

LAKSON ASSET ALLOCATION EMERGING MARKETS FUND
(31 December 2011)



CONTENTS

Fund's Information	1
Review Report of the Directors of the Management Company	2
Trustee Report to the Unit Holders	5
Independent Auditor's Report on Review of Condensed Interim Financial Information to the Unit Holders	6
Condensed Interim Statement of Assets and Liabilities	7
Condensed Interim Income Statement	8
Condensed Interim Statement of Comprehensive Income	9
Condensed Interim Distribution Statement	10
Condensed Interim Statement of Movement in Unit Holders' Fund	11
Condensed Interim Cash Flow Statement	12
Notes to and forming part of the Condensed Interim Financial Information	13

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. Iqbal Ali Lakhani - Chairman Mr. A. Aziz H. Ebrahim Mr. Sher Afgan Malik Mr. Zahid Zakiuddin
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi, Pakistan.
Auditors	BDO Ebrahim & Co. Chartered Accountants 2nd Floor, Block C, Lakson Square Building No. 1, Sarwar Shaheed Road, Karachi - 74200.
Bankers to the Fund	Barclays Bank PLC, Pakistan Habib Metropolitan 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
Rating by PACRA	AM3 + : Management Company Quality Rating

Review Report of the Directors of the Management Company For the period ended December 31, 2011

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Asset Allocation Emerging Markets Fund ("LAAEMF") is pleased to submit its review report together with Condensed Interim Financial Statements for the period ended December 31, 2011.

Fund Objective

The investment objective of the Lakson Asset Allocation Emerging Markets Fund is to provide long-term capital appreciation by investing in a mix of domestic debt and Emerging Markets Securities.

Fund Profile

LAAEMF is an open end asset allocation scheme. The Scheme is managed using an active investment management style which focuses on an analysis of the macro factors such as government policies, global economic data, commodities prices and supply / demand dynamics. The Scheme switches exposure between the domestic Government Securities and the Emerging Markets securities based on the outlook of the Investments Team of the performance of the Emerging Markets. The Scheme may overweight or underweight countries relative to its benchmark for Emerging Markets investments, the MSCI Emerging Markets Index. Exposure of the Scheme in the fixed income securities is managed through duration and yield curve management by shifting between different maturities of the Government Securities.

Fund performance

The LAAEMF was launched on October 10, 2011 and since its inception the LAAEMF has provided a return of 2.04% compared to the Benchmark (70% 6-month T-Bills + 30% MSCI Emerging Markets Index) return of 3.28%. As of December 31, 2011, the LAAEMF is invested 93% in T-Bills and has PKR 315 million in assets under management.

Earning per Unit (EPU)

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

Economic Review

Pakistan has faced tough economic challenges in the past few years triggered by natural disasters, external shocks, political uncertainty, energy shortages and security problems. FY12 was expected to be a better year in terms of economic performance but huge fiscal deficit, weak external account position, continued energy shortages and recurrence of floods have dented the prospects. Agriculture sector which is the backbone of our economy is facing many challenges this year due to floods, taxation on inputs, and the lower global commodity prices. Manufacturing sector too continued to post below par performance as chronic power shortages and higher input costs limited growth in industrial activity. Amongst various textile sectors, only output of cotton yarn and cotton cloth grew during 1QFY12.

In view of these challenges, the State Bank of Pakistan ("SBP") adopted an expansionary monetary policy stance and cut the discount rate by a cumulative 200bps to 12.00% during the 1HFY12. The Government is the largest beneficiary of this monetary easing as a 100bps cut in the discount rate provides a relief of around PKR 60 billion to the Government on its domestic borrowing. The SBP's decision was influenced by a decline in headline inflation and the Government's efforts to contain borrowing from the SBP. The Federal Bureau of Statistics ("FBS") changed the base year for the calculation of price indices and altered the weights of different groups in the Consumer Price Index ("CPI"). As a result of these changes, the headline inflation averaged at 10.89% during the 1HFY12 compared to an average of 14.30% in the 1HFY11. During the 1HFY12, Money Supply depicted a growth of 5.67% compared to a growth of 8.97% in the 1HFY11. Net Government borrowing for the budgetary support stood at PKR 756 billion during the 1HFY12 compared to PKR 308 billion in the 1HFY11. Despite a higher Government borrowing, the Money Supply growth was lower due to a PKR 140 billion contraction in the Net Foreign Assets ("NFA"). The SBP had to finance a portion of the Current Account deficit from its own reserves which caused a contraction in the NFA.

On the external side, Current Account posted a hefty deficit of USD 2.2 billion during the 1HFY12 compared to a surplus of USD 8.0 million in the same period last year. The Trade Balance on Goods and Services recorded a 45.9% YoY jump to USD 8.9 billion in the 1HFY12 due to the decline in international cotton prices and persistently high global oil prices. The workers' remittances, however, maintained consistent growth trend during the 1HFY12 and were up 20% YoY, reaching USD 6.33 billion. The Foreign Direct Investment ("FDI") maintained its downward trajectory in the period under review, shrinking by 37% YoY to USD 532 million. The external account thus recorded a deficit of USD 1.79 billion in the 1HFY12 compared to a surplus of USD 975 million in the 1HFY11. Resultantly, the foreign exchange reserves of the country declined to USD 17.0 billion by December '11 after peaking at USD 18.3 billion in July '11. After witnessing relative stability during FY11, Pak Rupee depreciated by 4.4% against US Dollar during the 1HFY12.

Fixed Income Review

The money market remained tight during the 1HFY12 and the overnight repo rates averaged 12.37% compared to 11.92% in the 1HFY11. A contraction in the NFA and a decline in the banking sector deposits during the first five months of FY12 kept the market liquidity tight. The SBP had to inject liquidity on regular intervals through Open Market Operations ("OMOs") to accommodate the Government borrowing from the banking system for budgetary support. The amount injected by the SBP through OMOs reached PKR 360 billion in November '11 and consistently remained above PKR 250 billion before easing off to PKR 174 billion in December '11. All the market interest rates witnessed a decline in the 1HFY12 as a result of a cumulative 200bps cut in the discount rate. The benchmark 6-month KIBOR declined by 176bps during the 1HFY12 and averaged at 12.74%. A decline in KIBOR bodes well for the private sector credit off-take as the corporate borrowing rate is linked with KIBOR. The SBP conducted 13 T-bill auctions during the 1HFY12 on behalf of Ministry of Finance ("MoF") with a cumulative target amount of PKR 1.76 trillion and accepted bids worth PKR 1.75 trillion. The accepted amount in T-Bill auctions was slightly lower than the target amount as the participation in T-Bill auctions was very low in December '11 and in one auction the MoF had to reject all bids. The cut off yields for the 3, 6 and 12-month T-bills declined by 166, 206 and 201 bps during the 1HFY12 as a result of 200bps cut in the discount rate. The SBP also conducted five PIB auctions during the 1HFY12 and raised PKR 106.92 billion on behalf of the MoF. The secondary market yields on Government securities witnessed an average decline of 133bps during the 1HFY12 as a result of monetary easing by the SBP. The banks offered high rates on short term deposits in December '11 to attract deposits to improve their balance sheet positions. The rates offered by the banks were in the range of 12.25%-12.75% for one month deposits.

Emerging Markets Review

The emerging markets were driven more by the incidents of the developed world especially of the Eurozone. The emerging markets started the quarter on a positive note and posted a return of 4.1% during the 2QFY12, limiting the 1HFY12 losses to 20.1%. Strong corporate earnings, plans to recapitalize banks in the European Union and the release of positive US economic data propelled equity prices. Within the emerging markets universe, Central Banks focused on supporting growth as inflationary concerns generally continued to ease. The People's Bank of China reduced the reserve requirement for commercial lenders by 50bps, first time in last 3 years. The earlier than expected monetary easing suggests that the focus has returned to maintaining economic growth as the inflation risk lessens. Brazil cut its interest rates for the fourth time in five months and Russia reduced its benchmark interest rate for the first time since 2010. India however raised its repo and reverse repo interest rates by 25 bps to 8.5% and 7.5%, respectively, in October. Despite 13 interest rate hikes since March 2010, the Indian Rupee fell to a record low against US dollar in December '11, driving up inflation and import costs. GDP growth continued to moderate in most emerging economies but remained much higher than the developed economies.

Future Outlook

A persistent energy shortage continues to be the single most important hurdle in economic recovery while the recent ease in the monetary policy should bring some respite for the private sector. The Government needs to embark upon a structural reform process to improve revenue mobilization, cut the wasteful and low-priority expenditures, and reform the energy sector by eliminating untargeted subsidies. In the absence of foreign inflows, external account is expected to remain under further pressure due to the debt repayment starting in 2012. If the large fiscal deficit persists going forward then it will become increasingly difficult for the SBP to continue accommodative monetary policy.

Acknowledgment

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

For and on Behalf of the Board

Babar Ali Lakhani
Chief Executive Officer

Dated: February 17, 2012

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON ASSET ALLOCATION EMERGING MARKETS FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Lakson Asset Allocation Emerging Markets 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 period from October 11, 2011 to December 31, 2011 in accordance with the provisions of the following:

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

A handwritten signature in black ink, appearing to read 'Muhammad Hanif Jakhura', is written over a faint circular stamp.

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

Karachi: February 22, 2012



**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION
TO THE UNIT HOLDERS**

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **LAKSON ASSET ALLOCATION EMERGING MARKETS FUND** (the "Fund") as at December 31, 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of cash flow, condensed interim statement of movement in unit holders' fund and notes to the accounts for the period from October 11, 2011 to December 31, 2011 (here-in-after referred to as "condensed interim financial information"). Management Company of the Fund is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the period from October 11, 2011 to December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

KARACHI

DATED: 17 FEB 2012



CHARTERED ACCOUNTANTS

 Engagement Partner: Zulfikar Ali Causer

**Condensed Interim Statement of Assets and Liabilities (Unaudited)
As at December 31, 2011**

	Note	2011 Rupees
ASSETS		
Bank balances	4	21,588,343
Investments	5	294,062,800
Mark-up receivable		196,197
Prepayments		13,787
Deferred formation cost	6	2,408,229
Total assets		<u>318,269,356</u>
LIABILITIES		
Payable to the Management Company	7	2,909,524
Payable to the Trustee	8	53,154
Annual fee payable to the Securities and Exchange Commission of Pakistan	9	65,945
Accrued expenses and other liabilities	10	214,002
Total liabilities		<u>3,242,625</u>
NET ASSETS		<u>315,026,731</u>
UNITHOLDERS' FUND (as per statement of movement in Unitholders' Fund)		<u>315,026,731</u>
CONTINGENCIES AND COMMITMENTS	11	
		(Number of units)
Number of units in issue	12	<u>3,087,260</u>
		Rupees
Net asset value per unit		<u>102.0408</u>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Condensed Interim Income Statement (Unaudited)
For the period from October 11, 2011 to December 31, 2011**

	Note	For the period from October 11, 2011 to December 31, 2011 Rupees
INCOME		
Mark-up income	14	7,960,396
Unrealised diminution in the fair value of investments classified as 'held for trading' - net	5.1	<u>(143,789)</u>
		7,816,607
EXPENSES		
Remuneration of the Management Company	7.1	1,006,537
Remuneration of the Trustee	8	138,833
Annual fee to the Securities and Exchange Commission of Pakistan	9	65,945
Auditor's remuneration		69,886
Fees and subscription		6,212
Printing charges		15,530
Brokerage, settlement and bank charges		12,413
Amortisation of deferred formation cost	6.1	112,971
Workers' Welfare Fund	10.1	128,586
		1,556,913
Net income from operating activities		6,259,694
Element of income and capital gains included in the prices of units issued less those in units redeemed		<u>41,008</u>
Net income for the period		<u><u>6,300,702</u></u>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Director

**Condensed Interim Statement of Comprehensive Income (Unaudited)
For the period from October 11, 2011 to December 31, 2011**

	For the period from October 11, 2011 to December 31, 2011 Rupees
Net income for the period	6,300,702
Other comprehensive income	-
Total comprehensive income for the period	<u>6,300,702</u>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Director

**Condensed Interim Distribution Statement (Unaudited)
For the period from October 11, 2011 to December 31, 2011**

	For the period from October 11, 2011 to December 31, 2011 Rupees
Undistributed income at the beginning of the period	-
Total comprehensive income for the period	6,300,702
Undistributed income at the end of the period	<u>6,300,702</u>
Undistributed income at the end of the period - realised	6,444,491
Accumulated loss at the end of the period - unrealised	(143,789)
Undistributed income at the end of the period	<u>6,300,702</u>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Director

**Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited)
For the period from October 11, 2011 to December 31, 2011**

	For the period from October 11, 2011 to December 31, 2011 Rupees
Net assets value per unit at the beginning of the period	-
Cash received on issue of 3,087,360.0793 units	308,777,122
Cash paid on redemption of 99.7975 units	(10,085)
	308,767,037
Element of income and capital gains included in the prices of units issued less those in units redeemed	(41,008)
Total comprehensive income for the period	6,300,702
Net assets at the end of the period	<u>315,026,731</u>
Net assets value per unit at the beginning of the period	<u>100.0000</u>
Net assets value per unit at the end of the period	<u>102.0408</u>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Director

**Condensed Interim Cash Flow Statement (Unaudited)
For the period from October 11, 2011 to December 31, 2011**

	For the period from October 11, 2011 to December 31, 2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES	
Net income for the period	6,300,702
Adjustments for non-cash charges and other items:	
Amortisation of deferred formation cost	112,971
Unrealised diminution in the fair value of investments classified 'held for trading' - net	143,789
Element of income and capital gains included in the prices of units issued less those in units redeemed	(41,008)
	<u>6,516,454</u>
Increase in assets	
Investments - net	(294,206,589)
Mark-up receivable	(196,197)
Prepayments	(13,787)
Deferred formation cost	(2,521,200)
	<u>(296,937,773)</u>
Increase in liabilities	
Payable to the Management Company	2,909,524
Payable to the Trustee	53,154
Annual fee payable to the Securities and Exchange Commission of Pakistan	65,945
Accrued expenses and other liabilities	214,002
	<u>3,242,625</u>
Net cash used in operating activities	<u>(287,178,694)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Cash received from issue of units	308,777,122
Cash paid on redemption of units	(10,085)
Net cash generated from financing activities	308,767,037
Net increase in cash and cash equivalent during the period	21,588,343
Cash and cash equivalent at the beginning of the period	-
Cash and cash equivalent at the end of the period	<u>21,588,343</u>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Director

**Notes to and forming part of the
Condensed Interim Financial Information (Un-audited)
For the period from October 11, 2011 to December 31, 2011**

1. LEGAL STATUS AND NATURE OF BUSINESS

Lakson Asset Allocation Emerging Markets Fund (the "Fund") was established under Trust Deed executed on May 30, 2011 between Lakson Investments Limited as its Management Company and Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a notified entity on July 7, 2011 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The Management Company of the Fund has been licensed by SECP as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund has commenced its operations on October 11, 2011.

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

The Fund is authorized to invest in government securities, deposits and foreign currency deposits with local or foreign banks etc. in Pakistan. Further, as allowed by SECP and SBP, the Fund can invest up to 30% of the net assets outside Pakistan subject to a maximum limit of USD 15 million. The investments authorized outside Pakistan include exchange traded funds based on equities/debt with exposure in the emerging markets, index tracker funds tracking different emerging markets, actively managed emerging markets funds, equities and debt securities of companies with exposure in emerging markets, foreign currency deposits etc.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

This condensed interim financial information comprise of condensed interim statement of assets and liabilities as at December 31, 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and notes thereto, for the period from October 11, 2011 to December 31, 2011. This condensed interim financial information does not include all the information and disclosures required in the annual financial statements.

This condensed interim financial information is unaudited, however, limited scope review has been performed by the external auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance.

This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (g) of the NBFC Regulations.

2.2 Basis of measurement

This condensed interim financial information have been prepared under the historical cost convention, except that investments are stated at fair values.

2.3 Functional and presentation currency

This condensed interim financial information are prepared in Pakistani Rupees, which is presentational and functional currency of the Fund.

2.4 Use of estimates and judgments

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

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

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the condensed interim financial information 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 to this condensed interim financial information.

Element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed - net

For details please refer note 3.8 to this condensed interim financial information.

Provision for taxation

For details please refer note 3.6 and note 13 to this condensed interim financial information.

Workers' Welfare Fund

For details please refer note 10.1 to this condensed interim financial information.

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 have been or are not yet effective:

The following standards, amendments and interpretations of approved accounting standards became effective during the period, however, these do not have a significant impact on the Fund's condensed interim financial information:

- IAS 24 - Related Party Disclosures
- IFRS 1 - First-time Adoption of International Financial Reporting Standards
- IFRS 7 - Financial Instruments - Disclosures
- IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the condensed interim financial information 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:

a) Financial assets at fair value through profit or loss

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

- i) Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- ii) Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented investment strategy.

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

b) Available for sale

Investments which do not fall under the above categories and which may be sold in response to the need for liquidity or changes in market rates are classified as available-for-sale. After initial recognition, investments classified as available-for-sale are remeasured at fair value, determined with reference to the period-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.

3.1.3 Basis of valuation of investments

Fair value of the investments in Government Securities comprising Treasury Bills and Pakistan Investment Bonds is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

Fair value of the investments in listed securities are determined on the basis of available quoted market prices.

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

3.2 Formation cost

This represents expenses incurred on the formation of the Fund. As permitted in the NBFC Regulations, these expenses are being amortised over a period of not less than five years effective from October 11, 2011.

3.3 Unitholders' fund

Unitholders' 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.

3.4 Issue and redemption of units

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

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

3.5 Net asset value per unit

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

3.6 Taxation

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

3.7 Revenue recognition

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

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

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

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

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

3.9 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.

3.10 Offsetting of financial assets and financial liabilities

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

3.11 Impairment loss

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

3.12 Provisions

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

3.13 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 in significant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

3.14 Dividend (including bonus units)

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

3.15 Other assets

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

3.16 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the income statement.

**December 31,
2011
(Rupees)**

4. BANK BALANCES

In profit and loss saving accounts 4.1 21,588,343

4.1 These carry mark-up at the rates ranging from 5% to 10.70% per annum.

5. INVESTMENTS

Held for trading

Government securities 5.1 294,062,800

5.1 Government securities

		Number of holdings at beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Cost as at December 31, 2011	Market value as at December 31, 2011	Unrealized diminution	Market value as a percentage of net assets of the Fund	Market value as a percentage of total investments
	Note	-----Number of treasury bills-----			----- (Rupees) -----					
Treasury Bills - 3 months (face value of Rs. 100,000 each)	5.1.1	-	1,700	700	1,000	98,345,187	98,300,000	(45,187)	31.20	33.43
Treasury Bills - 6 months (face value of Rs. 100,000 each)	5.1.2	-	7,900	5,900	2,000	195,861,402	195,762,800	(98,602)	62.14	66.57
Total		-	<u>9,600</u>	<u>6,600</u>	<u>3,000</u>	<u>294,206,589</u>	<u>294,062,800</u>	<u>(143,789)</u>	<u>93.34</u>	<u>100.00</u>

5.1.1 These represent 3 months Government Treasury bills carrying a fixed mark-up rate of 11.6450% and will mature on February 23, 2012. The face value of Treasury Bills held as at December 31, 2011 amounted to Rs. 100 million.

5.1.2 These represent 6 months Government Treasury bills carrying a fixed mark-up rate ranging from 11.7845% to 11.9000% maturing between January 12, 2012 to May 17, 2012. The face value of Treasury Bills held as at December 31, 2011 amounted to Rs. 200 million.

6. DEFERRED FORMATION COST

Unamortised cost 2,521,200
 Amortised to the income statement during the period 6.1 (112,971)
2,408,229

6.1 This represents expenses incurred on the formation of the Fund. Regulation 60 (2) of the NBFC Regulations 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 the Management Company subject to the audit of expenses. The said formation cost shall be amortised by the collective investment scheme over a period of not less than five years or with in the maturity date of collective investment scheme. Accordingly the said expenses are being amortised over a period of five years effective from October 11, 2011, i.e. after the close of initial period of the Fund.

7. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable 7.1 385,365
 Sales load payable 2,959
 Preliminary and formation cost payable 6.1 2,521,200
2,909,524

7.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the NBFC Regulations 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. As per Offering Document of the Fund, the Management Company is entitled to receive maximum remuneration at the rate not exceeding two percent of the average annual net assets of the Fund, however, remuneration has been charged at a lower rate of 1.25% of the average annual net assets of the Fund. Remuneration is inclusive of the sales tax on services which is levied at the rate of 16.00% of the remuneration. The remuneration is paid to the Management Company monthly in arrears.

8. REMUNERATION OF THE TRUSTEE

Under the provisions of the Trust Deed, the Trustee is entitled to a monthly remuneration for services rendered to the Fund as per following rates.

Net assets ranging from Rs. 1 million to Rs. 1 billion

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

Exceeding Rs. 1 billion

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

Minimum fee requirement i.e. Rs. 700,000 per annum, is waived by the Trustee for a period of one year from the launch of the Fund. The remuneration is paid to the Trustee monthly in arrears.

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

This represents annual fee payable to the Securities and Exchange Commission of Pakistan (SECP) in accordance with Rule 62 of the NBFC Regulations, whereby the Fund is required to pay annual fee to SECP at the rate of 0.095% of the average daily net assets of the Fund.

	Note	December 31, 2011 (Rupees)
10. ACCRUED AND OTHER LIABILITIES		
Auditors' remuneration		69,886
Workers' Welfare Fund	10.1	128,586
Others		15,530
		<u>214,002</u>

10.1 Workers' Welfare Fund

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it 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.

Subsequent to the year ended 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 have 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.

Subsequent to June 30, 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. Further, MUFAP took the opinion of the legal counsel contesting the case on behalf of CISs on the impact of the decision of (LHC). The counsel vide its letter dated December 12, 2011 opined that in light of recent judgments, there are good chances for the constitutional petition to be decided in favor of mutual funds. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which 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. 0.129 million upto December 31, 2011.

11. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at December 31, 2011.

12. NUMBER OF UNITS IN ISSUE

Total units in issue at the beginning of the period	-
Sales during the period	3,087,360
Redemptions during the period	(100)
Total units in issue at the end of the period	<u>3,087,260</u>

13. 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 NBFC Regulations, 2008 the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The Management intends to distribute at least 90% of the income earned by the year end by this Fund to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, no provision has been made in this condensed interim financial information.

**For the period
from October
11, 2011 to
December 31,
2011
Rupees**

14. MARK-UP INCOME

Government Securities	6,166,159
PLS savings accounts	1,794,237
	7,960,396

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

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 the Holding Company of the Management Company, associated companies of the Management Company, key management personnel and other funds being managed by the Management Company.

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

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

December 31,
2011
Rupees

15.1 Balance as at period end
Lakson Investments Limited - Management Company

Remuneration payable	385,365
Sales load payable	2,959
Preliminary and formation cost payable	2,521,200

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	53,154
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Directors of the Management Company
Babar Ali Lakhani

Units held as at the period ended: 3,028* units	308,975
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*Represents units held by minor son Mr. Hassan Ali Lakhani.

**Associated companies / undertakings of the
Management Company**
SIZA (Private) Limited

Units held as at the period ended: 1,341,838 units	136,922,272
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**Lakson Business Solutions Limited - Employees
Contributory Provident Fund Trust**

Units held as at the period ended: 3,901 units	398,084
--	---------

**Princeton Travels (Private) Limited - Employees
Contributory Provident Fund Trust**

Units held as at the period ended: 4,001 units	408,292
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**Lakson Investments Limited - Employees
Contributory Provident Fund Trust**

Units held as at the period ended: 2,101 units	214,353
--	---------

**Tritex Cotton Mills Limited - Employees
Contributory Provident Fund Trust**

Units held as at the period ended: 2,701 units	275,704
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**Tetley Clover (Private) Limited - Employees
Contributory Provident Fund Trust**

Units held as at the period ended: 7,002 units	714,511
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**Clover (Pakistan) Limited - Employees
Contributory Provident Fund Trust**

Units held as at the period ended: 16,005 units	1,633,167
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	December 31, 2011 Rupees
Clover (Pakistan) Limited - Employees Gratuity Fund Units held as at the period ended: 8,503 units	<u>867,620</u>
Century Insurance Company Limited - Employees Contributory Provident Fund Trust Units held as at the period ended: 12,004 units	<u>1,224,875</u>
GAM Corporation (Private) Limited - Employees Contributory Provident Fund Trust Units held as at the period ended: 32,010 units	<u>3,266,334</u>
SIZA Foods (Private) Limited - Employees Contributory Provident Fund Trust Units held as at the period ended: 19,006 units	<u>1,939,386</u>
Hasanali Karabhai Foundation - Employees Contributory Provident Fund Trust Units held as at the period ended: 6,002 units	<u>612,438</u>
Colgate Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust Units held as at the period ended: 217,068 units	<u>22,149,858</u>
Colgate Palmolive (Pakistan) Limited - Employees Gratuity Fund Units held as at the period ended: 82,026 units	<u>8,369,982</u>
SIZA Services (Private) Limited - Employees Contributory Provident Fund Trust Units held as at the period ended: 9,003 units	<u>918,657</u>
Cyber Internet Services (Private) Limited - Employees Contributory Provident Fund Trust Units held as at the period ended: 44,014 units	<u>4,491,210</u>
Sybrid (Private) Limited - Employees Contributory Provident Fund Trust Units held as at the period ended: 14,004 units	<u>1,429,021</u>
Accuray Surgicals Limited - Employees Contributory Provident Fund Trust Units held as at the period ended: 35,011 units	<u>3,572,553</u>
Merit Packaging Limited - Employees Contributory Provident Fund Trust Units held as at the period ended: 46,014 units	<u>4,695,356</u>

	December 31, 2011 Rupees
Merit Packaging Limited - Employees Gratuity Fund Units held as at the period ended: 18,006 units	<u>1,837,313</u>
Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust Units held as at the period ended: 169,053 units	<u>17,250,329</u>
Century Paper & Board Mills Limited - Employees Gratuity Fund Units held as at the period ended: 91,029 units	<u>9,288,638</u>
Century Insurance Company Limited Units held as at the period ended: 350,110 units	<u>35,725,532</u>
	For the period from October 11, 2011 to December 31, 2011 Rupees
15.2 Transactions during the period	
Lakson Investments Limited - Management Company Remuneration during the period Sales load during the period	<u>1,006,537</u> <u>10,447</u>
Central Depository Company of Pakistan Limited - Trustee Remuneration during the period	<u>138,833</u>
Directors of the Management Company Babar Ali Lakhani Issue of units: 3,028* units	<u>302,956</u>
*Represents units held by minor son Mr. Hassan Ali Lakhani.	
Key management personnel, employees and connected persons of the Management Company Issue of units: 100 units Redemption - 100 units	<u>10,000</u> <u>10,085</u>
Associated companies / undertakings of the Management Company	
SIZA (Private) Limited Issue of units: 1,341,838 units	<u>134,183,848</u>
Lakson Business Solutions Limited - Employees Contributory Provident Fund Trust Issue of units: 3,901 units	<u>390,123</u>

	For the period from October 11, 2011 to December 31, 2011 Rupees
Princeton Travels (Private) Limited - Employees Contributory Provident Fund Trust Issue of units: 4,001 units	<u>400,126</u>
Lakson Investments Limited - Employees Contributory Provident Fund Trust Issue of units: 2,101 units	<u>210,066</u>
Tritex Cotton Mills Limited - Employees Contributory Provident Fund Trust Issue of units: 2,701 units	<u>270,085</u>
Tetley Clover (Private) Limited - Employees Contributory Provident Fund Trust Issue of units: 7,002 units	<u>700,221</u>
Clover (Pakistan) Limited - Employees Contributory Provident Fund Trust Issue of units: 16,005 units	<u>1,600,504</u>
Clover (Pakistan) Limited - Employees Gratuity Fund Issue of units: 8,503 units	<u>850,268</u>
Century Insurance Company Limited - Employees Contributory Provident Fund Trust Issue of units: 12,004 units	<u>1,200,378</u>
GAM Corporation (Private) Limited - Employees Contributory Provident Fund Trust Issue of units: 32,010 units	<u>3,201,008</u>
SIZA Foods (Private) Limited - Employees Contributory Provident Fund Trust Issue of units: 19,006 units	<u>1,900,599</u>
Hasanali Karabhai Foundation - Employees Contributory Provident Fund Trust Issue of units: 6,002 units	<u>6,000,189</u>
Colgate-Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust Issue of units: 217,068 units	<u>21,706,837</u>
Colgate-Palmolive (Pakistan) Limited - Employees Gratuity Fund Issue of units: 82,026 units	<u>8,202,584</u>

For the period
from October
11, 2011 to
December 31,
2011
Rupees

SIZA Services (Private) Limited - Employees Contributory Provident Fund Trust	
Issue of units: 9,003 units	<u>900,284</u>
Cyber Internet Services (Private) Limited - Employees Contributory Provident Fund Trust	
Issue of units: 44,014 units	<u>4,401,368</u>
Sybrid (Private) Limited - Employees Contributory Provident Fund Trust	
Issue of units: 14,004 units	<u>1,400,441</u>
Accuray Surgicals Limited - Employees Contributory Provident Fund Trust	
Issue of units: 35,011 units	<u>3,501,103</u>
Merit Packaging Limited - Employees Contributory Provident Fund Trust	
Issue of units: 46,014 units	<u>4,601,449</u>
Merit Packaging Limited - Employees Gratuity Fund	
Issue of units: 18,006 units	<u>1,800,567</u>
Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust	
Issue of units: 169,053 units	<u>16,905,325</u>
Century Paper & Board Mills Limited - Employees Gratuity Fund	
Issue of units: 91,029 units	<u>9,102,867</u>
Century Insurance Company Limited	
Issue of units: 350,110 units	<u>35,011,027</u>

16. GENERAL

- 16.1 This condensed interim financial information was authorized for issue by Board of Directors of the Management Company on February 17, 2012.
- 16.2 As this is the first year of the operation of the Fund, comparative figures have not been disclosed in this condensed interim financial information.

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

Chief Executive Officer

Director



A Lakson Group Company

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