

JS Islamic Pension Savings Fund

Annual Report 2010



Directors Report to the Participants

The Board of Directors of JS Investments Limited, the Pension Fund Manager of JS Islamic Pension Savings Fund (the Fund), is pleased to present the Annual Report for the year ended June 30, 2010.

1. Market Review

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

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

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

2. Review of Fund Performance

The fund was launched on June 16, 2008 for contributions by eligible participants, under the Voluntary Pension System Rules, 2005 (VPS Rules, 2005), with the objective of assisting and facilitating them to plan for their retirement. The fund presently has three sub-funds that are Equity Sub-Fund, Debt Sub-Fund, and Money Market Sub-Fund. Profit/(loss) for the year ended June 30, 2010 of each of the sub funds and the net assets as on June 30, 2010 are provided below:-

	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund
Profit/(loss) for the year (Rs. in million)	5.255	3.710	1.820
Net assets (Rs. in million)	32.667	36.850	34.125
NAV per unit (Rupees)	108.25	121.59	112.71

The fund has 03 participants as on June 30, 2010

3. Benefits of investing in JS Islamic Pension Savings Fund

JS Islamic Pension Savings Fund provides following benefits to its participants:-

- Expert advice in planning your retirement.
- Shariah Compliance monitored regularly by the Shariah Advisory Council.
- Tax credit on contributions up to PKR 500,000/- p.a. or 20% of taxable income.
- Tax and Riba free returns on investments.
- Contribution frequency of your choice.
- Minimum investment of only PKR 12,000/- p.a.
- Option to withdraw all of your savings at any time, subject to tax and zakat deductions.

4. Asset Manager Rating

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

5. Future Outlook

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

The CEO also reassessed the Organizational Structure and initiated certain desired changes to enhance the operational efficiency of your Management Company. These include creation of a separate and independent Risk Management, Research and Market Intelligence department; defining and augmenting the role and responsibilities of Investment Committee and Fund Managers.

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

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

6. Compliance

The Board of Directors of the Pension Fund Manager states that:

- a. The financial statements, prepared by the Pension Fund Manager, 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 Financial Reporting Standards, as applicable in Pakistan, provisions of the Voluntary Pension Systems Rules, 2005, 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. A performance table / key financial data is given on page xx of this annual report.
- h. The Directors have signed the “Statement of Ethics and Business Practices.”
- i. The Chief Executive, directors and executives and their spouses do not hold any unit of the fund.
- j. No units were traded by the Chief Executive, directors and executives, their spouses and minor children during the financial year ended June 30, 2010.

7. 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 as follows:-

Name of directors	Dates	07 Jul 09	21 Aug 09	29 Aug 09	23 Oct 09	26 Feb 10	24 Apr 10
	Meeting Attended						
Mr. Munwar Alam Siddiqui	6	1	1	1	1	1	1
Mr. Rashid Mansur-Incoming CEO	1	-	-	-	-	-	1
Mr. Suleman Lalani- Incoming Executive Director	1	-	-	-	-	-	1
Mr. Muhammad Najam Ali- Out going CEO	5	1	1	1	1	1	-
Mr. Ali Raza Siddiqui- Out going director	5	1	1	1	1	1	-
Mr. Nazar Mohammad Shaikh	6	1	1	1	1	1	1
Lt. General (Retd.) Masood Parwaiz	6	1	1	1	1	1	1
Mr. Sadeq Sayeed	2	-	1	1	-	-	-
Mr. Fayaz Anwar-Incoming Director	1	-	-	-	-	-	1
Mr. Siraj Ahmed Dadabhoy- Out going Director	-	-	-	-	-	-	-
Members attended		5	6	6	5	5	6


8. Auditors

The external auditors of the Fund Messrs KPMG Taseer Hadi & Co., Chartered Accountants, have completed their term and therefore, retire from the office. The Audit Committee of the Board of the Pension Fund Manager has recommended appointment of Messrs Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as the Fund's auditors for the ensuing year ending June 30, 2011.

9. Acknowledgment

The Directors expresses their gratitude to the Securities and Exchange Commission of Pakistan for its valuable support, assistance and guidance. The Board also thanks the employees of the Pension Fund Manager and the Trustee for their dedication and hard work and the participants for their confidence in the Management.

Karachi: August 17, 2010


Rashid Mansur
Chief Executive Officer

JUSTICE MUHAMMAD TAQI USMANI

Ex-Member Shariat Appellate Bench
Supreme Court of Pakistan
Permanent Member, Islamic Fiqh Academy (OIC) Jeddah
Vice President Darul-Uloom Karachi

Darul Uloom Karachi
Korangi, Karachi-75180, Pakistan
Ph: 92-21-5123100, Fx: 5123233
E-Mail: mohdtaqi@cyber.net.pk

25th September 2010

REPORT OF THE SHARIAH ADVISORY COUNCIL

We, the Shariah Advisory Council of the JS Islamic Pension Savings Fund (the Fund) and its three sub-funds (Equity sub-fund, Debt sub-fund & Money Market sub-fund), are pleased to issue this report in accordance with the clause 7.2.1 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of M/s JS Investments Limited, the Pension Fund Manager of the Fund, to establish and maintain a system of internal controls to ensure compliance with the Shariah guidelines. Our responsibilities are to express an opinion, based on our review of the representations made by the management, to the extent where such compliance can be objectively verified.

For Equity sub-fund, we have advised a criteria for screening equities in the local stock market, on the basis of the following; (1) Nature of business, (2) Interest bearing debt in relation to the total assets, (3) Illiquid assets in relation to the total assets, (4) Investment in non-Shariah compliant activities to total assets (5) Income from non-compliant investment to Gross revenues and (6) Net liquid assets per share vs. share price.

For Debt & Money Market sub funds, we have prescribed a criteria and procedures to be followed in ensuring Shariah compliance in every investment.

As a part of our mandate as Shariah Advisory Council, we have reviewed the following, during the period;

- The modes of investment of the Fund's property and its compliance with the Shariah guidelines.
- Shariah compliance of new investment avenues proposed by the Pension Fund Manager.

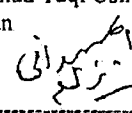
In the light of the above scope, we hereby certify that the provisions of the scheme and investments made by the Fund (including all three sub funds) for the period ended 30th June 2010 are in compliance with the Shariah principles.


The Pension Fund Manager has been directed to set aside as charity, Rs. 265,099 being the amount of capital gain realized on sale of right share options of Nishat Mills Limited, which may be provided and paid in the ensuing year.

During the year an amount of Rupees 14,528 of Equity Sub-Fund was transferred to the charity account. May Allah bless us with Tawfeeq to accomplish these cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.



Muhammad Taqi Usmani
Chairman


Ejaz Ahmad Samdnai
Member


Hassan Ashraf Usmani
Member

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

TRUSTEE REPORT TO THE PARTICIPANTS

JS ISLAMIC PENSION SAVINGS FUND

Report of the Trustee pursuant to Rule 31(h) of the Voluntary Pension System Rules, 2005

JS Islamic Pension Savings Fund (Fund), a pension fund established under a trust deed executed between JS Investments Limited as the pension fund manager and Central Depository Company of Pakistan Limited as trustee on January 08, 2008.

In our opinion, JS Investments Limited has in all material respects managed the Fund during the year ended June 30, 2010 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.



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

Karachi, September 23, 2010





KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' report to the participants of the JS Islamic Pension Savings Fund

We have audited the annexed financial statements comprising:

- i) Balance Sheet;
- ii) Income Statement;
- iii) Cash Flow Statement;
- iv) Statement of Movement in Participants Fund; and
- v) Statement of Comprehensive Income,

of **JS Islamic Pension Savings Fund** as at 30 June 2010 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Pension Fund Manager to establish and maintain a system of internal controls; and prepare and present the financial statements of the Fund in conformity with the International Accounting Standards notified under sub-section (3) of section 234 of the Companies Ordinance, 1984, and technical releases issued by Institute of Chartered Accountants of Pakistan from time to time and the requirements of the Voluntary Pensions System Rules, 2005 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion: -

- (a) the financial statements prepared for the year have been properly drawn in accordance with the relevant provisions of the trust deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- (b) a true and fair view is given of the disposition of the pension fund at the end of the year and of the transactions of the Fund of the year then ended;
- (c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- (d) the cost and expenses debited to the pension fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the pension fund;



KPMG Taseer Hadi & Co.

- (e) proper books and records have been kept by the pension fund;
- (f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of the audit; and
- (g) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 17 AUG 2010

Karachi

Amyr Pirani

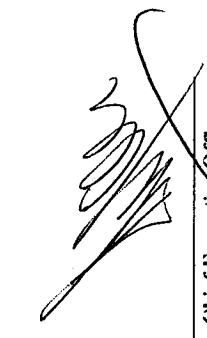
KPMG Taseer Hadi & Co.
Chartered Accountants
Amyr Pirani

JS Islamic Pension Savings Fund
Balance Sheet
As at 30 June 2010

Note	30 June 2010			30 June 2009			Total
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
Assets							
4	2,231,151	7,117,066	33,563,422	753,094	3,320,573	31,712,062	35,785,729
5	30,450,136	29,079,990	-	1,303,213	-	-	1,303,213
	14,500	-	-	25,112,008	29,664,870	-	54,776,878
	12,063	724,837	567,157	156,000	-	-	156,000
				12,580	685,539	413,695	1,111,814
	100,000	100,000	100,000	100,000	100,000	100,000	300,000
	35,520	35,520	35,520	85,520	85,520	85,520	256,560
	32,843,370	37,057,413	34,266,099	27,522,415	33,856,502	32,311,277	93,690,194
Liabilities							
7	4,030	4,537	4,202	33,832	40,514	39,517	113,863
8	7,869	8,714	8,073	7,327	8,773	8,558	24,658
9	11,354	11,803	11,051	8,997	10,522	10,372	29,891
10	153,489	182,217	117,360	53,157	38,551	38,335	130,043
	176,742	207,271	140,686	103,313	98,360	96,782	298,455
	32,666,628	36,850,142	34,125,413	27,419,102	33,758,142	32,214,495	93,391,739
	32,666,628	36,850,142	34,125,413	27,419,102	33,758,142	32,214,495	93,391,739
14	301,764	303,079	302,765	301,837	302,253	301,853	
	108.25	121.59	112.71	90.84	111.69	106.72	

The annexed notes from 1 to 19 form an integral part of these financial statements.

KOMU



Chief Executive Officer

For JS Investments Limited
(Pension Fund Manager)



Director

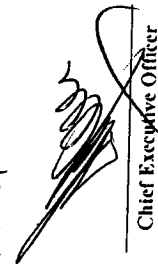
JS Islamic Pension Savings Fund
Income Statement

For the year ended 30 June 2010

	30 June 2010			30 June 2009			Total
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
Income							
Profit on sukuk certificates	-	4,003,903	-	-	2,578,112	-	2,578,112
Profit on bank balances and term deposit receipts	116,676	462,694	2,595,685	947,983	1,252,707	2,558,781	4,759,471
Amortization of discount on available-for-sale investment	-	116,212	-	-	66,862	-	66,862
Unrealised loss on held for trading investments - net	(1,316,543)	-	-	(1,372,624)	-	-	(1,372,624)
Capital gain / (loss) on sale of held for trading investments - net	6,132,951	-	-	(2,799,779)	-	-	(2,799,779)
Dividend income on held for trading investments	1,416,927	-	-	1,031,732	-	-	1,031,732
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net	(1,643)	17,743	11,468	(32)	15,841	11,651	27,460
Others	16,665	16,665	16,665	-	-	-	-
Total income / (loss)	6,365,033	4,617,217	2,623,818	(2,192,720)	3,913,522	2,570,432	4,291,234
Expenses							
Remuneration to the Pension Fund Manager	511,427	531,662	497,765	402,338	470,837	464,113	1,337,288
Remuneration to the Trustee	99,486	103,545	96,966	90,183	105,657	104,159	299,999
Annual fee to Securities and Exchange Commission of Pakistan	11,354	11,803	11,051	8,997	10,522	10,372	29,891
Auditors' remuneration	60,699	60,699	60,699	65,736	65,736	65,738	197,210
Securities' transaction cost	247,996	-	975	98,856	-	-	98,856
Custody and settlement charges	9,375	6,000	6,000	7,418	6,512	6,500	20,430
Bank charges	12,561	1,931	5,360	9,211	860	1,135	11,206
Workers Welfare Fund	107,243	141,100	75,268	50,000	50,000	50,000	150,000
Amortization of formation cost	50,000	50,000	50,000	732,739	710,124	702,017	2,144,880
Total expenses	1,110,141	906,739	804,084	(2,925,459)	3,203,398	1,868,415	2,146,354
Income / (loss) for the year	5,254,892	3,710,478	1,819,734	(9,69)	10,60	6,19	
Earnings / (loss) per unit	17.41	12.24	6.01				

The annexed notes from 1 to 19 form an integral part of these financial statements.

Korey


Chief Executive Officer

For JS Investments Limited
(Pension Fund Manager)



Director

JS Islamic Pension Savings Fund
Statement of Comprehensive Income
For the year ended 30 June 2010

	30 June 2010			30 June 2009			Total
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
Income / (loss) for the year	5,254,892	3,710,478	1,819,734	(2,925,459)	3,203,398	1,868,415	2,146,354
Other comprehensive income for the year:							
Unrealised (loss) / gain on revaluation of available for sale investment.	-	(701,092)	-	-	168,608	-	168,608
Total comprehensive income for the year	5,254,892	3,009,386	1,819,734	(2,925,459)	3,372,006	1,868,415	2,314,962

Rupees

The annexed notes from 1 to 19 form an integral part of these financial statements.

Korova



Chief Executive Officer

For JS Investments Limited
(Pension Fund Manager)



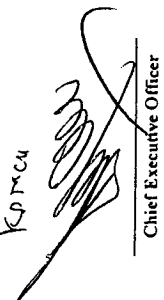
Director

JS Islamic Pension Savings Fund
Statement of Cash Flows
For the year ended 30 June 2010

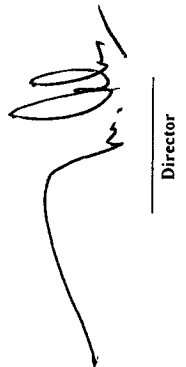
	30 June 2010			30 June 2009			Total
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
CASH FLOWS FROM OPERATING ACTIVITIES							
Income / (loss) for the year	5,254,892	3,710,478	1,819,734	(2,923,459)	3,203,398	1,868,415	2,146,354
Adjustments for:							
Capital (gain) / loss on sale of held for trading investments	(6,132,951)	-	-	2,823,517	-	-	2,823,517
Amortization of formation cost	50,000	50,000	50,000	50,000	50,000	50,000	150,000
Amortization of premium on investments	-	(116,212)	-	-	(66,862)	-	(66,862)
Unrealized loss on held for trading investments - net	1,316,543	-	-	1,372,624	-	-	1,372,624
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	1,643	(17,743)	(11,468)	32	(15,841)	(11,651)	(27,460)
Operating income before working capital changes	490,127	3,626,523	1,858,266	1,320,714	3,170,695	1,906,764	6,398,173
Working capital changes							
Decrease / (increase) in operating assets							
Dividend receivable	141,500	-	-	(156,000)	-	-	(156,000)
Deposit and other receivables	517	(39,298)	(153,462)	98,886	(574,073)	(302,229)	(777,416)
Receivable on sale of investments	1,303,213	-	-	(1,303,213)	-	-	(1,303,213)
Increase / (decrease) in liabilities							
Remuneration payable to the Pension Fund Manager	(29,802)	(35,977)	(35,315)	(2,640)	4,042	3,045	4,447
Remuneration payable to the Trustee	542	(59)	(485)	(869)	577	362	70
Annual fee payable to Securities and Exchange Commission of Pakistan	2,357	1,281	679	6,101	7,626	7,476	21,203
Accrued expenses and other liabilities	100,332	143,666	79,025	(144,560)	(138,331)	(138,331)	(421,007)
	73,429	108,911	43,904	(141,968)	(125,871)	(127,448)	(395,287)
	2,008,786	3,696,136	1,748,708	(181,581)	2,470,751	1,477,087	3,766,257
Sale of investments	60,607,902	-	-	15,572,356	-	-	15,572,356
Purchase of investments	(61,129,622)	-	-	(44,880,503)	(29,429,400)	-	(74,309,903)
Cash flows from operating activities - net	(521,720)	-	-	(29,308,149)	(29,429,400)	-	(58,737,549)
CASH FLOW FROM FINANCING ACTIVITIES							
Amounts received on issue of units	-	97,000	97,000	160,000	234,000	194,000	588,000
Effect of reallocation	(9,009)	3,357	5,652	6,792	(6,365)	(427)	-
Net-Increase / (decrease) in cash and cash equivalents	1,478,057	3,796,493	1,851,360	(29,322,938)	(26,731,014)	1,670,660	(54,383,292)
Cash and cash equivalents at beginning of the year	753,094	3,320,573	31,712,062	30,076,032	30,051,587	30,041,402	90,169,021
Cash and cash equivalents at end of the year	2,231,151	7,117,066	33,563,422	753,094	3,320,573	31,712,062	35,785,729

Rupees

The annexed notes from 1 to 19 form an integral part of these financial statements.

KP M64

Chief Executive Officer

For JS Investments Limited
(Pension Fund Manager)


Director

JS Islamic Pension Savings Fund
Statement of Movement in Participants' Sub-Funds
For the year ended 30 June 2010

	30 June 2010			30 June 2009			Total
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
Net assets at beginning of the year	27,419,102	33,758,142	32,214,495	30,177,737	30,174,342	30,164,158	90,516,237
Amount received on issue of units	-	97,000	97,000	160,000	234,000	194,000	588,000
Effect of reallocation	(9,009)	3,357	5,652	6,792	(6,365)	(427)	-
Element of income / (loss) and capital gains / (losses) in prices of units issued less those of units redeemed - net	1,643	(17,743)	(11,468)	32	(15,841)	(11,651)	(27,460)
(Deficit) / surplus on revaluation of available-for-sale investments (recognised directly in net assets)	-	(701,092)	-	-	168,608	-	168,608
Income / (loss) for the year	5,254,892	3,710,478	1,819,734	(2,925,459)	3,203,398	1,868,415	2,146,354
Net assets at end of the year	32,666,628	36,850,142	34,125,413	27,419,102	33,758,142	32,214,495	93,391,739

Rupees

The annexed notes from 1 to 19 form an integral part of these financial statements.

K. Prasad



Chief Executive Officer

For JS Investments Limited
(Pension Fund Manager)



Chairman

JS Islamic Pension Savings Fund

Notes to the Financial Statements

For the year ended 30 June 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

JS Islamic Pension Savings Fund ("the Fund") has been established under the Voluntary Pension System Rules, 2005 (VPS Rules) and has been approved as a pension fund by the Securities and Exchange Commission of Pakistan (SECP) on February 29, 2008. It has been constituted under a Trust Deed, dated January 8, 2008, between JS Investments Limited as the Pension Fund Manager, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984. Accordingly, title to the assets of the Fund is held in the name of the Trustee.

The Fund is an open end fund and offers units for public subscription on a continuous basis. The units are non-transferable except in the circumstances mentioned in Voluntary Pension System Rules, 2005 and can be redeemed by surrendering to the Fund. Further as per the offering document it cannot distribute any income from the Fund whether in cash or otherwise.

The Fund has been formed to enable the participants to contribute in a diversified portfolio of securities, which are shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on shariah. Pension Fund Manager has appointed a Shariah Advisory Council to ensure that the activities of the Fund are in compliance with the principles of shariah. The Shariah advisory council submit their report on an annual basis after the year end. However compliance in between the period is checked by the Pension Fund Manager's compliance department.

The Fund consists of three sub-funds namely, JS Islamic Pension Savings Fund Equity Sub-Fund ("Equity Sub-Fund"), JS Islamic Pension Savings Fund Debt Sub-Fund ("Debt Sub-Fund") and JS Islamic Pension Savings Fund Money Market Sub-Fund ("Money Market Sub-Fund") (collectively the "Sub-Funds"). The investment policy for each of the sub-funds include following:

- The Equity Sub-Fund shall have a minimum investment in listed equity securities of ninety percent (90%) of its Net Asset Value. Investment in equity securities of a single company shall not exceed 10% of net assets value of the equity sub fund, provided that exposure in companies belonging to single sector as classified by Stock Exchange shall not exceed 25% of net assets of equity sub fund. Any un invested surplus may be invested in government treasury bills or Government securities having less than one year time to maturity.
- The Debt Sub-Fund shall invest atleast 25% of net assets of debt sub fund in debt securities issued by the Federal Government. The weighted average time to maturity of securities held in the portfolio of Debt Sub fund shall not exceed 5 years. Exposure to securities issued by companies in single sector shall not exceed 20% (30% in case of banking sector) of the net assets of the debt sub fund
- The weighted average time to maturity of net assets of the Money Market Sub-fund shall not exceed 90 days, provided that time to maturity of any asset in the portfolio of Money Market Sub-fund shall not exceed 6 months.

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The Fund offers four types of allocation schemes, as prescribed by the SECP under VPS rules vide its Circular no 36 of 2009 dated 10 December 2009, to the participants of the Fund namely High Volatility, Medium Volatility, Low Volatility and Lower Volatility. The participant has the option to suggest a minimum percentage of allocation to the above allocation schemes (subject to the minimum percentages prescribed in the offering document). Based on the minimum allocation, the funds are allocated to the above stated sub-funds. The allocation to the sub-funds has to be done at the date of opening of participant's pension account and on an anniversary date thereafter. The contribution amount may be paid by the participant on a periodic basis such as annual, semi annual, quarterly or monthly basis within 5 days of the close of the period.

Offering document of the Fund encompassing certain changes introduced by SECP and as mentioned above is expected to be submitted to the SECP for its approval.

Registered office of JS Investments Limited is situated at 7th Floor, The Forum, Clifton, Karachi, Pakistan.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed and Voluntary Pension System Rule, 2005. In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the Trust Deed and Voluntary Pension System Rules shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments held for trading and available-for-sale are measured at fair values and derivative financial instruments (if any) have been marked to market and are carried at fair value.

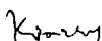
2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest rupees.

2.4 Use of estimates and judgments

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

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



Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

Impairment of investment

The Fund determines that equity securities investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Fund evaluates among other factors, the normal volatility in prices. In addition the impairment of debt securities may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational financial cash flows.

Valuation of investment

Management has determined fair value of equity shares investments by using the quotations from stock exchanges. Debt securities are valued on the basis of rates quoted by MUFAP at the year end. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, etc.) and therefore, can not be determined with precision.

Other assets

Judgment is involved in assessing the realisability of other assets balances.

Workers welfare fund liability

For details please refer note 10.1 to these financial statements.

2.5 Change in accounting policies

Presentation of financial statements

The Fund has adopted IAS - 1 "Presentation of Financial Statements (Revised)" which became effective during the year. The revised standard separates owner and non-owner changes in participants' fund. The statement of changes in participants' fund includes only details of transactions with owners, with non-owners changes in equity presented as a single line item in the statement of changes in unit holders' fund. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Fund has elected to present two statements.

Comparative segment information has been re-presented in conformity with the above revised IAS / IFRS. The change in accounting policy only impacts presentation and disclosure aspects.

2.6 Other accounting developments

Disclosures pertaining to fair values and liquidity risk for financial instruments

The Fund has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

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The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Revised disclosures in respect of fair values of financial instruments are included in note 18.6.

2.7 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010. However these are not relevant to the Fund except in few cases these may require additional disclosures:

Improvements to IFRSs 2009

	Effective date
- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	01 January 2010
- Amendments to IFRS 8 Operating Segments	01 January 2010
- Amendments to IAS 1 Presentation of Financial Statements	01 January 2010
- Amendments to IAS 7 Statement of Cash Flows	01 January 2010
- Amendments to IAS 17 Leases	01 January 2010
- Amendments to IAS 36 Impairment of Assets	01 January 2010
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters.	
- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions	01 January 2010
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues	01 January 2010
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010

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Improvements to IFRSs 2010

- Amendments to IFRS 3 Business Combinations 1 July 2010
- Amendments to IAS 27 Consolidated and Separate Financial Statements 1 July 2010
- IAS 24 Related Party Disclosures (revised 2009) These amendments will result in increase in disclosures in the Fund's financial statements. 1 January 2011
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction 1 January 2011
- IFRS 1 First-time Adoption of IFRSs 1 January 2011
- IFRS 7 Financial Instruments: Disclosures 1 January 2011
- IAS 1 Presentation of Financial Statements 1 January 2011
- IAS 34 Interim Financial Reporting 1 January 2011
- IFRIC 13 Customer Loyalty Programmes 1 January 2011

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Change in accounting policy during the year is given in note 2.5

3.1 Investments

3.1.1 All investments are initially recognized at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the profit and loss account.

3.1.2 The Fund classifies its investments in the following categories:

Held for trading

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

After initial recognition, the investments in listed equity instruments are remeasured at fair value determined with reference to Stock Exchange quoted market prices at the close of period end.

Gains or losses on remeasurement of these investments are recognized in income statement.

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Available-for-sale

Investments which do not fall under the above categories are classified as available-for-sale. After initial recognition, investments classified as available-for-sale are remeasured at fair value, determined with reference to the quoted rates on each day end. Gains or losses on remeasurement of these investments are recognised directly in the participants' funds until the investment is sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in unit holders' funds is included in income statement. Amortisation of premium / discount on acquisition of the investments is carried out using the effective yield method.

3.1.3 Basis of valuation of Sukuk certificates

Investments in Sukuk Certificates have been valued on the basis of year end rates quoted by the Mutual Fund Association of Pakistan.

Basis of valuation of equity securities

Investments in equity securities have been valued on the basis of period end rates quoted by the Karachi Stock Exchange.

- 3.1.4** All regular way purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investments. Regular way purchase and sale of equity securities require delivery of securities within two days after the transaction, as required by the Stock Exchange Regulations.

3.2 Transaction cost

Transaction cost associated with the acquisition of held for trading investments is charged to the income statement currently.

Transaction cost associated with the acquisition of investments other than held for trading investments is included in the cost of investments.

3.3 Formation cost

This represents expenses incurred on the formation of the Fund. The offering document of the Fund, approved by the Securities and Exchange Commission of Pakistan, permits the deferral of the expenses over a period not exceeding three years. Accordingly, the said expenses are being amortized over a period of three years effective from 17 March 2008, the date of the receipt of the initial investment in the Fund.

3.4 Issue and redemption of units

Units are allocated at the offer price of each of the Sub-Fund prevalent on the day on which applications for the purchase of units are received (however units are issued on the realisation of funds). The offer price represents the net assets value of units at the end of the day plus the allowable front end fee. Front end fee and life insurance premium, if any, is deducted from the contribution amount and the net amount is used for the purchase of units. The front end fee is payable to the Distribution Companies and the Pension Fund Manager as processing fee.

In case of withdrawal before retirement, units are redeemed at the net asset value of each of the Sub-Fund as of the close of the business day on which such request is received by the distributor before the cut off time. Redemption of units is recorded on acceptance of application for redemption.

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In case of retirement of the participant, units are redeemed at the net asset value of each of the Sub-Fund as of the close of the business day on which retirement age is reached.

In case of change of Pension Fund Manager, units are redeemed at the net asset value of each of the Sub-Fund as of the close of the business day corresponding to the date of change specified by the participant.

3.5 Revenue recognition

Gains or loss on sale of marketable and government securities is recognised in the year in which the transaction takes place.

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

Return on government securities, sukuk certificates and the bank balances is recognized at effective profit rate on a time proportion basis.

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

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

3.7 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income directly.

3.8 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 recognized amount and the Fund intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.9 Net asset value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of each of the Sub-Fund by the number of units in issue of that Sub-Fund at the end of the period.

3.10 Earning per unit

Earning per unit (EPU) is calculated based on the number of units outstanding at the year end as the management is of the opinion that determination of weighted average units for calculating EPU is not practicable.

3.11 Expenses

The Pension Fund Manager's remuneration and the Trustee's remuneration is charged to the Sub-Funds in proportion to the net assets of the Sub-Funds. Basis of determination of remunerations is discussed in notes 7 and 8 to these financial statements.

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Formation cost and audit fee is divided equally among all the Sub-Funds.

Bank, custody and settlement charges are charged to the pertinent Sub-Fund (on actual basis).

Annual fees payable to the Commission is divided in proportion to the net assets of the Sub-Funds.

3.12 Impairment

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

Investments in equity securities are considered to be impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In addition the impairment in available for sale debt securities may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational financial cash flows.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in income statement.

3.13 Provisions

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

3.14 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances including term deposits with banks (that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value).

3.15 Taxation

The income of the Fund is exempt from taxation under clause 57 (3) (viii) of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001.

3.16 Other assets

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

3.17 Transactions with connected persons / related parties

The transactions with related parties are recognized in the normal course of business, at contracted rates and terms.

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4. BANK BALANCES

	30 June 2010			30 June 2009				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
4.1 In profit and loss sharing accounts	1,952,868	7,116,966	14,553,422	23,623,256	503,104	3,310,573	23,802,062	27,615,739
4.2 In current account	278,283	100	10,000	288,383	249,990	10,000	10,000	269,990
4.3 Term deposit receipts	-	-	19,000,000	19,000,000	-	-	7,900,000	7,900,000
<i>Rupees</i>	<u>2,231,151</u>	<u>7,117,066</u>	<u>33,563,422</u>	<u>42,911,639</u>	<u>753,094</u>	<u>3,320,573</u>	<u>31,712,062</u>	<u>35,785,729</u>

4.1 These profit and loss sharing accounts carry profit rates ranging from 5% to 10% (2009: 3% to 12%) per annum.

4.2 This represents bank balance with JS Bank Limited (a related party).

4.3 This represents term deposits with the banks carrying profit rate ranging from 9% to 10.60% (2009: 10.25%) per annum and maturing between 16 August 2010 to 30 September 2010.

5. INVESTMENTS

	30 June 2010			30 June 2009				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Investments by category								
At fair value through profit and loss								
- held for trading								
5.1 Listed equity securities	30,450,136	-	-	30,450,136	25,112,008	-	-	25,112,008
5.2 Right share options	-	-	-	-	-	-	-	-
Available for sale investments								
Karachi Shipyard and Engineering Works Limited	-	29,079,990	-	29,079,990	-	29,664,870	-	29,664,870
Investments at fair value	<u>30,450,136</u>	<u>29,079,990</u>	<u>-</u>	<u>59,530,126</u>	<u>25,112,008</u>	<u>29,664,870</u>	<u>-</u>	<u>54,776,878</u>

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5.1 Quoted equity securities - held by Equity Sub-Fund *

* Ordinary shares have a face value of Rs. 10 each

Sectors / companies	(Number)				(Rupees)			% of Paid up capital of the investee company
	Holding at beginning of the year	Acquired during the year	Bonus received during the year	Disposed during the year	Holdings at the end of the year	Cost of holdings	Market (carrying) value of holdings	
Oil & Gas - note 5.1.1								
Pakistan State Oil Company Limited	12,500	3,500	-	5,000	11,000	2,871,587	2,862,200	8.76
Oil and Gas Development Company Limited	35,000	5,000	-	37,000	3,000	287,350	425,070	1.30
Attock Refinery Limited	-	45,500	-	25,500	20,000	2,818,308	1,611,200	4.93
Pakistan Refinery Limited	-	22,500	-	22,500	-	-	-	-
Shell Pakistan Limited	-	5,000	-	3,000	2,000	515,041	459,220	1.41
Pakistan Petroleum Limited	-	15,000	3,000	500	17,500	2,897,512	3,222,100	9.86
Pakistan Oilfields Limited	-	12,000	-	-	12,000	2,770,650	2,590,800	7.93
						12,160,448	11,170,590	34.19
Chemicals								
ICI Pakistan Limited	8,000	66,087	-	64,087	10,000	1,590,000	1,185,600	3.63
Fauji Fertilizer Bin Qasim Limited	-	50,000	-	-	50,000	1,609,050	1,302,000	3.99
Fauji Fertilizer Company Limited	27,000	18,000	-	25,000	20,000	1,921,239	2,061,400	6.31
						5,120,289	4,549,000	13.93
Construction & Materials								
Lucky Cement Limited	40,000	130,462	-	145,462	25,000	1,666,441	1,553,500	4.76
Attock Cement Pakistan Limited	26,900	46,000	4,000	31,900	45,000	2,931,965	2,947,500	9.02
						4,598,406	4,501,000	13.78
General Industrials								
Packages Limited	10,000	-	-	10,000	-	-	-	-
Ghani Glass Company Limited	25,500	21,000	3,500	-	50,000	2,771,743	2,850,000	8.72
						2,771,743	2,850,000	8.72
Automobile & Parts								
Pak Suzuki Motors Limited	35,000	20,000	-	35,000	20,000	1,694,519	1,585,400	4.85
Food and Producers								
Rafhan Maize Products Limited	700	180	-	24	856	1,191,554	985,496	3.02
Personal Goods								
Nishat Mills Limited	37,500	90,000	-	127,500	-	-	-	-
Pharma & Bio Tech								
Glaxo Smithkline Pakistan Limited	12,400	-	-	12,400	-	-	-	-
Searle Pakistan Limited	9,000	2,650	1,350	-	13,000	708,095	767,000	2.35
						708,095	767,000	2.35

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Sectors / companies	Holding at beginning of the year	Acquired during the year	Bonus received during the year	Disposed during the year	Holding at the end of the year	Cost of holdings	Market (carrying) value of holdings	% of net assets of the Sub-Fund	% of Paid up capital of the investee company
	----- (Number) -----								
	----- (Rupees) -----								

Fixed Line Telecommunication									
Pakistan Telecommunication Company Limited	-	170,000	-	170,000	-	-	-	-	-
Electricity									
The Hub Power Company Limited	80,000	85,000	-	100,000	65,000	2,124,169	2,077,400	6.36	0.01
Banks									
Meezan Bank Limited	14,661	115,339	5,000	-	135,000	2,080,216	1,964,250	6.01	0.03
						<u>32,449,439</u>	<u>30,450,136</u>	<u>97.98</u>	

5.2 Right share options

Sectors / companies	Holding at beginning of the year	Acquired during the year	Rights received during the year	Disposed during the year	Holding at the end of the year	Cost of holdings	Market (carrying) Value of holding	% of Net Assets of the Sub-Fund	% of Paid up capital of the investee company
	----- (Number) -----								
	----- (Rupees) -----								

5.3 Available for sale investments

Personal Goods									
Nishat Mills Limited	-	16,000	15,750	31,750	-	-	-	-	-

5.3.1 The Securities and Exchange Commission of Pakistan had on 10 December 2009, issued Investment & Allocation Policies for Pension funds authorized under Voluntary Pension System Rules, 2005 (Policies). Under these policies, a Pension Fund Manager may invest up to twenty five percent (25%) of Net Assets of a Shariah compliant Equity Sub-fund in equity securities of companies belonging to a single sector as classified by Stock Exchange(s). The limit shall, however, be reviewed for adjustments as and when classification of sectors is changed by the stock exchanges. As at 30 June 2010, the equity sub-fund's investment in securities of Oil & Gas sector was 34.19% which exceeded the above mentioned limit of 25%. The above excess is purely due to the change of classification of sectors by Karachi Stock Exchange. However, arrangements are being made by the Pension Fund Manager to address the requirement in respect of the investment referred above.

5.3 Available for sale investments

	Holding at beginning of the year	Acquired during the year	Matured / disposed during the year	Holding at the end of the period year	Cost of holdings	Market (carrying) value of holdings	% of Net Assets of the Sub-Fund
	----- (Number) -----						
	----- (Rupees) -----						

Sukuk certificates issued by the government owed entity
Karachi Shipyard and Engineering Works Limited 5.3.1 & 5.3.2

6,000 - - - - - 6,000 29,429,400 29,079,990 78.91

5.3.1 These Sukuk certificates carry rate of mark-up of six months Karachi Interbank Offer Rate plus 0.40% with no floor and cap receivable semiannually in arrears and will mature in November 2015. These sukuk certificates are guaranteed by the Government of Pakistan.

5.3.2 Under the policies referred to in note 5.1.1 above, the weighted average time to maturity of securities in the debt sub fund shall not exceed 5 years, provided however in case of deviation, the same would need to be made compliant within one year of the issuing the above circular (by 10 December 2010). As at 30 June 2010, the remaining period to maturity of the above investment was 5.35 years; however the Pension Fund Manager expects that by November 2010, it shall be within the permissible limit.

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6. DEFERRED FORMATION COST

	30 June 2010			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Total formation cost	150,000	150,000	150,000	450,000
Amortization:				
At 1 July	(64,480)	(64,480)	(64,480)	(193,440)
For the year	(50,000)	(50,000)	(50,000)	(150,000)
Balance as at 30 June 2010	<i>Rupees</i> 35,520	35,520	35,520	106,560

	30 June 2009			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Total formation cost	150,000	150,000	150,000	450,000
Amortization of formation cost to-date	(64,480)	(64,480)	(64,480)	(193,440)
Balance as at 30 June 2009	<i>Rupees</i> 85,520	85,520	85,520	256,560

This represents expenses incurred on the formation of the Fund. As per offering document approved by the Securities and Exchange Commission of Pakistan, formation costs not exceeding 0.5% of the seed capital of each Sub-fund or Rs.750,000 in total, whichever is lower, has to be amortized over a period of not more than 3 years in equal instalments.

7. REMUNERATION PAYABLE TO THE PENSION FUND MANAGER

As per rule 11 of the Voluntary Pension System Rules, 2005, JS Investments Limited the Pension Fund Manager of the Fund is allowed to charge an annual management fee of 1.5% of the average of the values of the net assets of each of the Sub-Fund calculated during the period for determining the net asset values of the units of the Sub-Funds. Accordingly, the management fee has been accrued at 1.5% per annum of the average daily net assets of the Sub-Funds.

8. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee (Central Depository Company of Pakistan Limited) is entitled to remuneration of Rs. 300,000 or 0.15% per annum of the net assets value of the Fund, whichever is higher, up to Net Assets of Rs. 1 billion. The rates applicable for Trustee's Remuneration on Net Assets exceeding Rs. 1 billion are as follows:

Net assets	Tariff
Above Rs. 1 billion to Rs. 3 billion	Rs. 1.5 million plus 0.10% per annum of net assets, on amount exceeding Rs. 1 billion
Above Rs. 3 billion to Rs. 6 billion	Rs. 3.5 million plus 0.08% per annum of net assets, on amount exceeding Rs. 3 billion
Above Rs. 6 billion	Rs. 5.9 million plus 0.06% per annum of net assets, on amount exceeding Rs. 6 billion

9. ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with rule 36 of the Voluntary Pension System Rules, 2005 whereby the Fund is required to pay SECP an amount equal to one thirtieth of 1% of the average annual net assets of each of the Sub-Funds.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2010			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Front end fee payable	-	3,000	3,000	6,000
Payable against transaction in held for trading securities	-	-	975	975
Settlement charges payable	500	500	500	1,500
Payable to auditors	37,617	37,617	37,617	112,851
Payable to Workers Welfare Fund	107,243	141,100	75,268	323,611
Others	8,129	-	-	8,129
	<i>Rupees</i> 153,489	182,217	117,360	453,066

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	30 June 2009			
	Equity	Debt	Money	Total
	Sub-Fund	Sub-Fund	Market Sub-Fund	
Front end fee payable	3,831	4,717	4,502	13,050
Payable against transaction in held for trading securities	-	-	-	-
Settlement charges payable	500	500	500	1,500
Payable to auditors	33,333	33,334	33,333	100,000
Others	15,493	-	-	15,493
Rupees	53,157	38,551	38,335	130,043

10.1 Worker's Welfare Fund

The Finance Act, 2008 brought an amendment in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) with the intention to make the definition of "Industrial Establishment" applicable to any establishment to which the West Pakistan Shop and Establishment Ordinance, 1969 (1969 Ordinance) applies. As a result of this amendment, the WWF Ordinance has become applicable to all Pension Funds (PFs), Collective investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay two percent of their total income to Workers Welfare Fund (as defined in section 4 & 2(i) of the WWF Ordinance). The Mutual Fund Association of Pakistan (MUFAP) had filed a constitutional petition before High Court of Sindh on the major grounds that PFs, CISs, etc are not covered under the definition of industrial establishment, PFs do not have any worker and amendment was made through money bill.

The Honourable High Court of Sindh vide its order dated 25 May 2010 has dismissed the petition on the main ground that the MUFAP (petitioner) cannot be held to be entitled to maintain a petition in respect of its members as MUFAP is not the aggrieved party in respect of its members. Consequently, few CISs have filed constitutional petitions.

However, the Pension Fund Manager in pursuance of the order passed by the Honourable High Court of Sindh considers it prudent to record the provision for WWF for the period ended 30 June 2010 amounting to Rs. 0.324 million in these financial statements.

11. AUDITORS' REMUNERATION

	30 June 2010			
Annual audit fee	33,333	33,333	33,334	100,000
Fee for the review of half yearly financial statements	16,667	16,667	16,666	50,000
Out of pocket expenses	10,699	10,699	10,699	32,097
Rupees	60,699	60,699	60,699	182,097

	30 June 2009			
Annual audit fee	33,333	33,333	33,334	100,000
Fee for the review of half yearly financial statements	16,667	16,667	16,666	50,000
Out of pocket expenses	15,736	15,736	15,738	47,210
Rupees	65,736	65,736	65,738	197,210

12. Taxation

No provision for taxation for the year ended 30 June 2010 has been made in view of the exemption available under clause 57 (3) (viii) of the Part-1 of the 2nd Schedule of the Income Tax Ordinance, 2001.

13. CONTRIBUTION TABLE

Contribution (net of front end fee) received during the year

	30 June 2010						
	Equity		Debt		Money Market		Total
	Sub-Fund		Sub-Fund		Sub-Fund		
	Units	(Rupees)	Units	(Rupees)	Units	(Rupees)	(Rupees)
From:							
Individuals	-	-	798	97,000	861	97,000	194,000
	-	-	798	97,000	861	97,000	194,000

	30 June 2009						
	Equity		Debt		Money Market		Total
	Sub-Fund		Sub-Fund		Sub-Fund		
	Units	(Rupees)	Units	(Rupees)	Units	(Rupees)	(Rupees)
From:							
Individuals	1,593	160,000	2,177	234,000	1,823	194,000	588,000
	1,593	160,000	2,177	234,000	1,823	194,000	588,000

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14. NUMBER OF UNITS IN ISSUE

	30 June 2010			30 June 2009		
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund
	----- (Number) -----					
Total units outstanding as at 1 July	301,837	302,253	301,853	300,169	300,135	300,034
Units issued during the period	-	798	861	1,593	2,177	1,823
Effect of reallocation	(74)	28	50	75	(60)	(4)
Total units in issue at the end of the year	<u>301,764</u>	<u>303,079</u>	<u>302,765</u>	<u>301,837</u>	<u>302,253</u>	<u>301,853</u>

14.1 At 30 June 2010, the Pension Fund Manager had investments of 300,000 units (2009:300,000 units) in each Sub Fund.

15. FINANCIAL PERFORMANCE

	30 June 2010			30 June 2009		
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund
	----- (Rupees) -----					
Net (loss) / income	5,254,892	3,710,478	1,819,734	(2,925,459)	3,203,398	1,868,415
Gain / (loss) on sale of investments	6,132,951	-	-	(2,823,517)	-	-
Unrealised loss on remeasurement of held for trading investments - net	(1,316,543)	-	-	(1,372,624)	-	-
Dividend income	1,416,927	-	-	1,031,732	-	-
Markup on bank balances / deposits	116,676	462,694	2,595,685	947,983	1,252,707	2,558,781
Profit on debt securities	-	4,003,903	-	-	2,578,112	-
Net asset value	32,666,628	27,452,434	36,850,142	27,419,102	33,758,142	32,214,495
Net asset value per unit	108.25	100.54	121.59	90.84	111.69	106.72
Transaction in securities						
Purchases	(61,129,622)	-	-	(44,880,505)	(29,429,400)	-
Sales	60,607,902	-	-	15,572,356	-	-
Contribution received	-	97,000	97,000	160,000	234,000	194,000

	30 June 2008		
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund
	----- (Rupees) -----		
Net (loss) / income	160,830	160,816	160,777
Gain / (loss) on sale of investments	-	-	-
Unrealised loss on remeasurement of held for trading investments - net	-	-	-
Dividend income	-	-	-
Markup on bank balances / deposits	355,369	355,369	355,369
Profit on debt securities	-	-	-
Net asset value	30,177,737	30,174,342	30,164,158
Net asset value per unit	100.54	100.54	100.54
Transaction in securities			
Purchases	-	-	-
Sales	-	-	-
Contribution received	30,016,975	30,013,580	30,003,395

16. HIGHEST AND LOWEST ISSUE PRICE OF UNITS DURING THE YEAR

	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund	
	Lowest issue price	Highest issue price	Lowest issue price	Highest issue price	Lowest issue price	Highest issue price
	----- (Rupees) -----					
For the year ended 30 June 2010	92.34	125.65	111.72	121.59	106.74	112.71
For the year ended 30 June 2009	70.52	106.10	99.19	111.69	100.54	106.73
For the year ended 30 June 2008	100.00	100.40	100.00	100.40	100.00	100.40

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17. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

17.1 Details of balances of units with related parties / connected person as at year end.

		30 June 2010			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
JS Investments Limited (Pension Fund Manager)					
Units Held	<i>Number</i>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>900,000</u>
Amount Held	<i>Rupees</i>	<u>32,475,000</u>	<u>36,477,000</u>	<u>33,813,000</u>	<u>102,765,000</u>
		30 June 2009			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Units Held	<i>Number</i>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>900,000</u>
Amount Held	<i>Rupees</i>	<u>27,252,000</u>	<u>33,507,000</u>	<u>32,016,000</u>	<u>92,775,000</u>

17.2 Details of other transactions with related parties / connected person during the year are as follows:

		30 June 2010			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
JS Investments Limited					
Remuneration of the Pension Fund Manager for the year	<i>Rupees</i>	<u>511,427</u>	<u>531,662</u>	<u>497,765</u>	<u>1,540,854</u>
Front end fee for the year	<i>Rupees</i>	<u>-</u>	<u>1,050</u>	<u>1,050</u>	<u>2,100</u>
		30 June 2009			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Remuneration of the Pension Fund Manager for the year	<i>Rupees</i>	<u>402,338</u>	<u>470,837</u>	<u>464,113</u>	<u>1,337,288</u>
Front end fee for the year	<i>Rupees</i>	<u>350</u>	<u>350</u>	<u>350</u>	<u>1,050</u>

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30 June 2010

JS Investments Limited

Remuneration payable to
Pension Fund Manager
Front End fee Payable

	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
<i>Rupees</i>	4,030	4,537	4,202	12,769
<i>Rupees</i>	-	1,050	1,050	2,100

30 June 2009

Remuneration payable to
Pension Fund Manager
Front end fee payable

	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
<i>Rupees</i>	33,832	40,514	39,517	113,863
<i>Rupees</i>	1,511	1,860	1,774	5,145

30 June 2010

**Central Depository Company
of Pakistan Limited**

Remuneration for the year
Settlement charges

	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
<i>Rupees</i>	99,486	103,545	96,966	299,997
<i>Rupees</i>	9,375	6,000	6,000	21,375

30 June 2009

Remuneration for the year
Settlement charges

	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
<i>Rupees</i>	90,183	105,657	104,159	299,999
<i>Rupees</i>	7,418	6,512	6,500	20,430

30 June 2010

Remuneration payable
Settlement charges payable

	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
<i>Rupees</i>	7,869	8,714	8,073	24,656
<i>Rupees</i>	500	500	500	1,500

30 June 2009

Remuneration payable
Settlement charges payable

	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
<i>Rupees</i>	7,327	8,773	8,558	24,658
<i>Rupees</i>	500	500	500	1,500

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		30 June 2010			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
JS Bank Limited					
Bank Balances	<i>Rupees</i>	<u>278,283</u>	<u>100</u>	<u>10,000</u>	<u>288,383</u>

		30 June 2009			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Bank Balances	<i>Rupees</i>	<u>249,990</u>	<u>10,000</u>	<u>10,000</u>	<u>269,990</u>

		30 June 2010			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
JS Global Capital Limited (related party)					
Brokerage expense	<i>17.2.1 Rupees</i>	<u>21,723</u>	<u>-</u>	<u>-</u>	<u>21,723</u>

		30 June 2009			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Brokerage expense	<i>17.2.1 Rupees</i>	<u>15,318</u>	<u>-</u>	<u>-</u>	<u>15,318</u>

17.2.1 This represents the amount of brokerage paid to related party and not the purchase or sale value of securities transacted through them. The purchase or sale value have not been treated as transactions with related party as ultimate counter-parties are not known.

17.2.2 The transactions with related parties / connected persons are in the normal course of business at contracted rates and terms.

17.2.3 Remuneration of the pension fund manager and the trustee is determined in accordance with the terms disclosed in notes 7 and 8 respectively. Other transactions are in accordance with the agreed terms.

18. FINANCIAL INSTRUMENTS

Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

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 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 primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities and investments in other money market instruments (including the clean placements).

Asset purchases and sales are determined by the Fund's Investment Manager, who has been authorized to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the investment committee. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

18.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. In the Fund's case it arises principally from debt securities held, bank balances, balances due from brokers, profit / mark up receivable etc.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved and restrictions imposed by the Investment Committee, its Trust Deed, Offering document and the requirements of Voluntary Pension System Rules, 2005. Before making investment decisions, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Assignment of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Investment transactions are carried out with a large number of brokers, whose credit worthiness is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.

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Exposure to credit risk

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk as at 30 June 2010 and 30 June 2009 is as follows:

	30 June 2010					
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub -Fund	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	----- (Rupees) -----					
Bank balances	2,231,151	2,231,151	7,117,066	7,117,066	33,563,422	33,563,422
Investments - held for trading	30,450,136	-	-	-	-	-
Investments - available-for-sale	-	-	29,079,990	-	-	-
Dividend receivable on held for trading investments	14,500	14,500	-	-	-	-
Profit receivable	12,063	12,063	724,837	102,417	567,157	567,157
Security deposits	100,000	100,000	100,000	100,000	100,000	100,000
	<u>32,807,850</u>	<u>2,357,714</u>	<u>37,021,893</u>	<u>7,319,483</u>	<u>34,230,579</u>	<u>34,230,579</u>

	30 June 2009					
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub -Fund	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	----- (Rupees) -----					
Bank balances	753,094	753,094	3,320,573	3,320,573	31,712,062	31,712,062
Investments in held for trading	25,112,008	-	-	-	-	-
Investments in available-for-sale	-	-	29,664,870	-	-	-
Receivable against sale of investment	1,303,213	1,303,213	-	-	-	-
Dividend receivable on held for trading investments	156,000	156,000	-	-	-	-
Profit receivable	12,580	12,580	685,539	17,893	413,695	413,695
Security deposits	100,000	100,000	100,000	100,000	100,000	100,000
	<u>27,436,895</u>	<u>2,324,887</u>	<u>33,770,982</u>	<u>3,438,466</u>	<u>32,225,757</u>	<u>32,225,757</u>

Differences in the balances as per the statement of assets and liabilities and maximum exposures in investments is due to the fact that equity securities amounting Rs. 30,450,136 (2009: 25,112,008), debt security amounting to Rs. 29,079,990 (2009: Rs. 29,664,870) and profit on debt security receivable amounting Rs. 622,420 (2009:Rs. 667,646) are not exposed to credit risk. The debt security is guaranteed by the Government of Pakistan.

Past due / impaired assets and collaterals held

None of the financial assets of the Fund are past due or impaired as at 30 June 2010. All the Fund's assets are unsecured except investment in debt securities (as explained above).

Credit ratings

Details of the credit ratings of the balances with banks, deposits and other receivables as at 30 June 2010 are as follows:

Rating	30 June 2010		
	Equity Sub Fund %	Debt Sub Fund %	Money Market Sub Fund %
A	12.41	-	19.27
AA-	81.05	46.48	38.80
AA	6.51	3.22	3.82
AA+	0.03	50.30	38.10
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS (as of 30 June 2010). Debt securities have not been included above as these are Government gauranteed.

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18.1.1 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Details of Fund's concentration of credit risk of the financial instruments by industrial segments are as follows:

	30 June 2010			30 June 2009		
	Equity	Debt	Money	Equity	Debt	Money
	Sub Fund	Sub Fund	Market Sub Fund	Sub Fund	Sub Fund	Market Sub Fund
	%	%	%	%	%	%
Oil and Gas	0.19	-	-	3.01	-	-
Automobiles and parts	0.42					
Fertilizer	-	-	-	3.70	-	-
Banks	95.14	98.63	99.71	32.93	81.30	99.69
Miscellaneous	4.24	1.37	0.29	60.36	18.70	0.31
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

18.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the 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 document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six days from the date of the redemption request.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption. No such borrowings were made during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings.

In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows.

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Maturity analysis for financial liabilities

30 June 2010

(Rupees)

Non-derivative liabilities

Remuneration payable to the Pension Fund Manager
 Remuneration payable to the Trustee
 Annual fee payable to Securities and Exchange Commission of Pakistan
 Accrued expenses and other liabilities

	Equity Sub Fund			Debt Sub Fund			Money Market Sub Fund		
	Carrying amount	Less than 1 month	1 month to 3 months	Carrying amount	Less than 1 month	1 month to 3 months	Carrying amount	Less than 1 month	1 month to 3 months
	4,030	4,030	-	4,537	4,537	-	4,202	4,202	-
	7,869	7,869	-	8,714	8,714	-	8,073	8,073	-
	11,354	-	11,354	11,803	-	11,803	11,051	-	11,051
	46,246	8,629	37,617	41,117	3,500	37,617	42,092	4,475	37,617
	<u>69,499</u>	<u>20,528</u>	<u>48,971</u>	<u>66,171</u>	<u>16,751</u>	<u>49,420</u>	<u>65,418</u>	<u>16,750</u>	<u>48,668</u>

30 June 2009

(Rupees)

Non-derivative liabilities

Remuneration payable to the Pension Fund Manager
 Remuneration payable to the Trustee
 Annual fee payable to Securities and Exchange Commission of Pakistan
 Accrued expenses and other liabilities

	33,832	33,832	-	40,514	40,514	-	39,517	39,517	-
	7,327	7,327	-	8,773	8,773	-	8,558	8,558	-
	8,997	-	8,997	10,522	-	10,522	10,372	-	10,372
	53,157	19,824	33,333	38,551	5,217	33,334	38,335	5,002	33,333
	<u>103,313</u>	<u>60,983</u>	<u>42,330</u>	<u>98,360</u>	<u>54,504</u>	<u>43,856</u>	<u>96,782</u>	<u>53,077</u>	<u>43,705</u>

Above financial liabilities do not carry any mark-up.

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18.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Pension Fund Manager manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to interest rate risk and equity price risk only.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in debt securities, (representing government securities) and profit and loss sharing bank balances / term deposits with banks. Currently most of the exposure in fixed rate instruments are in Government securities and term deposit receipts. However to enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of these instruments currently available are indexed to KIBOR. The Fund monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. Other risk management procedures are the same as those mentioned in the credit risk management.

At 30 June 2010, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	30 June 2010			30 June 2009		
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
	----- (Rupees) -----					
Fixed rate instruments						
Financial assets (term deposit with banks)	-	-	19,000,000	-	-	7,900,000
Variable rate instruments						
Financial assets	1,952,868 *	36,196,956	14,553,422	503,104	32,975,443	23,802,062

* includes sukuk certificates

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in markup rates at the reporting date would not affect income statement and participant's sub-fund.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in markup rates at the year end would not have had material impact on the income statement and participant's sub fund.

1/2/2011

18.3.1.1 A summary of the Fund's interest rate position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

For the year ended 30 June 2010

	Equity Sub-fund			Debt Sub-fund			Money Market Sub-fund			Total
	Mark-up/ profit (%)	Up to three months	Three months to six months	Mark-up/ profit (%)	Up to three months	Three months to six months	Mark-up/ profit (%)	Up to three months	Three months to six months	
Bank balances	5 to 10	1,952,868	-	5 to 10	7,116,966	-	5 to 10	33,553,422	-	42,623,256
Investments	-	-	29,079,990	12.67	-	29,079,990	-	-	-	29,079,990
		<u>1,952,868</u>	<u>29,079,990</u>		<u>7,116,966</u>	<u>29,079,990</u>		<u>33,553,422</u>	<u>33,553,422</u>	<u>71,703,246</u>

For the year ended 30 June 2009

	Equity Sub-fund			Debt Sub-fund			Money Market Sub-fund			Total
	Mark-up/ profit (%)	Up to three months	Three months to six months	Mark-up/ profit (%)	Up to three months	Three months to six months	Mark-up/ profit (%)	Up to three months	Three months to six months	
Bank balances	5 to 12.75	503,104	-	5 to 12.75	3,310,573	-	5 to 12.75	31,702,062	-	35,515,739
Investments	-	-	29,664,870	13.75	-	29,664,870	-	-	-	29,664,870
		<u>503,104</u>	<u>29,664,870</u>		<u>3,310,573</u>	<u>29,664,870</u>		<u>31,702,062</u>	<u>31,702,062</u>	<u>65,180,609</u>

Equity price risk

Equity price risk is the risk of unfavorable changes in the fair value of equity securities in equity sub fund as a result of changes in the levels of KSE-Index and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities for which prices in the future are uncertain. The Fund policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines and the requirements of Voluntary Pension System Rules, 2005.

The Fund manages those risk by limiting exposure to any single investee company to the extent of 10% of the net assets of the sub-fund or paid up capital of that company (which ever is lower) with overall limit of 25% to a single industry sector (the limit set by Voluntary Pension System Rules, 2005). The Fund also manages its exposure to price risk by reviewing portfolio allocation as frequently as necessary and at least once a quarter from the aspect of allocation within industry and individual stock within that allocation.

A summary analysis of investments by industry sector and the percentage in relation to Fund's own investment is presented in Note 5.1. Balance of the investment in equity securities as at the year end was as follows:

	Equity Sub Fund
Held for trading	2010
	<u>30,450,136</u>
	<u>25,112,000</u>

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The following table illustrates the sensitivity of the profit for the year and the participants' sub fund to an increase or decrease of 10% in the fair values of the Fund's equity securities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Funds' equity securities at each statement of assets and liabilities date, with all other variables held constant.

		<u>Equity Sub Fund</u>	
		2010	2009
Income statement	<i>Rupees</i>	<u>3,045,014</u>	<u>2,511,201</u>
Participant's sub fund	<i>Rupees</i>	<u>3,045,014</u>	<u>2,511,201</u>

18.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

18.5 Participant's sub fund risk management

Management's objective when managing Participant's sub fund is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its participants and to ensure reasonable safety of participants' sub funds.

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 markets' conditions. The capital structure depends on the issuance and redemption of units and the Fund is not subject to externally imposed minimum Fund maintenance requirement.

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18.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements is discussed in note 3.1

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Equity Sub-fund			Total
	Level 1	Level 2	Level 3	
	----- (Rupees) -----			
<i>At fair value through profit and loss</i>				
- Held for trading				
Listed equity securities	30,450,136	-	-	30,450,136
	<u>30,450,136</u>	<u>-</u>	<u>-</u>	<u>30,450,136</u>
	Debt Sub-fund			Total
	Level 1	Level 2	Level 3	
	----- (Rupees) -----			
<i>Available-for-sale investments</i>				
Sukuk certificates	-	-	29,079,990	29,079,990
	<u>-</u>	<u>-</u>	<u>29,079,990</u>	<u>29,079,990</u>

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

	30 June 2010
Balance as at 01 July 2009	29,664,870
Amortisation of discount	116,212
Revaluation loss for the year	(701,092)
Balance as at 30 June 2010	Rupees <u>29,079,990</u>

Required

19. DATE OF AUTHORIZATION FOR ISSUE

These financial statement were authorized for issue by the Board of Directors of the Pension Fund Manager on 17 AUG 2010.

K. M. M.

**For JS Investments Limited
(Pension Fund Manager)**



Chief Executive Officer



Director