>	<u>216,359,612</u>
Issue of bonus units: 2,014,640 (2011: 1,831,437) units	<u>201,556,652</u>	<u>183,192,951</u>
Redemption of units: 9,668,452 (2011: 400,206) units	<u>976,000,000</u>	<u>40,501,000</u>
<b>Accuray Surgical Limited - Employees Contributory Provident Fund Trust</b>		
Issue of bonus units: 8,408 (2011: 9,553) units	<u>904,245</u>	<u>955,531</u>
<b>Hasanali Karabhai Foundation</b>		
Issue of units: 104,786 (2011: 34,854) units	<u>10,535,400</u>	<u>3,500,000</u>
Issue of bonus units: 9,696 (2011: 8,399) units	<u>971,985</u>	<u>840,180</u>
Redemption of units: 46,852 (2011: 41,383) units	<u>4,700,000</u>	<u>4,165,955</u>
<b>Lakson Business Solutions Limited</b>		
<b>Employees Contributory Provident Fund Trust</b>		
Issue of bonus units: 86 (2011: 91) units	<u>8,634</u>	<u>9,134</u>
<b>Century Paper &amp; Board Mills Limited</b>		
<b>Employees Contributory Provident Fund Trust</b>		
Issue of bonus units: 10,899 (2011: 11,519) units	<u>1,090,414</u>	<u>1,152,258</u>
<b>Century Insurance Company Limited</b>		
Issue of units: 2,930,022 (2011: 857,489) units	<u>294,575,661</u>	<u>87,500,000</u>
Issue of bonus units: 256,308 (2011: 149,102) units	<u>25,640,860</u>	<u>14,913,115</u>
Redemption of units: 1,513,982 (2011: nil) units	<u>152,134,996</u>	-
<b>Premier Fashions (Private) Limited</b>		
Issue of units: 2,709,204 (2011: nil) units	<u>272,900,000</u>	-
Issue of bonus units: 30,782 (2011: 1,089) units	<u>3,080,553</u>	<u>108,961</u>
Redemption of units: 556,016 (2011: nil) units	<u>55,900,000</u>	-

	For the year ended 30 June 2012	For the year ended 30 June 2011
	(Rupees)	
<b>Century Enterprises (Private) Limited</b>		
Issue of bonus units: 2,081 (2011: 2,351) units	<u>208,239</u>	<u>235,189</u>
Redemption of units: 1,489 (2011: 491) units	<u>150,000</u>	<u>50,000</u>
<b>Sybrid (Private) Limited</b>		
Issue of units: 69,883 (2011: nil) units	<u>7,000,000</u>	<u>-</u>
Issue of bonus units: 1,144 (2011: nil) units	<u>114,445</u>	<u>-</u>
Redemption of units: 71,027 (2011: nil) units	<u>7,124,718</u>	<u>-</u>
<b>Clover Pakistan Limited</b>		
Issue of units: 3,993,243 (2011: 1,487,245) units	<u>400,000,000</u>	<u>150,000,000</u>
Issue of bonus units: 128,512 (2011: 14,673) units	<u>12,854,937</u>	<u>1,468,876</u>
Redemption of units: 994,942 (2011: 506,402) units	<u>100,000,000</u>	<u>51,025,943</u>
<b>Colgate Palmolive (Pakistan) Limited</b>		
Issue of units: 5,968,430 (2011: 1,976,497) units	<u>600,000,000</u>	<u>200,000,000</u>
Issue of bonus units: 52,190 (2011: 94,073) units	<u>5,218,965</u>	<u>9,410,951</u>
Redemption of units: 3,488,661 (2011: 2,070,571) units	<u>350,498,948</u>	<u>210,219,126</u>
<b>Lakson Power Limited</b>		
Issue of units: nil (2011: 3,475) units	<u>-</u>	<u>350,000</u>
Issue of bonus units: 415 (2011: 171) units	<u>41,480</u>	<u>16,925</u>
<b>Siza Commodities (Private) Limited</b>		
Issue of units: 578,232 (2011: nil) units	<u>58,190,000</u>	<u>-</u>
Issue of bonus units: 15,874 (2011: nil) units	<u>1,588,429</u>	<u>-</u>
Redemption of units: 204,893 (2011: nil) units	<u>20,600,000</u>	<u>-</u>
<b>Baluchistan Polyproducts (Private) Limited</b>		
Issue of units: 44,750 (2011: nil) units	<u>4,500,000</u>	<u>-</u>
Issue of bonus units: 1,675 (2011: nil) units	<u>167,512</u>	<u>-</u>

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

### Risk management framework

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

The Fund maintains positions in a variety of financial instruments in accordance with the guidelines given by SECP and the constitutive documents of 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 above guidelines, etc). Such investments are subject to varying degrees of risk.

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

#### 18.1 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 placements, bank balances and profit / mark-up 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.
- Majority of the exposure on average is maintained in risk free T-Bills.
- Investments are made in instruments 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 30 June was as follows:

	June 30, 2012		June 30, 2011		
	Statement of Assets and Liabilities	Maximum exposure	Statement of Assets and Liabilities	Maximum exposure	
	Note	(Rupees)	(Rupees)	(Rupees)	
Bank balances	4	2,785,197,197	2,785,197,197	405,093,721	405,093,721
Investments	5	4,114,247,842	-	3,704,424,065	-
Placements		-	-	60,000,000	60,000,000
Mark-up receivable	6	12,970,889	12,970,889	2,960,195	2,960,195
		<b>6,912,415,928</b>	<b>2,798,168,086</b>	<b>4,172,477,981</b>	<b>468,053,916</b>

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. 4,114.25 (2011: 3,704.42) 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 30 June 2012.

Credit ratings and Collaterals

As at 30 June, all the investments of the Fund are Government guaranteed.

Details of the credit ratings of the balance of placements and bank balances including term deposit receipts are as follows:

Rating	June 30, 2012		June 30, 2011	
	Placements (including profit earned)	Bank balances (including profit earned)	Placements (including profit earned)	Bank balances (including profit earned)
	%	%	%	%
AAA	-	0.006	-	0.019
AA+	-	0.133	100.000	1.248
AA	-	99.861	-	98.733
<b>Total</b>	<b>-</b>	<b>100.000</b>	<b>100.000</b>	<b>100.000</b>

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS on period end dates. The placements and 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 59.52% (2011: 88.78%) 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. Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	June 30, 2012		June 30, 2011	
	(Rupees)	(%)	(Rupees)	(%)
Development financial institution	-	0%	60,022,603	13%
Commercial Banks	<b>2,798,168,086</b>	<b>100%</b>	408,031,313	87%
	<b>2,798,168,086</b>	<b>100%</b>	<b>468,053,916</b>	<b>100%</b>

#### 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.

## 18.2 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 maturity date of 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 net assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the period.

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 period no such option was exercised or considered necessary.

#### Maturity analysis for financial liabilities

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

	Carrying amount	Less than 1 month	1 to 3 months	Total
	(Rupees)			
<b>30 June 2012</b>				
Non-derivative liabilities				
Payable to Lakson Investments Limited - Management Company	8,126,902	8,126,902	-	8,126,902
Payable to Central Depository Company of Pakistan Limited - Trustee	523,481	523,481	-	523,481
Payable to Securities and Exchange Commission of Pakistan	4,266,875	-	4,266,875	4,266,875
Payable against redemption of units	95,012	95,012	-	95,012
Accrued expenses and other liabilities (excluding WWF)	233,335	233,335	-	233,335
	<u>13,245,605</u>	<u>8,978,730</u>	<u>4,266,875</u>	<u>13,245,605</u>
Unit Holders' Fund	<u>6,876,250,955</u>	<u>*6,876,250,955</u>	-	-
<b>30 June 2011</b>				
Non-derivative liabilities				
Payable to Lakson Investments Limited - Management Company	4,387,474	4,387,474	-	4,387,474
Payable to Central Depository Company of Pakistan Limited - Trustee	368,211	368,211	-	368,211
Payable to Securities and Exchange Commission of Pakistan	2,756,865	-	2,756,865	2,756,865
Accrued expenses and other liabilities (excluding WWF)	373,803	373,803	-	373,803
	<u>7,886,353</u>	<u>5,129,488</u>	<u>2,756,865</u>	<u>7,886,353</u>
Unit Holders' Fund	<u>4,154,524,739</u>	<u>*4,154,524,739</u>	-	-

Above financial liabilities do not carry any mark-up.

\* Payable on demand

**18.3 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.

The Fund is exposed to interest rate risk only.

**18.3.1 Interest rate risk**

**18.3.1.1** 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, Placements, Term Deposit Receipts with banks and bank balances. 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, etc. Other risk management procedures are the same as those mentioned in the credit risk management.

**18.3.1.2** At 30 June, details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

	2012	2011
	(Rupees)	
<b>Fixed rate instruments</b>		
Investments in Government treasury bills	4,114,247,842	3,704,424,065
Placements	-	60,000,000
Bank balance	2,785,197,197	405,093,721
	<u>6,899,445,039</u>	<u>4,169,517,786</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 as on 30 June, the net assets of the Fund would have been higher / lower by Rs 4.8 million (2011: Rs. 7.5 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 at the reporting date would not effect the income statement and unit holder's fund.

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

<b>30 June 2012</b>	<b>Mark-up/ profit rate (%)</b>	<b>less than one month</b>	<b>two to five months</b>	<b>Total</b>
		----- (Rupees) -----		
<b>Assets</b>				
Bank balances	<b>6.00 to 12.25</b>	<b>2,785,197,197</b>	-	<b>2,785,197,197</b>
Investments	<b>11.63 to 11.92</b>	<b>1,734,738,642</b>	<b>2,379,509,200</b>	<b>4,114,247,842</b>
<b>Total assets</b>		<b><u>4,519,935,839</u></b>	<b><u>2,379,509,200</u></b>	<b><u>6,899,445,039</u></b>

30 June 2011

<b>Assets</b>				
Bank balances	5.00 to 11.50	405,093,721	-	405,093,721
Investments	13.74 to 14.36	84,449,685	3,619,974,380	3,704,424,065
Placements	13.75	60,000,000	-	60,000,000
<b>Total assets</b>		<b><u>549,543,406</u></b>	<b><u>3,619,974,380</u></b>	<b><u>4,169,517,786</u></b>

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

**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.

**18.4 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 100 million at all times.

**19. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Fund's accounting policy on fair value measurements of the investments is discussed in note 3.1 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 30 June 2012, all the investments were categorised in level 1 (30 June 2011: level 1).

**20. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the management company have approved a final distribution of Re 0.8702 (2011: Rs 1.0096) per unit for the year ended 30 June 2012, amounting to Rs 59.32 (2011: 41.52) million in their meeting (Rs 54.56 million of Bonus distribution and Rs 4.76 million of cash distribution) held on 4 July 2012. These financial statements do not include the effect of the above final distribution of Rs 59.32 million that will be accounted for subsequent to the year end.

**21. 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:

21.1 Unit holding pattern of the Fund	June 30, 2012		
	No of Investors	Investment amount (Rupees)	% of total net assets
<b>Category</b>			
Individuals	80	189,087,324	2.75
Associated Companies and Directors	37	4,272,966,028	62.14
Insurance Companies	4	42,165,828	0.61
Banks and DFIs	4	1,432,185,417	20.83
NBFCs	1	37,948,932	0.55
Retirement Funds	3	19,047,643	0.28
Public Limited Companies	13	882,849,783	12.84
	<b>142</b>	<b>6,876,250,955</b>	<b>100.00</b>

Category	June 30, 2011		
Individuals	34	7,047,968	0.17
Associated Companies and Directors	27	2,618,692,561	63.03
Insurance Companies	3	33,384,288	0.80
Banks and DFIs	4	942,514,604	22.69
NBFCs	1	36,017,011	0.87
Retirement Funds	3	13,060,024	0.31
Public Limited Companies	5	503,808,283	12.13
	<b>77</b>	<b>4,154,524,739</b>	<b>100.00</b>

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

Name of broker	Commission paid (Percentage %)	
	2012	2011
- BMA Capital Management Limited	49.12	14.88
- KASB Securities Limited	11.56	13.25
- Vector Capital (Private) Limited	9.37	3.19
- Optimus Capital Management Limited	8.83	13.81
- Invest & Finance Securities Limited	8.32	9.02
- Global Securities Pakistan Limited	5.67	1.94
- First Capital Securities Corporation Limited	2.68	-
- JS Global Capital Limited	2.27	21.10
- Alfalah Securities (Private) Limited	1.43	1.27
- Invest One Markets Limited	0.75	-
- IGI Finex Securities Limited	-	10.91
- Invest Capital Investment Bank Limited	-	6.72
- Elixir Securities Pakistan Limited	-	3.91
	<b>100.00</b>	<b>100.00</b>

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

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

- Mr. Babar Ali Lakhani (Chairman)
- Mr. Iqbal Ali Lakhani
- Mr. A. Aziz H. Ebrahim
- Mr. Muhammad Umair Chauhan (Fund Manager)
- Mr. Amir Mobin
- Mr. Hamad Aslam
- Syed Imran Raza Kazmi
- Mr. Muhammad Qasim

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

Mr. Lakhani has over 13 years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University. He is the chairman of Tritex Cotton Mills Limited, a board member of the Mutual Fund Association of Pakistan (MUFAP), a member of the GARP (Global Association of Risk Professionals), the Society of Financial Service Professionals and the Young President's Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.

**Mr. Iqbal Ali Lakhani - Chairman of the Board**

Mr. Iqbal Ali Lakhani is the Chairman of the Lakson Group of Companies, five of which are listed on the Stock Exchanges of Pakistan covering a diversified range of businesses such as paper & board, soap, detergents and toothpaste, printing & packaging, food and insurance. Six Funds of a Group Investment Company are also listed and traded. American franchises/affiliation includes Colgate-Palmolive Company & McDonalds Corporation. The spectrum of unlisted Companies includes textiles, surgical, media (T.V. & Print), software development & consultancy, travel & tourism, investment & mutual funds, ISP-broad band & data centre, business process outsourcing house into call centre & I.T. The businesses of the Lakson Group provide gainful employment to over 12,000 persons. Mr. Lakhani attained his Bachelor of Business Administration from the University of California at Berkeley, U.S.A. with Majors in Marketing and Finance. While at UC Berkeley he received many awards such as Beta Alpha PSI - The National Accounting Fraternity Honour Students' Society – High Scholastic Attainment, Departmental Citation Award – Outstanding Undergraduates Accomplishment, Phi Beta Kappa – High Attainment in Liberal Scholarship etc.

Mr. Lakhani has over 39 years experience of Senior Management in consumer marketing, finance, manufacturing, industry and government relations. Areas of special interest cover marketing, total quality management and leadership. He is a Charter Member of The Indus Entrepreneurs and Director of Pakistan Business Council. In addition, he is also on the Board of Trustees of the Layton Rahmatullah Benevolent Trust. Previously he has served as the Chairman Cigarette Manufacturers Association of Pakistan, Chairman Aga Khan Economic Planning Board for Pakistan and Vice President American Business Council of Pakistan.

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

**Mr. A. Aziz H. Ebrahim**

Mr. Ebrahim has over 45 years of varied experience in financial management in Private Industries in Pakistan. After qualifying Chartered Accountancy Examination, (at present fellow member of Institute of Chartered Accountant of Pakistan) Mr. Ebrahim started his career in 1967 as Finance Manager with ARAG Industries dealing in various businesses such as Pharmaceuticals, Cosmetics, and Biscuits Manufacturing etc. He left the ARAG Group in 1977, as a Financial Advisor.

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

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

Mr. Muhammad Umair Chauhan has over 8 years of experience in the asset management industry of Pakistan. He has previously served as Vice President Investments & Research at IGI Funds Limited and was part of Investment & Research Team at Al Meezan Investment Management. In his previous assignments he managed PKR 12 billion in both equity and fixed income funds.

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

Mr. Umair is also looking after Lakson Income Fund and Lakson Equity Funds.

**Mr. Amir Mobin - Chief Financial Officer and Company secretary**

Mr. Amir has over 5 years of post qualification experience which includes working at IGI funds Limited as Head of Operations and National Clearing Company of Pakistan Limited as Manager-Operations. At IGI Mr. Amir has been actively involved in acquisition of the software application, preparation of manuals and operations related procedures. He has actively participated in the rating process of the company and was responsible for managing the settlement and Unit holder management functions. At NCCPL Mr. Amir has been an active member of the team responsible for the implementation of the Financial Institution Risk Management System. He has actively participated in the implementation of the CFS Mk-II. Further, he has worked on the concept paper of the Security Lending and Borrowing Module.

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

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

**Mr. Hamad Aslam – Head of Research**

Mr. Hamad Aslam, CFA has six years of research and investment advisory experience. He was previously associated with BMA Capital (portfolio company of Middle east based Abraaj Capital) where he spent the initial period of his career as Head of Research for the asset management arm of the group. Mr. Aslam later moved to the brokerage side where he headed the group's Research function for over two years and the Equity group for seven months. As part of his assignments, he has done in-depth studies of listed and unlisted sectors and companies of Pakistan for brokerage, asset management and investment banking clients and has advised domestic and foreign clients on optimal asset allocation and portfolio strategies for Pakistan capital markets.

Mr. Aslam did his Bachelors in Accounting and Finance from Lahore University of Management Sciences (LUMS) and is a CFA charter holder.

**Syed Imran Raza Kazmi - Assistant Fund Manager**

Mr. Imran Kazmi has over 7 years of Experience in Fixed Income Market. He was previously affiliated with Alfalah GHP Investment Management Limited as Assistant Manager – Fixed Income where he managed Income fund & Cash fund with the fund size of PKR 4.5 billion. He has also worked with IGI Finex Securities Ltd (Formerly; Finex Securities Ltd.) for 2.5 years as Money Market Dealer.

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

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

**Mr. Muhammad Qasim - Officer Risk Management and Compliance**

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

Mr. Qasim is an Associated Member of Institute of Cost and Management Accountants of Pakistan, he is also a level II candidate for FRM November examination.



**21.4 Directors meeting attendance**

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

Name of directors	Meeting Attended	July 04, 2011	July 22, 2011	October 27, 2011	February 17, 2012	April 19, 2012
Mr. Iqbal Ali Lakhani	3	X	✓	✓	✓	X
Mr. Babar Ali Lakhani	5	✓	✓	✓	✓	✓
Mr. A Aziz H. Ebrahim	5	✓	✓	✓	✓	✓
Mr. Mahomed J. Jaffer	3	X	X	✓	✓	✓
Mr. Sher Afgan Malik	4	✓	✓	X	✓	✓
Mr. Muhammad Abdul Qadir	4	✓	✓	X	✓	✓
Mr. Daniel Scott Smaller	1	X	X	X	X	✓
Mr. Zahid Zakiuddin	4	X	✓	✓	✓	✓
		4	6	5	7	7

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

PACRA Rating	Management Quality Rating	Stability Rating
Lakson Investments Limited (Management Company)	AM3+	-
Lakson Money Market Fund	-	AA(f)

**22. GENERAL**

These financial statements were authorized for issue by Board of Directors of the Management Company on 30 August 2012.

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

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

\_\_\_\_\_  
Director



A Lakson Group Company

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