



JS Principal Secure Fund I

Annual Report 2009



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Vision

To be Industry Leaders in Financial Services

Mission

Pursuit of Professional Excellence

Core Values

- Shareholder Value
- Integrity
- Commitment

ORGANIZATION

Management Company

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

Board of Directors

Munawar Alam Siddiqui	Chairman
Muhammad Najam Ali	Chief Executive Officer
Ali Raza Siddiqui	
Nazar Mohammad Shaikh	
Siraj Ahmed Dadabhoy	
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 Shakra-e-Faisal, Karachi-74400, Pakistan.
Tel : (92-21) 111-111-500
Fax: (92-21) 34326061

Auditors

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Cavish Court, A-35, Block 7 & 8,
KCHSU, Shakra-e-Faisal,
Karachi-75530, Pakistan

Legal Adviser

Bawaney & Partners
Room No.404, 4th floor,
Beaumont Plaza, 6-cl-10,
Beaumont Road, Civil Lines
Karachi-75530.

Transfer Agent

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

DIRECTORS REPORT TO THE UNIT HOLDERS

The Board of Directors of JS Investments Limited, the Management Company of JS Principal Secure Fund I (the Fund), is pleased to present the Annual Report for the year ended June 30, 2009.

1. Review of Fund Performance

The KSE-100 Index declined by 41.72% during the year under review and closed at 7,162 points on June 30, 2009. The KSE-30 Index also witnessed similar decline of 47.15% and closed the year at 7,571 level. A detailed market review is presented in the enclosed Fund Manager Report.

JS Principal Secured Fund I posted a return of 1.70% against a benchmark return of 1.07% resulting in JS Principal Secured Fund I outperforming the benchmark by 0.63%.

The Fund earned a net income of Rs. 141.79 million during the period ended June 30, 2009, including unrealized gain on investment of Rs. 0.29 million. Net redemptions during the year were NIL. The net assets of the Fund as on June 30, 2009 were Rs. 2,372 million. The net assets value as on June 30, 2009 was Rs. 106.07 per unit.

2. Fund and Asset Manager Rating

The Fund rating methodology is presently under discussion between the Management Company and the Pakistan Credit Rating Agency (PACRA). Further, MUFAP is also in consultation with the country's two rating agencies and the SECP in terms of having a consistent and uniform rating methodology for mutual funds. Updated fund rating will be announced once a conclusion is reached on the same.

PACRA has awarded an **AM2+** asset manager rating to JS Investments Limited. The rating denotes the company's very strong capacity to manage the risks inherent in asset management and the asset manager meets very high investment management industry standards and benchmarks.

3. Compliance

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 09 of this annual report.
- i. The Directors have signed the Statement of Ethics and Business Practices.
- j. The Chief Executive, directors & executives and their spouses do not hold any unit in the Fund.
- k. The value of investments of the staff provident fund of JS Investments Limited, as per the audited accounts for the year ended June 30, 2009 was Rs. 13.108 million.

4. 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.

5. Auditors

The external auditors of the Fund Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment. The Audit Committee of the Board of the Management Company has recommended reappointment of M. Yousuf Adil Saleem & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2010.

6. 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 and the Trustee for their dedication and hard work and the unit holders for their confidence in the Management.

Karachi: August 21, 2009

Muhammad Najam Ali
Chief Executive Officer

FUND MANAGER'S REPORT

Fund Profile

Fund type	Open end - Special Fund
Fund launch date	24 April, 2009
Fund Assets (PKR mn)	2,371.69
Benchmark	TDR Rate & KSE30 Index
Listing	Lahore Stock Exchange
Trustee	Central Depository Company of Pakistan Ltd.
Auditors	M. Yousuf Adil Saleem & Co.
Risk profile	Low risk
Management fee	1.75%

Investment Philosophy

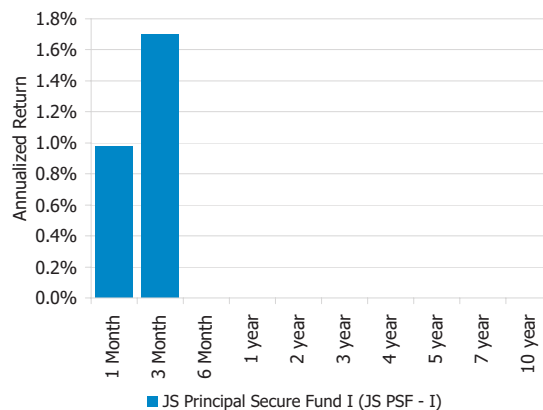
The Fund aims at protecting investor capital through the investment structure by placing a significant percentage of the Fund as term deposit(s) with Scheduled Commercial Bank(s) having a minimum long term rating of AA or in other return based fixed income instruments issued by the Government of Pakistan. The remaining funds are used to gain exposure into equity markets or any other SECP permissible investment instruments that the Management Company feels would be appropriate to maximize return through an aggressive asset allocation strategy. The fund, during the year, underperformed its benchmark by 1.41%. There was no significant change in the state of affairs of the fund during the period.

Market Review FY09

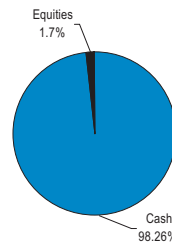
During the year under review, the KSE-100 index fell from 12,289.03 at June 30th, 2008 to 7,162.18 on June 30th, 2009, down by 41.72%. The decline was mainly on account of growing political uncertainties and worsening economic conditions. Activity in the equity market remained heavily subdued during the first half of the year after a floor mechanism was enforced by the management of the KSE on August 27th 2008 freezing scrip prices at their respective levels (the floor of the KSE-100 was set at a level of 9,144.93). Furthermore, high inflation and burgeoning fiscal and current deficits forced the country to enter into the IMF program with a loan of USD 7.6bn in order to bridge the expenditure gap. During FY09 two tranches of the IMF have been received. The tight monetary stance of the Central Bank continued into FY09. Having already raised its policy rate by 200 bps during 2HFY08, the regulator increased interest rates by another 100 bps to 13% on 30th July, 2008 and on 13th November 2008, the SBP, in an effort to bring down inflation from its 25% level, once again raised its discount rate, this time by 200 bps to 15%.

The removal of the floor mechanism on December 15th, 2009 led to strong selling pressure in the market, whereby the KSE-100 declined to a low of 4,815.34 points in January 2009. Thereafter, restoration of deposed judges, resolution of major political differences between the two leading parties and expectations of significant foreign inflows fuelled positive sentiments in the market. Declining inflation (June 09 inflation recorded at 13.13%) and a falling current account balance resulted in a 100 bps reduction (to 14%) in the policy rate by the State of Pakistan in its Monetary Policy Review on 21st April, 2009 which helped stimulate positive sentiments in the market and the KSE-100 index recovered by 58% to its closing level of 7,162.18 on June 30th 2009.

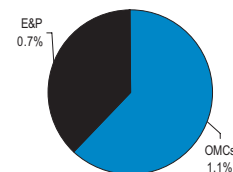
Performance (in percentage)



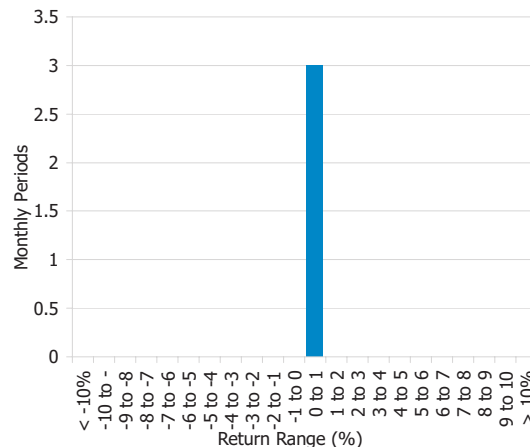
Asset Allocation



Sector Allocation



Distribution of Returns



Important Information: The value of mutual fund investments may go up or down and are subject to market conditions. Past performance is not necessarily indicative of future results and annualized returns for period of less than one year can be misleading. JS Investments Limited has exercised due diligence and care in preparing the information contained herein and believes it to be reliable as of the date indicated. However no guarantee is given that it is accurate or complete. JS Investments Limited shall not be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages or losses, including lost profits arising in any way from the information contained herein. Please consult your legal and/ or financial advisor before making any investment decisions. Information provided here is for the use of intended recipients only and the contents may not be reproduced, redistributed, or copied in whole or in part for any purpose without prior express consent of JS Investments Limited.

JS Principal Secure Fund I

Benchmark Analysis	Benchmark
Alpha	0.6%
Annualized Alpha	6.9%
Beta	0.0
Correlation	0.0
R-squared	0.0

Statistical Analysis	Fund	Benchmark
Compound ROR	7.0%	4.3%
Standard Deviation	1.8%	3.4%
Cumulative Return	1.7%	1.06%
Cumulative VAMI	1,017	1,011
Sharpe (13.00%)	-3.2	-2.3
Largest Month Gain	1.0%	1.5%
Largest Month Loss	0.0%	-0.4%
% Positive Months	100.0%	66.7%
% Negative Months	0.0%	33.3%

Split of Units

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

Distribution (FY08)	in %	in PKR
Stock dividend	Nil	Nil

Effects on the NAV after Distribution

NAV per unit as on June 30, 2008

Cum NAV (PKR)	n/a
Ex-NAV (PKR)	n/a

Distribution for the Year Ended June 30, 2009

The Board of Directors of the Management Company in their meeting held on July 07, 2009 announced distribution of Rs. 5.80 per unit on the face value of Rs. 100/-.

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.

Important Information: The value of mutual fund investments may go up or down and are subject to market conditions. Past performance is not necessarily indicative of future results and annualized returns for period of less than one year can be misleading. JS Investments Limited has exercised due diligence and care in preparing the information contained herein and believes it to be reliable as of the date indicated. However no guarantee is given that it is accurate or complete. JS Investments Limited shall not be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages or losses, including lost profits arising in any way from the information contained herein. Please consult your legal and/ or financial advisor before making any investment decisions. Information provided here is for the use of intended recipients only and the contents may not be reproduced, redistributed, or copied in whole or in part for any purpose without prior express consent of JS Investments Limited.

PERFORMANCE TABLE / KEY FINANCIAL DATA

	<u>2009</u>
Net Assets - Rupees in '000'	2,371,712
Net Income - Rupees in '000'	141,786
Net assets value per unit - Rupees	106.07
Earnings per unit - Rupees	6.34
Net assets value per unit (Ex-Dividend) - Rupees	100.27
Distribution date	07-Jul-09
Distribution per unit - Rupees	5.80
Distribution as % of par value - Percentage	5.80%
Total distribution - Rupees in '000'	135,765
Accumulated capital growth - Rupees in '000'	6,021
Offer price per unit as at June 30 - Rupees	109.79
Repurchase price per unit as at June 30 - Rupees	100.76
Highest offer price per unit - Rupees	109.79
Lowest offer price per unit - Rupees	103.50
Highest repurchase price per unit - Rupees	100.76
Lowest repurchase price per unit - Rupees	95.00
Number of units in issue	22,360,025

Notes:

- JS Principal Secure Fund was launched on April 24, 2009.
- The performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as go up.
- The income distribution have been shown against the year to which they relate, although these were declared & distributed subsequently to the year-end

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the JS Investments Limited, the management company of JS Principal Secure Fund I (the Fund) to comply with the Listing Regulation No. 37 (Chapter XI) of the Lahore Stock Exchange, where the Fund is listed.

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

As part of our audit of the 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2009.

Karachi: 21 August, 2009

M. Yousuf Adil Saleem & Co.
Chartered Accountants

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This Statement is being presented in compliance with the Code of Corporate Governance (the Code) contained in Regulation 37 of the Lahore Stock Exchange where JS Principal Secure Fund I (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 (the 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 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. No casual vacancy on the Board occurred during the year.
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 Board is well aware of the requirements of the Code and had participated in orientation courses arranged by the Management Company in last year. Arrangements shall also be made shortly for another orientation session.
10. During the year, there was no change of Chief Financial Officer / Company Secretary and the Head of Internal Audit. Their remuneration and terms and conditions of employment have been approved by the Board.
11. The Directors Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. 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.
13. 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.
14. The Management Company has complied with all other corporate and financial reporting requirements of the Code with respect to the Fund.

15. The Board has formed an Audit Committee. It comprises of three non-executive directors.
16. The meetings of the Audit Committee of Management Company 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.
17. The Board has set-up an effective internal audit function headed by the Head of Internal Audit & Compliance.
18. 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.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services to the Fund except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 21 August, 2009

Muhammad Najam Ali
Chief Executive Officer

TRUSTEE REPORT TO THE UNIT HOLDERS

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

The JS Principal Secure Fund I (the Fund), an open-end fund was established under a trust deed dated June 09, 2008, executed between JS Investments Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from August 28, 2008 to June 30, 2009 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 26, 2009

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

INDEPENDENT AUDITORS REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **JS Principal Secure Fund I** (the Fund) for the period ended June 30, 2009 which comprises the statement of assets and liabilities, income statement, cash flow statement, distribution statement and statement of movement in unit holders funds together with a summary of significant accounting policies and other explanatory notes, for the period from August 28, 2008 to June 30 2009, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

Management's responsibility for the financial statements

JS Investments Limited (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, Non-Banking Finance Companies Notified Entities and Regulations 2008, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 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 June 30, 2009, and of its financial performance, cash flows and transactions for the period from August 28, 2008 to June 30 2009 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi: 21 August, 2009

Engagement Partner: Nadeem Yousuf Adil



FINANCIAL STATEMENTS

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2009**

	Note	Rupees
Assets		
Investments at fair value through profit or loss - held-for-trading	3	41,342,600
Term deposits and accrued mark-up	4	1,654,962,947
Bank balances	5	693,656,633
Preliminary and floatation costs	6	1,918,738
Deposit and other receivables	7	890,648
Total assets		2,392,771,566
Liabilities		
Preliminary and floatation costs payable to the management company	8	2,031,935
Remuneration payable to the management company		3,396,239
Remuneration payable to the trustee		252,292
Annual fee payable to Securities and Exchange Commission of Pakistan		531,264
Accrued and other liabilities	9	14,847,683
Total liabilities		21,059,413
Net assets		<u>2,371,712,153</u>
Unit holders' funds (as per statement attached)		<u>2,371,712,153</u>
		No. of units
Number of units in issue		<u>22,360,025</u>
		Rupees
Net assets value per unit		<u>106.07</u>

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

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

Muhammad Najam Ali
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

Ali Raza Siddiqui
Director

INCOME STATEMENT
FOR THE PERIOD FROM AUGUST 28, 2008 TO JUNE 30, 2009

	Note	Rupees
Income		
Net appreciation on investment in held-for-trading securities		293,194
Return on bank balances and term deposits		99,542,090
		99,835,284
Element of income and capital gains in prices of units issued less those in units redeemed		56,403,606
		156,238,890
Expenses		
Remuneration to the management company	10	12,396,779
Remuneration to the trustee	11	1,006,477
Annual fee to Securities and Exchange Commission of Pakistan	12	531,264
Amortization of preliminary and floatation costs	6	113,197
Bank and settlement charges		19,314
Listing and custodian fee		87,500
Auditors' remuneration	13	155,000
Securities transactions cost		81,855
Printing and stationary		61,078
		14,452,464
Net income for the period carried forward to distribution statement		141,786,426

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

For JS Investments Limited
(Management Company)

Muhammad Najam Ali
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

Ali Raza Siddiqui
Director

CASH FLOW STATEMENT
FOR THE PERIOD FROM AUGUST 28, 2008 TO JUNE 30, 2009

	Rupees
Cash flows from operating activities	
Net income for the period	141,786,426
Adjustments for:	
Net appreciation on investment in held-for-trading securities	(293,194)
Return on bank balances and term deposits	(99,542,090)
Element of income and capital gains in prices of units issued less those in units redeemed	(56,403,606)
Amortisation of preliminary and floatation costs	113,197
	(14,339,267)
Increase in assets	
Investments at fair value through profit or loss - held-for-trading	(41,049,406)
Term deposits and accrued mark-up	(1,654,962,947)
Security deposits	(100,000)
	(1,696,112,353)
Increase in liabilities	
Remuneration payable to the management company	3,396,239
Remuneration payable to the trustee	252,292
Annual fee payable to Securities and Exchange Commission of Pakistan	531,264
Accrued and other liabilities	14,847,683
	19,027,478
	(1,691,424,142)
Return received on bank balances and term deposits	98,751,442
Net cash used in operating activities	(1,592,672,700)
Cash flows from financing activities	
Amounts received on issue of units	2,286,329,333
Net cash flows from financing activities	2,286,329,333
Net increase in cash and cash equivalent during the period	693,656,633
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	693,656,633

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

For JS Investments Limited
(Management Company)

Muhammad Najam Ali
 Chief Executive Officer

Munawar Alam Siddiqui
 Chairman

Ali Raza Siddiqui
 Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS FUND
FOR THE PERIOD FROM AUGUST 28, 2008 TO JUNE 30, 2009**

Rupees

Net assets at the beginning of the period	-
Amounts received on issue of 22,360,025* units	2,286,329,333
Element of income and capital gains in prices of units issued less those in units redeemed	(56,403,606)
Net income for the period	141,786,426
Net assets at the end of the period	<u>2,371,712,153</u>
- Net assets value per unit at the beginning of the period	<u>100.00</u>
- Net assets value per unit at the end of the period	<u>106.07</u>

* This includes 60,768 additional units distributed during the period.

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

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

Muhammad Najam Ali
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

Ali Raza Siddiqui
Director

DISTRIBUTION STATEMENT
FOR THE PERIOD FROM AUGUST 28, 2008 TO JUNE 30, 2009

	Rupees
Unappropriated income brought forward	-
Net Income for the period	141,786,426
Distribution of 60,768 additional units	(6,076,798)
Unappropriated income carried forward	<u>135,709,628</u>
Representing:	
Realised income	135,416,434
Unrealised income	293,194
	<u>135,709,628</u>

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

For JS Investments Limited
(Management Company)

Muhammad Najam Ali
 Chief Executive Officer

Munawar Alam Siddiqui
 Chairman

Ali Raza Siddiqui
 Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM AUGUST 28, 2008 TO JUNE 30, 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

JS Principal Secure Fund I (the Fund) was established under a Trust Deed executed between JS Investments Limited as the management company and Central Depository Company of Pakistan Limited as the trustee. The Trust Deed was executed on June 09, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 03, 2008 in accordance with the Non-Banking Finance Companies Rules 2003 (the Rules).

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

The Fund is an open ended mutual fund and its units are listed on Lahore Stock Exchange. Units were offered for public subscription during April 24, 2009 to April 30, 2009. After initial subscription, the sale of units had been discontinued effective from June 4, 2009 in accordance with the terms of Trust Deed. The sale of additional units is at the discretion of the management company. The units can also be redeemed by surrendering them to the Fund subject to back-end load as per the offering document.

The Fund aims at protecting investors' capital by placing a significant percentage of the Fund as bank deposit (s) or in other fixed income instruments, and remaining funds for investments into equity markets or any other permissible investment instruments as per NBFC Regulations.

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

The units of the Fund offered for public subscription on April 24, 2009 to April 30, 2009. The Fund was launched during the period, therefore these are the first financial statements of the Fund.

The financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with requirements of the Trust Deed, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations), Non-Banking Finance Companies, Rules 2003 (the Rules), the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Regulations, the Rules, the Ordinance or directives issued by SECP differ with the requirements of these standards, the requirements of the Regulations, the Rules, the Ordinance and the said directives take precedence.

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

The following standards, amendments and interpretations of approved accounting standards as applicable in Pakistan, effective for accounting periods beginning on or after October 1, 2008 are either not relevant to Fund's operations or are not expected to have significant impact on the Fund's financial statements other than increased disclosure in certain cases: -

IAS 1 - Presentation of Financial Statements (Revised)	Effective from accounting period beginning on or after January 01, 2009
IAS 23 - Borrowing Costs (Revised)	Effective from accounting period beginning on or after January 01, 2009

IAS 27 - Consolidated and Separate Financial Statements (Revised)	Effective from accounting period beginning on or after July 01, 2009
IAS 41 - Agriculture	Effective from accounting period beginning on or after January 01, 2009
IFRS 3 - Business Combination (Revised)	Effective from accounting period beginning on or after July 01, 2009
IFRS 8 - Operating Segments	Effective from accounting period beginning on or after January 01, 2009
IFRIC 15 -Agreements for the Construction of Estate	Effective from accounting period beginning on or after Real January 01, 2009
IFRIC 16 -Hedges of a Net Investment in a Foreign Operation	Effective from accounting period beginning on or after October 01, 2008
IFRIC 17 - Distributions of Non Cash Assets to Owners	Effective from accounting period beginning on or after July 01, 2009
IFRIC 18 - Transfer of Assets from Customers	Effective from accounting period beginning on or after July 01, 2009

2.2.1 Standard effective and adopted in current year

IFRS 7 - "Financial Instrument : Disclosures", requires extensive disclosures about the significance of financial instruments for the Fund's financial position and performance, and quantitative disclosure on the nature and extent of risks. Adoption of this standard has resulted in additional disclosures given in note 16 to the financial statements.

2.3 Basis of preparation

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

The principal accounting policies adopted are set out below:

2.4 Cash and cash equivalents

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

2.5 Investments

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

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

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

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as "fair value through profit or loss-held-for-trading". Subsequent to initial recognition these

are remeasured at fair value with reference to quoted market price and the resultant gain or loss on remeasurement of value of investment is recognised in the income statement.

Held to maturity

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

Available-for-sale

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

- Debt securities

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

- Government securities

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

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

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

2.6 Derivatives

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

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

2.7 Preliminary and floatation costs

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

2.8 Payable and accruals

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

2.9 Provisions

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

2.10 Financial instruments

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

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

2.11 Impairment of financial assets

An assessment is made at each statement of assets and liabilities date to determine whether there is objective evidence that a specific financial asset may be impaired. If any such evidence exists, impairment loss is recognised in the income statement. For available for sale equity investments reversal of impairment losses are recorded as increases in cumulative changes in fair value through equity. In addition, a provision is made to cover impairment for specific groups of assets where there is a measurable decrease in estimated future cash flows.

2.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.13 Issue and redemption of units

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

Units redeemed prior to the minimum period i.e., from the date of issue of units till the end of life of the fund are redeemed at redemption price which represents the NAV per unit less the applicable back end load, in accordance with the offering document, on the date of redemption application.

2.14 Element of income and capital gains in prices of units issued less those in units redeemed

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

The "element of income and capital gains in prices of units issued less those in units redeemed" account is credited with the amount representing net income and capital gains 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 and capital gains in prices of units sold less those in units redeemed" account is debited with the amount representing net income and capital gains accounted for in the last announced net asset value and included in the redemption price.

The element of income and capital gains in prices of units issued less those in units redeemed during an accounting period is transferred to the income statement.

2.15 Revenue recognition

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

Dividend income is recorded at the time of the closure of share transfer book of the company declaring the dividend. Dividend received on marketable securities acquired after the announcement of dividend till the book closure date is not taken to income but recorded as reduction in the cost of investment.

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

2.16 Transaction costs

Transaction costs are incurred to acquire financial assets and financial liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers.

2.17 Transactions with connected persons

Transactions between the Fund and its "connected persons", as defined in the Regulations and the Rules, are carried out on an arm's length basis and are disclosed in note 15 to these financial statements.

2.18 Dividend and distributions

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

2.19 Zakat

Units held by resident Pakistani unit holders shall be subject to Zakat at 2.5% of the par value of units or the redemption amount whichever is lower, under Zakat and Ushr Ordinance, 1980 (XVII of 1980), except those exempted under the said Ordinance. Zakat is deducted at source from the dividend amount or from the redemption payment.

2.20 Taxation

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

2.21 Accounting estimates and judgments

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

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

- (a) classification of investments (Note 2.5)
- (b) provisions (Note 2.9)
- (c) impairment (Note 2.11)

3. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - HELD-FOR-TRADING

Quoted equity securities*

* Ordinary shares have face value of Rs. 10/- each.

Sector / Companies	Number of shares				Holdings at the end of the period	Carrying / Market value (Rupees)	Percentage in relation to total investments
	Holdings at the beginning of the period	Acquired during the period	Bonus / right received during the period	Disposed during the period			
Oil and Gas Exploration Companies							
Pakistan Oilfields Limited (related party)	-	175,000	-	-	175,000	25,532,500	61.76
Oil and Gas Marketing Companies							
Pakistan State Oil Company Limited	-	74,000	-	-	74,000	15,810,100	38.24
Market value of held-for-trading quoted equity securities as at June 30, 2009						41,342,600	100
Cost of held-for-trading quoted equity securities as at June 30, 2009						41,049,406	

	Note	2009 Rupees
4. TERM DEPOSITS AND ACCRUED MARK-UP		
Principal amount	4.1	1,639,199,685
Accrued mark-up		15,763,262
		1,654,962,947

4.1 These represents term deposits with a commercial bank for a period of 3 years carrying mark-up at 13% per annum.

	Note	2009 Rupees
5. BANK BALANCES		
In PLS savings accounts	5.1	393,656,633
Term deposits	5.2	300,000,000
		693,656,633

5.1 This includes balance of Rs. 511,843 with JS Bank Limited (related party) that carries mark-up rate of 11% per annum. Other savings accounts carry rates of return ranging from 4.75% to 12.75% per annum.

5.2 This represents term deposits placed with JS Bank Limited (related party) that carries mark-up rate ranging from 14.25% to 14.50% per annum.

6. PRELIMINARY AND FLOATATION COSTS

This represents expenses incurred on the formation of the Fund. Such costs are amortised over the life of the Fund.

	2009 Rupees
Preliminary and floatation costs	2,031,935
Amortisation	(113,197)
	1,918,738

7. DEPOSIT AND OTHER RECEIVABLES

Security deposit	100,000
Return on bank balances	790,648
	890,648

8. PRELIMINARY AND FLOATATION COSTS PAYABLE TO THE MANAGEMENT COMPANY

This represents expenses in connection with the establishment and authorisation of the Fund including execution and registration of the constitutive documents, etc incurred by the management company and re-imbursable by the Fund in equal annual installments, subject to the audit of expenses, over the life of the Fund.

**2009
Rupees**

9. ACCRUED AND OTHER LIABILITIES

Payable in respect of marketable securities	14,661,605
Audit fee	125,000
Others	61,078
	14,847,683

10. REMUNERATION TO THE MANAGEMENT COMPANY

Under the Regulation 61 of the Regulations 2008, the management company is entitled to a remuneration for services rendered to the Fund, upto a maximum of 3% per annum based on the daily net assets value of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to 2% of such assets of the Fund.

The management company has charged remuneration @ 1.75% per annum of the average daily net assets value of the Fund as per the Trust Deed.

11. REMUNERATION TO THE TRUSTEE

Central Depository Company (CDC) (the Trustee) is entitled to monthly remuneration at the rate of 0.13% per annum of the daily net assets value of the Fund or Rs. 0.7 million whichever is higher as per the provisions of Trust Deed.

12. ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee to Securities and Exchange Commission of Pakistan (SECP) calculated at 0.075% of the average annual net assets of the Fund, calculated on daily basis, during the period ended June 30, 2009 payable to SECP under Regulation 62 of the NBFC Regulations.

**From August 28, 2008
to June 30, 2009
Rupees**

13. AUDITORS' REMUNERATION

Audit fee	75,000
Other certifications	70,000
Out of pocket expenses	10,000
	155,000

14. TAXATION

Fund is exempt from tax under clause 99 of part I of Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed among its unit holders.

The Fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons comprises of management company, Jahangir Siddiqui & Company Limited being the holding company of the management company, JS Global Capital Limited being associated company of the holding company of the management company, JS Bank Limited being subsidiary of the holding company of the management company, JS ABAMCO Commodities Limited being subsidiary of the management company and UTP - Islamic Fund, JS Large Cap. Fund (Formerly UTP - Large Cap. Fund), JS Value Fund Limited, Unit Trust of Pakistan, JS Income Fund, JS Aggressive Asset Allocation Fund, JS Fund of Funds, UTP - A 30 + Fund, JS Capital Protected Fund, JS Capital Protected Fund II, JS Aggressive Income Fund, JS Capital Protected Fund III, JS Capital Protected Fund IV, JS Pension Savings Fund, JS Islamic Pension Savings Fund and JS Growth Fund being funds under common management.

Transactions with related parties are carried out in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Details of transactions with connected persons / related parties and balances with them at period end are as follows:

	From August 28, 2008 to June 30, 2009 Rupees
JS Investments Limited	
Remuneration to management company	12,396,779
Sales load	2,432,672
Preliminary expenses paid on behalf of the Fund	2,031,935
JS Global Capital Limited	
Brokerage fee paid	22,200
JS Bank Limited	
Profit on bank balances and term deposits	17,153,774

16. FINANCIAL RISK MANAGEMENT POLICIES

Financial risk factors

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

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

The management of risk is carried out by the Fund Manager under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, market risk and the investment of excess liquidity etc.

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

16.1 Market risk

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

i Price risk

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

The majority of the Fund's equity investments are publicly traded on stock exchange. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and is reviewed periodically by Investment Committee.

Compliance with the Fund's investment policies are reported to the management company on regular basis.

As at June 30, 2009, the fair value of equity securities exposed to price risk amounted to Rs. 41,342,600.

In case of 10% increase / decrease in KSE 100 index on June 30, 2009, income / (loss) for the period would be affected by Rs 1,871,835 as a result of gains / (losses) on equity securities classified at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 10% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

ii Yield / interest rate risk

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

The interest rate profile of the Fund is as follows:

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
At June 30, 2009				
Term deposits and accrued mark-up	-	1,654,962,947	-	1,654,962,947
Investment at fair value through profit or loss - held-for-trading	-	-	41,342,600	41,342,600
Preliminary and floatation costs	-	-	1,918,738	1,918,738
Deposits and receivables	-	-	890,648	890,648
Bank balances	393,656,633	300,000,000	-	693,656,633
	393,656,633	1,954,962,947	44,151,986	2,392,771,566

Interest rate sensitivity

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

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

If the interest rate would have been higher or lower by 50 basis points and all the other variables remain constant, the Fund's income would increase / decrease by Rs. 1,968,283 for the period ended June 30, 2009. This is attributable to the Funds exposure to interest rates on its floating rate bank balances.

Further, the sensitivity of the Fund's equity is the effect of assumed change on the fair value of investments for the period based on the fixed interest rate financial assets held at the statement of assets and liabilities date.

If the interest rate would have been higher or lower by 50 basis points and all other variable remains constant, the Fund's unit holders' fund would increase / decrease by approximately Rs. 640,452 for the period ended June 30, 2009. This is attributable to the Fund's exposure to interest rates on its fixed rates securities.

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

iii Currency risk

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

16.2 Credit risk

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

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk as at June 30, 2009 is as follows;

	June 30, 2009	
	Statement of asset and Liabilities	Maximum Exposure
	----- Rupees -----	
Investments at fair value through profit or loss - held-for-trading	41,342,600	-
Term deposits and accrued mark-up	1,654,962,947	1,654,962,947
Bank balances	693,656,633	693,656,633
Preliminary and floatation costs	1,918,738	-
Deposits and receivables	890,648	890,648
	2,392,771,566	2,349,510,228

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

Where the Investment Committee makes an investment decision, the credit worthiness of the issuer is taken into account along with the financial background, past experience and other factors so as to minimise the risk of default.

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

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

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

None of the Fund’s financial assets are past due or impaired

16.3 Liquidity risk

Liquidity risk is the risk that a Fund will encounter difficulty in raising funds to meet commitments associated with financial liabilities stood at Rs. 21,059,413 as at June 30, 2009. 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 assets value per unit at the time of redemption calculated in accordance with the Fund constitutive documents.

The management company manages liquidity risk by following internal guidelines of the Investments Committee such as monitoring maturities of financial assets and financial liabilities and investing in highly liquid financial assets.

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

The following are the contractual maturities of financial liabilities:

	Less than 1 month Rupees	Between 1 and 12 months . ..	More than 1 year	Total
As at June 30, 2009				
Preliminary and floatation costs payable to the management company	-	677,315	1,354,620	2,031,935
Remuneration payable to the management company	3,396,239	-	-	3,396,239
Remuneration payable to the trustee	252,292	-	-	252,292
Annual fee payable to Securities and Exchange Commission of Pakistan	-	531,264	-	531,264
Accrued and other liabilities	14,847,683	-	-	14,847,683
	18,496,214	1,208,579	1,354,620	21,059,413
	18,496,214	1,208,579	1,354,620	21,059,413

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

18. UNIT HOLDERS' FUND MANAGEMENT

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

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

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

19. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the management company have approved a distribution of Rs. 5.8 per unit for the period ended June 30, 2009, amounting to Rs. 129.688 million in their meeting held on July 07, 2009. These financial statements do not include the effect of the above distribution that will be accounted for subsequent to the period end.

20. OTHER SUPPLEMENTARY INFORMATION

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

21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of management company on August 21, 2009

22. GENERAL

22.1 As the Fund was constituted during the period, there are no corresponding figures to report.

22.2 Figures have been rounded off to the nearest rupee.

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

Muhammad Najam Ali
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

Ali Raza Siddiqui
Director

**OTHER SUPPLEMENTARY INFORMATION
AS REQUIRED UNDER SCHEDULE V
TO THE NBFC REGULATIONS**

(I) UNIT HOLDING PATTERN OF FUND

Category	No. of Investors	Units	% Total
Individuals	58	925,599	4.14
Insurance Companies	1	18,812,906	84.13
Banks / DFIs	1	202,554	0.91
Retirement Funds	11	1,887,565	8.44
Others	1	531,401	2.38
	72	22,360,025	100.0

(II) TRANSACTIONS WITH TOP 10 BROKERS

Name of Brokers	% of commission
JS Global Capital Limited	30.14
Investment Managers Securities Private Limited	20.07
Fortune Securities Limited	19.83
Crosby Securities Pakistan Private Limited	10.06
Invisor Securities (Pvt.) Limited	19.90

(III) DETAILS OF MEMBERS OF INVESTMENT COMMITTEE

Details of members of the investment committee are as under:

Mr. Muhammad Najam Ali
Mr. Ali Raza Siddiqui
Syed Ather Ahmed

MR. MUHAMMAD NAJAM ALI

Mr. Najam Ali joined JS Investments Limited as Chief Executive Officer in 2004. Prior to his appointment, he was the Executive Director and Head of the Non-Banking Finance Companies Department at the Securities & Exchange Commission of Pakistan (SECP) where he was involved in regulation, monitoring and enforcement for mutual funds, leasing, housing finance, investment banking, venture capital and discounting companies.

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Prior to his appointment to the SECP, he served for seven years as the founding CEO of the Central Depository Company (CDC) which is Pakistan's only share depository established by Citigroup, IFC and Pakistan's stock exchanges. While at CDC, he also led the development of the National Clearing and Settlement System, which is the centralized clearing system in Pakistan for all the stock exchanges. The success of these projects has laid the foundation of a world class capital market infrastructure that has made it possible to settle enormous trading volumes witnessed in the recent years. It was due to his leadership role in Pakistan's Capital Market that has earned high praise and recognition at the national level. The Money Magazine has included his name in the list of Top Ten Capital Market Builders in Pakistan.

He has worked in various positions at the Fidelity Investment Banking including Group Financial Controller and Head of Money and Capital Markets at Fidelity Investment Bank. He has also worked with Robson Rhodes, Chartered Accountants, a member firm of the RSM Group in the UK.

He serves on the Boards of Directors of Pakistan Oilfields Limited and has also previously been a director of the National Clearing Company of Pakistan Limited and the Karachi Stock Exchange (Guarantee) Limited. He is also the Chairman of Mutual Funds Association of Pakistan.

Mr. Najam Ali holds a Bachelors degree in Economics from the University of Michigan, Ann Arbor, USA. He is a qualified Chartered Accountant and holds memberships of the Institute of Chartered Accountants in England & Wales and the Institute of Chartered Accountants of Ontario, Canada. He has also qualified as a Certified Public Accountant (CPA) in USA.

MR. ALI RAZA SIDDIQUI

Mr. Siddiqui has recently been appointed as the Chief Investment Officer in January, besides his role as an Executive Director at JS Investments Limited, which he has been associated with since 2005. Currently he is managing JS AAA Fund, JS Value Fund and JS Aggressive Income Fund. Previously, he was Assistant Vice President at AIM Investments in Houston, a wholly-owned subsidiary of AMVESCAP plc.

At AIM, Mr. Siddiqui was part of a 5-person team responsible for the management of USD 60 billion in mutual fund assets. These included the AMVESCAP Global Portfolios (USD 4+ billion), Brown Brothers Investment Trust (USD 1+ billion) and STIT Treasury Portfolio (USD 10+ billion).

Mr. Siddiqui holds a Bachelors Degree from Cornell University, USA, with double majors in Economics and Government.

SYED ATHER AHMED

Mr. Ahmed joined JS Investments Limited in May 2007 and is presently looking after Investment Advisory, Products & International Business Development, Marketing, Investor Relations and Investment Finance activities of the Company. Prior to joining JSIL, Mr. Ahmed was associated with Standard Chartered Bank for almost 11 years. His last assignment with Standard Chartered was in the capacity of Director & Head of Transaction Banking, Pakistan. Prior to this, he also worked as Corporate Head of Lahore for Standard Chartered Bank.

Mr. Ahmed earned his MSc. in Accounting & Finance from London School of Economics, UK, in addition to MBA degree from Lahore University of Management Sciences.

(IV) PARTICULARS OF THE FUND MANAGER

MS. SUKAINA SANGJI

Ms. Sukaina Sangji earned her BBA (Finance & Accounting) from University of Michigan Ross School of Business in 2006. Prior to joining JS Investment s research team in February 2008, she worked at Credit Suisse Securities in New York (USA) as an Equity Research Analyst, covering the Biotechnology sector for a year and a half. At JSIL, she covered the E&P, OMC and Refinery sectors for six months after which she was made a fund manager in August 2008. Currently, she is looking after Unit Trust of Pakistan, UTP Islamic Fund and Principal Secure Fund I.

(V) 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	Dates					
		9-Jul-08	15-Sep-08	6-Oct-08	24-Oct-08	26-Feb-09	22-Apr-09
Mr. Munwar Alam Siddiqui	6	1	1	1	1	1	1
Mr. Muhammad Najam Ali	6	1	1	1	1	1	1
Mr. Ali Raza Siddiqui	5	-	1	1	1	1	1
Mr. Nazar Muhammad Shaikh	6	1	1	1	1	1	1
Lt. General (Retd.) Masood Parwaiz	4	1	-	1	1	1	-
Mr. Sadeq Sayeed	1	-	-	-	-	1	-
Mr. Siraj Ahmed Dadabhoy	-	-	-	-	-	-	-
		4	4	5	5	6	4

(VI) FUND AND ASSET MANAGER RATING

The Pakistan Credit Rating Agency (PACRA) has awarded an "AM2+" asset manager rating to the management company.

The fund rating methodology is presently under discussion between the Company and PACRA. Furthermore, Mutual Fund Association of Pakistan (MUFAP) is also in consultation with the country's two rating agencies and SECP in terms of having a consistent and uniform rating methodology for mutual funds. Updated Fund rating will be announced once a conclusion is reached on rating methodology of mutual funds.



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