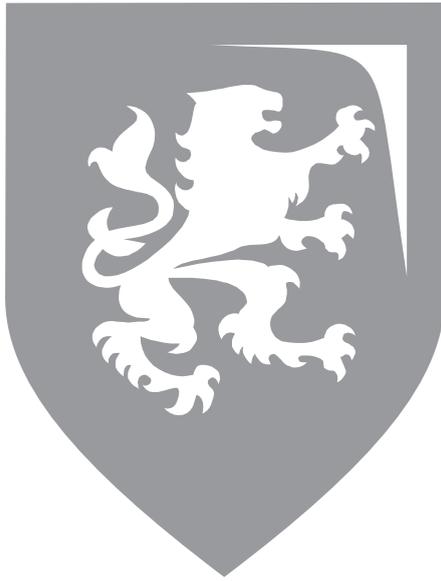


LAKSON MONEY MARKET FUND

Half Yearly Report (December 31, 2016)



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Fund's Information

Management Company

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

Board of Directors of the Management Company

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

Chief Financial Officer & Company Secretary of the Management Company

Ms. Sana Quadri

Audit Committee

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

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

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

Bankers to the Fund

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

Legal Adviser

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

Registrar

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

Distributors

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

Rating by PACRA

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

Review Report of the Directors of the Management Company for the half year ended December 31, 2016

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Money Market Fund ("LMMF") is pleased to submit its review report together with Condensed Interim Financial Statements for the half year ended December 31, 2016.

Fund Objective

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

Fund Profile

LMMF is an open end money market fund which invests in Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts and other short term instruments. The weighted average maturity of the portfolio is kept below 3 months. LMMF invests in only those securities that have been assigned at least an "AA" rating by a rating agency in Pakistan and are of less than 6 months maturity. 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 10% of Net Assets to meet redemptions, however, LMMF did not utilize this facility during the period under review.

Fund performance

The LMMF yielded an annualized return of 5.38% in the first half year of FY17 compared to the Benchmark return of 5.10%. The LMMF outperformed the benchmark by 28 bps. As of December 31, 2016, the LMMF portfolio is invested 22% in placements with Banks & DFIs, 78% cash while the weighted average maturity of the LMMF portfolio stands at 07 days. The fund size of the LMMF as of December 31, 2016 is PKR 4,519 million.

Earning per Unit (EPU)

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

Economic Review

CPI posted an increase of 3.9% YoY during H2CY16, backed by an uptick in food inflation; meanwhile, core inflation hit a 19 months high of 5.3% during the period under review. CPI is expected to remain benign in Q1CY17 before depicting a gradual uptick and a similar trend may occur for interest rates.

SBP had slashed the policy rate to 5.75% in H1CY16, and retail lending rates of commercial banks and refinancing rates by SBP concessional schemes followed suit. The availability of low-cost funding provided much needed support to private businesses, which was reflected in their increased borrowings from commercial banks. This led to an acceleration in private sector credit (+14% YoY) on the back of higher working capital and trade financing. In this regard, LSM growth posted strong growth of 8% YoY in Nov'16 (vs. 3.2% YoY in Q2CY16), with growth in Autos, Steel, Cement and Food sectors.

Similarly, the government also scaled up its development spending during the year; importantly, it created room for this stimulus via lower current spending and mobilizing higher revenues. Therefore, fiscal consolidation remained on track, and the budget deficit reduced further to 4.6 percent of GDP for the first time since FY07.

Forex reserves closed CY16 at USD 23.16 bn, despite lackluster export performance and consistent rise in imports (majorly Oil, Machinery & Autos led). CY16 also saw the successful culmination of the IMF program, which not only provided direct FX support but also helped the country secure financing from other IFIs and the international capital markets. This, in turn, led to PKR stability. Hence PKR continues to remain resilient against the USD, despite the latter gaining strength against most major emerging market currencies.

Outlook

While economic performance continues to be satisfactory, H2CY16 saw a widening of the twin deficits and pressure points particularly on the external side building up. While the announcement of an export package is expected to boost textiles, the GoP is also looking to revive the privatization program and is mulling over amnesty schemes.

Fixed Income Review

SBP adopted a cautious monetary policy stance during H2CY16, based on the following considerations: (i) rebound in CPI (3.9% average), and (ii) rising concerns on the external front, with growing current account deficit (2.2% of GDP). As a result the policy rate remained unchanged at 5.75% during the period under review; however, SBP continued to actively manage liquidity conditions in the interbank market to ensure that despite liquidity swings arising from PIB maturities and Eid related cash withdrawals, the overnight rates did not deviate much from the target rate. With recent rebound in oil prices, and impact yet to fully pass in the form of higher domestic petroleum product prices, higher CPI expectations can form in the months to come.

During H1CY16, banks were parking their excess liquidity in the government papers (majorly PIBs). This trend, however, changed during H2CY16 on account of (i) large volume of PIBs that matured were not re-rolled by the government (supported by increase in borrowings from the SBP post completion of the IMF program), and (ii) uptick in advances (supported by revival of working capital and trade financing, which have a combined contribution of around 60% to total private sector credit). M2 growth picked up to around 15% YoY by end of Q4CY16, compared to 13% in Q3CY16, where higher government borrowings were offset by net retirements by the private sector. As per SBP, another reason behind low monetary expansion during Q3CY16 was high currency to deposit ratio, which led to a lower money multiplier.

In H2CY16, the government raised PKR 2.7 trillion through the T-Bills (net of maturity: PKR 586 billion), and PKR 678bn through PIBs (net of maturity: PKR -749 billion). Details of the yield are as under:

	T-Bills Cut Off Yields			PIBs Cut Off Yields		
	3M	6M	12M	3M	6M	12M
30th June'16	5.87%	5.89%	5.92%	6.70%	6.58%	7.59%
30th Dec'16	5.92%	6.01%	6.04%	6.71%	7.44%	8.52%

Outlook

Going forward we expect monetary easing stance has bottomed out and plan to hold limited allocation towards bonds in order to minimize the risk of MTM losses on PIB portfolio allocation. We will be targeting to park liquidity towards shorter end of the yield curve and place it in shorter tenor T bills and high yielding bank placement to maximize the return of the fund.

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 Pakistan Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

For and on Behalf of the Board

Babar Ali Lakhani
Chief Executive Officer

Dated: February 28, 2017

لیکسن مانی مارکیٹ فنڈ
مینیجمنٹ کمپنی کے ڈائریکٹرز کی جائزہ رپورٹ
برائے مختصر ششماہی 31 دسمبر 2016

لیکسن انویسٹمنٹس لینڈ کے بورڈ آف ڈائریکٹرز، لیکسن مانی مارکیٹ فنڈ ("LMMF") کی مینیجمنٹ کمپنی، مختصر عبوری مالیاتی گوشواروں کے ساتھ 31 دسمبر 2016 کو ختم ہونے والی ششماہی کے لیے اپنی جائزہ رپورٹ جمع کراتے ہوئے خوشی محسوس کرتے ہیں۔

فنڈ کا مقصد

اس فنڈ کا مقصد کم اتار چڑھاؤ کے ساتھ مستحکم اور مسابقتی منافع جانتا فراہم کرنا ہے جو مانی مارکیٹس سے آم آہنگ اور سرمائے کے تحفظ سے مطابقت رکھتے ہوں۔ اسی طرح یہ سرمایہ کم خطرات اور مختصر مدتی سرمایہ کاری کے لیکویڈ پورٹ فولیو پر مشتمل ہے۔

فنڈ کا تعارف

LMMF ایک اوپن اینڈ منی مارکیٹ فنڈ ہے جو گورنمنٹ سٹیٹ بونڈز، ریٹیز، سٹیٹ بونڈز، سیکیورٹیز، ڈیپازٹس، Clean Placements، ٹرم ڈپازٹس اور دیگر مختصر مدتی انسٹرومنٹس میں سرمایہ کاری کرتا ہے۔ پورٹ فولیو کی موزوں اوسط پھیلاؤ 3 ماہ سے کم رکھی جاتی ہے۔ LMMF صرف ان سٹیٹ بونڈز میں سرمایہ کاری کرتا ہے جنہیں پاکستان میں کسی ریٹنگ ایجنسی نے کم از کم "AA" ریٹنگ دے رکھی ہو اور جن کی پھیلاؤ کی مدت 6 ماہ سے کم ہو۔ پورٹ فولیو کی مختصر پھیلاؤ پوائنٹ ہولڈرز کو انٹرسٹ ریٹ کی نقل و حرکت کے خلاف تحفظ دیتی ہے، جب کہ فنڈ کی لیکویڈٹی میں اضافہ کرتی ہے۔ LMMF گورنمنٹ بونڈز کی تکمیل کے لیے نالغصہ اثاثوں کے 10 فی صد تک قرض لینے کی اجازت ہے، تاہم LMMF نے اس سہولت کو زیر جائزہ مدت کے دوران استعمال نہیں کیا۔

فنڈ کی کارکردگی

LMMF نے مالی سال 2017 کی پہلی ششماہی میں 10.5% نیٹ مارک منافع کے مقابلے میں مالی سال 2016 کے دوران 5.38% سالانہ منافع پیش کیا۔ LMMF نے نیٹ مارک 28.00 بنیادی پوائنٹس کے ساتھ پیچھے چھوڑ دیا۔ 31 دسمبر 2016 کے مطابق LMMF پورٹ فولیو نے بینکس اور DFIs کے ساتھ پلیمینٹس میں 22%، کیش میں 78% کی سرمایہ کاری کی، جب کہ LMMF پورٹ فولیو کی اوسط پھیلاؤ کی مدت 07 دن پر برقرار رہی۔ LMMF کا فنڈ سائز، 31 دسمبر 2016 کے مطابق 4,519 ملین روپے تھا۔

فی شیئر آمدنی (EPU)

فی شیئر آمدنی (EPU) ظاہر نہیں کی گئی ہے کیوں کہ ہم محسوس کرتے ہیں کہ EPU کا حساب لگانے کے لیے موزوں اوسط پوائنٹس کا تعین اوپن اینڈ فنڈز کے لیے قابل عمل نہیں ہے۔

معاشی جائزہ

سال 2016 کی دوسری ششماہی میں GDP نے غذائی گرانی میں اضافے کے نتیجے میں سال بہ سال بنیاد پر 9.3% اضافہ رونق کرایا، جب کہ زیر جائزہ مدت کے دوران مرکزی فریڈرز نے 19 ماہ کی سب سے بلند سطح 5.3% کو چھو لیا۔ موجودہ سال 2017 کی پہلی سہ ماہی میں GDP ہموار رہنے کی توقع ہے جب کہ بعد ازاں بتدریج اضافے کی پیش گوئی ہے، اور سود کی شرحوں میں بھی بہتر رجحان رونما ہو سکتا ہے۔

اسٹیٹ بینک آف پاکستان نے مالی سال 2016 کی پہلی ششماہی کے پالیسی ریٹ میں 5.75% تک کمی کر دی ہے اور کمرشل بینکس کے ریٹیل لینڈنگ ریٹس اور SBP کسٹمیٹیل اسکیم کی طرف سے ریٹائننس ریٹس نے بھی اسی کی پیروی کی ہے۔ کم لاگت والے سرمائے کی دستیابی نے نجی کاروباروں کو مدد فراہم کی جس کی انہیں شدید انتہائی ضرورت تھی جس کی عکاسی کمرشل بینکس سے قرضوں کے حصول میں اضافے سے ہوتی ہے۔ اس کا نتیجہ زیادہ ورکنگ کپٹل اور ریڈیڈنگ کی بدولت پرائیویٹ سیکٹر کرڈٹ میں تیزی (سال بہ سال بنیاد پر 14% اضافہ) کی صورت میں آگا۔ اس حوالے سے LSM نے نومبر 2016 میں سال بہ سال بنیاد

پر (مالی سال 2016 کی دوسری سہ ماہی میں سال بہ سال 3.2% کے مقابلے میں) آٹوز، اسٹیل، سینسٹ اور فوڈ سیکٹرز میں نمو کے ساتھ 8% کاٹھوس اضافہ درج کر آیا۔

اسی طرح حکومت نے بھی سال کے دوران اپنے ترقیاتی اخراجات میں اضافہ کیا، اور اہم بات یہ کہ اس نے کم جاری اخراجات اور زیادہ آمدنیوں کو حرکت میں لانے کے ذریعے اس حرکت کے لیے گنجائش پیدا کی۔ لہذا مالیاتی استحکام درست راستے پر باور مالی سال 2007 سے اب تک پہلی بار بجٹ خسارے میں GDP کے 4.6 فی صد تک کمی ہوئی۔

برآمدات کی مایوس کن کارکردگی اور برآمدات (جس کی اکثریت آئل، مشینری اور آٹوز پر مشتمل رہی) میں لگاتار اضافے کے باوجود سال 2016 کے اختتام پر زبرد مبادلہ کے ذخائر 23.16 امریکی ڈالر رہے۔ سال 2016 میں آئی ایم ایف پروگرام کی کامیاب تکمیل کا منظر بھی سامنے آیا جس نے نہ صرف براہ راست زرمبادلہ سے مدد فراہم کی، بلکہ ملک کو دیگر بین الاقوامی مالیاتی اداروں اور انٹرنیشنل کنٹریل مارکیٹس سے بھی قنصلنگ حاصل کرنے میں مدد فراہم کی۔ اس کا نتیجہ پاکستانی روپے کے استحکام کی صورت میں نکلا۔ لہذا پاکستانی روپیہ زیادہ تیزی سے ترقی کر رہا ہے۔ مارکیٹ کرنسیوں کے مقابلے میں استحکام حاصل کرنے والے ڈالر کے مقابلے بدستور قدم جمائے ہوئے ہے۔

مستقبل کی توقعات

جہاں اقتصادی کارکردگی بدستور تسلسل بخش ہے، سال 2016 کی دوسری ششماہی میں دوہرے خسارے اور خصوصاً بیرونی سست پریش پوائنٹس میں اضافہ ہونا نظر آیا۔ جہاں بیکنگ سٹائل کو فروغ دینے کے لیے ایک ایکسپورٹ پیکیج متوقع ہے، حکومت پاکستان نچ کاری پروگرام کے دوبارہ آغاز کا بھی جائزہ لے رہی ہے اور عام معاشی دینے پر غور کر رہی ہے۔

فیکسڈ انکم مارکیٹ کا جائزہ

SBP نے درج ذیل قابل غور امور کی بنیاد پر سال 2016 کی دوسری ششماہی کے دوران ایک تناظر مالیاتی پالیسی موقف اختیار کیا:

(i) CPI میں دوبارہ اضافہ (3.9% اوسط)، اور (ii) کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے (GDP کا 2.2%) کے ساتھ بیرونی محاذ پر بڑھتے ہوئے خدشات، جس کے نتیجے میں زیر جائزہ مدت کے دوران پالیسی ریٹ بغیر تبدیلی کے 5.75% برقرار رکھنے کا فیصلہ کیا گیا، تاہم SBP نے انٹرنیشنل مارکیٹ میں لیکویڈیٹی کی صورت حال کو مستعدی سے قابو میں رکھنا تاکہ یہ یقینی بنایا جاسکے کہ PIB پیچورٹیز اور معدوم پیکش نکلائے جانے سے پیدا ہونے والے لیکویڈیٹی کے اتار چڑھاؤ کے باوجود شرحیں نارگٹ ریٹ سے زیادہ اوسط رہیں۔ تیل کی قیمتوں میں حالیہ ہی میں دوبارہ اضافے کے ساتھ اس کے اثرات کی پیش گوئی و ملیم مصنوعات کی زیادہ مقامی قیمتوں کی شکل میں پوری طرح منتقلی بھی باقی ہے، CPI کی بلند قیمتوں کی توقعات آئندہ مہینوں میں عملی شکل اختیار کر سکتی ہیں۔

سال 2016 کی پہلی ششماہی کے دوران بینکنگ اپنی اضافی لیکویڈیٹی حکومتی ترسکات (زیادہ تر PIBs میں) میں کھپا رہے تھے۔ تاہم سال 2016 کی دوسری ششماہی کے دوران یہ رجحان تبدیل ہو گیا، جس کی وجہ سے (i) حکومت کی PIBs کے دخلیر حجم کو، جو پیچورٹیز ہو گیا تھا، دوبارہ فروخت کے لیے پیش نہیں کیا گیا (حصے IMF پروگرام کی تکمیل کے بعد SBP کی طرف سے قرض گیری میں اضافے سے مدد حاصل تھی)۔ اور (ii) ایڈوانسز میں اضافہ (حصے وورکنگ کنٹریول اور ریڈی فائنانسنگ کی بحالی کی مدد حاصل تھی جو جی شیبے کے قرضوں میں شیئر کا طور پر 60% حصہ رکھتے ہیں)۔ سال 2016 کی چوتھی سہ ماہی کے اختتام تک M2 میں سال 2016 کی تیسری سہ ماہی میں 13% کے مقابلے میں سال بہ سال بنیاد پر لگ بھگ 15% کا اضافہ ہوا، جہاں حکومت کی بھاری قرض گیری جی شیبے کی طرف سے ریٹ ریٹریمنٹس سے متاثر ہوئی۔ SBP کے مطابق سال 2016 کی تیسری سہ ماہی میں کم تر مالیاتی توسیع کی ایک اور وجہ کرنسی اور ڈپازٹ کا بلند باہمی تناسب جس کا نتیجہ دولت کی کم افزائش کی شکل میں نکلا۔

سال 2016 کی دوسری سہ ماہی میں حکومت نے T بڑے ذریعے 2.7 ٹریلین روپے (پیچورٹیز کا نیٹ: 586 ارب روپے) اور PIBs کے ذریعے 678 ارب روپے (پیچورٹیز کا نیٹ: 749 ارب روپے) اکٹھے کیے۔ یافت (آمدنی) کی تفصیلات درج ذیل ہیں:

T-Bills کی حتمی آمدنیاں

30 جون 2016	3 ماہ	6 ماہ	12 ماہ
5.87%	5.89%	5.92%	5.92%
5.92%	6.01%	6.04%	

PIBs کی حتمی آمدنیاں

30 جون 2016	3 ماہ	6 ماہ	12 ماہ
6.07%	6.58%	7.59%	7.59%
6.71%	7.44%	8.52%	

توقعات

آگے بڑھتے ہوئے، ہم توقع رکھتے ہیں کہ مالیاتی آسانی کا موقف اپنی آخری کم ترین حد کو چھو چکا ہے اور PIB پورٹ فولیو کی تقویض پر MTM نقصانات کا خطرہ کم سے کم کرنے کے لیے لوئڈز کی طرف سرمایہ تقویض کرنے کو محدود کرنے کا منصوبہ رکھتے ہیں۔ yield curve کے مختصر سرے کی طرف لگیو یڈ یعنی کھپانا اور مختصر مدتی T-Bills اور زیادہ آمدنی والی بینک پلٹے سمٹ میں سرمایہ کاری ہمارا ہدف ہوگا تاکہ فنڈ پر زیادہ سے زیادہ منافع کمایا جاسکے۔

اظہار تشکر

یہ بورڈ اپنے قابل قدر انولونٹرز، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، ہینڈل ڈپازٹری کمیٹی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسچینج کا ان کے مسلسل تعاون اور مدد پر شکر گزار ہے۔ مینجمنٹ کمیٹی کے ڈائریکٹرز فنڈ کی ترقی اور عمدہ نظم و نسق کے لیے اپنی عہد کی کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے و خائب بورڈ

بازیل لاکھانی

چیف ایگزیکٹو آفیسر

تاریخ 28 فروری 2017

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
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TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON MONEY MARKET 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 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 six months period ended December 31, 2016 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.

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 21, 2017.



**INDEPENDENT AUDITORS' 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 MONEY MARKET FUND** ("the Fund") as at December 31, 2016 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund and notes to the accounts for the six-month period then ended (herein-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 for interim financial reporting. 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 six-month period ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures for the quarter ended December 31, 2016 and December 31, 2015 in the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of cash flows and condensed interim statement of movement in unit holders' fund have not been reviewed and we do not express a conclusion on them.

Karachi

Date: February 28, 2017

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

**Condensed Interim Statement of Assets and Liabilities
As at December 31, 2016**

	December 31, 2016 (Unaudited)	June 30, 2016 (Audited)
ASSETS	Note	(Rupees)
Bank balances	6	4,095,527,052
Investments	7	490,000,000
Mark-up receivable	8	28,864,893
Prepayments		27,273
TOTAL ASSETS		4,614,419,218
LIABILITIES		
Payable to the Management Company	9	38,767,358
Remuneration payable to the Trustee		415,457
Annual fee payable to the Securities and Exchange Commission of Pakistan		1,879,743
Accrued expenses and other liabilities	10	54,663,809
TOTAL LIABILITIES		95,726,367
NET ASSETS		4,518,692,851
UNIT HOLDERS' FUND (as per statement of movement in Unit holders' Fund)		4,518,692,851
CONTINGENCIES AND COMMITMENTS	11	
(Number of units)		
Number of units in issue		43,930,570
		52,892,199
(Rupees)		
Net assets value per unit		102.8599
		100.1430

The annexed notes from 1 to 17 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 half year and quarter ended December 31, 2016**

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
Note	------(Rupees)-----			
INCOME				
Mark-up income	155,778,359	140,752,331	77,498,901	66,254,228
Capital (loss) on sale of investments - net	(333,150)	(502,793)	(114,931)	(169,205)
Unrealised appreciation / (diminution) in the fair value of investments classified as 'held for trading' - net	7.1	-	116,639	121,928
	<u>155,445,209</u>	<u>140,366,177</u>	<u>77,505,898</u>	<u>64,819,887</u>
EXPENSES				
Remuneration to the Management Company	9.1	15,544,611	20,163,345	7,750,590
Sales tax on remuneration to the Management Company	9.2	2,020,799	3,274,527	1,007,576
Federal excise duty on remuneration to the Management Company	9.3	-	3,226,135	-
Remuneration to the Trustee		2,551,343	2,151,415	1,257,250
Annual fee to Securities and Exchange Commission of Pakistan		1,879,743	1,510,157	923,569
Brokerage and bank charges		57,278	222,995	40,930
Auditors' remuneration		203,244	194,998	111,022
Fees and subscription		193,850	181,517	97,178
Printing charges		51,934	10,085	44,373
Workers' Welfare Fund	10.1	-	1,980,138	-
		<u>22,502,802</u>	<u>32,915,312</u>	<u>11,232,488</u>
Net income from operating activities		<u>132,942,407</u>	<u>107,450,865</u>	<u>66,273,410</u>
Element of loss and capital losses included in the prices of units issued less those in units redeemed - net		(14,865,046)	(10,424,110)	(5,650,504)
Net income for the period before taxation		<u>118,077,361</u>	<u>97,026,755</u>	<u>60,622,906</u>
Taxation		-	-	-
Net income for the period after taxation		<u>118,077,361</u>	<u>97,026,755</u>	<u>60,622,906</u>

The annexed notes from 1 to 17 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 half year and quarter ended December 31, 2016**

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	------(Rupees)-----			
Net income for the period after taxation	118,077,361	97,026,755	60,622,906	41,524,823
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>118,077,361</u>	<u>97,026,755</u>	<u>60,622,906</u>	<u>41,524,823</u>

The annexed notes from 1 to 17 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 half year and quarter ended December 31, 2016

	Half year ended December 31, 2016	2015	Quarter ended December 31, 2016	2015
------(Rupees)-----				
Undistributed income at the beginning of the period - realised	7,385,325	8,407,774	65,135,261	63,654,099
Undistributed income / (accumulated loss) at the beginning of the period - unrealised	173,553	1,126,168	(121,928)	1,381,775
Undistributed income at the beginning of the period	7,558,878	9,533,942	65,013,333	65,035,874
Total comprehensive income for the period	118,077,361	97,026,755	60,622,906	41,524,823
Undistributed income at the end of the period	125,636,239	106,560,697	125,636,239	106,560,697
Undistributed income at the end of the period - realised	125,636,239	106,444,058	125,636,239	106,444,058
Undistributed income at the end of the period - unrealised	-	116,639	-	116,639
Undistributed income at the end of the period	125,636,239	106,560,697	125,636,239	106,560,697

The annexed notes from 1 to 17 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 half year and quarter ended December 31, 2016**

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	------(Rupees)-----			
Net assets at beginning of the period	5,296,778,761	4,209,016,154	4,485,123,616	3,995,675,020
Amount received on issue of 22,789,324 (2015: 8,488,422) units and 16,728,282 (2015: 4,527,452) units for half year and quarter respectively	2,316,311,125	862,422,279	1,706,175,150	462,622,279
Amount paid on redemption of 31,750,953 (2015: 14,343,655) units and 16,998,815 (2015: 7,694,254) units for half year and quarter respectively	(3,227,339,442)	(1,458,369,763)	(1,738,879,325)	(786,813,226)
Element of loss and capital losses included in prices of units issued less those of units redeemed - net	14,865,046	10,424,110	5,650,504	7,510,639
Unrealised appreciation / (diminution) in the fair value of investments classified as 'held for trading' - net	-	116,639	121,928	(1,265,136)
Capital (loss) on sale of investments - net	(333,150)	(502,793)	(114,931)	(169,205)
Other income	118,410,511	97,412,909	60,615,909	42,959,164
	118,077,361	97,026,755	60,622,906	41,524,823
Net assets as at the end of the period	4,518,692,851	3,720,519,535	4,518,692,851	3,720,519,535
Net assets value per unit at the beginning of the period	100.1430	100.2271	101.4709	101.6546
Net assets value per unit at the end of the period	102.8599	102.9486	102.8599	102.9486

The annexed notes from 1 to 17 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 half year and quarter ended December 31, 2016

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
----- (Rupees) -----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	118,077,361	97,026,755	60,622,906	41,524,823
Adjustments for non-cash charges and other items:				
Unrealised (appreciation) / diminution in the fair value of investments - held for trading - net	-	(116,639)	(121,928)	1,265,136
Element of loss and capital losses included in the prices of units issued less those of units redeemed - net	14,865,046	10,424,110	5,650,504	7,510,639
	132,942,407	107,334,226	66,151,482	50,300,598
Decrease / (increase) in assets				
Investments - net	841,819,772	1,873,901,609	1,134,585,296	626,916,165
Markup receivable	(12,654,792)	(2,480,964)	(13,337,704)	(11,286,419)
Prepayments	105,717	77,520	80,176	90,760
	829,270,697	1,871,498,165	1,121,327,768	615,720,506
Increase / (decrease) in liabilities				
Payable to the Management Company	487,231	3,328,090	290,520	1,630,571
Remuneration payable to the Trustee	45,961	24,348	6,424	(6,195)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(1,133,043)	(3,323,484)	923,569	730,314
Accrued expenses and other liabilities	1,397,079	1,858,304	1,297,365	956,494
	797,228	1,887,258	2,517,878	3,311,184
Net cash generated from operating activities	963,010,332	1,980,719,649	1,189,997,128	669,332,288
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash received from issue of units	2,316,311,125	862,422,279	1,706,175,150	462,622,279
Cash paid on redemption of units	(3,227,339,442)	(1,458,369,763)	(1,738,879,325)	(786,813,226)
Net cash used in financing activities	(911,028,317)	(595,947,484)	(32,704,175)	(324,190,947)
Net increase in cash and cash equivalents during the period	51,982,015	1,384,772,165	1,157,292,953	345,141,341
Cash and cash equivalents at beginning of the period	4,043,545,037	1,514,468,904	2,938,234,099	2,554,099,728
Cash and cash equivalents at end of the period	4,095,527,052	2,899,241,069	4,095,527,052	2,899,241,069

The annexed notes from 1 to 17 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 (Unaudited) For the half year and quarter ended December 31, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

Lakson Money Market Fund (the "Fund") was established under the Trust Deed executed on September 2, 2009 between the Lakson Investments Limited as its Management Company and the Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a Notified Entity on September 18, 2009 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore.

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

The Fund is categorised as "Money Market Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and Fund primarily invests in Government Securities, Certificates of Investment, Certificates of Deposits, Term Deposit Receipts, Commercial Papers, Reverse Repo, etc. subject to the guidelines issued by SECP from time to time.

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

The Pakistan Credit Rating Agency Limited (PACRA) has maintained AA(f) (Fund Stability Rating) to the Fund and pursuant to the updated Asset Manager Rating Methodology and Rating Scale, the Pakistan Credit Rating Agency Limited (PACRA) has harmonized asset manager rating of the Company to the new scale i.e. AM2 (stable outlook), on June 08, 2016 (2015: AM2- as on April 22, 2015).

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case the requirements differ, the requirements of the Rules, the Regulations and the directives issued by the SECP shall prevail.

This condensed interim financial information does not include all the information required for a complete set of annual financial statements and should be read in conjunction with the latest annual financial statements as at and for the year ended June 30, 2016. However, selected explanatory notes are included to explain events and transactions that are significant.

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

The comparative statement of asset and liabilities presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2016, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund are extracted from the unaudited condensed interim financial statements for the half year ended December 31, 2015.

In compliance with schedule V of the NBFC Regulations the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2016.

2.2 Basis of measurement

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

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest of rupees.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to financial statements as at and for the year ended June 30, 2016.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2016.

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2016.

		December 31, 2016 (Unaudited)	June 30, 2016 (Audited)
		(Rupees)	
6. BANK BALANCES	Note		
Local currency			
In profit and loss sharing accounts	6.1	3,595,511,225	4,043,527,630
In current accounts		15,827	17,407
Term deposit receipts	6.2	<u>500,000,000</u>	<u>-</u>
		<u><u>4,095,527,052</u></u>	<u><u>4,043,545,037</u></u>
6.1		These represents profit and loss account maintained with banks carrying profit rates ranging from 4.00% to 7.40% (June 30, 2016: 4.00% to 7.40%) per annum.	
6.2		This represents term deposit receipts with bank carrying mark-up rate of 6.40% (June 30, 2016: Nil) per annum, maturing on January 16, 2017.	
7. INVESTMENTS			
Financial assets at fair value through profit or loss - held for trading			
Government securities			
Market Treasury Bills	7.1	-	1,331,819,772
Loans and receivables			
Certificate of investment	7.2	<u>490,000,000</u>	-
		<u><u>490,000,000</u></u>	<u><u>1,331,819,772</u></u>

7.1 Government securities-Market Treasury bills

Note	-----Number of treasury bills-----				Balance as at December 31, 2016			Market value as percentage of net assets of the Fund	Market value as percentage of total investment
	Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized appreciation		
Treasury Bills - 3 months (face value of Rs. 100,000 each)	7.1.1	3,500	53,463	56,963	-	-	-	-	-
Treasury Bills - 6 months (face value of Rs. 100,000 each)	7.1.2	9,940	60,837	70,777	-	-	-	-	-
Treasury Bills - 12 months (face value of Rs. 100,000 each)		-	6,000	6,000	-	-	-	-	-
Total - December 31, 2016									
Total - June 30, 2016					1,331,646,219	1,331,819,772	173,553	25.14	100.00

7.1.1 This represents investments in 3 months Government Treasury Bills carrying effective profit rate Nil (June 30, 2016: 5.92%). The face value of Market Treasury Bills as at December 31, 2016 is Rs. nil (June 2016: Rs. 350 million).

7.1.2 This represents investments in 6 months Government Treasury Bills carrying an effective profit rate Nil (June 30, 2016: 5.92% to 6.22%). The face value of Market Treasury Bills as at December 31, 2016 is Rs. nil (June 2016: Rs. 994 million).

7.2 Certificate of investment - unsecured

This represents short term certificate of investment of Pak Brunei Investment Company Limited carrying effective mark-up rate of 6.40% (June 30, 2016: nil) per annum and will mature on February 14, 2017. The rating of the instrument is AA+.

	Note	December 31, 2016 (Unaudited)	June 30, 2016 (Audited)
8. MARKUP RECEIVABLE			
Considered good			
Profit receivable on:			
Profit and loss sharing accounts		14,057,893	16,210,101
Term Deposit Receipts with banks		2,805,479	-
Certificate of Investment		11,856,658	-
Clean placement		144,863	-
		<u>28,864,893</u>	<u>16,210,101</u>
9. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable to Management Company	9.1	2,695,840	2,244,796
Sales tax payable on remuneration to the Management Company	9.2	5,093,608	5,057,421
Federal excise duty payable on remuneration to the Management Company	9.3	30,977,910	30,977,910
		<u>38,767,358</u>	<u>38,280,127</u>

9.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding one percent per annum of the average daily net assets of the Fund. Currently the Management Company is charging its remuneration at the rate of 10% of the gross earnings of the Fund, calculated on a daily basis. The fee is subject to a minimum of

0.5% and maximum of 1.00% of the average annual net assets of the Fund. The effective rate of charging of its remuneration for service rendered for the half year and quarter ended December 31, 2016 is 0.62%.

- 9.2 Provincial Government of Sindh has levied Sindh Sales Tax on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011 with effect from July 01, 2011. This amount is paid / payable to the Management Company who then pays it to the Government of Sindh.
- 9.3 The amount is being held for payment to asset management company for onward payment to Federal Board of Revenue on the basis of a stay order of the Honorable High Court of Sindh dated September 04, 2013. The stay order was granted as a result of a petition filed by asset management companies from the platform of MUFAP against the amendment in Finance Act, 2013 which levied FED on the fees received by asset management companies from funds under management. As the asset management services rendered by the Management Company of the Fund is already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED is not justified.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED has been declared to be 'Ultra Vires' to the Constitution. On September 23, 2016, the Federal Government has filed an appeal against the said SHC order in the Honorable Supreme Court of Pakistan (SCP) and thus the previous balance of FED has not been reversed. Therefore, as a matter of prudence and abundant caution, without prejudice to the above, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 30.978 million (June 30, 2016: Rs. 30.978 million). Had the provision on FED not been made, Net Asset Value per unit of the Fund as at December 31, 2016 would have been higher by Re. 0.71 (June 30, 2016: Re. 0.59).

Further, the Federal Government vide Finance Act 2016 has excluded asset management companies and other non-banking finance companies from levy of FED on their services. Accordingly, no provision for FED is made from July 01, 2016 onwards.

	December 31, 2016 (Unaudited)	June 30, 2016 (Audited)
	Note	(Rupees)
10. ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration		184,444
Workers' Welfare Fund	10.1	53,035,330
Brokerage payable		18,088
Withholding tax payable		1,377,692
Others		48,255
		<u>54,663,809</u>
		<u>53,266,730</u>

10.1 Workers' Welfare Fund

The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs 0.5 million in a tax year were 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 was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of

this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 1, 2015.

On November 10, 2016 the Supreme Court of Pakistan had passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the Supreme Court of Pakistan. The Federal Board of Revenue has filed a petition in the Supreme Court of Pakistan against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the Sindh High Court, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the Supreme Court of Pakistan judgement on the CISs petition before the Sindh High Court. Both legal and tax advisors consulted were of the view that the judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the Sindh High Court or lower appellate forums will now be disposed of in light of the earlier judgement of the Supreme Court of Pakistan.

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds. MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) on January 12, 2017.

However, the management considered it prudent to provide for SWWF from the time it becomes applicable under Law (i.e. wef July 01, 2014). Accordingly, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The net effect of the above two adjustments if these had been made on December 31, 2016 would have resulted in an increase in the net asset value per unit of the Fund by Rs. 1.07.

11. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at December 31, 2016 except for contingencies in respect of Sindh Workers' Welfare Fund and taxation as disclosed in note 10.1 and 12.2 respectively.

12. TAXATION

- 12.1 The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting

income other than capital gains to the unit holders. 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 exempted from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule of the Income Tax Ordinance, 2001. Accordingly, no provision has been made in this condensed interim financial information.

- 12.2 A new section 4B has been introduced in the Income Tax Ordinance, 2001 vide the Finance Act, 2015, according to which super tax has been imposed for Tax Year 2015 on the income of individuals, association of persons and companies who are earning income of Rs. 500 million or above in Tax Year 2015. Super Tax shall be charged at the rate of 3% for person other than banking companies.

During the period, the Management Company has received an order under the aforementioned section for recovery of super tax not paid with return of income in respect of the Fund for the Tax Year 2015. The Deputy Commissioner considered that the Fund was required to pay super tax as the income of the Fund was more than Rs. 500 million and raised a demand of Rs. 18.819 million in this respect.

The Management Company has filed an appeal before Commissioner Appeals (Inland Revenue) against the order which is pending adjudication. The Management Company has also filed for stay of demand in the Sindh High Court against the said demand which has been allowed and stay granted. Subsequent to period end, the Sindh High Court passed an order directing the Commissioner, Appeals IV (Inland Revenue) to dispose of the appeal pending before it within three months and till such time no coercive action be taken against the Fund.

Further, similar issue has been decided by Income Tax Appellate Tribunal (ITAT) Karachi bench in favor of Mutual Fund.

Hence, no provision was made for super tax in the condensed interim financial information for the period ended December 31, 2016 as the income of the Funds is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 and sufficient accounting income has been distributed among the unitholders and the Fund complied with the requirement of clause 99.

13. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee of the fund, SIZA Services (Private) Limited being the holding company of the Management Company, associated companies of the Management Company, key management personnel, other funds being managed by the Management Company, staff retirement benefits of related parties and other entities having holding more than 10% in the units of the Funds as December 31, 2016.

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, 2016 (Unaudited)	June 30, 2016 (Audited)
	(Rupees)	
13.1 Balance as at period / year end		
Lakson Investments Limited - Management Company of the Fund		
Remuneration payable	<u>2,695,840</u>	<u>2,244,796</u>
Sindh Sales Tax and Federal Excise Duty on remuneration to Management Company	<u>36,071,518</u>	<u>36,035,331</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	<u>415,457</u>	<u>369,496</u>



13.2 Unit Holders' Fund

	Period ended December 31, 2016						Rupees													
	Number of Units			Number of Units			Balance as at July 01, 2016			Units issued during the period			Units redeemed during the period			Balance as at December 31, 2016				
	Number of Units as at July 01, 2016	Units issued during the period	Bonus units issued during the period	Units redeemed during the period	Number of units as at December 31, 2016	Balance as at July 01, 2016	Units issued during the period	Bonus units issued during the period	Units redeemed during the period	Number of units as at December 31, 2016	Balance as at July 01, 2016	Units issued during the period	Bonus units issued during the period	Units redeemed during the period	Number of units as at December 31, 2016	Balance as at July 01, 2016	Units issued during the period	Bonus units issued during the period	Units redeemed during the period	Number of units as at December 31, 2016
Lakson Investments Limited - Management Company Directors, Chief Executive and their spouse and minors Key management personnel, employees and connected persons of the Management Company	2,291,317 10,106,945 200,675	66,349 2,738,637 13,711	- - -	66,349 2,984,946 9,954	2,291,317 9,860,636 204,432	229,459,378 1,012,139,838 20,096,207	6,716,985 280,154,478 1,391,000	- -	- -	- -	235,684,658 1,014,264,058	6,722,737 305,616,863	- -	- -	- -	235,684,658 1,014,264,058	6,722,737 305,616,863	- -	- -	- -
Holding company / associated companies / undertakings of the Management Company																				
SIZA Services (Private) Limited (Holding Company of the Management Company)	68,098	2,144,584	-	1,958,719	253,963	6,819,538	218,000,000	-	-	-	200,000,000	-	-	-	-	26,122,611	-	-	-	-
SIZA (Private) Limited	1,413,936	-	-	1,413,936	-	141,595,793	-	-	-	-	143,225,008	-	-	-	-	13,420,789	-	-	-	-
Hasanali & Gulbanoo Lakhani Foundation	459,637	-	-	329,161	130,476	46,023,428	-	-	-	-	32,978,272	-	-	-	-	-	-	-	-	-
Century Insurance Company Limited	1,999,487	-	-	1,999,487	-	200,234,627	-	-	-	-	202,624,725	-	-	-	-	-	-	-	-	-
Sybird (Private) Limited	373,733	-	-	373,733	-	38,000,000	-	-	-	-	38,209,726	-	-	-	-	-	-	-	-	-
Premier Fashions (Private) Limited	1,643,944	278,179	-	1,788,767	133,356	164,629,484	28,000,000	-	-	-	180,000,000	-	-	-	-	13,717,032	-	-	-	-
Colgate Palmolive (Pakistan) Limited	11,993,217	-	-	1,972,457	10,020,760	1,201,036,730	-	-	-	-	200,000,000	-	-	-	-	1,030,734,411	-	-	-	-
Clover Pakistan Limited	-	298,191	-	107,581	190,610	-	30,100,000	-	-	-	19,606,091	-	-	-	-	19,606,091	-	-	-	-
Lakson Power Limited	4,328	-	-	198	4,130	433,419	-	-	-	-	424,777	-	-	-	-	20,000	-	-	-	-
SIZA Commodities (Private) Limited	3,003,933	-	-	2,644,545	359,388	300,822,862	-	-	-	-	270,000,000	-	-	-	-	36,966,586	-	-	-	-
Baluchistan Polyproducts (Private) Limited	224,942	26,918	-	214,428	37,432	22,526,367	2,750,000	-	-	-	21,800,000	-	-	-	-	3,850,295	-	-	-	-
SIZA Foods (Private) Limited Employees Contributory Provident Fund Trust	153	24,609	-	24,762	-	15,322	2,491,400	-	-	-	2,509,031	-	-	-	-	-	-	-	-	-
Accury Surgical Limited Employees Contributory Provident Fund	77	45,333	-	45,410	-	7,711	4,589,422	-	-	-	4,601,122	-	-	-	-	-	-	-	-	-
Princeton Travels (Private) Limited Employees Contributory Provident Fund Trust	21	-	-	-	21	2,103	-	-	-	-	-	-	-	-	-	2,160	-	-	-	-
Gam Corporation (Private) Limited Employees Contributory Provident Fund	225	41,448	-	41,672	-	22,532	4,196,043	-	-	-	4,222,414	-	-	-	-	-	-	-	-	-
Lakson Business Solutions Limited Employees Contributory Provident Fund Trust	12	5,051	-	5,064	-	1,202	511,393	-	-	-	513,086	-	-	-	-	-	-	-	-	-
Clover Pakistan Limited Employees Gratuity Fund Lakson Investments Limited Employees Contributory Provident Fund Trust	11,096	-	-	-	11,096	1,111,187	-	-	-	-	1,141,333	-	-	-	-	-	-	-	-	-
Merit Packaging Limited Employees Contributory Provident Fund Trust	146	59,581	-	59,727	-	14,621	6,031,811	-	-	-	6,051,782	-	-	-	-	-	-	-	-	-
Merit Packaging Limited Employees Gratuity Fund	58	23,314	-	23,371	1	5,808	2,360,274	-	-	-	2,368,089	-	-	-	-	-	-	-	-	-



	Period ended December 31, 2015									
	Number of Units			Rupees						
	Number of Units as at July 01, 2015	Units issued during the period	Bonus units issued during the period	Units redeemed during the period	Number of units as at December 31, 2015	Balance as at July 01, 2015	Units issued during the period	Bonus units issued during the period	Units redeemed during the period	Balance as at December 31, 2015
Lakson Investments Limited - Management Company	2,599,185	-	-	642,257	1,956,928	260,508,731	-	-	66,000,000	201,462,988
Directors, Chief Executive and their spouse and minors	12,805,755	3,545,245	-	5,964,156	10,386,844	1,283,483,648	631,764,560	-	606,487,821	1,069,311,048
Key management personnel, employees and connected persons of the management company	148,900	4,715	-	2,977	150,638	14,923,781	480,000	-	300,000	15,507,971
Holding company / associated companies / undertakings of the Management Company										
SIZA Services (Private) Limited	156,753	498,704	-	103,639	551,817	15,710,858	50,000,000	-	10,500,000	56,808,891
Holding Company of the Management Company	862,205	148,745	-	-	1,010,950	86,416,326	15,000,000	-	-	104,075,887
SIZA (Private) Limited	125,096	-	-	-	125,096	12,538,071	-	-	-	12,878,458
Hasanali & Gulbanoo Lakhani Foundation	749,097	-	-	-	749,097	75,079,779	-	-	-	77,118,487
Century Insurance Company Limited	-	196,522	-	156,281	40,242	40,242	20,000,000	-	16,000,000	4,142,755
Sybird (Private) Limited	1,051,901	-	-	294,894	757,007	105,429,012	-	-	30,000,000	77,932,914
Premier Fashions (Private) Limited	7,990,363	-	-	-	7,990,363	800,850,974	-	-	-	822,596,684
Colgate Palmolive (Pakistan) Limited	2,776,652	-	-	-	2,776,652	278,295,680	-	-	-	285,852,436
Clover Pakistan Limited	4,394	-	-	245	4,149	440,428	-	-	25,000	427,134
Lakson Power Limited	-	385,767	-	214,277	171,490	-	39,000,000	-	1,000,000	17,654,655
SIZA Commodities (Private) Limited	134,837	53,996	-	-	188,833	13,514,360	55,000,000	-	-	19,440,093
Baluchistan Polyproducts (Private) Limited										

Half year ended December 31,		Quarter ended December 31,	
2016	2015	2016	2015
----- (Unaudited) -----			
----- (Rupees) -----			

13.3 Other transactions during the period

**Lakson Investments Limited -
Management Company of the Fund**

Remuneration to the Management

Company	15,544,611	20,163,345	7,750,590	9,737,529
Sindh sales tax on remuneration of Management Company	2,020,799	3,274,527	1,007,576	1,581,375
Federal Excise Duty on remuneration of Management Company	-	3,226,135	-	1,558,004
	17,565,410	26,664,007	8,758,166	12,876,908

**Central Depository Company of
Pakistan Limited - Trustee of the
Fund**

Remuneration for the period	2,551,343	2,151,415	1,257,250	1,047,477
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14. TOTAL EXPENSE RATIO

As per the SECP circular vide direction no. 23 dated July 20, 2016 and as referred in Regulations 60 (5) the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations"), Total Expense Ratio (TER) calculated inclusive of Sindh Sales Tax and SECP fee is 0.90% as of December 31, 2016 and this includes 0.17% representing Sindh Sales tax and SECP fee.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are traded in an open market are revalued at the market prices prevailing at the close of trading on the reporting date. The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from book values as the items are either short-term in nature or periodically repriced.

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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 2); and

- Inputs for the assets or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

Investments of the Fund carried at fair value are categorised as follows:

As at December 31, 2016			
Level 1	Level 2	Level 3	Total
----- Rupees -----			

Assets

Financial assets at fair value
through profit or loss

-	-	-	-
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As at June 30, 2016			
Level 1	Level 2	Level 3	Total
----- Rupees -----			

Assets

Financial assets at fair value
through profit or loss

-	1,331,819,772	-	1,331,819,772
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15.1 Valuation techniques

For level 2 investments at fair value through profit or loss - held for trading investment in respect of Treasury Bills, the Fund uses rates derived from PKRV rates at reporting date per certificates multiplied by the number of certificates held .

15.2 Transfers during the period

During the half year ended December 31, 2016, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 financial instruments.

16. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 28, 2017 by the Board of Directors of the Management Company.

17. GENERAL

Figures have been rounded off to the nearest rupee.

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

Chief Executive Officer

Director



A Lakson Group Company

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