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# Unit Trust of Pakistan

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	Chairman
Rashid Mansur	Chief Executive Officer
Suleman Lalani	Executive Director
Nazar Mohammad Shaikh	
Mazharul Haq Siddiqui	
Lt.General (R) Masood Parwaiz	
Sadeq Sayeed	

### Audit Committee

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

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

### 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 Unit Trust of Pakistan (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 pale 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 into 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. 267.596 million during the year under review. The net assets of the Fund were Rs. 1,735.465 million as on June 30, 2011 compared to net assets of Rs. 2,405.992 million as on June 30, 2010. The net assets value as on June 30, 2011 was Rs. 103.15 per unit compared to beginning ex-distribution net assets value of Rs. 91.1 per unit, showing an increase of 13.22%. The Fund underperformed its benchmark return by 4.85% during the period ended June 30, 2011.

The Board of Directors of the Management Company, on July 6, 2011, has declared a distribution of Rs. 4.5 per unit. An investor holding 100 units as on June 30, 2011 will receive 4.5615 units on ex-bonus price of Rs. 98.65 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.

The Fund has made a provision of Rs. 117.617 million during the year against non-performing Sukuks in accordance with the Provisioning Policy and the directives of the Securities and Exchange Commission of Pakistan contained in Circular 1 of 2009.

### Fund and Asset Manager Rating

The matter of mutual funds performance ratings continues to be under discussion between Mutual Funds Association of Pakistan, 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 08 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:

<u>Name</u>	<u>Designation</u>	<u>Units Held</u>
Suleman Lalani	CFO & Company Secretary	460.98
Zahid Ullah Khan	Fund Manager	194.02

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

<u>Name</u>	<u>Designation</u>	<u>Acquired Units</u>	<u>Units Redeemed</u>
Suleman Lalani	CFO & Company Secretary	425.06	3,112.3
Zahid Ullah Khan	Fund Manager	194.02	-
Nazia Enam Siddiqui	Fund Manager	486.38	486.38

- 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 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 has recommended appointment of Ernst & Young Ford Rhodes Sidat Hyder., 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

UTP is a balanced fund that aims to preserve and grow investor's capital in the long term while providing a regular stream of current income on an annual basis. The fund operates a diverse portfolio of equity and fixed income investments whereby the equity component is meant to provide the growth in capital while dividends on the equity component along with the fixed income investments help generate the current income.

### Key information

Fund type	Open end
Category	Balanced Scheme
Fund launch date	27 October, 1997
Net Assets (PKR mn)	1,735.47
Management fee	2.00%
Trustee	Central Depository Company of Pakistan Ltd.
Auditor	Ernst & Young Ford Rhodes Sidat Hyder
Risk profile	Medium
Listing	Lahore Stock Exchange
Benchmark	50% 6M KIBOR & 50% 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	3Y	7Y	Launch
Fund	-2.40	13.23	-12.13	73.93	581.08
Benchmark	-0.17	18.08	0.16	100.44	443.37
Difference	-2.23	-4.85	-12.29	-26.51	137.71

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

Stock dividend of Rs. 12.30 per unit has been announced for UTP

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

Distribution of Rs. 4.50 per unit has been announced for UTP

### Effects on the NAV after Distribution

NAV per unit as on June 30, 2011	
Cum NAV (PKR)	103.15
Ex-NAV (PKR)	98.65

**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 (%)



### Asset allocation (%)

	Jun-11
Cash	3.08
Equity	68.15
TFCs / Sukkuks	7.14
Government Securities	20.82
Other including receivables	0.81
<b>Total</b>	<b>100.00</b>

### Equity sector breakdown (%)

	Jun-11
Oil & Gas	21.25
Chemicals	17.59
Electricity	8.58
Personal Goods	7.81
Industrial Transportation	5.16
Others	7.76
<b>Total</b>	<b>68.15</b>

### Statistical analysis

	Fund	Benchmark
Beta	0.5	1.0
Standard Deviation	15.5%	24.4%
Largest Month Gain	14.0%	19.3%
Largest Month Loss	-24.0%	-33.8%
% Positive Months	73.9%	63.0%

### Investment Committee Members

Mr. Rashid Mansur - Chief Executive Officer  
 Dr. Ali Akhtar Ali - Chief Investment Officer  
 Mr. Zahid Ullah Khan - 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

The Fund has not carried out any certificate 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.

**PERFORMANCE TABLE / KEY FINANCIAL DATA**

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>(Rupees in million)</b>										
Net assets	1735	2,406	2,929	6,024	4,050	3,516	3,444	3,300	1,669	897
Total realized income / (loss)	126	405	(513)	1,424	670	998	773	517	408	170
Total unrealized gain / (loss)	186	22	(976)	(273)	441	(78)	(325)	155	300	1
Total expenses	44	90	86	121	91	95	82	72	33	38
Net income	268	337	(1,572)	1,030	1020	825	366	600	700	133
Total expense to net assets ratio (%)	2.54	3.75	2.95	2.01	2.25	2.70	2.38	2.18	1.98	4.24
Total dividend distribution	76	286	-	738	867	755	429	576	292	125
Accumulated capital growth	(427)	(618)	(669)	903	611	458	388	451	427	19
<b>Outstanding Units</b>										
Number of units in issue - June 30th	16,824,337	23,269,764	32,310,155	39,684,510	21,568,400	18,882,850	21,427,800	19,190,450	11,682,450	8,306,100
<b>Data Per Unit</b>										
Net assets value - Rupees (Ex- Dividend)	98.65	91.10	90.66	133.20	147.57	146.23	140.70	141.98	142.90	107.94
Net income - Rupees	16	14	(49)	26	47	44	17	31	60	16
Stock dividend - Cash / Rupees	4.5	12.3	-	18.60	40.21	40.00	20.00	30.00	25.00	15.00
Date of announcement of stock dividend / cash	July 6, 2011	July 7, 2010	-	July 9, 2008	July 7, 2007	July 8, 2006	July 9, 2005	July 12, 2004	July 12, 2003	July 20, 2002
Dividend as % of NAV at the beginning of the year	4.93	13.57	-	12.60	27.50	28.43	14.09	20.99	23.16	14.42
Highest issue price during the year - Rupees	113.24	121.47	132.79	177.55	193.22	224.17	186.94	181.14	167.68	124.68
Lowest issue price during the year - Rupees	93.18	93.38	74.10	135.61	145.60	143.44	138.12	151.26	109.82	104.26
Highest redemption price during the year - Rupees	109.94	117.93	128.92	172.37	187.59	217.64	181.48	178.52	164.56	124.00
Lowest redemption price during the year - Rupees	90.46	90.66	71.94	131.66	141.36	139.24	136.80	148.28	107.66	102.20

**Notes**

- Unit Trust of Pakistan was launched on October 27, 1997.

- All previous figures have been restated wherever applicable due to change in par value from Rs. 5,000 to Rs. 100 with effect from November 29, 2007.

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



### **REVIEW REPORT TO THE UNIT HOLDERS ON THE 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 **Unit Trust of Pakistan** (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 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 does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended June 30, 2011.

Karachi: September 09, 2011

**Ernst & Young Ford Rhodes Sidat Hyder.**  
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 Unit Trust of Pakistan (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.
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.

## Unit Trust of Pakistan

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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 Unit Trust of Pakistan (the Fund), an open-end fund was established under a trust deed dated April 26, 1997, executed between JS Investments Limited, as the Management Company and Muslim Commercial Financial Services (Private) Limited (MCFSL), as the Trustee.

As per deed of change of trustee and amendment of trust deed dated June 11, 2005 MCFSL retired as the trustee and Central Depository Company of Pakistan Limited was appointed as the Trustee of the Fund.

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 Unit Trust of Pakistan (the Fund), which comprise the statement of assets and liabilities as at 30 June 2011, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

The Management Company of the Fund is responsible for the preparation 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 2011 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

#### ***Emphasis of Matter***

Without qualifying our opinion, we draw attention to note 17 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) amounting to Rs.6.86 million. Further, the aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs. 12.082 million. In this regard, the Management Company of the Fund expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favorably.

#### ***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: September 09, 2011

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



# FINANCIAL STATEMENTS



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

	Note	2011	2010
-----Rupees-----			
<b>Assets</b>			
Bank balances	7	<b>53,784,468</b>	93,940,087
Receivable against sale of securities		-	21,945,271
Investments	8	<b>1,677,170,010</b>	2,269,107,008
Dividend receivable		<b>4,000,000</b>	15,406,223
Accrued markup / interest	9	<b>6,487,313</b>	13,722,932
Deposits, prepayments and other receivable	10	<b>3,491,670</b>	3,420,242
<b>Total assets</b>		<b>1,744,933,461</b>	2,417,541,763
<b>Liabilities</b>			
Remuneration payable to the Management Company		<b>381,902</b>	395,752
Remuneration payable to the Trustee		<b>227,062</b>	282,800
Payable against purchase of securities		<b>6,036,044</b>	390,362
Accrued and other liabilities	11	<b>2,822,906</b>	10,480,536
<b>Total liabilities</b>		<b>9,467,914</b>	11,549,450
<b>Net assets</b>		<b>1,735,465,547</b>	2,405,992,313
<b>Unit holders' fund</b>		<b>1,735,465,547</b>	2,405,992,313
<b>Number of units in issue</b>		<b>16,824,337</b>	23,269,764
<b>Net asset value per unit</b>		<b>103.15</b>	103.40
<b>Contingency</b>	17	-	-

The annexed notes from 1 to 23 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 30 JUNE 2011**

	Note	2011	2010
		-----Rupees-----	
<b>Income</b>			
Markup / interest income on bank balances and investments	12	<b>85,476,175</b>	159,507,349
Dividend income		<b>97,173,675</b>	99,677,649
<b>Net gain on investments at fair value through income statement (held for trading)</b>			
Net gain on sale of investments		<b>95,989,237</b>	342,297,083
Net unrealised gain on revaluation of investments		<b>185,747,699</b>	21,085,901
		<b>281,736,936</b>	363,382,984
<b>Net gain on investments designated at fair value through income statement</b>			
		-	14,375,652
<b>Net loss on available-for-sale investments</b>			
<b>Net loss on sale of investments</b>			
<b>Impairment on debt securities</b>			
	8.9	<b>(3,074,128)</b>	(60,568,693)
		<b>(117,617,549)</b>	(67,049,410)
		<b>(120,691,677)</b>	(127,618,103)
Element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed - net		<b>(31,961,424)</b>	(82,478,594)
		<b>311,733,685</b>	426,846,937
<b>Expenses</b>			
Remuneration of the Management Company	13	<b>41,444,548</b>	61,838,150
Remuneration of the Trustee	14	<b>3,072,288</b>	4,091,967
Annual fee of Securities and Exchange Commission of Pakistan	15	<b>1,759,903</b>	2,625,856
Fee to National Clearing Company of Pakistan Limited		<b>267,837</b>	291,261
Securities transaction cost		<b>3,508,060</b>	13,473,568
Listing fee		<b>40,000</b>	40,000
Legal and professional charges		<b>9,050</b>	25,000
Bank charges		<b>152,539</b>	314,884
Auditors' remuneration	16	<b>557,013</b>	540,000
Printing and stationery		<b>194,386</b>	200,914
(Reversal of provision) / provision against contribution to Workers' Welfare Fund	17	<b>(6,868,106)</b>	6,868,106
		<b>44,137,518</b>	90,309,706
<b>Net income for the year</b>			
		<b>267,596,167</b>	336,537,231

The annexed notes from 1 to 23 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 30 JUNE 2011**

	2011	2010
	----- Rupees -----	
<b>Net income for the year</b>	<b>267,596,167</b>	336,537,231
<b>Other comprehensive income</b>		
Net unrealised (loss) / gain on revaluation of available-for-sale investments	<b>(4,861,401)</b>	3,118,552
Transferred to income statement upon disposal of available-for-sale investments	<b>(2,500,744)</b>	41,140,331
	<b>(7,362,145)</b>	44,258,883
<b>Total comprehensive income for the year</b>	<b>260,234,022</b>	380,796,114

The annexed notes from 1 to 23 form an integral part of these financial statements.

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

**Rashid Mansur**  
Chief Executive Officer

**Munawar Alam Siddiqui**  
Chairman

# Unit Trust of Pakistan

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	-----Rupees-----	
<b>Cash flows from operating activities</b>		
Net income for the year	<b>267,596,167</b>	336,537,231
<b>Adjustments for:</b>		
Markup / interest income on bank balances and investments	<b>(85,476,175)</b>	(159,507,349)
Dividend income	<b>(97,173,675)</b>	(99,677,649)
Net gain on investments at fair value through income statement	<b>(281,736,936)</b>	(377,758,636)
Net loss on available-for-sale investments	<b>120,691,677</b>	127,618,103
Provision for contribution to Workers' Welfare Fund	<b>(6,868,106)</b>	6,868,106
Element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed - net	<b>31,961,424</b>	82,478,594
	<b>(51,005,624)</b>	(83,441,600)
<b>Decrease / (Increase) in assets</b>		
Receivable against sale of securities	<b>21,945,271</b>	(21,945,271)
Deposits, prepayments and other receivable	<b>(71,428)</b>	15,070
	<b>21,873,843</b>	(21,930,201)
<b>Increase / (Decrease) in liabilities</b>		
Remuneration payable to the Management Company	<b>(13,850)</b>	(4,335,542)
Remuneration payable to the Trustee	<b>(55,738)</b>	(35,962)
Payable against purchase of securities	<b>5,645,682</b>	(324,143)
Payable against redemption of units	<b>-</b>	(6,490,848)
Accrued and other liabilities	<b>(789,524)</b>	(637,702)
	<b>4,786,570</b>	(11,824,197)
	<b>(24,345,211)</b>	(117,195,998)
Sale / redemption / maturity of investments	<b>5,112,624,936</b>	7,897,466,069
Purchase of investments	<b>(4,367,004,824)</b>	(7,662,265,120)
Markup / interest income received on bank balances and investments	<b>92,711,794</b>	193,739,669
Dividend received	<b>108,579,898</b>	86,293,886
<b>Net cash inflow from operating activities</b>	<b>922,566,593</b>	398,038,506
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	<b>26,998,207</b>	393,611,839
Payments on redemption of units	<b>(989,720,419)</b>	(1,380,129,629)
<b>Net cash used in financing activities</b>	<b>(962,722,212)</b>	(986,517,790)
<b>Net decrease in cash and cash equivalent</b>	<b>(40,155,619)</b>	(588,479,284)
Cash and cash equivalent at the beginning of the year	<b>93,940,087</b>	682,419,371
<b>Cash and cash equivalent at the end of the year</b>	<b>53,784,468</b>	93,940,087

The annexed notes from 1 to 23 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 30 JUNE 2011**

	2011	2010
	-----Rupees-----	
<b>Net assets as at the beginning of the year *</b> [Rs. 103.40/- (2010: Rs.90.66/-) per unit]	<b>2,405,992,313</b>	2,929,235,395
Issue of 3,401,746 units** (2010: 3,500,356) units of Rs. 100/- each	<b>26,998,207</b>	393,611,839
Redemption of 9,847,173 units (2010: 12,540,747) units of Rs. 100/- each	<b>(989,720,419)</b>	(1,380,129,629)
Element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed - net	<b>31,961,424</b>	82,478,594
Net income for the year	<b>267,596,167</b>	336,537,231
Other comprehensive (loss) / income	<b>(7,362,145)</b>	44,258,883
Total comprehensive income for the year	<b>260,234,022</b>	380,796,114
<b>Net assets as at the end of the year</b> [Rs. 103.15/- (2010: Rs.103.40/-) per unit]	<b>1,735,465,547</b>	2,405,992,313

\* Ex distribution Net Asset Value per unit at the beginning of the year Rs. 91.10 (2010: Rs. 90.66) per unit.

\*\* Including 3,141,801(2010: Nil) units issued as bonus units during the year.

The annexed notes from 1 to 23 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 YEAR ENDED 30 JUNE 2011**

	2011	2010
	-----Rupees-----	
<b>Accumulated loss brought forward</b>		
Net realised (loss) / income	(257,403,801)	113,583,205
Net unrealised loss	(75,121,780)	(782,646,017)
	<u>(332,525,581)</u>	<u>(669,062,812)</u>
Distribution @ of Rs.12.30 per unit declared on July 07, 2010 (2009: Rs.Nil)	(286,218,092)	-
Net income for the year	267,596,167	336,537,231
<b>Accumulated loss carried forward</b>		
Net realised loss	<u>(521,326,788)</u>	(257,403,801)
Net unrealised income / (loss)	<u>170,179,282</u>	(75,121,780)
	<u><u>(351,147,506)</u></u>	<u><u>(332,525,581)</u></u>

The annexed notes from 1 to 23 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 30 JUNE 2011

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Unit Trust of Pakistan (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 26 April 1997 between JS Investments Limited as its Management Company and MCB Financial Services Limited as its Trustee. The Central Depository Company of Pakistan Limited was appointed as Trustee of the Fund on 11 June 2005 after voluntary resignation of MCB Financial Services Limited. The registered office of the Management Company is situated at 7th Floor, the Forum, Clifton, Karachi, Pakistan.
- 1.2** The Fund offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Lahore Stock Exchange. As per offering document, the Fund shall invest in equity securities as well as debt securities including government securities, commercial papers and various other money market instruments.

### 2. STATEMENT OF COMPLIANCE

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 4.2 and 4.3 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

- 4.1** The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

#### **New and amended standards and interpretations**

The Fund has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

- IFRS 2 – Share Based Payment – Group Cash-settled Share based Payment Arrangements (Amendment)
- IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

#### *Issued in 2009*

- IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 8 - Operating Segments
- IAS 1 - Presentation of Financial Statements
- IAS 7 - Statement of Cash flows Presentation of Financial Statements
- IAS 17 - Leases
- IAS 36 - Impairment of Assets
- IAS 39 - Financial Instruments : Recognition and Measurement

*Issued in April 2010*

IFRS 3 - Business Combinations

IAS 27 - Consolidated and Separate Financial Statements

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on the financial statements.

## **4.2 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 the statement of comprehensive income is taken to the income statement.

### **Impairment**

Impairment loss in respect of investments (other than debt securities) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the requirements of Circular 1 of 2009 issued by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular. In case of impairment of available for sale investments, the cumulative loss that has been recognised directly in statement of comprehensive income is taken to the income statement. For investments classified as held to maturity investments, the impairment loss is recognised directly in the income statement.

## **4.3 Provisions**

Provisions are recognised when the Fund has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of assets and liabilities date and are adjusted to reflect the current best estimates.

## **4.4 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 gain and loss is included in the income currently.

**4.5 Issue and redemption of units**

Units are issued at the offer price prevalent on the day in which the units are issued. The offer price represents the net assets value of units at the end of the 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 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. Redemption of units is recorded on acceptance of application for redemption.

**4.6 Revenue recognition**

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 dividend is established.

Interest on debt and government securities is recognised at the rate of return implicit in the instrument on a time proportionate basis.

Profit on bank balances and term deposits is recognised on accrual basis in accordance with the contractual terms.

**4.7 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 equalisation account called "element of income / (loss) and capital gain / (loss) in prices of units issued less those in units redeemed" is created.

The "element of income / (loss) and capital gain / (loss) in prices of units issued less those in units redeemed" account is credited with the amount representing net income / (loss) and capital gain / (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 gain / (loss) in prices of units issued less those in units redeemed" account is debited with the amount representing net income / (loss) and capital gain / (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 reported in the income statement.

**4.8 Taxation**

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income as reduced by the realised and unrealised capital gain for the year is distributed amongst the Fund's unit holders. The Fund has availed such exemption in the past and intends to continue the same in future periods. Accordingly, no provision is required for current and deferred taxation in these financial statements.

**4.9 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 right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. 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.

**4.10 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.



# Unit Trust of Pakistan

## 4.11 Distribution to unit holders

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

## 4.12 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 year end.

## 4.13 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.

The estimates and judgements that have a significant effect on the financial statements are in respect of the following:

	<b>Notes</b>
Investments	4.2, 8 & 19.5
Element of income / (loss) and capital gain / (loss) in prices of units issued less those in units redeemed - net	4.7
Provisions and Contingencies	4.3, 11 & 17

## 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:

<b>Standard, interpretation or amendment</b>	<b>Effective date (accounting periods beginning on or after)</b>
IAS 1 Presentation of Financial Statements (Amendments)	01 July 2012
IFRS 7 Financial Instruments : Disclosures (Amendments)	01 February 2010
IAS 12 Income Tax (Amendment)	01 January 2012
IAS 19 Employee Benefits (Amendment)	01 January 2013
IAS 24 Related Party Disclosures (Revised)	01 January 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)	01 January 2011

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 the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. 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.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments	01 January 2013
IFRS 10	Consolidated Financial	01 January 2013
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosure of Interests in	01 January 2013
IFRS 13	Fair Value Measurement	01 January 2013

	Note	2011	2010
-----Rupees-----			
<b>7. BANK BALANCES</b>			
Current account		-	5,000
PLS savings accounts	7.1	<u>53,784,468</u>	<u>93,935,087</u>
		<u>53,784,468</u>	<u>93,940,087</u>
<b>7.1</b>	These accounts carry markup rates ranging from 5% to 11.9% (2010: 5% to 11.25%) per annum.		
<b>8. INVESTMENTS</b>			
<b>At fair value through income statement</b>			
<b>Held-for-trading</b>			
Listed shares	8.1	<b>1,189,176,361</b>	1,258,605,922
<b>Designated at fair value through income statement</b>			
Listed term finance certificates	8.3	-	10,383,642
Unlisted term finance certificates	8.4	-	64,005
		-	10,447,647
		<b>1,189,176,361</b>	1,269,053,569
<b>Available-for-sale</b>			
Listed term finance certificates	8.5	<b>84,138,584</b>	80,744,852
Unlisted term finance certificates	8.6	<b>40,143,720</b>	48,024,927
Government securities	8.7	<b>363,356,795</b>	751,158,520
Sukuks	8.8	<b>354,550</b>	120,125,140
		<b>487,993,649</b>	1,000,053,439
<b>Carrying value of investments as at 30 June 2011</b>		<u><b>1,677,170,010</b></u>	<u>2,269,107,008</u>
<b>Cost of investments as at 30 June 2011</b>		<u><b>1,517,957,957</b></u>	<u>2,343,140,987</u>

# Unit Trust of Pakistan

		Number of shares						
Note	At the beginning of the year	Acquired during the year	Bonus / right shares	Disposed during the year	At the end of the year	Carrying value (Rupees)	% of total investments	
<b>8.1 Listed shares</b>								
(Ordinary shares of Rs. 10/- each)								
<b>Oil &amp; Gas</b>								
	Pakistan State Oil Company Limited	319,262	298,180	-	486,442	131,000	<b>34,659,980</b>	<b>2.07</b>
	Attock Refinery Limited	-	30,000	-	30,000	-	-	-
	Shell Pakistan Limited	66,869	-	-	66,869	-	-	-
	Pakistan Petroleum Limited	709,117	643,000	210,000	762,117	800,000	<b>165,656,000</b>	<b>9.88</b>
	Attock Petroleum Limited - related party	92,221	422	-	92,643	-	-	-
	Pakistan Oilfields Limited	874,684	125,316	-	525,000	475,000	<b>170,529,751</b>	<b>10.17</b>
							<b>370,845,731</b>	<b>22.12</b>
<b>Chemicals</b>								
	Engro Corporation Limited	-	287,019	49,403	6,422	330,000	<b>53,872,500</b>	<b>3.21</b>
	Fauji Fertilizer Company Limited	660,779	258,553	175,000	239,332	855,000	<b>128,549,250</b>	<b>7.66</b>
	Fauji Fertilizer Bin Qasim Limited	-	1,585,000	-	-	1,585,000	<b>66,807,750</b>	<b>3.98</b>
	I.C.I. Pakistan Limited	-	586,237	-	206,237	380,000	<b>57,703,000</b>	<b>3.44</b>
							<b>306,932,500</b>	<b>18.29</b>
<b>Construction &amp; Materials</b>								
	D.G. Khan Cement Limited	-	1,655,600	295,720	177,000	1,774,320	<b>40,791,618</b>	<b>2.43</b>
8.2	Attock Cement Pakistan Limited	-	594,299	-	-	594,299	<b>28,841,330</b>	<b>1.72</b>
	Lucky Cement Limited	383,192	-	-	383,192	-	-	-
							<b>69,632,948</b>	<b>4.15</b>
<b>General Industrials</b>								
	Packages Limited	648,058	-	-	648,058	-	-	-
<b>Industrial Transportation</b>								
	Pakistan International Container Terminal Company Limited - related party	2,002,000	-	-	894,500	1,107,500	<b>89,984,376</b>	<b>5.37</b>
<b>Personal Goods</b>								
	Nishat Mills Limited	1,400,000	748,519	-	148,519	2,000,000	<b>100,680,000</b>	<b>6.00</b>
	Nishat Chunian Limited	-	2,070,813	-	473,401	1,597,412	<b>35,606,314</b>	<b>2.12</b>
							<b>136,286,314</b>	<b>8.12</b>
<b>Fixed Line Telecommunication</b>								
	Pakistan Telecommunication Company Limited	9,403,557	608,151	-	10,011,708	-	-	-
<b>Electricity</b>								
	Hub Power Company Limited	5,870,897	899,781	-	4,670,678	2,100,000	<b>78,750,000</b>	<b>4.70</b>
	Nishat Chunian Power Limited	-	2,696,352	-	-	2,696,352	<b>36,993,950</b>	<b>2.21</b>
	Nishat Power Limited	-	2,200,877	-	-	2,200,877	<b>33,981,542</b>	<b>2.03</b>
							<b>149,725,492</b>	<b>8.94</b>
<b>Banks</b>								
	MCB Bank Limited	410,959	700,000	40,000	820,959	330,000	<b>65,769,000</b>	<b>3.92</b>
	National Bank of Pakistan	-	700,000	175,000	875,000	-	-	-
	United Bank Limited	-	801,816	-	801,816	-	-	-
							<b>65,769,000</b>	<b>3.92</b>
							<b>1,189,176,361</b>	<b>70.91</b>

**8.2 Right shares options:**

	Number of option shares				At the end of the year
	Option received	Option purchased	Option disposed	Option exercised	
D.G Khan Company Limited	295,720	-	-	295,720	-

	Note	Number of certificates					Carrying value (Rupees)	% of total investments
		At the beginning of the year	Acquired during the year	Disposed / redeemed / matured during the year	At the end of the year			
<b>8.3 Listed term finance certificates</b> (Face value of Rs. 5,000/- each)								
Standard Chartered Bank (Pakistan) Limited		4,000	-	4,000	-	-	-	-
Trust Investment Bank Limited (II)		1,000	-	1,000	-	-	-	-
<b>8.4 Un-listed term finance certificates</b> (Face value of Rs. 5,000/- each)								
Pakistan Mobile Communication Limited-II		26	-	26	-	-	-	-
<b>8.5 Listed term finance certificates</b> (Face value Rs. 5,000/- each)								
Engro Corporation Limited	8.10	-	69	-	69	331,778	0.02	
United Bank Limited	8.11	17,000	-	-	17,000	83,806,806	5.00	
						<u>84,138,584</u>	<u>5.02</u>	
<b>8.6 Un-listed term finance certificates</b> (Face value of Rs. 5,000/- each)								
Optimus Limited	8.12	10,000	-	-	10,000	40,143,720	2.39	
Azgard Nine Limited - related party	8.9 & 8.9.2	-	15,000	-	15,000	-	-	
						<u>40,143,720</u>	<u>2.39</u>	
<b>8.7 Government securities</b> (Face value of Rs. 100,000/- each)								
Market Treasury Bills	8.13	8,150	37,044	41,394	3,800	363,356,795	21.66	
<b>8.8 Sukuks</b> (Face value Rs. 5,000/- each)								
Agritech Limited - related party	8.9 & 8.9.1	25,700	-	-	25,700	-	-	
Pak Elektron Limited	8.14	-	200	200	-	354,550	0.02	
Karachi Shipyard & Engineering Works Limited		-	2,000	2,000	-	-	-	
						<u>354,550</u>	<u>0.02</u>	
<b>8.9 Details of non-compliant investments</b>								

The Securities & Exchange Commission of Pakistan (SECP), vide its circular No. 16 dated July 07, 2010, prescribed certain 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 requirement of their constitutive documents.

The following are the details of non-compliant investments having rating lower than A-

## Unit Trust of Pakistan

Name of non-compliant investments	Type of Investments	Value of investment before provision	Provision held	Value of investment after provisioning	% of net assets	% of gross assets
Agritech Limited (related party)	Sukuks	117,617,546	117,617,546	-	-	-
Azgard Nine Ltd (related party)	PPTFCs	75,000,000	75,000,000	-	-	-

- 8.9.1** The Fund has made a full provision against the principal amount in accordance with the requirements of Circular 1 of 2009 issued by the SECP and the provisioning policy of the Fund. Further, accrued mark-up amounting to Rs. 7.533 million has also been reversed during the year.
- 8.9.2** 15,000 Privately Placed Term Finance Certificates (PPTFCs) at a face value of Rs. 5,000 each has been issued in lieu of settlement of commercial papers.
- 8.10** These term finance certificates carry mark-up equal to the ask side of 6 months KIBOR plus 1.55% per annum with no floor or cap receivable semi-annually in arrears and will mature in November 2015. These term finance certificates are secured by a first pari passu charge on all the present and future fixed assets and properties of the issuer. These have a rating of AA.
- 8.11** These carry mark-up equal to the simple average of six months' KIBOR plus 85 basis points for the first five years and 135 basis points from six to ten years, receivable semi annually in arrears and will mature in February 2018. These are unsecured with a rating of AA. These include 11,000 certificates pledged with National Clearing Company of Pakistan Limited.
- 8.12** These carry mark-up equal to base rate KIBOR plus 2.10% with a cap of 17.90% per annum, receivable on a semi annual basis in arrears and will mature in September 2012. These are secured by way of floating charge over current assets and hypothecation over the fixed assets of the issuer. These have a rating of A.
- 8.13** These securities have a maturity period of 3 months to 6 months with a yield of 13.42% to 13.68% (2010: 11.87% to 12.38%) per annum.
- 8.14** These Sukuk certificates carry rate of markp-up of three months KIBOR plus 1.75% with a floor of 10% per annum and cap of 25% per annum receivable quarterly in arrears and will mature in September 2012. These certificates are secured by the first pari passu charge on all present and future fixed assets of the issuer. These have a rating of AA-.

	Note	2011	2010
-----Rupees-----			
<b>9. ACCURED MARKUP / INTEREST</b>			
Bank balances	9.1	<b>27,975</b>	9,020
Term finance certificates		<b>6,442,369</b>	6,484,263
Sukuks		<b>16,969</b>	7,229,649
		<b><u>6,487,313</u></b>	<u>13,722,932</u>

- 9.1** Includes Rs. Nil (2010: Rs. 9,020/-) due from JS Bank Limited (a related party).

**10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE**

	Note	2011	2010
-----Rupees-----			
Security deposit with Central Depository Company of Pakistan Limited		100,000	100,000
Security deposit with National Clearing Company of Pakistan Limited		2,500,000	2,500,000
Income tax recoverable		820,242	820,242
Receivable against principal redemption of Sukuks		71,428	-
		<u>3,491,670</u>	<u>3,420,242</u>

**11. ACCRUED AND OTHER LIABILITIES**

SECP annual fee payable	15	1,759,903	2,625,856
Sales load payable		729	8,736
Accrued expenses		958,667	874,231
Unclaimed dividend		103,607	103,607
Provision for contribution to Workers' Welfare Fund	17	-	6,868,106
		<u>2,822,906</u>	<u>10,480,536</u>

**12. MARKUP / INTEREST INCOME ON BANK BALANCES AND INVESTMENTS**

Bank balances and term deposits		12,450,204	33,777,516
Term finance certificates, commercial papers and Sukuks		14,411,823	90,460,907
Government securities		58,614,148	30,772,357
Reverse repurchase agreement		-	4,496,569
		<u>85,476,175</u>	<u>159,507,349</u>

**13. 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 2% (2010: 2%) per annum of the net assets of the Fund computed on a daily basis.

**14. 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.1 billion                      Maximum of 0.2% per annum of the net assets of the Fund computed on a daily basis or Rs. 0.7 million whichever is higher.
- exceeding Rs.1 billion                Rs. 2 million plus 0.1% per annum of the net assets of the Fund computed on a daily basis exceeding Rs.1 billion.

**15. 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 0.085% (2010: 0.085%) per annum of the net assets of the Fund computed on a daily basis.

**16. AUDITORS' REMUNERATION**

Annual Audit fee		305,000	305,000
Half yearly review of financial statements		125,000	125,000
Review of Code of Corporate Governance		40,000	40,000
Out of pocket expenses		87,013	70,000
		<u>557,013</u>	<u>540,000</u>

### 17. REVERSAL OF PROVISION AGAINST CONTRIBUTION TO WORKERS' WELFARE FUND (WWF)

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 15 July 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 6 October 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 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 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 Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

In view of the afore mentioned 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.6.86 million during the current year. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs. 12.082 million.

### 18. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons include JS Investments 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, associates of the Management Company and its holding company, other funds being managed by the Management Company and Key Management Personnel.

	2011	2010
	-----Rupees-----	
<b>18.1 Transactions during the year</b>		
<b>JS Investments Limited</b>		
Remuneration of the Management Company	41,444,548	61,838,150
Expenses incurred and reimbursed	12,505	56,956
Sales load	3,610	263,446
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration of the Trustee	3,072,288	4,091,967
Settlement charges	86,956	187,186
<b>JS Global Capital Limited</b>		
Brokerage commission	740,038	3,009,236
<b>JS Bank Limited</b>		
Return on bank balances and term deposits	155,288	4,821,278
<b>JS Fund of Funds</b>		
Issue of units	20,333,340	31,472,573
Redemption of units	45,075,950	26,055,506
Bonus units issued	9,620,766	-

	2011	2010
	-----Rupees-----	
<b>Jahangir Siddiqui &amp; Company Limited</b>		
Dividend income	-	1,888,050
<b>Silk Bank Limited</b>		
Return on bank balances	-	104
<b>Pakistan International Container Terminal Limited</b>		
Dividend income	5,005,000	17,971,225
Bonus units issued	69,287	-
<b>Azgard Nine Limited</b>		
Purchase of commercial paper	-	67,049,410
Issuance of PPTFCs in lieu of commercial papers	75,000,000	-
Interest income	-	2,978,841
<b>EFU Life Assurance Limited</b>		
Bonus units issued	2,989,754	-
<b>Agritech Limited</b>		
Mark-up income reversed	7,533,140	-
Interest income	-	37,898,348
<b>Key Management Personnel</b>		
Issue of units	50,000	301,380
Redemption of units	333,184	2,934
Bonus units issued	38,723	-
	2011	2010
	-----Rupees-----	
<b>18.2 Balances outstanding as at the year end</b>		
<b>JS Investments Limited</b>		
Remuneration payable to the Management Company	381,902	395,752
Sales load payable	328	3,060
Expenses incurred and payable	6,983	-
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable to the Trustee	227,062	282,800
Settlement charges payable	10,000	5,010
Security deposit	100,000	100,000
<b>JS Global Capital Limited</b>		
Brokerage commission payable	71,425	-
<b>JS Fund of Funds</b>		
Outstanding 605,361 (2010: 782,176) units	62,442,969	80,877,012
<b>Pakistan International Container Terminal Limited</b>		
Outstanding 6,394 (2010: 5,633) units	659,502	582,459
<b>EFU Life Assurance Limited</b>		
Outstanding 275,888 (2010: 243,069) units	28,457,830	25,133,382
<b>Key Management Personnel</b>		
Outstanding 655 (2010: 3,149) units	67,563	325,604

**18.3** The transactions with related parties / connected persons are in the normal course of business at contracted rates.

## **19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**19.1** 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.



## 19.2 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 2011, the Fund is exposed to such risk in respect of bank balances, investment in debt and Government securities. The bank balances are subject to interest rates as declared by the respective bank on periodic basis. Debt securities are subject to floating interest rates other than Government securities which are subject to fixed interest rates. The sensitivity of the income / (loss) for the year is the effect of the assumed changes in interest rates on:

- The net interest income for one year, based on the floating rate financial assets held at the year end; and
- Changes in fair value of investments for the year, based on revaluing fixed rate financial assets at the year end.

The following table demonstrates the sensitivity of Fund's income / (loss) for the year to a reasonably possible change in interest rates, with all other variables held constant.

	Effect on income		Effect on other comprehensive income	
	2011	2010	2011	2010
	-----Rupees-----			
Change in basis point				
+ 100	<b>5,417,781</b>	3,532,777	<b>4,879,936</b>	(4,641,368)
- 100	<b>(5,417,781)</b>	(3,532,777)	<b>(4,879,936)</b>	4,712,618

In practice, the actual results may differ from the sensitivity analysis shown above.

### (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 at the year end.

### (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 a 10% increase in the overall equity prices in the market with all other factors remaining constant would increase the Fund's income by Rs.118,917,636/- (2010: Rs.125,860,592/-) and a 10% 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.

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.

## 19.3 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.

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.

2011	Within	1	3 to	1 to	More than	Total
	1 month	to 3 months	12 months	5 years	5 years	
----- Rupees -----						
<b>Assets</b>						
Bank balances	53,784,468	-	-	-	-	53,784,468
Investments	-	156,032,655	1,396,500,501	40,830,048	83,806,806	1,677,170,010
Dividend receivable	4,000,000	-	-	-	-	4,000,000
Accrued markup / interest	27,975	4,676,035	1,783,303	-	-	6,487,313
Deposits, prepayments and other receivable	-	-	-	891,670	2,600,000	3,491,670
	57,812,443	160,708,690	1,398,283,804	41,721,718	86,406,806	1,744,933,461
<b>Liabilities</b>						
Remuneration payable to the Management Company	381,902	-	-	-	-	381,902
Remuneration payable to the Trustee	227,062	-	-	-	-	227,062
Payable against purchase of securities	6,036,044	-	-	-	-	6,036,044
Accrued and other liabilities	-	2,822,906	-	-	-	2,822,906
	(6,645,008)	(2,822,906)	-	-	-	(9,467,914)
<b>Net assets</b>	<b>51,167,435</b>	<b>157,885,784</b>	<b>1,398,283,804</b>	<b>41,721,718</b>	<b>86,406,806</b>	<b>1,735,465,547</b>
----- Rupees -----						
2010	Within	1	3 to	1 to	More than	Total
	1 month	to 3 months	12 months	5 years	5 years	
----- Rupees -----						
<b>Assets</b>						
Bank balances	93,940,087	-	-	-	-	93,940,087
Receivable against sale of securities	21,945,271	-	-	-	-	21,945,271
Investments	-	132,226,905	1,887,985,184	48,024,928	200,869,991	2,269,107,008
Dividend receivable	15,406,223	-	-	-	-	15,406,223
Accrued markup / interest	483,222	13,230,555	9,155	-	-	13,722,932
Deposits, prepayments and other receivable	-	-	-	820,242	2,600,000	3,420,242
	131,774,803	145,457,460	1,887,994,339	48,845,170	203,469,991	2,417,541,763
<b>Liabilities</b>						
Remuneration payable to the Management Company	395,752	-	-	-	-	-
Remuneration payable to the Trustee	282,800	-	-	-	-	395,752
Payable against purchase of securities	390,362	-	-	-	-	282,800
Payable against redemption of units	-	3,612,430	6,868,106	-	-	390,362
Accrued and other liabilities	-	-	-	-	-	10,480,536
	(1,068,914)	(3,612,430)	(6,868,106)	-	-	(11,549,450)
<b>Net assets</b>	<b>131,774,803</b>	<b>141,845,030</b>	<b>1,881,126,233</b>	<b>48,845,170</b>	<b>203,469,991</b>	<b>2,405,992,313</b>

#### 19.4 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:

	2011	2010
	----- Rupees -----	
Bank balances *	53,784,468	93,940,087
Receivable against sale of securities	-	21,945,271
Investments in debt securities	124,636,854	259,342,566
Dividend receivable	4,000,000	15,406,223

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	2011	2010
	-----Rupees-----	
Accrued markup / interest	6,487,313	13,722,932
Deposits, prepayments and other receivable	<u>2,600,000</u>	<u>2,600,000</u>
	<u><b>191,508,635</b></u>	<u>406,957,079</u>

\* These balances are placed with Commercial Banks having credit rating between AA- and AA+ in accordance with the offering document as approved by SECP.

- (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 table below analyses the Fund's concentration of credit risk by industrial distribution:

	<u>% of debt instruments</u>	
	<u>2011</u>	<u>2010</u>
Chemicals	0.27	46.32
Commercial banks	67.24	34.95
Technology and communication	32.21	18.52
Personal goods	0.28	-
	<u><b>100</b></u>	<u>100</u>

- (iii) **Credit quality of financial assets**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

<b>Rating</b>	<u>% of debt instruments</u>	
	<u>2011</u>	<u>2010</u>
AA	67.51	34.95
AA-	0.28	-
A	32.21	64.84
	<u><b>100</b></u>	<u>100</u>

### 19.5 Fair value of financial instruments

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods are used to estimate the fair values of financial assets:

#### *Listed shares*

These are valued on the basis of closing market prices quoted on the respective stock exchange.

#### *Debt securities*

These are valued at the rates notified by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular 1 of 2009. The said circular prescribes a valuation methodology which in case of currently traded securities, is based on weighted average prices during the 15 days preceding the valuation date and in case of thinly or non-traded securities, on the basis of discount coupon method which takes into consideration credit risk and maturities of the instruments.

#### *Government securities*

These are valued by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

The fair value of other financial assets and liabilities of the Fund appropriate their carrying amount due to short term maturities of these instruments.

### 19.6 Fair value hierarchy

The Fund uses the following hierarchy for disclosure of 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 2011, the Fund held the following financial instruments measured at fair value:

2011	Level 1	Level 2	Level 3 (Note 19.7)
	-----Rupees-----		
At fair value through income statement	1,189,176,361	-	-
Available-for-sale	-	487,993,649	-
	<u>1,189,176,361</u>	<u>487,993,649</u>	<u>-</u>
2010	Level 1	Level 2	Level 3 (Note 19.7)
	-----Rupees-----		
At fair value through income statement	1,258,605,922	10,447,647	-
Available-for-sale	-	487,993,649	-
	<u>1,258,605,922</u>	<u>498,441,296</u>	<u>-</u>

**19.7** The reconciliation from beginning to ending balance for assets measured at fair value using level 3 valuation technique is given below:

	2011	2010
	-----Rupees-----	
Opening balance	-	-
Additions during the year	117,617,549	67,049,410
Provision against non-performing securities	117,617,549	67,049,410
Closing balance	<u>-</u>	<u>-</u>

## 19.8 Capital management

The Fund's objective when managing unit holder's funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market's conditions. The capital structure depends on the issuance and redemption of units.

## 20. SUBSEQUENT EVENT-DISTRIBUTION TO THE UNIT HOLDERS

The Board of Directors of the Management Company on 6 July 2011 has approved distribution to unit holders at the rate of Rs. 4.50/- (2010: Rs.12.30/-) per unit.

## 21. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top 10 brokers, members of the Investment Committee, Fund manager, meeting 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.

## 22. GENERAL

**22.1** Figures have been rounded off to the nearest rupee.

**22.2** Certain prior year's figures have been reclassified for the purpose of comparison. However, there were no material reclassifications to report.

## 23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 09, 2011

**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	513	2,380,717	238,071,700	14.15
Associated companies / director	4	888,103	88,810,300	5.28
Insurance companies	1	2,174,985	217,498,500	12.93
Banks / DFI's	1	483,218	48,321,800	2.87
Retirement funds	67	6,784,887	678,488,700	40.33
Public limited companies	6	803,427	80,342,700	4.78
Others	16	3,309,000	330,900,000	19.67
<b>2011</b>	<b>608</b>	<b>16,824,337</b>	<b>1,682,433,700</b>	<b>100</b>

Category	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	696	3,541,546	354,154,600	15.22
Associated company/ director	4	1,034,027	103,402,700	4.44
Insurance companies	1	1,916,259	191,625,900	8.23
Banks / DFI's	2	2,957,759	295,775,900	12.71
Retirement funds	100	9,806,417	980,641,700	42.14
Public limited companies	2	391,182	39,118,200	1.68
Others	28	3,622,574	362,257,400	15.57
<b>2010</b>	<b>833</b>	<b>23,269,764</b>	<b>2,326,976,400</b>	<b>100</b>

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

Name of broker	% of commission
<b>2011</b>	
JS Global Capital Limited	24
Invisor Securities (Private) Limited	7
KASB Securities Limited	7
Fortune Securities Limited	5
AL-Habib Capital Markets (Private) Limited	5
Arif Habib Limited	5
Invest Capital Investment Bank Limited	4
Global Securities Pakistan Limited	4
Multiline Securities (Private) Limited	4
Burj Capital Pakistan (Private) Limited	4
<b>2010</b>	
JS Global Capital Limited	23
Crosby Securities (Private) Limited	18
Investment Managers Securities (Private) Limited	7
Invisor Securities (Private) Limited	7
KASB Securities Limited	5
BMA Capital Management Limited	5
Fortune Securities Limited	5
Arif Habib Limited	5
Aziz Fidahusein & Company (Private) Limited	4
WE Financial Services Limited	3

**(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE**

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

Mr. Rashid Mansur  
 Mr. Suleman Lalani  
 Dr. Ali Akhtar Ali  
 Mr. Assad Hameed Khan  
 Mr. Muhamamd Salman Siddiqui  
 Mr. Zahidullah Khan

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

Mr. Rashid Mansur joined JS Investments Limited 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 an Associate member 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. 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 JSCL.

Mr. 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 AKHTAR ALI – CHIEF INVESTMENT OFFICER**

Dr. Ali Akhtar Ali joined JS Investments 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 Jan-2006.

Before joining JS Investments Limited he remained associated with KASB Capital Ltd. 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 JS Investments Limited from 2006 till 2008 in the capacity of Assistant Vice President, Investments Department. He also worked for 3 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 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 Fund.

**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

## Unit Trust of Pakistan

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 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 SIDDIQUI, HEAD OF RESEARCH & RISK MANAGEMENT

Mr. Salman joined JSIL in November 2010 as Head of Research and Risk Management. Prior to joining JSIL Salman has worked for almost 4 years at Fortune Securities Ltd 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, 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. ZAHIDULLAH KHAN - FUND MANAGER

Mr. Zahidullah Khan has significant market research, product development, and fund management experience. He started his career in capital markets with ABAMCO Limited (JSIL) in 2004, and went on to become a Fund Manager by 2006. As a Fund Manager, he managed BSJS Balanced Fund, UTP-A30+ Index Fund, UTP-Growth Fund, and UTP-Fund of Funds, with a combined fund size of PKR 10 billion.

Since the start of his career, Zahid successfully developed and subsequently managed several products and in-house initiatives. These new products included the first proprietary free float-adjusted market capitalization index, first Open end index fund, first Open end fund of funds, first capital guarantee fund, and the Dow Jones-JS Pakistan Islamic Index.

In-house initiatives included developing a comprehensive automated research module, an interest rate simulation module incorporating Vasicek, CLR, and other affine structure models, a market-wide stock price simulation module, and several automated trading systems based on Kalman filtering and Bayesian optimization techniques.

Zahid joined JS InfoCom as a Senior Vice President in October 2007 and provided consultancy services to various group companies on matters ranging from financial services to IT management. Notably, Zahid worked with JSIL in drafting comprehensive rules and regulations for Exchange Traded Funds in Pakistan and advised the company on developing CPPI based unit trust schemes.

Since March 2010, Zahid has Joined JSIL as a Fund Manager and is managing JS Aggressive Asset Allocation Fund, JS Value Fund and Unit Trust of Pakistan.

Zahid holds a Masters degree in Business Administration from Lahore University of Management Sciences (Class of 2000), a Masters degree in Economics from Lahore University of Management Sciences (Class of 2004), and a Masters degree in Finance from London Business School (Class of 2007)

#### (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 2010	17 Aug 2010	22 Oct 2010	06 Dec 2010	15 Feb 2011	21 Apr 2011
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
		<u>7</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>6</u>

**(v) RATING OF THE FUND AND THE MANAGEMENT COMPANY**

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 the JS Investments Limited. The rating denotes high management quality of the Management Company.

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

**Rashid Mansur**  
Chief Executive Officer

**Munawar Alam Siddiqui**  
Chairman





**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)