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# JS Large Cap. Fund

Annual Report 2011



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## VISION

To be recognized as a responsible asset manager respected for continually realizing goals of its investors.

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## MISSION

To build JS Investments into a top ranking Asset Management Company; founded on sound values; powered by refined knowhow; supported by a committed team operating within an accountable framework of social, ethical and corporate responsibility – a strong and reliable institution for its shareholders to own; an efficient service provider and value creator for clients; an exciting and fulfilling work place for employees; and a participant worth reckoning for competitors.

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## BROAD POLICY OBJECTIVES

- Value creation for clients on a sustainable basis
- Maintain high standards of ethical behaviors and fiduciary responsibility
- Manage Investments with Prudence and with the aim of providing consistent returns better than that of peers
- Take Products and Services to the People; Create awareness on understanding financial goals, risks and rewards
- Professional Excellence – Adapt, Evolve and Continuously Improve
- Maintain highly effective controls through strong compliance and risk management
- A talented, diligent and diverse HR

## ORGANIZATION

### Management Company

JS Investments Limited  
7<sup>th</sup> Floor, The Forum, G-20  
Khayaban-e-Jami, Block-9, Clifton  
Karachi-75600  
Tel: (92-21) 111-222-626  
Fax: (92-21) 35361724  
E-mail: info@jsil.com  
Website: www.jsil.com

### Board of Directors

Munawar Alam Siddiqui  
Rashid Mansur  
Suleman Lalani  
Nazar Mohammad Shaikh  
Mazhar-ul-Haq Siddiqui  
Lt.General (R) Masood Parwaiz  
Sadeq Sayeed

Chairman  
Chief Executive Officer

### Audit Committee

Nazar Mohammad Shaikh  
Munawar Alam Siddiqui  
Lt.General (R) Masood Parwaiz

Chairman  
Member  
Member

### Chief Financial Officer & Company Secretary

Suleman Lalani

### Trustee

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Sharah-e-Faisal,  
Karachi-74400 Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326040

### Auditors

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah -e- Faisal  
Karachi-75350.

### Legal Adviser

Bawaney & Partners  
Room No.404, 4th floor,  
Beaumont Plaza,  
Beaumont Road, Civil Lines  
Karachi-75530.

### Transfer Agent

Technology Trade (Private) Limited  
241-C, Block 2, P.E.C.H.S, Karachi  
Tel: (92-21) 34391316-7  
Fax: (92-21) 34391318

### DIRECTORS REPORT TO THE UNIT HOLDERS

The Board of Directors of JS Investments Limited, the Management Company of JS Large Cap. Fund (the Fund), is pleased to present the Annual Report for the year ended June 30, 2011.

#### Market Review

The equity market performance remained strong during FY11 with KSE-30 index depicting a 21% YoY appreciation, however, returns were skewed largely towards 1HFY11 with the following half providing near zero growth. Meanwhile market turnover witnessed a sharp contraction of 38% YoY to average 53mn shares during the year as a result of the implementation of Capital Gains Tax (CGT) from July 1, 2010 onwards.

The year started on the worst note with devastating floods hitting Pakistan causing huge damage to its crops and cultivatable lands, exacerbating shortage of food supply. Consequently the headline inflation that came down to 12.3% in July 2010, shot up to record a peak of 15.7% in September 2010. With Pakistan already facing burgeoning deficit, the SBP raised the discount rate cumulatively by 150bps during the first six months to reach 14% in order to control the climbing inflation rate.

On the other hand, the current account of the country benefited substantially from robust remittance inflows and squeezing trade deficit, as international cotton prices touched record highs, boosting exports. This bode well for the local currency which depreciated only slightly by 1% against the USD during 1HFY11 and combined with attractive domestic equity valuations, led to healthy FIPI inflows worth USD 249mn. The current account continued to show impressive performance during 2HFY11 and culminated in an overall FY11 surplus of USD 542mn (as opposed to a deficit of USD 3.9bn last year). With the government putting a lid over its borrowings, inflation slipped down to 13.1% for June 2011 and prompted the SBP to maintain the discount rate at 14% in 3 consecutive monetary policy reviews. The discount rate has since been reduced by 50 basis points on July 30, 2011.

Market sentiments paled post disturbances in the MENA region at the start of the calendar year, which saw international oil prices cross USD 120/bbl and made investors increasingly wary about the weaknesses of the domestic economy. Further, Pak-US relations deteriorated rapidly as a result of a direct military operation by US inside the Pakistani territory in May 2011. Meanwhile, IMF's patience with the local authorities also ran out with regards to the control over the country's fiscal deficit and curbing of the energy crisis. As a result, foreign inflows from Pakistan's largest contributors, US and IMF went in to suspension. Consequently FIPI inflows retarded during 2HFY11 to end at USD 30mn, culminating in a full year inflow of USD 279mn, down by 49% YoY.

#### Review of Fund Performance

The Fund earned a net profit of Rs. 741.434 million during the year under review. The net assets of the Fund were Rs. 1,474.715 million as on June 30, 2011 compared to net assets of Rs. 2,152.917 million as on June 30, 2010. The net assets value (NAV) as on June 30, 2011 was Rs. 87.44 per unit compared to ex-distribution NAV of Rs. 63.23 per unit as on June 30, 2010, showing an increase of 38.29%. The fund outperformed its benchmark return by 17.14% during the period ended June 30, 2011.

The Fund has made a provision of Rs. 4.992 million during the year against non-performing term finance certificates in accordance with the Provisioning Policy and the directives of the Securities and Exchange Commission of Pakistan contained in Circular 1 of 2009.

The Board of Directors of the Management Company, on July 06, 2011, has declared a distribution of Rs. 35 per unit. An investor holding 100 units as of June 30, 2011 will get 66.7429 units on ex-bonus price of Rs. 52.44 per unit. As the above distribution is more than 90% of the realized income for the year, the income of the Fund will not be subject to tax under clause 99 of Part 1 of the Second Schedule of Income Tax Ordinance, 2001.

#### Fund and Asset Manager Rating

The matter of mutual funds performance ratings continues to be under discussion between MUFAP, SECP and the country's two rating agencies. Updated Fund rating will be obtained by the Management Company after SECP's final decision on this matter.

JCR-VIS Credit Rating Company Limited has assigned Management Quality Rating of "AM2-" (AM-Two Minus) to JS Investments Limited. The rating denotes high management quality of the Management Company.

### Corporate Governance and Financial Reporting Framework

The Board of Directors of the Management Company states that:

- a. The financial statements, prepared by the Management Company, present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in net assets of the Fund.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements, and financial estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the Trust Deed and directives of the Securities and Exchange Commission of Pakistan have been followed in preparation of the financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as a going concern.
- g. There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations.
- h. A performance table / key financial data is given on page 07 of this annual report.
- i. The Directors have signed the "Statement of Ethics and Business Practices".
- j. The number of units of the Fund held by the Chief Executive, directors and executives and their spouses as at June 30, 2011 are as follows:

Name	Designation	Units Held
Munawar Alam Siddiqui	Chairman	100
Suleman Lalani	CFO & Company Secretary	50
Zahid Ullah Khan	Fund Manager	251

- k. Summary of units acquired / redeemed during the year by the Chief Executive, directors and executives, their spouses and minor children is provided below:

Name	Designation	Acquired Units	Units Redeemed
Mrs Nazia Enam	Fund Manager	640.20	5,640.20
Zahid Ullah Khan	Fund Manager	251.00	-

- l. The value of investments of the staff provident fund of JS Investments Limited, as per the audited accounts for the year ended June 30, 2011 was Rs. 23.442 million.

### Meetings of the Directors

During the year 6 meetings of the Board of Directors were held. The attendance of each director for these meetings is disclosed in the notes to the financial statements.

### Auditors

The external auditors of the Fund Messrs M. Yousuf Adil Saleem & Co, Chartered Accountants, have completed their term and therefore, retire from the office. The Audit Committee of the Board has recommended the appointment of KPMG Taseer Haidi & Co., Chartered Accountants, as the Fund's auditors for the ensuing year ending June 30, 2012.

### Acknowledgment

The Directors express their gratitude to the Securities and Exchange Commission of Pakistan for its valuable support, assistance and guidance. The Board also thanks the employees of the Management Company for their dedication and hard work and the unit holders for their confidence in the Management.

Karachi: September 09, 2011

**Rashid Mansur**  
Chief Executive Officer

## FUND MANAGER REPORT

### Investment philosophy

JS LCF is an open-end Equity Scheme that aims to benefit from an attractive Capital Market in an economy with growth potential, to maximize the total investment return consisting of a combination of capital appreciation & income. Consistent with its Investment Objective, the Fund shall invest primarily in equity securities of listed Large-Cap companies with market capitalization of over Rupees one billion. The remaining Funds shall be invested in Authorized Investments including cash and/or near cash instruments which include cash in bank accounts, and Government securities not exceeding ninety (90) days maturity.

### Key information

Fund type	Open end
Category	Equity Scheme
Fund launch date	14 May, 2004
Net Assets (PKR mn)	1,474.72
Management fee	2.00%
Trustee	Central Depository Company of Pakistan Ltd.
Auditor	M. Yousuf Adil Saleem & Co.
Risk profile	High
Listing	LSE
Benchmark	KSE30 Index

### Market Review

Although the equity market performance remained strong during FY11 with KSE-30 index depicting a 21% YoY appreciation, returns were skewed largely towards 1HFY11 with the following half providing near zero growth. Meanwhile market turnover witnessed a sharp contraction of 38% YoY to average 53mn shares during the year from its already low levels of 86mn shares in FY10 as a result of the implementation of Capital Gains Tax (CGT) from 1st July, 2010 onwards.

The year started on the worst possible note with devastating floods hitting Pakistan and ruining its crops and cultivatable lands; exacerbating shortage of food supply. Consequently after coming down from 13.3% in April '10 to 12.3% in July '10, headline inflation shot up to record a peak of 15.7% in September '10 and compelled the SBP to raise discount rate cumulatively by 150bps during the first 6 month period. But market sentiments paled post disturbances in the MENA region at the start of the calendar year, which saw international oil prices crossing USD 120/bbl and made investors increasingly wary about the weaknesses of the domestic economy. Furthermore, Pak-US relations deteriorated rapidly during the 6 months span and IMF's patience with the local authorities also ran out with regard to the control over the country's fiscal deficit and curbing of the energy crisis. As a result, foreign inflows from Pakistan's largest contributors, US and IMF went into suspension.

Despite this, Pakistan's current account continued to show impressive performance and culminated in an overall FY11 surplus of USD 542mn (as opposed to a deficit of USD 3.9bn last year). With the government putting a lid over its borrowings, inflation slipped down to 13.1% for Jun '11 and prompted the SBP to maintain the discount rate at 14% in 3 consecutive monetary policy reviews.

### Fund vs Benchmark Comparison

	1M	1Y	2Y	3Y	Launch
Fund	-0.14	38.38	44.81	-24.07	70.58
Benchmark	-1.50	21.24	53.04	-19.13	n/a
Difference	1.36	17.14	-8.23	-4.94	n/a

### Distribution for the Year Ended June 30, 2010

The Fund has announced the cash dividend @ Rs. 0.21 per certificate of Rs. 10/- each i.e. 2.10% in the meeting held in August 2010.

### Distribution for the Year Ended June 30, 2011

Stock dividend of Rs. 35.00 per unit was announced for JS Large Cap Fund

### Effects on the NAV after Distribution

NAV per unit as on June 30, 2011	
Cum NAV (PKR)	87.44
Ex-NAV (PKR)	52.44

**Disclaimer:** This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All investments in mutual funds are subject to market risks. The NAV based prices of certificates and any dividends/returns thereon are dependent on forces and factors affecting the capital markets. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results.

### Performance (%)



### Asset allocation (%)

	Jun-11
Cash	6.74
Equity	91.20
TFCs / Sukkuks	-
Other including receivables	2.06
<b>Total</b>	<b>100.00</b>

### Equity sector breakdown (%)

	Jun-11
Oil & Gas	25.27
Chemicals	23.84
Banks	14.28
Electricity	8.97
Personal Goods	5.80
Others	13.04
<b>Total</b>	<b>91.20</b>

### Statistical analysis

	Fund	Benchmark
Beta	0.7	1.0
Standard Deviation	23.9%	32.7%
Largest Month Gain	14.7%	25.2%
Largest Month Loss	-30.8%	-45.1%
% Positive Months	58.1%	59.5%

### Investment Committee Members

Mr. Rashid Mansur - Chief Executive Officer  
 Dr. Ali Akhtar Ali - Chief Investment Officer  
 Mr. Arslan Asif Soomro - Fund Manager  
 Mr. Suleman Lalani - Executive Director & CFO  
 Mr. Assad Hameed Khan, Head of BPD  
 Mr. Muhammad Salman Siddiqui, Head of Research & RM

### Split of Units

Before 10 After 100

### Par Value (PKR)

The fund was converted from the close end theme to the open end theme during the year. The par value of the fund thereby increased from PKR 10 per share to PKR 100 per share. Hence the fund's NAV before split of PKR 6.40 increased to PKR 63.95.

### Effects on the NAV after Split (Dated: 27 Sep 2010)

NAV Before Split	6.40
NAV After Split	63.95

### Other Disclosures

The Management Company and / or any of its delegates have not received any soft commission from its brokers / dealers by virtue of transactions conducted by the Fund.

## PERFORMANCE TABLE / KEY FINANCIAL DATA

Description	(Rs in '000')							
	Years							
	2011	2010	2009	2008	2007	2006	2005	2004
Net Assets - Rupees in '000'	1,474,715	2,152,917	2,057,565	3,919,587	3,926,098	3,402,940	3,389,677	3,021,070
Net Income/(loss) - Rupees in '000'	741,434	96,076	(1,863,278)	323,107	1,182,261	1,165,911	485,750	21,070
Net assets value per unit - Rupees	87.44	65.33	62.44	118.94	119.14	103.26	102.86	100.70
Highest offer price per unit *	93.04	-	-	-	-	-	-	-
Lowest offer price per unit *	65.87	-	-	-	-	-	-	-
Year-end offer price per unit *	90.07	-	-	-	-	-	-	-
Highest repurchase price per unit *	90.33	-	-	-	-	-	-	-
Lowest repurchase price per unit *	63.95	-	-	-	-	-	-	-
Year-end repurchase price per unit *	87.44	-	-	-	-	-	-	-
Earnings per unit - Rupees	-	2.92	(56.54)	9.80	35.88	35.38	14.74	0.70
Interim distribution per unit - Rupees	-	-	-	10.00	10.00	17.50	12.50	-
Interim distribution date	-	-	-	11-Feb-08	20-Feb-07	7-Feb-06	18-Feb-05	-
Final Distribution per unit - Rupees	35.00	2.10	-	-	10.00	17.50	-	-
Final distribution date	6-Jul-11	17-Aug-10	-	-	25-May-07	15-Apr-06	-	-
Total Distribution per unit	35.00	2.10	-	10.00	20.00	35.00	12.50	-
Total Distribution - Rupees in '000'	590,298	69,205	-	329,550	659,100	1,153,425	411,937	-
Accumulated capital growth - Rupees in '000'	(1,061,185)	(1,212,320)	(1,239,191)	624,087	630,530	107,369	94,882	21,070
Number of units in issue - Number	16,865,666	32,954,991	32,954,991	32,954,991	32,954,991	32,954,991	32,954,991	30,000,000
<b>Average Annual Return</b>								
One Year - in percentage	50%	4%	-91%	8%	30%	34%	14%	1%
Two Year - in percentage	27%	-43%	-41%	19%	32%	24%	8%	N/A
Three Year - in percentage	-12%	-26%	-17%	24%	26%	16%	N/A	N/A

**Notes:**

- JS Large Cap. Fund was launched on May 15, 2004.

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

\* Consequent to the conversion of the fund from a close end scheme to an open end scheme with effect from September 27, 2010, the comparative figures have not been arrived.



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the JS Investments Limited, the Management Company of **JS Large Cap. Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, a Sub-Regulation (xiii a) of Listing Regulation No.35 notified by the Lahore Stock Exchange (Guarantee) Limited requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

Karachi: September 09, 2011

**M. Yousuf Adil Saleem & Co.**  
**Chartered Accountants**



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This Statement is being presented in compliance with the Code of Corporate Governance ('the Code') contained in the listing regulations of Lahore Stock Exchange where the Fund is listed. The purpose of the Code is to establish a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

JS Investments Limited (Management Company) which manages the affairs of the Fund has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (the Board). Presently, the Board includes five non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Mr. Fayaz Anwar tendered his resignation from the Board and Mr. Mazharul Haq Siddiqui was appointed to fill the casual vacancy after obtaining prior approval from SECP.
5. The Management Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Management Company.
6. The Management Company has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund which have been approved by the Board. A complete record of particulars of significant policies has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter during the year. Written notices of the meetings of the Board, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The company has established adequate procedures and systems for related party transactions vis-à-vis the pricing method for related party transactions. All the related party transactions are placed before the Audit Committee and Board of Directors for their review and approval.
10. The Board is well aware of the requirements of the Code of Corporate Governance. Mr. Munawar Alam Siddiqui, Chairman and Mr. Suleman Lalani, Executive Director have passed the Board Development Series Certificate program conducted by the Pakistan Institute of Corporate Governance.
11. During the year, there was no change of Chief Financial Officer / Company Secretary. The vacancy of head of internal audit was filled during the year. The remuneration and terms and condition of employment of Chief Financial Officer / Company Secretary and head of internal audit were approved by the Board.
12. The Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

## JS Large Cap. Fund

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13. The financial statements of the Fund have been prepared in accordance with the approved accounting standards as applicable in Pakistan and were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than those disclosed in the Directors' Report.
15. The Management Company has complied with all other corporate and financial reporting requirements of the Code with respect to the Fund.
16. The Board has formed an Audit Committee. It comprises of three non-executive directors.
17. The meetings of the Audit Committee are held every quarter prior to approval of interim and annual results of the Fund as required by the Code. The Board has approved terms of reference of the Audit Committee.
18. The Board has set-up an effective internal audit function headed by the Head of Internal Audit & Compliance.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services to the Company except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Karachi: September 09, 2011

**Rashid Mansur**  
Chief Executive Officer



## TRUSTEE REPORT TO THE UNIT HOLDERS

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

The **JS Large Cap. Fund** (the Fund), initially established as a closed-end scheme under a trust deed dated April 06, 2004 executed between JS Investments Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the trustee. Pursuant to a supplemental trust deed dated August 24, 2010 the Fund was converted into an open-end scheme with effect from September 27, 2010.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 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.

Karachi: September 29, 2011

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

### **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

We have audited the accompanying financial statements of **JS Large Cap. Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2011, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund, distribution statement and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

JS Investments Limited (the management company) is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Non-Banking Finance Companies Notified Entities and Regulations, 2008 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2011, and of its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

#### **Emphasis of matter paragraph**

We draw attention to note 15 to the financial statements which explains the reasons for reversal of provision during the year on account of contribution to the Workers' Welfare Fund (WWF) and aggregate unrecognized amount of WWF of Rs. 16,750,209 as at June 30, 2011. In this regard, the Management Company of the Fund also expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favorably. Our opinion is not qualified in respect of this matter.

#### **Other matters**

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

Karachi: September 09, 2011

**M . Yousuf Adil Saleem.Co.**  
**Chartered Accountants**  
**Engagement Partner: Nadeem Yousuf Adil**



# FINANCIAL STATEMENTS



**STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2011**

	Note	Jun 30 2011 Rupees	Jun 30 2010 Rupees
<b>Assets</b>			
Investments	4	1,388,441,945	2,020,220,524
Bank balances	5	77,284,074	47,065,540
Security deposits	6	2,700,000	2,700,000
Money market placements		-	100,000,000
Dividend and other receivables	7	33,537,700	12,431,772
Deferred conversion cost	8	848,219	-
Total assets		1,502,811,938	2,182,417,836
<b>Liabilities</b>			
Remuneration payable to the management company		325,860	479,899
Remuneration payable to the trustee		209,646	172,896
Annual fee payable to Securities and Exchange Commission of Pakistan		1,747,865	2,259,139
Accrued and other liabilities	9	16,555,645	17,427,439
Unclaimed dividend		9,257,618	9,161,305
Total liabilities		28,096,634	29,500,678
<b>Net Assets</b>		1,474,715,304	2,152,917,158
<b>Contingency</b> 15			
<b>Unit holders' funds</b> (as per statement attached)		1,474,715,304	2,152,917,158
		<b>No. of units</b>	<b>No. of units (Restated)</b>
<b>Number of units in issue</b>		16,865,666	32,954,991
		<b>Rupees</b>	<b>Rupees</b>
<b>Net assets value per unit</b>		87.44	65.33

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

**Rashid Mansur**  
Chief Executive Officer

**Munawar Alam Siddiqui**  
Chairman



**INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	Jun 30 2011 Rupees	Jun 30 2010 Rupees
<b>Income</b>			
Net gain on sale of marketable securities		<b>146,907,466</b>	21,699,670
Net unrealised gain on investments at fair value through profit or loss - held-for-trading		<b>86,026,212</b>	21,271,993
Net gain on investments in marketable securities		<b>232,933,678</b>	42,971,663
Dividend income		<b>107,548,152</b>	88,636,740
<b>Return / Mark-up on:</b>			
- bank balances and term deposits		<b>20,567,750</b>	21,669,264
- term finance certificates / Sukuk		-	6,058,549
- reverse repurchase transactions		-	6,729,591
- government securities		<b>22,377,568</b>	27,755,215
- money market placements		<b>3,096,028</b>	12,218,561
- provision against accrued markup on Sukuks		<b>(1,360,439)</b>	-
		<b>44,680,907</b>	74,431,180
Provision against financial assets	4.4	<b>(4,992,117)</b>	(52,035,930)
Amortisation of discount on investments		<b>127,298</b>	1,848,214
Element of income and capital gains in prices of units issued less those in units redeemed - net		<b>411,515,132</b>	-
		<b>791,813,050</b>	155,851,867
<b>Expenses</b>			
Remuneration to the management company	10	<b>36,797,657</b>	47,560,855
Remuneration to the trustee	11	<b>2,598,814</b>	2,283,065
Annual fee to Securities and Exchange Commission of Pakistan	12	<b>1,747,865</b>	2,259,139
Amortisation of conversion costs		<b>151,781</b>	-
Fees and subscription	13	<b>524,029</b>	716,946
Auditors' remuneration	14	<b>570,000</b>	529,013
Legal and professional fees		<b>3,904,181</b>	-
Securities transactions cost		<b>4,807,775</b>	3,737,111
Printing and stationary		<b>1,081,427</b>	386,614
Bank charges		<b>55,986</b>	242,222
(Reversal of provision) / provision against Workers' Welfare Fund	15	<b>(1,960,738)</b>	1,960,738
Professional tax charges		<b>100,000</b>	100,000
		<b>50,378,777</b>	59,775,703
<b>Net income for the year carried forward to distribution statement</b>		<b>741,434,273</b>	96,076,164

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

**Rashid Mansur**  
Chief Executive Officer

**Munawar Alam Siddiqui**  
Chairman

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Jun 30 2011 Rupees</b>	<b>Jun 30 2010 Rupees</b>
Net income for the year	<b>741,434,273</b>	96,076,164
<b><u>Other comprehensive income</u></b>		
Net unrealised loss on available-for-sale investments	-	(192,692)
Net unrealised loss on revaluation of available-for-sale investments transferred to income on maturity / sale / Impairment	<b>(531,945)</b>	(530,905)
	<b>(531,945)</b>	(723,597)
<b>Total comprehensive income for the year</b>	<b>740,902,328</b>	95,352,567

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

**Rashid Mansur**  
Chief Executive Officer

**Munawar Alam Siddiqui**  
Chairman

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Jun 30 2011 Rupees</b>	<b>Jun 30 2010 Rupees</b>
<b>Cash Flows from operating activities</b>		
Net income for the year	<b>741,434,273</b>	96,076,164
<b>Adjustments for:</b>		
Net gain on sale of marketable securities	<b>(146,907,466)</b>	(21,699,670)
Net unrealised gain on investments at fair value through profit or loss - held-for-trading	<b>(86,026,212)</b>	(21,271,993)
Dividend income	<b>(107,548,152)</b>	(88,636,740)
<b>Return / Mark-up on:</b>		
- bank balances and term deposits	<b>(20,567,750)</b>	(21,669,264)
- money market placements	<b>(3,096,028)</b>	(12,218,561)
- term finance certificates / Sukuk	-	(6,058,549)
- provision against accrued markup on Sukuks	<b>1,360,439</b>	-
	<b>(22,303,339)</b>	(39,946,374)
Provision against financial assets	<b>4,992,117</b>	-
Amortisation of discount on investments	<b>(127,298)</b>	(1,848,214)
Element of income and capital gain in prices of units issued less those in units redeemed - net	<b>(411,515,132)</b>	-
Amortisation of conversion costs	<b>151,781</b>	-
	<b>(27,849,428)</b>	(77,326,827)
<b>Decrease / (increase) in current assets</b>		
Other receivables	<b>(21,999,233)</b>	291,842
Money market placements	<b>100,000,000</b>	(100,000,000)
<b>(Decrease) / increase in liabilities</b>		
Remuneration payable to the management company	<b>(154,039)</b>	(2,829,038)
Remuneration payable to the trustee	<b>36,750</b>	4,642
Annual fee payable to Securities and Exchange Commission of Pakistan	<b>(511,274)</b>	50,847
Accrued and other liabilities	<b>(871,794)</b>	16,531,593
	<b>(1,500,357)</b>	13,758,044
Sale of investments	<b>4,160,779,113</b>	4,223,620,992
Purchase of investments	<b>(3,301,463,618)</b>	(4,559,692,272)
Interest received	<b>23,662,981</b>	42,521,814
Dividend received	<b>107,081,811</b>	82,039,901
Conversion cost paid to Securities and Exchange Commission of Pakistan	<b>(1,000,000)</b>	-
<b>Net cash from / (used in) operating activities</b>	<b>1,037,711,269</b>	(374,786,506)
<b>Cash Flows from financing activities</b>		
Dividend paid	<b>(69,109,168)</b>	(2,503,965)
Amounts received on issue of units	<b>322,855,232</b>	-
Amounts paid on redemption of units	<b>(1,261,238,799)</b>	-
<b>Net cash used in financing activities</b>	<b>(1,007,492,735)</b>	(2,503,965)
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	<b>30,218,534</b>	(377,290,471)
Cash and cash equivalents at the beginning of the year	<b>47,065,540</b>	424,356,011
<b>Cash and cash equivalents at the end of the year</b>	<b>77,284,074</b>	47,065,540

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

**Rashid Mansur**  
Chief Executive Officer

**Munawar Alam Siddiqui**  
Chairman

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Jun 30 2011 Rupees</b>	<b>Jun 30 2010 Rupees</b>
Net assets as at the beginning of the year	<b>2,152,917,158</b>	2,057,564,591
Amount received on issue of 3,666,799 units of Rs. 100/- each	<b>322,855,232</b>	-
Redemption of 19,756,124 units of Rs. 100/- each	<b>(1,261,238,799)</b>	-
Final cash dividend @ 2.1% for the year ended June 30, 2010 (2009: Nil)	<b>(69,205,483)</b>	-
Element of income and capital gain included in prices of units issued less those in units redeemed - net	<b>(411,515,132)</b>	-
Net income for the year	<b>741,434,273</b>	96,076,164
Net unrealised loss on available-for-sale investments	-	(192,692)
Net unrealised loss on revaluation of available-for-sale investments transferred to income on maturity / sale / impairment	<b>(531,945)</b>	(530,905)
<b>Net assets as at end of the year</b>	<b>1,474,715,304</b>	2,152,917,158
<b>Net asset as at the end of the year consist of:</b>		
Capital account	<b>1,686,566,586</b>	3,296,031,055
Undistributed income carried forward	<b>(470,885,105)</b>	(1,143,113,897)
Back-end load - special reserve account	<b>259,033,823</b>	-
	<b>1,474,715,304</b>	2,152,917,158

The annexed notes from 1 to 24 form an integral part of these financial statements.

**Note:**

Consequent to the conversion of the fund from a close end scheme to an open end scheme with effect from September 27, 2010, the comparative statement in unit holders' fund disclosed above has been prepared in accordance with requirements of the schedule V of Non-Banking Finance Companies and Notified Entities Regulation, 2008.

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

**Rashid Mansur**  
Chief Executive Officer

**Munawar Alam Siddiqui**  
Chairman

**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Jun 30 2011 Rupees</b>	<b>Jun 30 2010 Rupees</b>
Accumulated loss brought forward		
Realised	<b>(863,232,502)</b>	(542,589,428)
Unrealised	<b>(279,881,395)</b>	(696,600,633)
	<b>(1,143,113,897)</b>	(1,239,190,061)
Cash dividend of Rs 0.21 per certificate* at the par value of Rs 10/- each announced on August 17, 2010	<b>(69,205,483)</b>	-
Net income for the year	<b>741,434,273</b>	96,076,164
Accumulated loss carried forward	<b>(470,885,107)</b>	(1,143,113,897)
<b>Representing</b>		
Realised	<b>(374,568,848)</b>	(863,232,502)
Unrealised	<b>(96,316,259)</b>	(279,881,395)
	<b>(470,885,107)</b>	(1,143,113,897)

\* Prior to conversion from closed end fund to open end fund (refer note 1.1).

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

**Rashid Mansur**  
Chief Executive Officer

**Munawar Alam Siddiqui**  
Chairman

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 1. LEGAL STATUS AND NATURE OF BUSINESS

JS Large Cap. Fund (the Fund) was established under the Trust Deed executed between JS Investments Limited as a management company and Central Depository Company of Pakistan Limited (CDC) as a Trustee. The Trust Deed was executed on April 06, 2004 and was approved as a closed-end scheme by the Securities and Exchange Commission of Pakistan (SECP) on April 16, 2004 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules). The Fund is listed on Lahore Stock exchange in Pakistan.

The management company of the Fund has obtained license to act as an Asset Management Company under the Rules from SECP. The registered office of the management company is located at 7th Floor, The Forum, Clifton, Karachi, Pakistan.

The principal activity of the Fund is to make investments primarily in equity securities of large - cap companies with market capitalization of over Rupees one billion. The remaining Net Assets of the Fund shall be invested in authorised investments including cash and/or near cash instruments which include cash in bank accounts and Government securities not exceeding ninety (90) days maturity.

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

#### 1.1 Conversion to an open end scheme

Persuant to a special resolution passed at a general meeting of certificate holders on September 25, 2009, and subsequent approval from SECP through Modified and Restated Trust Deed on August 20, 2010, the fund was converted into an open ended fund categorized as equity scheme with effect from September 27, 2010 (the effective date). From effective date, the status of all the Certificate Holders automatically changed to 'Initial Unit Holders' and all existing certificates issued under the closed end scheme were automatically converted into Initial Units - i.e., Class 'B' units in the ratio of 10:1 with a par value of one hundred rupees per unit. The Fund, from the effective date, shall only offer Class 'A' Units to investors on a continuing basis. The Initial Unit Holders may redeem the units by surrendering them to the Fund subject to back end load as per the Replacement Offering Document dated September 17, 2010.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the investments which are stated at fair value.

### 2.3 Functional Currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund

### 2.4 Use of judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

- (a) classification of investments (Note 3.2)
- (b) provisions (Note 3.7)
- (c) impairment (Note 3.9)

### 2.5 New accounting standards and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them :

IFRS 7 - Financial Instruments: Disclosures (Amendment)	Effective from accounting period beginning on or after January 01, 2012
IAS 1 - Presentation of Financial Statements (Amendment)	Effective from accounting period beginning on or after January 01, 2011
IAS 12 - Income Taxes (Amendment)	Effective from accounting period beginning on or after January 01, 2011
IAS 24 - Related Party Disclosures (Revised)	Effective from accounting period beginning on or after January 01, 2011
IAS 34 - Interim Financial Reporting (Amendment)	Effective from accounting period beginning on or after January 01, 2011
IFRIC 13 - Customer Loyalty Programmes (Amendment)	Effective from accounting period beginning on or after January 01, 2011
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)	Effective from accounting period beginning on or after January 01, 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented except for the policy which were adopted to take effect of conversion of the fund from closed end scheme to an open end scheme.

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise bank balances. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash.

### 3.2 Investments

All investments are initially recognised at cost being the fair value of the consideration given including transaction cost associated with investment excluding that pertaining to held-for-trading securities which are charged to income statement.

The management of the Fund determines the appropriate classification of its investments at the time of purchase and classifies these investments as held-for-trading, held-to-maturity or available-for-sale.

#### Investments at fair value through profit or loss - held-for-trading

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as "fair value through profit or loss - held-for-trading". Subsequent to initial recognition these are re-measured at fair value with reference to quoted market price and the resultant gain or loss on remeasurement of value of investment is recognised in the income statement.

#### Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold till maturity and are subsequently measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts.

#### Available-for-sale

Other investments are classified as "available-for-sale". Subsequent to initial recognition, these are remeasured at fair value with reference to quoted rates and the resultant gain or loss is recognised directly in unit holders' fund until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in unit holders' fund is taken to the income statement.

#### - Debt securities

A debt security whether traded or not shall be valued at the rate, notified by the Mutual Funds Association of Pakistan (MUFAP) based on the methodology prescribed by the SECP.

#### - Government securities

Government securities not listed on stock exchange and traded in inter bank market shall be valued at an average rate quoted on widely used electronic quotation system and such average rate shall be based on the remaining tenure of the security.

All regular purchases / sales of investments are recognised on the trade date i.e. the date that the Fund commits to purchase / sell the investments. Purchases / sales of investments require delivery of securities within the time frame established by the regulations. i.e. 'T+2'.

Financial assets are derecognised when rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.



### 3.3 Derivatives

Derivative instruments held by the Fund generally comprise future contracts in the capital market. These are initially recognised at cost and are subsequently remeasured at their fair value. The fair value of future contracts is calculated as the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (appreciation) are included in other assets and derivatives with negative market values (diminution) are included in other liabilities in the statement of assets and liabilities. The resultant gains or losses are included in the income currently.

Derivative financial instruments entered into by the Fund do not meet the hedging criteria as defined by International Accounting Standard - 39, Recognition and Measurement of Financial Instruments (IAS-39), consequently hedge accounting is not used by the Fund.

### 3.4 Securities under repurchase / resale agreements

Transaction of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specific periods of time. Securities purchase with a corresponding commitment to resell at a specified future dates (reverse-repo) are not recognised in the statement of assets and liabilities. Amount paid under these agreement are included in receivable in respect of reverse repurchase transaction. The difference between purchase and resale price is treated as income from reverse repurchase transaction and accrued over the period of the reverse-repo agreement.

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

### 3.5 Preliminary and floatation costs

The Fund has recorded all expenses incurred in connection with the incorporation, registration, establishment and authorisation of the Fund, as preliminary and floatation costs which are amortised over the period of five years in accordance with Trust Deed.

### 3.6 Payables and accruals

Payables and accruals are carried at cost which is the fair value of consideration to be paid in the future for the services received whether billed or not to the Fund.

### 3.7 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

### 3.8 Financial instruments

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

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

### 3.9 Impairment of financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

### 3.10 Issue and Redemption of Units

Units are issued at the offer price determined at the close of business when funds in respect of issue of units are realised. The offer price represents the net assets value of units at the close of the business day plus the allowable sales load. The sales load is payable to the distribution companies and the Management Company as processing fee. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price prevalent at the end of the day in which units are redeemed. In case of Initial Units, the redemption price represents the net assets value per unit less applicable back-end load at the close of the business day. In case of units issued subsequent to conversion of the Fund into an open end scheme, the redemption price represents the net asset value per unit at the close of the business day. Redemption of units is recorded on acceptance of application for redemption.

### 3.11 Element of income / (loss) and capital gain / (loss) in prices of units issued less those in units redeemed - net

An equalization account called the element of income / (loss) and capital gain / (loss) in prices of units issued less those in units redeemed is created, in order to prevent the dilution of per income and distribution of income already paid out on redemption. This is recognised in Income Statement currently.

### 3.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only 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 to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 3.13 Revenue recognition

Gain or loss on sale of marketable securities is accounted for in the income statement in the year in which it arises.

Dividend income is recognised when the right to receive the dividend is established.

Mark-up / return on government securities, term finance certificates, certificates of investment, on clean placements, term deposits receipts and bank balances are recognised on a time proportion basis.

### 3.14 Dividend and distributions

Cash dividend and distribution of bonus units is recognised upon declaration and approval by the Board of Directors of the management company.

### 3.15 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the year is distributed amongst the unit holders.

4. INVESTMENTS	Note	Jun 30 2011 Rupees	Jun 30 2010 Rupees
<b>Investments at fair value through profit or loss - held-for-trading</b>			
Quoted ordinary shares	4.1	<b>1,388,441,945</b>	1,730,899,972
Quoted preference shares	4.2	-	-
Right shares options	4.3	-	-
		<b>1,388,441,945</b>	1,730,899,972
<b>Available-for-sale</b>			
Unquoted term finance certificates / Sukuk	4.4	-	22,435,824
Government securities	4.5	-	266,884,728
		-	289,320,552
		<b>1,388,441,945</b>	<b>2,020,220,524</b>

#### 4.1 Quoted ordinary shares

\*Ordinary shares / certificates have a face value of Rs. 10/- each unless stated otherwise.

Sectors / Companies	Number of shares				Holdings at the end of year	Carrying / market value (Rupees)	% of total investment
	Holding at the beginning of the year	Acquired during the year	Bonus / rights received during the year	Disposed during the year			
<b>Chemicals</b>							
Engro Corporation (Pakistan) Limited	-	590,000	90,000	180,000	500,000	81,625,000	5.88
Fauji Fertilizer Bin Qasim Limited	-	2,950,000	-	500,000	2,450,000	103,267,500	7.44
Fauji Fertilizer Company Limited	519,546	544,111	175,000	458,657	780,000	117,273,000	8.45
ICI Pakistan Limited	-	512,500	-	112,500	400,000	60,740,000	4.37
						362,905,500	
<b>Oil &amp; Gas</b>							
Attock Petroleum Limited (related Party)	614,760	-	-	614,760	-	-	-
Attock Refinery Limited	500,000	85,000	-	585,000	-	-	-
Pakistan Oilfields Limited	975,607	371,229	-	946,836	400,000	143,604,000	10.34
Pakistan Petroleum Limited	1,115,075	140,688	195,000	771,763	679,000	140,600,530	10.13
Pakistan State Oil Company Limited	435,900	325,000	-	460,900	300,000	79,374,000	5.72
National Refinery Limited	-	60,000	-	-	60,000	21,135,600	1.52
Oil & Gas Development Company Limited	-	150,000	-	150,000	-	-	-
						384,714,130	
<b>Construction &amp; Materials</b>							
Attock Cement Pakistan Limited	165,007	-	-	165,007	-	-	-
D.G. Khan Cement Company Limited	-	1,075,000	85,000	650,000	510,000	11,724,900	0.84
Lucky Cement Limited	602,973	-	-	602,973	-	-	-
						11,724,900	
<b>General Industrials</b>							
Packages Limited	600,100	-	-	600,100	-	-	-
<b>Industrial Transportation</b>							
Pakistan International Container Terminal Limited (related party)	1,642,094	-	-	1,142,095	499,999	40,624,919	2.93
<b>Automobile and Parts</b>							
Pak Suzuki Motor Company Limited	985,000	-	-	985,000	-	-	-
<b>Food Producers</b>							
Al Abbas Sugar Mills Limited (related party)	2,600	-	-	2,600	-	-	-
Rafhan Maize Products Limited	600	-	-	600	-	-	-
<b>Personal Goods</b>							
Nishat Chunian Limited	-	4,750,282	-	3,045,914	1,704,368	37,990,363	2.74
Nishat Mills Limited	950,000	635,000	-	585,000	1,000,000	50,340,000	3.63
						88,330,363	
<b>Pharma &amp; Bio tech</b>							
GlaxoSmithKline Pakistan Limited	309,743	-	-	309,743	-	-	-
<b>Media</b>							
Hum Network Limited (related party)	1,945,000	-	-	105,000	1,840,000	27,710,400	2.00
<b>Fixed Line Telecommunication</b>							
Pakistan Telecommunication Company Limited	6,202,091	629,255	-	2,831,346	4,000,000	56,880,000	4.10
<b>Electricity</b>							
The Hub Power Company Limited	3,450,000	300,000	-	3,750,000	-	-	-
Nishat Power limited	-	4,100,000	-	300,000	3,800,000	58,672,000	4.23
Nishat Chunian Power limited	-	6,176,512	-	500,000	5,676,512	77,881,745	5.61
						136,553,745	
<b>Banks</b>							
Bank Al Habib Limited	1,702,200	-	340,440	742,640	1,300,000	38,311,000	2.76
Bank Islami Pakistan Limited (related party)	7,650,500	-	-	-	7,650,500	26,011,700	1.87
Habib Metropolitan Bank Limited	1,915,417	-	342,397	2,257,814	-	-	-
MCB Bank Limited	125,000	476,886	22,500	384,886	239,500	47,732,350	3.44
National Bank of Pakistan	-	1,390,000	225,000	200,000	1,415,000	71,344,300	5.14
United Bank Limited	800,000	761,892	-	1,011,892	550,000	34,050,500	2.45
						217,449,850	
<b>Non- Life Insurance</b>							
Adamjee Insurance Company Limited	9,834	-	-	9,834	-	-	-
IGI Insurance Limited	78,360	-	-	78,360	-	-	-
						-	-
<b>Life Insurance</b>							
EFU Life Assurance Limited (related party)	1,004,853	-	-	112,851	892,002	61,548,138	4.43
						<b>1,388,441,945</b>	
<b>Market value</b>							
<b>Cost</b>						<b>1,432,722,274</b>	

4.1.1 This includes 225,000 shares amounting to Rs. 11,344,500 pledged with National Clearing Company of Pakistan Limited against exposure calls.

## JS Large Cap. Fund

### 4.2 Quoted preference shares

Sectors / Companies	Holdings at the beginning of the year	Number of shares			Holdings at the end of the year	Carrying / market value (Rupees)	% of total investments
		Acquired during year	Bonus / rights expired the year	Disposed during year			
<b>Personal Goods</b>							
Azgard Nine Limited Preference shares (related party) note 4.2.1	6,512,632	-	-	-	6,512,632	52,035,930	-
Less: Provision against financial assets (note 4.2.2)						(52,035,930)	
<b>Market value as at June 30, 2011</b>						<b>-</b>	<b>-</b>
<b>Cost as at June 30, 2011</b>						<b>52,035,930</b>	

4.2.1 These preference shares were to be redeemed in two equal tranches at the end of year 2009 and 2010. However, the company was unable to make redemption as per commitment, therefore, the whole amount has been provided. Furthermore, the market value of these preference shares as at June 30, 2011 is nil.

<b>Jun 30</b>	<b>Jun 30</b>
<b>2011</b>	<b>2010</b>
<b>Rupees</b>	<b>Rupees</b>

### 4.2.2 Movement of provision

Provision as on June 30, 2010	<b>52,035,930</b>	-
Provision made during the year	-	52,035,930
Provision as on June 30, 2011	<b>52,035,930</b>	52,035,930

### 4.3 Right Shares Options

Sectors / Companies	Holdings at the beginning of the year	Number of letter of rights			Holdings at the end of the year	Carrying / market value (Rupees)	% of total investments
		Acquired during the year	Disposed / expired / subscribed during the year				
<b>Personal Goods</b>							
D.G Khan Cement Company Limited (letter of rights)	-	85,000	85,000	-	-	-	-

### 4.4 Unquoted term finance certificates / Sukuk

\*Debt Securities- face value of Rs. 5,000/- each unless stated otherwise.

Notes	Holdings at the beginning of the year	Number of certificates			Holdings at the end of the year	Carrying / market value (Rupees)	% of total investments
		Acquired during the year	Disposed during the year				
<b>Agritech Limited (related party)</b>							
Sukuk	4.4.1	4,800	-	3,700	1,100	4,992,117	
Less: Provision against financial assets						(4,992,117)	
Market value of Sukuk as at June 30, 2011						-	-
Cost of Sukuk as at June 30, 2011						<b>4,721,406</b>	

**4.4.1** These sukuk certificates carry a mark-up equal to the simple average of six months offered rate of KIBOR rates plus 200 basis points receivable semi-annually in arrears and will mature in August 2015. These sukuk certificates are secured by hypothecation charge over the entire legal ownership and the beneficial interest of the issuer from time to time in and to all present and future fixed assets (excluding land and building) of the issuer in favour of the Trustee for the benefit of unit holders.

The sukuk were classified as Non Performing Assets by Mutual Fund Association of Pakistan (MUFAP) as on August 21, 2010, on account of non payment of the coupon due on August 6, 2010. Therefore, the fund made provision of 100% of principal outstanding as at June 30, 2011 as per the provisioning policy of the Fund. Due to the conversion of Fund to open-end scheme, these investment have become non-compliant under circular no. 07 dated March 06, 2009, according to which fund is not allowed to invest in unlisted debt securities.

	Jun 30 2011 Rupees	Jun 30 2010 Rupees
<b>4.4.2 Movement of provision against Sukuks</b>		
Provision as on June 30, 2010	-	-
Provision made during the year	(4,992,117)	-
Provision as on June 30, 2011	(4,992,117)	-

**4.5 Government Securities**

- Government Securities -face value of Rs. 100,000/- each unless stated otherwise

	Number of certificates			Holdings at the end of the year	Carrying / market value (Rupees)	% of total investments
	Holdings at the beginning of the year	Acquired during the year	Disposed during the year			
T-Bill 12 Months	2,445	1,500	3,945	-	-	-
T-Bill 6 Months	500	8,900	9,400	-	-	-
T-Bill 3 Months	-	10,550	10,550	-	-	-
Market value of government securities - as at June 30, 2011					-	-
Cost of government securities - as at June 30, 2011					-	

**4.5.1** These treasury bills earned mark-up at rates ranging from 11.8% to 13.1% per annum.

**4.6 Detail of Non-Compliant Investments**

The Securities and Exchange Commission of Pakistan vide its circular no. 16 dated July 7, 2010, prescribed specific disclosures for the schemes holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirements of their constitutive documents.

The following are the details of non-compliant investments for an equity investment scheme, held by the Fund at year end:

Name of non-compliant investment	Type of investment	Value of before provision	Provision held	Value of investment after provision	% of net assets	% of gross assets
Agritech Limited (related party)	Sukuks	4,992,117	4,992,117	-	-	-

**5. BANK BALANCES**

This represents balance in saving accounts and includes balance of Rs. 38.464 million (2010: Rs. 8.818 million) with JS Bank Limited (related party) that carries mark-up of 11.9% per annum (2010: 9% per annum). Other savings accounts of the Fund earned mark-up at rates ranging from 5% to 11.9% (2010: 5% to 11.5%) per annum.

	Note	Jun 30 2011 Rupees	Jun 30 2010 Rupees
<b>6. SECURITY DEPOSITS</b>			
Central Depository Company of Pakistan Limited		200,000	200,000
National Clearing Company of Pakistan Limited		2,500,000	2,500,000
		<b>2,700,000</b>	<b>2,700,000</b>
<b>7. DIVIDEND AND OTHER RECEIVABLES</b>			
Dividend receivable		10,620,000	10,153,659
Receivable against sale of marketable securities		21,999,233	-
Advance tax		816,053	816,053
Markup receivable on:			
- bank balances and money market placements	7.1	102,414	101,604
- Sukuk		1,360,456	1,360,456
- Provision made during the year		(1,360,456)	-
		-	1,360,456
		<b>33,537,700</b>	<b>12,431,772</b>
<b>7.1</b>	This includes Rs. 98,903 (2010: Nil) receivable from JS Bank Limited (related party).		
<b>8. DEFERRED CONVERSION COST</b>			
During the year, the Fund paid an amount of Rs. 1,000,000 to Securities and Exchange Commission of Pakistan (SECP) as registration fee on conversion to open end scheme. This amount is amortised over a period of five years.			
<b>9. ACCRUED AND OTHER LIABILITIES</b>			
Payable against purchase of marketable securities		15,593,171	14,708,638
Custodian fee payable		4,000	25,000
Worker's Welfare Fund		-	1,960,738
Auditors' remuneration		410,000	385,000
Accrued expenses		548,474	348,063
		<b>16,555,645</b>	<b>17,427,439</b>
<b>10. REMUNERATION TO THE MANAGEMENT COMPANY</b>			
Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations 2008, the management company is entitled to a remuneration for services rendered to the Fund upto a maximum of 3% per			

annum based on the average monthly net assets of the Fund during the first five years of Fund's existence, and thereafter, of an amount equal to 2% of such assets of the Fund.

#### 11. REMUNERATION TO THE TRUSTEE

Central Depository Company of Pakistan Limited (the Trustee) is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

- upto rupees one billion                      Rs. 2,000,000
- exceeding rupees one billion              Rs. 2,000,000 plus 0.1% per annum of the daily net assets of the Fund exceeding rupees one billion.

Remuneration of the Trustee prior to conversion of the Fund into open end scheme (i.e. prior to September 27, 2010) was as follows:

- upto rupees two billion                      Rs. 2,075,000
- exceeding rupees two billion              Rs. 2,075,000 plus 0.06% per annum of the daily net assets of the Fund exceeding rupees one billion.

#### 12. ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee of 0.095% of average monthly net assets, calculated on monthly basis, under Regulation 62 of the NBFC Regulations.

#### 13. FEES AND SUBSCRIPTION

	Jun 30 2011 Rupees	Jun 30 2010 Rupees
Custodian fee	209,029	401,946
Annual listing fee - stock exchanges	215,000	215,000
Mutual Fund Rating Fee	100,000	100,000
	<b>524,029</b>	<b>716,946</b>

#### 14. AUDITORS' REMUNERATION

Annual audit fee	300,000	300,000
Fee for review of half yearly financial statements	150,000	150,000
Other certifications	65,000	40,000
Out of pocket expenses	55,000	39,013
	<b>570,000</b>	<b>529,013</b>

#### 15. CONTINGENCY

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any



establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. A petition has been filed with the Honourable High Court of Sindh by some of the Collective Investment Schemes through their Trustees on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds 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 Honourable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

In view of the aforementioned developments during the period, the Management Company now believes that there is no compelling reason to retain provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the mutual funds. Accordingly, the management has reversed the provision recognised as at June 30, 2010 amounting to Rs. 1,960,738 during the current year. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs. 16,750,209.

### **16. TAXATION**

Fund is exempt from tax under clause 99 of part 1 of Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed among its 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 unrealised capital gains to the unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

### **17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons / related parties includes JS Investment Limited being the Management Company, Central Depository Company of Pakistan Limited being the trustee, Jahangir Siddiqui and Company 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.

Transaction with related parties are carried out in the normal course of business at contracted rates.

	Note	Jun 30 2011 Rupees	Jun 30 2010 Rupees
<b>17.1</b>	Details of transactions with related parties during the year are as follows:		
<b>JS Investments Limited</b>			
Management company's remuneration		36,797,657	47,560,855
Dividend Paid		13,820,100	-
Other cost incurred		44,218	11,860
Sales load		1,729	-
<b>Jahangir Siddiqui &amp; Company Limited</b>			
Dividend income		-	2,221,447
<b>JS Global Capital Limited</b>			
Brokerage fee	17.3	982,785	997,224
<b>JS Bank Limited</b>			
Return on bank balances		4,439,823	2,107,743
Redemption of units		162,372,439	-
Dividend paid		5,083,216	-
<b>JS Fund of Funds</b>			
Issue of units		46,362,150	-
Redemption of units		89,911,400	-
Dividend paid		3,973,202	-
<b>JSIL Staff Provident Fund</b>			
Issue of units		250,000	-
Dividend paid		31,500	-
<b>Central Depository Company of Pakistan Limited (Trustee)</b>			
Annual, Transaction, Custodian, CDS connection fee		209,029	334,446
Remuneration to trustee		2,598,814	2,283,065
Conversion Fee Paid		3,604,181	-
<b>Key Management Personnel</b>			
Issue of units		70,000	-
Redemption of units		350,402	-
Dividend paid		286	-
<b>EFU Life Assurance Limited</b>			
Dividend Income		4,460,010	4,876,493
Dividend Paid		1,190,241	-
<b>EFU General Insurance Company</b>			
Dividend Paid		1,076,750	-
<b>Azgard Nine Limited Preference Shares</b>			
Dividend Income		-	5,828,806
<b>Hum Network Limited (formerly Eye Television Network Limited)</b>			
Dividend Income		-	3,792,750
<b>Pakistan International Container Terminal Limited</b>			
Dividend Income		4,105,235	2,033,868
Dividend Paid		46,021	-
<b>Silk Bank Limited</b>			
Redemption of Units		26,952,147	-
<b>Agritech Limited</b>			
Income on PPTFC		-	2,611,915
Income on Sukuk		-	3,446,634

## JS Large Cap. Fund

	Jun 30 2011 Rupees	Jun 30 2010 Rupees
<b>17.2 Balances as at year end:</b>		
<b>JS Bank Limited</b>		
Bank balance	38,464,902	8,818,181
Profit Receivable	98,903	-
Outstanding nil units (2010: 24,205,790 certificates)	-	242,057,900
<b>JS Investments Limited</b>		
Outstanding 6,581,000 units (2010: 65,810,000 certificates)	575,442,640	658,100,000
Remuneration payable to management company	325,860	479,899
Other cost payable	6,984	-
Sales load payable	1,165	-
<b>JS Global Capital Limited</b>		
Brokerage fee payable	194,409	-
<b>JSIL - Staff Provident Fund</b>		
Outstanding 17,970 units (2010: 50,000 certificates)	1,571,282	500,000
<b>Central Depository Company of Pakistan Limited (Trustee)</b>		
Annual, Transaction, Custodian, CDS connection fee payable	4,000	25,000
Remuneration payable to trustee	209,646	172,896
Security Deposit	200,000	200,000
<b>JS Fund of Funds</b>		
Outstanding 878,156 units (2010: 19,270,008 certificates)	76,785,946	192,700,080
<b>EFU Life Assurance Limited</b>		
Outstanding 589,757 units (2010: 6,297,572 certificates)	51,568,370	62,975,720
<b>EFU General Insurance Limited</b>		
Outstanding 569,709 units (2010: 5,697,092 certificates)	49,815,372	56,970,920
<b>Silk Bank Limited</b>		
Outstanding nil units (2010: 5,226,395 certificates)	-	52,263,950
<b>Pakistan International Container Terminal Limited</b>		
Outstanding 24,350 units (2010: 243,500 certificates)	2,129,164	2,435,000
<b>Key Management Personnel</b>		
Outstanding 401 units (2010: 1,500 certificates)	35,072	15,000
<b>Agritech Limited</b>		
Income receivable on Sukuk	-	1,360,456
Provision held on Sukuks	322,315	-

**17.3** This represents the amount of brokerage paid to the related party and not the purchase or sale value of securities transacted through them as the ultimate counter-parties in respect of purchase and sales are not known.



**18. FINANCIAL RISK MANAGEMENT POLICIES**

**Financial risk factors**

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which Fund is exposed and seeks to minimize potential adverse effects on the Funds financial performance.

The management risk carried out by the Fund manager, who has been given discretionary authority to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with target asset allocations and the composition of the portfolio is monitored by the Investment Committee.

The Fund uses different methods to measure and manage the various types of risks to which it is exposed, these are summarised below;

**18.1 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, interest rate risk and currency risk.

**i. Price risk**

Price risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market prices. This risk arises from the investments held by Fund for which prices are uncertain in future. The management company manages its price risk by monitoring exposure on marketable securities by following the internal guidelines of the Investment Committee and the Regulations laid down by the SECP.

The majority of the Company's equity investments are publicly traded on stock exchange. The Company's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and is reviewed periodically by the Investment Committee. Compliance with the Fund's investment policies are reported to the management company on regular basis.

As at June 30, 2011, fair value of equity securities exposed to price risk were as follows:

	<u>2011</u>	<u>2010</u>
	..... Rupees .....	
Equity investments -Held-for-trading	<u><b>1,388,441,945</b></u>	<u>1,730,899,972</u>

In case of 10% increase / decrease in fair value of equity securities on June 30, 2011, income / (loss) for the year would be affected by Rs 138 million (2010:Rs. 173 million) as a result of gain / loss.

As at June 30, 2011, fair value of debt securities exposed to price risk were as follow:

	<u>2011</u>	<u>2010</u>
	..... Rupees .....	
Available-for-sale	<u>-</u>	<u>289,320,552</u>

In case of 10% increase / decrease in fair value on June 30, 2011, statement of comprehensive income for the year would be affected by nil amount (2010:Rs. 28.9 million) as a result of gains / losses.

**ii. Yield / interest rate risk**

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest / mark-up rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest / mark-up based on assets and liabilities that mature or reprice in a given period. The management company through investment committee monitors the Fund's overall interest rate sensitivity on periodic bases. The Fund holds a limited amount of floating rate debt, that expose the Fund to cash flow interest rate risk.

The interest rate profile of the Fund is as follows:

	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>At June 30, 2011</b>				
----- Rupees -----				
Held-for-trading equity	-	-	1,388,441,945	1,388,441,945
Bank balances	77,284,074	-	-	77,284,074
Security deposits	-	-	2,700,000	2,700,000
Dividend and other receivable	-	-	32,721,647	32,721,647
	<b>77,284,074</b>	<b>-</b>	<b>1,423,863,592</b>	<b>1,501,147,666</b>

	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>At June 30, 2010</b>				
----- Rupees -----				
Held-for-trading equity	-	-	1,730,899,972	1,730,899,972
Unquoted debt securities	22,435,824	-	-	22,435,824
Government Securities	-	266,884,728	-	266,884,728
Money market placements	-	100,000,000	-	100,000,000
Bank balances	47,065,540	-	-	47,065,540
Security deposits	-	-	2,700,000	2,700,000
Dividend and other	-	-	11,615,719	11,615,719
	<b>69,501,364</b>	<b>366,884,728</b>	<b>1,745,215,691</b>	<b>2,181,601,783</b>

**Interest rate sensitivity**

The sensitivity analysis demonstrates the sensitivity of the Fund's income and equity for the year to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the Fund's income for the year is the effect of the assumed change in interest rates on the net interest income for the year, based on the floating rate financial assets held at the statement of assets and liabilities date.

If the interest rate would have been higher or lower by 100 basis points and all the other variables remains constant, the Fund's income would increase / decrease as follows:

	<b>Change in rate</b>	<b>Total Effect on Income Rupees</b>
June 30, 2011	<b>+100 bps</b>	<b>772,841</b>
	<b>-100 bps</b>	<b>(772,841)</b>
June 30, 2010	+100 bps	695,014
	-100 bps	(695,014)

The Fund does not hold fixed interest rate financial assets which may be subject to change in fair value as a result of change in interest rate.

Management is of the view that the above sensitivity analyses is not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives.

### iii. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

## 18.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments or counter parties, in case of reverse repurchase transactions or other arrangements, to fulfill their obligations. The risk is generally limited to principal amounts and accrued interest thereon, if any. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee.

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk is as follows;

	<b>June 30, 2011</b>		<b>June 30, 2010</b>	
	<b>Statement of assets and liabilities</b>	<b>Maximum Exposure</b>	<b>Statement of assets and liabilities</b>	<b>Maximum Exposure</b>
	----- Rupees -----		----- Rupees -----	
Investments	<b>1,388,441,945</b>	-	2,020,220,524	22,435,824
Money market placements	-	-	100,000,000	100,000,000
Bank balances	<b>77,284,074</b>	<b>77,284,074</b>	47,065,540	47,065,540
Security deposits	<b>2,700,000</b>	<b>2,700,000</b>	2,700,000	2,700,000
Dividend and other receivables	<b>32,721,647</b>	<b>32,721,647</b>	12,431,772	12,431,772
	<b>1,501,147,666</b>	<b>112,705,721</b>	2,182,417,836	184,633,136

As per management view the credit risk arising on the investments is addressed as follows:

Where the investment committee makes an investment decision, the credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

Investment transactions are carried out with a large number of brokers, whose credit worthiness is taken into account so as to minimise the risk of default.

The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by periodic review of trade reports. The Investment Committee trade only in securities of entities with credit rating approved by external credit rating agencies.

Cash is held only with reputable banks with high quality credit ratings assigned by approved credit rating agencies.

Information relating to the Fund's financial asset that is impaired is given in Note 4.2.1 and 4.4.1.

### 18.3 Liquidity risk

Liquidity risk is the risk that a Fund will encounter difficulty in raising funds to meet commitments associated with financial liabilities stood at Rs. 28,096,634 (2010: Rs 29,500,678). The management company manages liquidity risk by following internal guidelines of the investment committee such as monitoring maturities of financial assets and financial liabilities and investing in highly liquid financial assets.

The Fund is not materially exposed to liquidity risk as all obligations / commitments of the Fund are short-term in nature and most of the assets of the Fund are readily disposable on the stock exchanges.

Following are the contractual maturities of the financial liabilities;

	Less than 1 month	Between 1 and 12 months	More than 1 year	Total
.....Rupees.....				
<b>As at June 30, 2011</b>				
Remuneration payable to the management company	325,860	-	-	325,860
Remuneration payable to the trustee	209,646	-	-	209,646
Annual fee payable to Securities and Exchange Commission of Pakistan	-	1,747,865	-	1,747,865
Accrued and other liabilities	16,555,645	-	-	16,555,645
Unclaimed dividend	9,257,618	-	-	9,257,618
	<b>26,348,769</b>	<b>1,747,865</b>	-	<b>28,096,634</b>

	Less than 1 month	Between 1 and 12 months	More than 1 year	Total
	.....Rupees.....			
<b>As at June 30, 2010</b>				
Remuneration payable to the management company	479,899	-	-	479,899
Remuneration payable to the trustee	172,896	-	-	172,896
Annual fee payable to Securities and Exchange Commission of Pakistan	-	2,259,139	-	2,259,139
Accrued and other liabilities	15,466,701	1,960,738	-	17,427,439
Unclaimed dividend	9,161,305	-	-	9,161,305
	25,280,801	4,219,877	-	29,500,678

## 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the 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 tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

### Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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



	Level 1	Level 2	Level 3
	.....Rupees.....		
<b>As at June 30, 2011</b>			
<b>Financial assets at fair value through profit or loss - held-for-trading</b>			
Listed ordinary shares	1,388,441,945	-	-
<b>Total</b>	<b>1,388,441,945</b>	<b>-</b>	<b>-</b>
<b>As at June 30, 2010</b>			
<b>Financial assets at fair value through profit or loss - held-for-trading</b>			
Listed ordinary shares	1,730,899,972	-	-
<b>Available-for-sale</b>			
Quoted debt securities	-	289,320,552	-
<b>Total</b>	<b>1,730,899,972</b>	<b>289,320,552</b>	<b>-</b>

There were no transfers between Level 1 and 2 in the period.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

## 20. UNIT HOLDERS' FUND MANAGEMENT

Redeemable units are represented as capital of the Fund. Unit holders are entitled to dividends and to payments of proportionate share based on the Fund's net assets value per unit on the redemption date subject to back end load.

The Fund has no restrictions or specific requirements on the subscription and redemption.

JS Large Cap. Fund is an open end fund. The Fund's objectives when managing unit holder's fund is to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong capital base to meet unexpected losses or opportunities.

## 21. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the management company have approved a distribution of stock dividend of Rs. 35 per unit for the year ended June 30, 2011, amounting to Rs. 590,298,305 in their meeting held on July 6, 2011. These financial statements do not include the effect of the above distribution that will be accounted for subsequent to the year end.



**22. OTHER SUPPLEMENTARY INFORMATION**

The information regarding unit holding pattern of the Fund, transactions with top ten brokers, details of the members of the Investment Committee, particulars of the Fund Manager, details of meetings of the Board of Directors of the management company and the Fund and asset manager rating have been disclosed in Annexure I to the financial statements.

**23. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by Board of Directors of JS Investments Limited on September 09, 2011.

**24. GENERAL**

Figures have been rounded off to the nearest Rupee.

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

**Rashid Mansur**

Chief Executive Officer

**Munawar Alam Siddiqui**

Chairman

**SUPPLEMENTARY NON FINANCIAL INFORMATION  
AS REQUIRED UNDER SECTION 6(D), (F), (G), (H), (I), AND (J)  
OF THE FIFTH SCHEDULE TO THE NBFC REGULATIONS**

**ANNEXURE I**

**(I) UNIT HOLDING PATTERN OF FUND**

Category	2011			2010		
	No. of unit holders	Number of unit held	% of total units	No. of unit holders	Number of unit held	% of total units
					<b>(Restated)</b>	
Individuals	1896	2,002,350	11.87	2,050	2,473,910	7.51
Associated Companies and Directors	7	8,653,122	51.31	10	12,680,186	38.48
Insurance Companies	7	1,239,298	7.35	8	1,249,298	3.79
Banks and Development Financial Institutions	5	652,601	3.87	10	7,860,978	23.85
Non Banking Financial Companies	6	557,225	3.30	10	1,878,944	5.70
Retirement Funds	30	406,423	2.41	31	581,092	1.76
Public Limited Companies	27	53,940	0.32	8	42,272	0.13
Others	10	3,300,707	19.57	43	6,188,312	18.78
	<b>1,988</b>	<b>16,865,666</b>	<b>100</b>	<b>2,170</b>	<b>32,954,991</b>	<b>100.00</b>

**(II) TRANSACTIONS WITH TOP 10 BROKERS**

Name of Brokers 2011	2011 Percentage of commission / Brokerage
JS Global Capital Limited	25
Invisor Securities Private Limited	8
KASB Securities Limited	7
Fortune Securities Limited	6
Global Securities Pakistan Limited	6
Burj Capital Pakistan Private Limited	4
MRA Securities Private Limited	4
Foundation Securities Private Limited	4
Arif Habib Securities Limited	4
MS Maniar Financials Private Limited	3
Name of Brokers 2010	2010 Percentage of commission / Brokerage
JS Global Capital Limited	27
Crossby Securities Pakistan Private Limited	19
Next Capital Limited	8
Invisor Securities Private Limited	6
Global Securities Pakistan Limited	5
Invest Managers Securities Private Limited.	4

**ANNEXURE I**

<b>Name of Brokers 2010</b>	<b>2010 Percentage of commission / Brokerage</b>
Invest Capital and Securities Private Limited	4
IGI Financials Services Limited	4
KASB Securities Limited	4
Arif Habib Securities Limited	3

**(III) DETAILS OF MEMBERS OF INVESTMENT COMMITTEE**

Details of members of the investment committee of the Fund are as follows:

Mr. Rashid Mansur - Chief Executive Officer  
 Mr. Suleman Lalani - Executive Director  
 Dr. Ali Akhter Ali - Chief Investment Officer  
 Mr. Assad Hameed Khan - Head of Strategy and Business Development  
 Mr. Muhammad Salman Siddique - Head of Research  
 Mr. Arsalan Asif Soomro - Fund Manager

**MR. RASHID MANSUR - CHIEF EXECUTIVE OFFICER**

Mr. Rashid Mansur joined JS Investments Limited (JSIL) on April 1, 2010 as Chief Executive Officer. Prior to joining JSIL he was President and CEO of Escorts Investment Bank Limited and also served as the Chairman of the 'Investment Banks Association of Pakistan'. He is a qualified Associate of the Chartered Institute of Bankers London with specialization in 'International Banking Operations', 'Practice & Law of International Banking' and 'International Finance & Investment'.

He is a Fellow of the Institute of Bankers in Pakistan with over 26 years of domestic and international banking experience. He started his career with Habib Bank Limited in 1974 and served for 18 years on various management positions including 10 years in Turkey. In Pakistan, he has held various Board-level positions in both private and public sector, such as President and CEO, 'Fidelity Investment Bank Limited', CEO 'Fidelity Leasing Modaraba', Director 'Security General Insurance Company Limited' and Chairman and CEO 'Board of Investment and Trade Punjab'.

During his tenure as Chairman and CEO of 'The Board of Investment and Trade', Government of Punjab and as Secretary General of Turkey 'Pakistan Business Council (Lahore Chapter)', he is credited with hosting and organizing various investment conferences abroad and rendered valuable services for the promotion of economic relations between Turkey and Pakistan.

Besides English and Urdu, he speaks French and Turkish fluently.

**MR. SULEMAN LALANI - EXECUTIVE DIRECTOR**

Mr. Suleman Lalani joined JSIL as CFO and Company Secretary in January 2005. He is a fellow member of the Institute of Chartered Accountants of Pakistan and has over 19 years of experience in the financial services sector. Prior to joining JSIL, Mr. Lalani has also served as CFO and Company Secretary of a regulated microfinance institution for three years. Earlier he worked as Chief Operating Officer for Jahangir Siddiqui Investment Bank Limited and as Vice President - Finance & Legal with Jahangir Siddiqui & Company Limited.

Mr. Suleman Lalani was appointed as Executive Director of JS Investments Limited on March 22, 2010. He has also passed the Board Development Certificate Program conducted by Pakistan Institute of Corporate Governance.

**DR. ALI AKHTER ALI - CHIEF INVESTMENT OFFICER**

Dr. Ali Akhter Ali joined JSIL as Senior Vice President (fund manager) in November 2009. He earned his MBBS from Baqai Medical College in 1998-99 and MBA with majors in Finance from PAF-KIET in January 2006.

### ANNEXURE I

Before joining JSIL he remained associated with KASB Capital Limited for around a year and a half (2008-2009) initially as chief dealer in the Treasury Department and then moved on to Head of Money Market , Forex and Financial Advisory. Prior to KASB Capital he worked with JSIL from 2006 till 2008 in the capacity of Assistant Vice President, Investments Department. He also worked for three years (2000-2004) with BMA Capital Management as a Senior Dealer on the Fixed Income Desk and two and a half years (2004-2006) at Jahangir Siddiqui Capital Markets Limited as Senior Dealer Fixed Income Desk was later promoted to the position of Head of Fixed Income.

Currently, he is looking after the JS Growth Fund, JS Principal Secure Fund 1, JS Pension Savings Fund and JS Fund of Funds.

#### **MR. ASSAD HAMEED KHAN - HEAD OF STRATEGY AND BUSINESS DEVELOPMENT**

Mr. Assad Khan joined JSIL in January 2007 as part of the Business Planning and Development team leading Product Development activities. In July 2008 he was also entrusted with the responsibility of all aspects of JSIL's international business endeavors as Head of Products and International Business Development. Since February 2011 he has been entrusted with the responsibility to also lead the marketing and sales initiatives of JSIL as the Head of Strategy & Business Development Department. Prior to joining JSIL, he has over four years of diversified experience with the Securities and Exchange Commission of Pakistan (SECP) in various capacities including authorization, supervision, enforcement, research and policy setting for Non-Banking Financial sector - driving key policy initiatives including REITs and Private Equity.

Prior to the SECP, he worked at A. F. Ferguson & Co., Chartered Accountants Pakistan (member of PwC International) for five years in Business Assurance and Advisory, specializing in audit and management consultancy. He is a CA Finalist from the Institute of Chartered Accountants of Pakistan.

#### **MR. MUHAMMAD SALMAN SIDDIQUE - HEAD OF RESEARCH**

Mr. Salman joined JSIL in November 2010 as Head of Research and Risk Management. Prior to joining JSIL Salman has worked for almost four years at Fortune Securities Limited where he headed the Equity Research Department. Besides supervising the department he also covered the Oil and Gas Exploration, Oil Marketing and Power sectors. Before Fortune Securities Limited, Salman had worked for over 18 months at JSIL (then JS Abamco Ltd.), where he started off his career. His primary responsibilities were to evaluate the Oil Refinery and Oil Marketing sectors.

Salman holds Bachelors in Computer Systems Engineering from the National University of Sciences and Technology (NUST) and is an MBA from the Institute of Business Administration (IBA).

#### **MR. ARSALAN ASIF SOOMRO**

Mr. Arsalan Asif Soomro graduated from Cass Business School, London in May 2008 with First Class Honours in B.Sc. (Honors) in Investment and Financial Risk Management and is a candidate for CFA level 3. Mr. Soomro holds FSA UK approved Investment Management Certificate (IMC) and has also cleared his Financial Risk Manager (FRM) qualifications. Mr. Soomro joined JSIL in September 2009 as a Research Analyst and is currently working as Fund Manager and looking after the JS Islamic Fund, JS-Principal Secure Fund-II, JS KSE - 30 Index Fund and JS Large Cap Fund.

## ANNEXURE I

**(IV) MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Name of Directors	Meeting attended	Meetings held on					
		9-Jul-10	17-Aug-10	22-Oct-10	6-Dec-10	15-Feb-11	21-Apr-11
Mr. Munwar Alam Siddiqui	6	1	1	1	1	1	1
Mr. Rashid Mansur	6	1	1	1	1	1	1
Mr. Suleman Lalani	6	1	1	1	1	1	1
Mr. Nazar Mohammad Shaikh	6	1	1	1	1	1	1
Lt. General (Retd.) Masood Parwaiz	5	1	-	1	1	1	1
Mr. Sadeq Sayeed	1	1	-	-	-	-	-
Mr. Fayaz Anwar - Outgoing Director	4	1	1	1	1	-	-
Mr. Mazharul Haq Siddiqui - Incoming Director	1	-	-	-	-	-	1
		7	5	6	6	5	6

**(V) FUND AND ASSET MANAGER RATING**

The matter of mutual funds performance ratings continues to be under discussion between MUFAP, SECP and the country's two rating agencies. Updated Fund rating will be obtained by the Management Company after SECP's final decision on this matter.

JCR-VIS Credit Rating Company Limited has assigned Management Quality Rating of "AM2-" (AM-Two Minus) to JS Investments Limited. The rating denotes high management quality of the Management Company.



**JS Investments Limited**

7th Floor, The Forum,  
G-20 Khayaban-e-Jami,  
Block-9, Clifton, Karachi-75600

Phone: +92 21 111 222 626  
Fax: +92 21 3 536 1724  
E-mail: [info@jsil.com](mailto:info@jsil.com)  
Website: [www.jsil.com](http://www.jsil.com)