



JS Principal Secure Fund II

Annual Report 2010



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In July 2010, the Board of Directors of JS Investments Limited adopted the sustainable growth initiative "JSIL 2010 Onwards ~"proposed by the newly appointed CEO. The revised Vision, Mission, and Statement of Broad Policy Objectives of JS Investments form the bedrock of "JSIL 2010 Onwards ~" and have been framed after a thorough S.W.O.T. Analysis of the Company and assessment of the Macro-economic and Financial Market Trends.

VISION

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

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.

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
7th 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	Chairman
Rashid Mansur	Chief Executive Officer
Suleman Lalani	Executive Director
Nazar Mohammad Shaikh	
Fayaz Anwar	
Lt. General (R) Masood Parwaiz	
Sadeq Sayeed	

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box, 15541
Karachi-75530, Pakistan.

Legal Adviser

Bawaney & Partner
Room # 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

Audit Committee

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

Chief Financial Officer & Company Secretary

Suleman Lalani

Trustee

MCB Financial Services Ltd.
(formerly Muslim Commercial Financial Services Ltd)
3rd Floor, Adamjee House
I.I.Chundrigar Road,
Karachi - 75530
Tel: (92-21) 32419770
Fax: (92-21) 32416371

DIRECTORS REPORT TO THE UNIT HOLDERS

The Board of Directors of JS Investments Limited, the Management Company of JS Principal Secure Fund II (the Fund), is pleased to present the Annual Report for the year ended June 30, 2010.

Market Review

The equity markets recovered considerably during the Fiscal Year 2010, as the KSE-30 Index surged 26.22% to close the FY10 at 9,556 points. The index rebounded sharply on the back of a lower base and continued economic improvements.

Despite a modest yet fragile economic growth, a major confidence boosting indicator has been the active injections due to foreigners' interest in Pakistan's bourse, as the net Foreign Portfolio Investment (FPI) was recorded at US\$ 556mn for FY10. Improved macroeconomic conditions, coupled with extremely attractive valuations, have been the prime drivers of the equity markets. In contrast, there exists a liquidity conundrum due to the absence of a leveraged product to cash-strapped investors, with consequent impact on average daily trading value of US\$ 84mn.

The local investors, however, still remain jittery while seeking clarity on the modalities of Capital Gains Tax (CGT) and viability of Value Added Tax's implementation. The latter's trickle down impact on already soaring inflation rates also remain a cause for concern. Nevertheless, astounding equity valuations – a 38% P/E discount to regional peers and 2010E P/E of 6.9x– packaged with possible reemergence of a keenly-awaited leveraged product are imminent key triggers to attract both foreign and local investors' interest in Fiscal Year 2011.

Review of Fund Performance

The Fund posted a return of 3.15% against a benchmark return of 5.83%, underperforming the benchmark by 2.68%.

The Fund earned net income of Rs. 19.621 million during the year ended June 30, 2010, including unrealized loss on investment of Rs. 7.187 million. The net assets of the Fund as on June 30, 2010 were Rs. 585.641 million. The net assets value as on June 30, 2010 was Rs. 103.17 per unit.

The Board of Directors of the Management Company, on July 7, 2010, has declared a stock dividend of Rs. 2.70 per unit. An investor holding 100 units as on June 30, 2010 will receive 2.6873 units on ex-stock dividend price of Rs. 100.47 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 I of the Second Schedule of Income Tax Ordinance, 2001.

Fund and Asset Manager Rating

The Management Company is in the process to obtain the rating of the Fund from a rating agency.

The asset manager rating for JS Investments Limited is in progress and has not yet been announced by JCR – VIS Credit Rating Co. Limited. The asset manager rating for JS Investments Limited last announced by PACRA was "AM2". The said rating was subsequently withdrawn by PACRA on March 16, 2010 pursuant to JS Investments' decision to discontinue its rating relationship with PACRA with immediate effect.

Future Outlook

Mr. Rashid Mansur was appointed as the new Chief Executive Officer of your Management Company w.e.f April 01, 2010. The incoming CEO carried out a detailed SWOT Analysis of your Management Company and the Funds based on assessment of the prevailing Macroeconomic and Financial Market trends as well as their impact on the mutual fund industry, generally, and on your Management Company, specifically. Based on this, the CEO reviewed and revised the Vision, Mission, and Statement of Broad Policy Objectives of your Management Company to reposition it towards sustainable growth – This initiative has been branded as, "**JSIL 2010 Onwards ~**".

The CEO also reassessed the Organizational Structure and initiated certain desired changes to enhance the operational efficiency of your Management Company. These include creation of a separate and independent Risk Management, Research and Market

Intelligence department; defining and augmenting the role and responsibilities of Investment Committee and Fund Managers.

We believe that a progressive and proactive approach to business will enhance the Brand Visibility of your Management Company and its products, yielding higher returns for all stakeholders. At the same time a strong Prudential Risk Management would play fundamental role in working of your Management Company.

We understand that Pakistan is passing through a challenging time on the economic front, yet we are confident that your Management Company will continue to achieve sustainable growth based on business model that aims to thrive on efficiency, innovation and transparency.

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 Chief Executive, directors and executives and their spouses do not hold any units in the fund.
- k. The Chief Executive, directors and executives, their spouses and minor children have not acquired / redeemed any units in / from the fund during the year.
- 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, 2010 was Rs. 15.978 million.

Meetings of the Directors

During the year six 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. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible offers themselves for reappointment. The Audit Committee of the Board of the Management Company has recommended reappointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as the Fund's auditors for the year ending June 30, 2011.

Acknowledgment

The Directors expresses 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 and the Trustee for their dedication and hard work and the unit holders for their confidence in the Management.

Karachi: August 17, 2010

Rashid Mansur
Chief Executive Officer

FUND MANAGER REPORT

Investment philosophy

The Fund aims at protecting investor capital through the investment structure by placing a significant percentage of the Fund as term deposit(s) with scheduled commercial Bank(s) having a minimum long term rating of Double A minus "AA-" or in other return based fixed income instruments issued by the Government of Pakistan to be specified in the Offering Document of the Fund. The remaining funds are used to gain exposure into equity markets or any other Authorized Investment instruments that the Management Company feels would be appropriate to maximize return through an aggressive asset allocation strategy.

Key information

Fund type	Open end
Category	Capital protected scheme
Fund launch date	14 December, 2009
Net Assets (PKR mn)	585.64
Management fee	1.50%
Front-end Load	2.50%
Trustee	MCB Financial Services Ltd
Auditor	Ernst & Young Ford Rhodes Sidat Hyder
Risk profile	Low
Listing	Lahore Stock Exchange
Benchmark	86% TDR Rate & 14% KSE-30 Index

Market Review

The equity markets recovered considerably during the Fiscal Year 2010, as the KSE-100 Index surged 36% to close the FY10 at 9721 points. The index rebounded sharply on the back of a lower base and continued economic improvements.

Despite a modest –yet fragile– economic growth, a major confidence boosting indicator has been the active injections due to foreigners' interest in Pakistan's bourse, as the net Foreign Portfolio Investment (FPI) was recorded at US\$ 556mn for FY10. Improved macroeconomic conditions, coupled with extremely attractive valuations, have been the prime drivers of the equity markets. In contrast, there exists a liquidity conundrum due to the absence of a leveraged product to cash-strapped investors, with consequent impact on average daily trading value of US\$ 84mn.

The local investors, however, still remain jittery while seeking clarity on the modalities of Capital Gains Tax (CGT) and viability of Value Added Tax's implementation. The latter's trickle down impact on already soaring inflation rates also remain a cause for concern. Nevertheless, astounding equity valuations –a 38% P/E discount to regional peers and 2010E P/E of 6.9x– packaged with possible reemergence of a keenly-awaited leveraged product are imminent key triggers to attract both foreign and local investors' interest in Fiscal Year 2011.

Fund vs Benchmark Comparison

	1M	6M	1Y	Launch
Fund	0.73	2.87	3.15	3.15
Benchmark	1.31	4.74	5.83	5.83
Difference	-0.58	-1.87	-2.68	-2.68

Distribution for the Year Ended June 30, 2009

Not Applicable

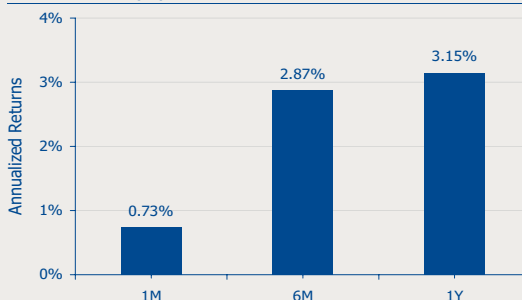
Distribution for the Year Ended June 30, 2010

Stock dividend of Rs. 2.70 per unit has been announced for JS Principal Secure Fund II

Effects on the NAV after Distribution

NAV per unit as on June 30, 2010	
Cum NAV (PKR)	103.17
Ex-NAV (PKR)	100.47

Performance (%)



Asset allocation (%)

	Jun-10
Cash	0.09
Equity	7.64
Placement with Bks & DFIs	87.05
Other including receivables	5.22
Total	100.00

Equity sector breakdown (%)

	Jun-10
Oil & Gas	3.01
Life Insurance	1.50
Fixed Line Telecommunication	1.44
Automobile & Parts	0.95
Construction & Materials	0.62
Others	0.12
Total	7.64

Statistical analysis

	Fund	Benchmark
Beta	0.5	1.0
Standard Deviation	1.6%	2.7%
Largest Month Gain	0.8%	1.3%
Largest Month Loss	-0.5%	-0.9%
% Positive Months	87.5%	87.5%

Investment Committee Members

Mr. Rashid Mansur - Chief Executive Officer
 Mr. Suleman Lalani - Executive Director & CFO
 Mr. Arslan Asif Soomro - Fund Manager

Split of Units

The Fund has not carried out any Unit split exercise during the year.

Effects on the NAV after Split

n/a

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.

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 units 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 TABLE / KEY FINANCIAL DATA

		2010
Net assets	Rs.	585,641,379
Net income	Rs.	19,620,789
Total return of the Fund	%	3.15
Annual dividend distribution	%	2.70
Capital Growth	%	0.45
NAV per unit	Rs.	103.17
Highest offer price per unit	Rs.	115.66
Lowest offer price per unit	Rs.	102.53
Year-end offer price per unit	Rs.	105.75
Highest repurchase price per unit	Rs.	98.05
Lowest repurchase price per unit	Rs.	95.01
Year-end repurchase price per unit	Rs.	98.01
Announcement date		7-Jul-10
Distribution	Rs.	2.70

Notes

- JS Principal Secure Fund II was launched on December 14, 2009.
- Investment portfolio composition of the Fund is disclosed in note 9 to the financial statements.

Disclaimer

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

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

We have reviewed the Statement of Compliance with the best practices (the statement) contained in the Code of Corporate Governance (the code) prepared by the Board of Directors of the Management Company of JS Principal Secure Fund II (the Fund) to comply with the Listing Regulations of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code 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 reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's 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 Management Company's corporate governance procedures and risks.

Further, Sub-Regulations (xiii a) of Listing Regulation 35 of the Lahore Stock Exchange require 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 undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the status of the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the period from 04 September, 2009 to 30 June, 2010.

Karachi: August 17, 2010

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

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. Presently, the Board of Directors (Directors) includes five non-executive directors.
2. The directors of the Management Company have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the 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. Muhammad Najam Ali, CEO, Mr. Ali Raza Siddiqui, Executive Director and Mr. Siraj Ahmed Dadabhoj, Director tendered their resignation and Mr. Rashid Mansur, CEO, Mr. Suleman Lalani, Executive Director and Mr. Fayaz Anwar, Director were appointed to fill the casual vacancies 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 Management 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 the Board of Directors for their review and approval.
10. The Board of Directors is well aware of the requirements of the Code of Corporate Governance however arrangements will also be made shortly for an orientation session.
11. During the year, there was no change of Chief Financial Officer / Company Secretary. His remuneration and terms and conditions of employment have been approved by the Board. The Head of Internal Audit resigned on 11 June 2010 and the Management Company is in the process to fill the said vacancy.
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.

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 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 and 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 shares of the Company 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: August 17, 2010

Rashid Mansur
Chief Executive Officer

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

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

JS Principal Secure Fund II, an open end scheme established under a Trust Deed dated July 30, 2009 executed between JS Investments Limited, as the Management Company and MCB Financial Services Limited (Formerly: Muslim Commercial Financial Services Limited), as the Trustee.

1. JS Investments Limited, the Management Company of JS Principal Secure Fund II has, in all material respects, managed JS Principal Secure Fund II during the period from September 04, 2009 to June 30, 2010 in accordance with the provisions of the following:
 - (i) the limitations imposed on the investment powers of the Management Company under the Constitutive Documents;
 - (ii) the valuation and pricing of units are carried out in accordance with the requirements of the Trust Deed and the Offering Document;
 - (iii) the creation and cancellation of units are carried out in accordance with the requirements of the Trust Deed and the Offering Document;
 - (iv) the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008; and the constitutive documents.

Karachi: August 20, 2010

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited (formerly: Muslim
Commercial Financial Services Limited)

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of JS Principal Secure Fund II (the Fund), which comprise the statement of assets and liabilities as at 30 June 2010, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 state of the Fund's affairs as at 30 June 2010 and of its financial performance, cash flows and transactions for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

Other Matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, the NBFC Rules and the NBFC Regulations.

Karachi: August 17, 2010

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: **Arslan Khalid**



FINANCIAL STATEMENTS

**STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2010**

	Note	Rupees
Assets		
Bank balances	7	548,606
Term deposits	8	540,768,205
Investments	9	44,901,927
Dividend receivable		525,000
Security deposit		100,000
Deferred formation cost	10	938,129
Total assets		<u>587,781,867</u>
Liabilities		
Remuneration payable to the Management Company		72,198
Remuneration payable to the Trustee		73,116
Accrued and other liabilities	11	1,995,174
Total liabilities		<u>2,140,488</u>
Net assets		<u>585,641,379</u>
Unit holders' fund		<u>585,641,379</u>
Number of units in issue		<u>5,676,637</u>
Net asset value per unit		<u>103.17</u>

The annexed notes from 1 to 22 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 PERIOD FROM 4 SEPTEMBER 2009 TO 30 JUNE 2010**

	Note	Rupees
INCOME		
Return on bank balances and term deposits		35,349,289
Dividend income		2,071,221
Net loss on investments at fair value through income statement		
Net loss on sale of investments		(1,984,740)
Net unrealised loss on revaluation of investments		(7,186,569)
		(9,171,309)
Element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed - net		(352,273)
		27,896,928
EXPENSES		
Remuneration of the Management Company	12	4,809,356
Remuneration of the Trustee	13	485,457
Annual fee of Securities and Exchange Commission of Pakistan	14	240,468
Securities transaction cost		308,437
Listing fee		95,240
Bank charges		49,086
Bank charges on early redemption of term deposits		1,059,939
Auditors' remuneration	15	240,000
Printing and stationary		102,600
Advertisement		13,161
Amortization of deferred formation cost		471,458
Provision for contribution to Workers' Welfare Fund	16	400,937
		8,276,139
Net income for the period		19,620,789

The annexed notes from 1 to 22 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 PERIOD FROM 4 SEPTEMBER 2009 TO 30 JUNE 2010**

	Rupees
Net income for the period	19,620,789
Other comprehensive income	-
Total comprehensive income for the period	<u>19,620,789</u>

The annexed notes from 1 to 22 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 PERIOD FROM 4 SEPTEMBER 2009 TO 30 JUNE 2010**

	Rupees
Cash flows from operating activities	
Net income for the period	19,620,789
Adjustments for:	
Return on bank balances and term deposits	(35,349,289)
Dividend income	(2,071,221)
Net loss on sale of investments	1,984,740
Net unrealised loss on revaluation of investments	7,186,569
Amortisation of deferred formation cost	471,458
Provision for contribution to Workers' Welfare Fund	400,937
Element of (income) / loss and capital (gain) / loss included in prices of units sold less those in units redeemed - net	352,273
	(27,024,533)
Increase in assets	
Security deposit	(100,000)
Increase in liabilities	
Remuneration payable to the Management Company	72,198
Remuneration payable to the Trustee	73,116
Accrued and other liabilities	1,519,657
	1,664,971
Sale of investments	53,760,235
Purchase of investments	(107,833,471)
Placement in term deposits	(511,648,871)
Markup received on bank balances	6,229,955
Dividend received	1,546,221
Formation cost reimbursed to Management Company	(1,335,007)
Net cash used in operating activities	(565,119,711)
Cash flows from financing activities	
Proceeds from issue of units	587,139,304
Payments on redemption of units	(21,470,987)
Net cash inflow from financing activities	565,668,317
Cash and cash equivalent at the end of the period	548,606

The annexed notes from 1 to 22 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 PERIOD FROM 4 SEPTEMBER 2009 TO 30 JUNE 2010**

	Rupees
Issue of 5,897,367* units of Rs. 100/- each	587,139,304
Redemption of 220,731 units of Rs. 100/- each	(21,470,987)
Element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed-net	352,273
Net income for the period	19,620,789
Other comprehensive income	-
Total comprehensive income for the period	19,620,789
Net assets as at the end of the period [Rs. 103.17 per unit]	585,641,379
Net assets at the end of the period consist of:	
Capital account	567,663,700
Undistributed income carried forward	16,846,566
Back-end load - special reserve account	1,131,113
Net assets as at the end of the period	585,641,379

*This includes 27,742 additional units issued during the period

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

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

**DISTRIBUTION STATEMENT
FOR THE PERIOD FROM 4 SEPTEMBER 2009 TO 30 JUNE 2010**

	Rupees
Net income for the period	19,620,789
Distribution of 27,742 additional units	(2,774,223)
Undistributed income carried forward	
Realised	24,033,135
Unrealised	(7,186,569)
	<u>16,846,566</u>

The annexed notes from 1 to 22 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 PERIOD FROM 4 SEPTEMBER 2009 TO 30 JUNE 2010**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** JS Principal Secure Fund II (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) as an open end unit trust scheme. It was constituted under the Trust Deed, dated 30 July 2009 between JS Investments Limited as its Management Company and MCB Financial Services Limited as its Trustee.
- 1.2** The Fund aims at protecting investors' capital by placing a significant percentage of the Fund as bank deposit(s) or in other fixed income instruments and uses the remaining funds for investments into equity markets or any other permissible investment instruments. The duration of the Fund is eighteen months and six weeks from the last day of Initial Public Offering i.e. 15 December 2009. The Fund shall automatically stand dissolved after this period in accordance with the Trust Deed.
- 1.3** After the initial subscription the public sale of units has been discontinued. The sale of additional units, if allowed during the tenure of the Fund, will be at the discretion of the Management Company. The units can also be redeemed by surrendering them to the Fund subject to back end load as per the offering document. The units are listed on the Lahore Stock Exchange.

2. STATEMENT OF COMPLIANCE

- 2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

3. BASIS OF MEASUREMENT

- 3.1** These financial statements have been prepared under the historical cost convention except for investments and derivatives which are valued as stated in notes 4.1 and 4.2 below.
- 3.2** These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During the period, the Fund has adopted the following significant accounting policies:

4.1 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through income statement or available-for-sale investment, as appropriate.

All investments, are initially measured at fair value plus, in the case of investments not at fair value through income statement, transaction costs that are directly attributable to acquisition.

All regular way purchases / sales of investments are recognised on the trade date, i.e. the date on which the Fund commits to purchase / sell the investment. Regular way purchases / sales of investments require delivery of securities within two days after transaction date as per the stock exchange regulations.

Investments at fair value through income statement

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and gains or losses on revaluation are recognised in the income statement.

Available-for-sale

Investments which are not classified in the above category are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealised gain or loss recognised directly in the statement of comprehensive income until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in statement of comprehensive income is taken to the income statement. However, the Fund does not have any items of income and expenses representing other comprehensive income. Therefore, comprehensive income is equal to the net income / (loss) reported for all periods presented.

4.2 Derivatives

These are initially recognised at cost and are subsequently remeasured at their fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of assets and liabilities. The resultant gains and losses are included in the income currently.

4.3 Deferred formation cost

The Fund has recorded all expenses incurred in connection with the incorporation, registration, establishment and authorisation of the Fund, as deferred formation cost which are amortised by the Fund over the life of the Fund in accordance with trust deed.

4.4 Issue and redemption of units

Units are issued at the offer price determined at the close of business, when funds in respect of purchase of units are realised. The offer price represents the net asset value of units at the close of the business day plus the allowable sales load. The sales load is payable to the distribution company and the Management Company as processing fee. Issue of units is recorded upon realisation of related funds.

Units redeemed are recorded at the redemption price prevalent during the day in which the units are redeemed. The redemption price represents the net asset value per unit at the close of the business day less the applicable back end load on the date of redemption application. Such back end load shall be credited directly to a separate special reserve account in accordance with the Trust Deed. Redemption of units is recorded on acceptance of application for redemption.

4.5 Revenue recognition

Markup on bank balances and term deposits is recognised on accrual basis.

Gain or loss on sale of securities and settlement of derivatives is accounted for in the period in which the sales / settlement occur.

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

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

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

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

The net 'element of income / (loss) and capital gain / (loss) in prices of units issued less those in units redeemed' during an accounting period is transferred to income statement in the period in which it arises.

4.7 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 Fund's unit holders. The Fund intends to avail the exemption in future periods. Therefore, no provision is required for current and deferred taxation in these financial statements.

4.8 Financial instruments

All 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 contractual rights to receive cash flows related to the assets expire. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

4.9 Offsetting of financial assets and 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.

4.10 Distribution to unit holders

Distribution to unit holders is recognised upon declaration and approval by the Board of Directors of the Management Company.

4.11 Net asset value per unit

The net asset value per unit disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the period end.

4.12 Cash and cash equivalent

Cash and cash equivalent comprise bank balances and short term deposits.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment mainly pertain to classification and valuation of investments as explained in the relevant accounting policies / notes in the financial statements.

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, interpretations and amendments with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard, interpretation or amendment:

Standard, interpretation or amendment		Effective date (accounting periods beginning on or after)
IAS - 24	Related Party Disclosures (Revised)	01 January 2011
IAS - 32	Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01 February 2010
IFRS - 2	Share based payment - Amendments relating to Group Cash-settled Share-based payment transactions	01 January 2010
IFRIC - 14	IAS - 19 - The limit on a defined benefit asset, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC - 19	Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Fund expects that the adoption of the above revisions, interpretations and amendments of the standards will not effect the Fund's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 1 January 2010. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

	Note	2010 Rupees
7. BANK BALANCES		
PLS saving accounts	7.1	<u><u>548,606</u></u>
7.1	These accounts carry markup rates ranging from 5% to 10.50% per annum and include balance of Rs. 0.316 million with JS Bank Limited (a related party).	
8. TERM DEPOSITS		
Principal amount		511,648,871
Accrued return	8.1	<u><u>29,119,334</u></u>
		<u><u>540,768,205</u></u>
8.1	Represents term deposits with commercial banks carrying interest rates ranging from 11.4% to 12% per annum. These deposits will mature in June 2011.	
8.2	During the period, no term deposits were redeemed before the maturity date. However, the Fund has accrued bank charges of Rs.1,059,939/- on early redemption of term deposits in accordance with the terms of the agreement.	



9. INVESTMENTS

2010
Rupees

At fair value through income statement (held-for-trading)

44,901,927

Acquired during the period	Number of shares		At the end of the period	Carrying value (Rupees)	% of total investments
	Bonus shares	Disposed during the period			

9.1 Listed shares

(Ordinary shares of Rs. 10/- each)

Oil and Gas

Attock Petroleum Limited	20,000	-	-	20,000	5,795,000	12.91
Pakistan Oilfields Limited	120,500	-	116,500	4,000	863,600	1.92
Pakistan Petroleum Limited	60,000	-	-	60,000	11,047,200	24.60
Pakistan State Oil Company Limited	20,000	-	20,000	-	-	-
					17,705,800	39.43

Construction and Materials

Attock Cement Pakistan Limited	134,800	-	78,800	56,000	3,668,000	8.17
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Automobile and Parts

Pak Suzuki Motor Company Limited	70,131	-	-	70,131	5,559,285	12.38
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Personal Goods

Azgard Nine Limited - related party	350,000	-	350,000	-	-	-
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Fixed Line Telecommunication

Pakistan Telecommunication Company Limited	475,000	-	-	475,000	8,455,000	18.83
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Electricity

Hub Power Company Limited	337,702	-	337,702	-	-	-
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Banks

Mezan Bank Limited	47,015	-	-	47,015	684,068	1.52
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Life Insurance

EFU Life Assurance Limited - related party	100,000	13,333	-	113,333	8,829,774	19.67
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Carrying value of investments as at 30 June 2010

44,901,927 100

Cost of investments as at 30 June 2010

52,088,496

	Note	2010 Rupees
10. DEFERRED FORMATION COST		
Deferred formation cost		1,409,587
Amortisation of deferred formation cost		(471,458)
		<u>938,129</u>
11. ACCRUED AND OTHER LIABILITIES		
SECP annual fee payable	14	240,468
Accrued expenses		1,279,189
Formation cost payable to Management Company		74,580
Provision for contribution to Workers' Welfare Fund		400,937
		<u>1,995,174</u>

12. REMUNERATION OF THE MANAGEMENT COMPANY

According to the provisions of the Trust Deed of the Fund, the Management Company has charged its remuneration at the rate of 1.5% per annum of the net assets of the Fund computed on a daily basis.

13. REMUNERATION OF THE TRUSTEE

According to the provisions of the Trust Deed of the Fund, the Trustee is entitled to monthly remuneration for services rendered to the Fund as follows:

On net assets :

- up to Rs. 100 million Maximum of 0.2% per annum of the net assets of the Fund computed on a daily basis or Rs. 0.2 million which ever is higher.
- up to Rs. 200 million Maximum of 0.2% per annum of the net assets of the Fund computed on a daily basis or Rs. 0.4 million which ever is higher.
- up to Rs. 250 million Maximum of 0.2% per annum of the net assets of the Fund computed on a daily basis or Rs. 0.5 million which ever is higher.
- exceeding Rs. 250 million to Rs. 500 million Rs. 0.6 million plus 0.12% per annum of the net assets exceeding Rs. 250 million of the Fund computed on a daily basis.
- exceeding Rs. 500 million to Rs. 1,000 million Rs. 0.8 million plus 0.1% per annum of the net assets exceeding Rs. 500 million of the Fund computed on a daily basis.
- exceeding Rs. 1,000 million to Rs. 2,000 million Rs. 1.1 million plus 0.08% per annum of the net assets exceeding Rs. 1,000 million of the Fund computed on a daily basis.
- exceeding Rs. 2,000 million to Rs. 5,000 million Rs. 1.9 million plus 0.06% per annum of the net assets exceeding Rs. 2,000 million of the Fund computed on a daily basis.
- over Rs. 5,000 million Rs. 3.7 million plus 0.05% per annum of the net assets exceeding Rs. 5,000 million of the Fund computed on a daily basis.

14. ANNUAL FEE OF SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Represents annual fee of SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP at the rate of 0.075% per annum of the net assets of the Fund computed on a daily basis.

**Period from
04 September
2009 to
30 June 2010
Rupees**

15. AUDITORS' REMUNERATION

Audit fee	75,000
Other services	140,000
Out of pocket expenses	25,000
	240,000

16. PROVISION FOR CONTRIBUTION TO WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the WWF Ordinance apparently has become applicable to all Collective Investment Schemes (CIS) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay contribution to WWF at the rate of 2% of the accounting income or declared income, whichever is higher. The Mutual Fund Association of Pakistan (MUFAP) had filed a constitutional petition in the High Court of Sindh (the Court) challenging the applicability of WWF to the CIS, which was dismissed by the Court vide its order dated 25 May 2010 on the main ground that the MUFAP (petitioner) cannot be held to be entitled to maintain a petition in respect of its member as MUFAP is not the aggrieved party in respect of its members. Subsequently, Central Depository Company of Pakistan Limited (CDC) on behalf of certain CIS under its trusteeship along with few investors has filed constitution petition in this regard before the Court on the same matter which is pending adjudication. However, without prejudice to the above, the Management Company, as a matter of abundant caution, has made a provision for WWF in the financial statements for the current period amounting to Rs. 400,937/-.

**Period from
04 September
2009 to
30 June 2010
Rupees**

17. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons include JS Investment Limited being the Management Company, MCB Financial Services Limited being the Trustee, Jahangir Siddiqui & Company Limited being the holding company of the Management Company, associates of the Management Company & its holding company, other funds being managed by the Management Company & Key Management Personnel.

JS Investment Limited

Remuneration of the Management Company	4,809,356
Sales load	2,117,167
Formation cost incurred	1,409,587
Formation cost reimbursed	1,335,007
Expenses incurred and reimbursed	42,160

MCB Financial Services Limited

Remuneration of the Trustee	485,457
Service charges	25,000

ABAMCO Limited - Staff Provident Fund

Issue of units	3,500,000
Issue of additional units	22,072
Outstanding 35,221 units	3,633,721

JS Bank Limited

Return on bank balances	2,052,489
Bank balances	315,511

JS Global Capital Limited

Brokerage fee	43,520
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EFU Life Assurance Limited

Issue of units	30,000,000
Issue of additional units	180,961
Outstanding 301,810 units	31,137,697

- 17.1** The transactions with related parties / connected persons are in the normal course of business at contracted rates.
- 17.2** The outstanding balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

18.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. As of 30 June 2010, the Fund is exposed to such risk in respect of bank balances. The term deposits carry fixed interest rates and will mature by June 2011. The bank balances are subject to interest rates as declared by the respective bank on periodic basis. Management of the Fund estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Fund's income by Rs. 5,486/- and a 1% decrease would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, its business sector, industry and / or the economy in general. Management of the Fund estimates that 10% increase in the overall equity prices in the market with all other factors remaining constant would increase the Fund's income by Rs. 4,490,193/- and a 10% decrease would result in decrease in the Fund's profit by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

The Management Company manages the above market risks through diversification of investment portfolio and placing limits on individual and aggregate exposures in accordance with the internal risk management policies and regulations laid down by the SECP.

18.3 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the

unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

As the Fund is structured to provide capital protection to the unit holders, a significant portion of the Fund's assets has been deposited with a commercial bank over a period ending on the maturity of the Fund. Accordingly, in order to prohibit or significantly limit the redemptions before the specified maturity of the Fund, the redemption requests are subject to back end load of 5% of the redemption value.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, for equity securities at fair value through income statement, the period in which those assets are assumed to mature is taken as the expected date on which these assets will be realised.

2010	Within 1 month	1 to 3 months	3 to 12 months	Over 1 year	Total
	----- Rupees -----				
Assets					
Bank balances	548,606	-	-	-	548,606
Term deposits	-	-	540,768,205	-	540,768,205
Investments	-	44,901,927	-	-	44,901,927
Dividend receivable	525,000	-	-	-	525,000
Security deposit	-	-	-	100,000	100,000
	1,073,606	44,901,927	540,768,205	100,000	586,843,738
Liabilities					
Remuneration payable to the Management Company	72,198	-	-	-	72,198
Remuneration payable to the Trustee	73,116	-	-	-	73,116
Accrued and other liabilities	1,485,876	509,298	-	-	1,995,174
	(1,631,190)	(509,298)	-	-	(2,140,488)
Net assets / (liabilities)	(557,584)	44,392,629	540,768,205	100,000	584,703,250

18.4 Credit risk

- (i) Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk:

	2010 Rupees
Bank balances	548,606
Term deposits	540,768,205
Dividend receivable	525,000
Security deposit	100,000
	<u>541,941,811</u>

- (ii) Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund is exposed to concentration of credit risk in respect of term deposits amounting to Rs. 540,768,205/- with MCB Bank Limited and Bank Alfalah Limited in accordance with the offering document as approved by SECP. The credit rating of both banks was AA+ and AA respectively as of 30 June 2010.

18.5 Capital management

The Fund's objective when managing unit holders' funds is to protect investors' capital by placing a significant percentage of the Fund as bank deposit(s) or in other fixed income instruments and uses the remaining funds for investments into equity markets or any other permissible investment instruments. The capital structure depends on the issuance and redemption of units. After the initial subscription, the public sale of units is discontinued. The sale of additional units, if allowed during the tenure of the Fund, will be at the discretion of the Management Company. The units can also be redeemed by surrendering them to the Fund subject to back end load as per the offering document.

18.6. 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.

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

18.7 Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active markets for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2010, the Fund only has investments measured at fair value using level 1 valuation technique.

19. SUBSEQUENT EVENT - DISTRIBUTION TO UNIT HOLDERS

The Board of Directors of the Management Company on 7 July 2010 has approved distribution to unit holders at the rate of Rs. 2.70/- per unit.

20. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company has been disclosed in Annexure I to the financial statements.

21. CORRESPONDING FIGURES

Being the first financial statements of the Fund, there are no corresponding figures to report.

22. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 17, 2010.

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

ANNEXURE I

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

(i) UNIT HOLDING PATTERN OF THE FUND

Category	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	341	3,604,825	360,482,500	63.50
Associated company	1	301,810	30,181,000	5.32
Retirement funds	18	1,728,075	172,807,500	30.44
Others	5	41,927	4,192,700	0.74
2010	365	5,676,637	567,663,700	100

(ii) LIST OF TOP 10 BROKERS BY PERCENT OF THE COMMISSION

Name of broker	% of commission
2010	
Crosby Securities Pakistan (Private) Limited	24.9
JS Global Capital Limited	16.4
Investment Managers Securities (Private) Limited	11.7
Al Habib Capital Markets (Private) Limited	10.3
KASB Securities Limited	9.2
Fortune Securities Limited	8.7
Arif Habib Securities Limited	6.4
Invest & Finance Securities Limited	3.8
Invisor Securities (Private) Limited	3.6
Topline Securities (Private) Limited	2.6

(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE

Following are the members of the Investment Committee of the Fund:

Mr. Rashid Mansur
Mr. Suleman Lalani
Mr. Arslan Asif Soomro

MR. RASHID MANSUR - CHIEF EXECUTIVE OFFICER

Mr. Rashid Mansur joined the Management Company on 01 April 2010 as Chief Executive Officer. Prior to joining, he was President and CEO of Escort 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 and 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 Turkish-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. Lalani joined the Management Company as CFO and Company Secretary in January 2005. He is a fellow member of the Institute of Chartered Accountants of Pakistan and has 18 years of experience in the financial services sector. Prior to joining the Management Company, 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 a Vice President - Finance and Legal with the Jahangir Siddiqui & Company Limited.

Mr. Lalani has also passed the Board Development Certificate Program conducted by Pakistan Institute of Corporate Governance. He is serving as a member of the Board of Director of Al-Abbas Sugar Mills Limited.

MR. ARSLAN ASIF SOOMRO - FUND MANAGER

Mr. Arsalan Asif Soomro graduated from Cass Business School, London in May 2008 with a B.Sc. (Honors) in Investment and Financial Risk Management and he is also a candidate for CFA level II. Mr. Soomro joined JS Investments in September 2009 as Research Analyst and currently working as Fund Manager and looking after the JS Islamic Pension Savings Fund, JS Principal Secure Fund-II and JS KSE 30 Index Fund.

(iv) MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Following is the analysis of the attendance in the meetings of the Board of Directors of the Management Company during the year:

Name of Directors	Meetings attended	Meetings held on					
		07 July 2009	21 August 2009	29 August 2009	23 October 2009	26 February 2010	24 April 2010
Mr. Munwar Alam Siddiqui	6	1	1	1	1	1	1
Mr. Rashid Mansur - Incoming CEO	1	-	-	-	-	-	1
Mr. Suleman Lalani - Incoming Executive Director	1	-	-	-	-	-	1
Mr. Muhammad Najam Ali - Out going CEO	5	1	1	1	1	1	-
Mr. Ali Raza Siddiqui - Out going director	5	1	1	1	1	1	-
Mr. Nazar Mohammad Shaikh	6	1	1	1	1	1	1
Lt. General (Retd.) Masood Parwaiz	6	1	1	1	1	1	1
Mr. Sadeq Sayeed	2	-	1	1	-	-	-
Mr. Fayaz Anwar	1	-	-	-	-	-	1
		5	6	6	5	5	6

(v) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The asset manager rating for the Management Company is in progress and has not yet been announced by JCR – VIS Credit Rating Company Limited. The asset manager rating for the Management Company last announced by PACRA was "AM2". The said rating was withdrawn by PACRA on 16 March 2010 pursuant to the Management Company's decision to discontinue its rating relationship with PACRA with immediate effect.

The Management Company is in the process to obtain the rating of the Fund from a rating agency.

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman



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