



JS Income Fund

Annual Report 2009

CONTENTS

Vision and Mission Statement	03
Organization	04
Directors Report to the Unit Holders	05
Fund Manager s Report	07
Performance Table / Key Financial Data	09
Review Report to the Unit Holders on Statement of Compliance with Best Practices of Code of Corporate Governance	10
Statement of Compliance with the Code of Corporate Governance	11
Report of the Trustee to the Unit Holders	13
Independent Auditors Report to the Unit Holders	14
Statement of Assets and Liabilities	17
Income Statement	18
Cash Flow Statement	19
Statement of Movement in Unit holders Fund	20
Distribution Statement	21
Notes to the Financial Statements	22

Vision

To be Industry Leaders in Financial Services

Mission

Pursuit of Professional Excellence

Core Values

Shareholder Value ■ Integrity ■ Commitment

ORGANIZATION

Management Company

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

Board of Directors

Munawar Alam Siddiqui	Chairman
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

Muslim Commercial Financial Services (Private) Limited
3rd Floor, Adamjee House,
I.I. Chundrigar Road, Karachi-74000.
Tel : (92-21) 32419770
Fax : (92-21) 32416371

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
1st Floor, Shaikh Sultan Trust Building # 2
Beaumont Road
Karachi 75530, Pakistan

Legal Adviser

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

Transfer Agent

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

DIRECTORS REPORT TO THE UNIT HOLDERS

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

1. Economic Outlook

At the beginning of FY09, the State Bank of Pakistan (SBP) continued its stance of tightening the monetary policy by raising the discount rate by 100bps on July 29, 2008. This was in response to deteriorating inflationary environment in the country. While combating the seriousness of inflationary pressures, the SBP further stepped in with a 200 bps hike in the discount rate to remain at 15 % in order to prevent the purchasing power of country from further declines. The main objective of these steps was to curb the inflationary pressures, coupled with an attempt to squeeze the trade deficit. The SBP in April 2009, considering improvement in macroeconomic variables, eased its stringent policy and cut the discount rate by 100bps to 14%.

In pursuit of providing adequate incentives to the interbank market, the SBP took several steps in the first half of fiscal year 2009 by reducing CRR, offering relaxation in SLR for deposits of over 1-year and reducing Minimum Capital Adequacy Ratio to 9% from 10%. The SBP kept the money market watchfully liquid also in the third quarter of the fiscal year 2009, while actively entering the market to drain the excess liquidity.

The benchmark 6-month KIBOR rate saw a sharp decline, closing the year at 12.76% (down 143bps year-on-year) after peaking at 15.76% on November 11, 2009. Throughout the fiscal year, the SBP remained actively involved in the interbank market, intervening on a regular basis to manage adequate liquidity through OMOs and T-Bill auctions. The cut-off yields on 6-month and 12-month papers closed the year at 12.44% and 12.24%, up 95bps and 50bps YoY, respectively.

2. Review of Fund Performance

The Fund earned net income of Rs. 820.841 million during the year ended June 30, 2009. Net redemptions during the year were Rs. 6,706.131 million. The net assets of the Fund declined by 55.44 percent from Rs. 11,253.835 million to Rs. 5,014.850 million during the year under review. The net assets value as on June 30, 2009 was Rs. 104.87 per unit compared to beginning ex-distribution net assets value of Rs. 101.05 per unit showing an increase of 3.78 percent.

The Board of Directors of the Management Company has declared a final distribution of Rs. 4.50 per unit; this is in addition to the first and second interim distributions of Rs. 3.05 and 4.50 per unit already paid during the year thus making a total distribution of Rs. 12.05 per unit or 11.92 percent of the beginning net asset value per unit of Rs. 101.05. The total distribution for the year works out to Rs. 787.967 million. As the above distribution is more than 90% of the realized income for the year, the income of the Fund will not be subject to tax under Clause 99 of the Part I of the Second Schedule of Income Tax Ordinance, 2001.

3. 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.

4. 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.

JS Income Fund

- 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 number of units of the Fund held by the Chief Executive, directors and executives and their spouses as at June 30, 2009 are as follows:

Name	Designation	Units Held
Suleman Lalani	CFO	19,979.21
Muhammad Taha Hamdani	Head of Internal Audit & Compliance	2,867.25
Bilal Rashid	Head of Marketing	26.02
Wasim Hyder Jalbani		8.91
Kashif Rafi		2,903.88
Muhammad Ali		10,398.44

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

Name	Designation	Units Acquired	Units Redeemed
Suleman Lalani	CFO	23,343.50	7,525.91
Malik Zafar Javed	Head of Operations	7,384.51	7,607.20
Muhammad Taha Hamdani	Head of Internal Audit & Compliance	2,867.25	-
Bilal Rashid	Head of Marketing	24.92	-
Hajra Amir	Head of Investor Relations	1,621.65	1,673.50
Kashif Rafi		11,002.69	18,257.73
Muhammad Ali		9,667.44	-
Ali Aftab Chowdhary		92,564.43	94,471.64
Nouman Sarosh Alvi		36,752.36	37,234.47
Atif Asghar		5,338.34	5,338.34

- l. The value of investments of the staff provident fund of JS Investments Limited, as per the audited accounts for the year ended June 30, 2009 was Rs. 13.108 million.

5. 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.

6. Auditors

The external auditors of the Fund Messrs KPMG Taseer Hadi & 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 KPMG Taseer Hadi & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2010.

7. 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: 21 August 2009

Muhammad Najam Ali
Chief Executive Officer

FUND MANAGER'S REPORT

JS Income Fund (JS IF)

Fund Profile

Fund type	Open end- Income Fund
Fund launch date	26 August, 2002
Fund Assets (PKR mn)	5,014.85
Benchmark	1M KIBOR
Listing	LSE
Trustee	Muslim Comm. Fin. Services (Pvt) Ltd.
Auditors	KPMG Taseer Hadi & Co.
Risk profile	Low
Management fee	1.50%

Investment Philosophy

JS IF is an income fund that aims to preserve investor's capital while providing a regular stream of current income on an annual basis which is higher than that offered by commercial banks on deposits of a similar liquidity profile as this fund. The fund operates a diverse portfolio of investment-grade debt securities, government securities and money market instruments. The fund maintains liquidity in the form of CFS investments, spread transactions and bank deposits. The fund during the period achieved its investment objective through its investment strategies. The investment strategy comprised of investment in fundamentally sound securities keeping in view both the market and the underlying economic sentiment in the country. There was no significant change in the state of affairs of the fund during the period.

Money Market Review FY09

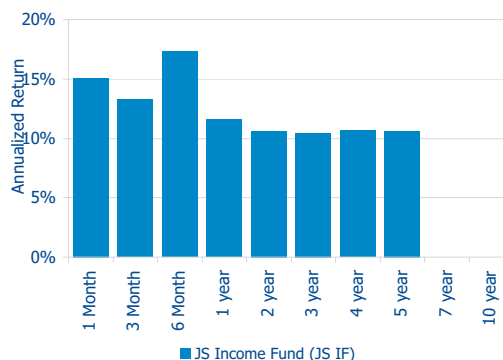
At the outset of FY09, the SBP continued its tight monetary policy stance by raising the discount rate by 100bps on July 29th, 2008. To combat the persistent inflationary pressures in the economy, the SBP undertook another 200 bps hike in the discount rate to 15 % in November 2008. In April 2009, in light of reduction in inflationary pressures and slowing economic growth, the SBP eased its monetary policy and cut the discount rate by 100bps to 14%. In the last quarter, there was considerable pressure in the money market owing to dearth of liquidity which resulted in the overnight repo rates to range 12% -14%.

The 6 month KIBOR (ask side) saw a sharp decline, closing the year at 12.76% (down 143bps year-on-year) after peaking at 15.76% on November 11, 2009. Throughout the fiscal year, the SBP remained actively involved in the interbank market, intervening on a regular basis to manage adequate liquidity through OMOs and T-Bill auctions. The cut-off yields on 6-month and 12-month papers closed the year at 12.44% and 12.24%, up 66bps and 39bps quarter-on-quarter and up 95bps and 50bps YoY, respectively. During the year, the SBP conducted four PIB auctions with targets of Rs.20bn on each auction.

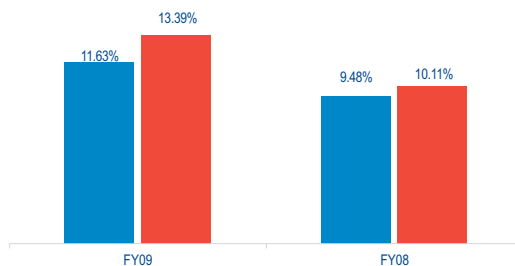
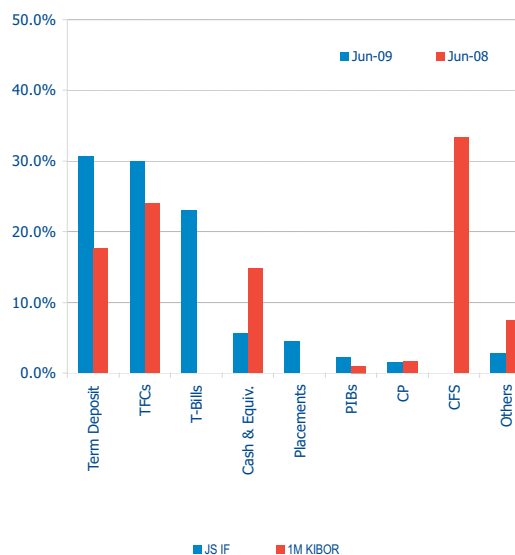
Fund Performance

In FY 09, the Fund returned 11.63% against the benchmark return of 13.39% (Average 1 month KIBOR for the year). This underperformance by the fund by 176 basis points was primarily due to the unexpected marked down of TFC prices as per SECP directive in November 2008 and the significant decline in the net assets over the year. The adverse impact of the change in TFC pricing reduced returns for most fixed income funds in the industry. The Income Fund industry average return was 3.33% for FY09.

Performance (in percentage)



Asset Allocation Jun '09 vs Jun '08



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 Income Fund

JS Income Fund (JS IF)

Benchmark Analysis	Benchmark
Alpha	0.7%
Annualized Alpha	8.1%
Beta	0.3
Correlation	0.1
R-squared	0.0

Statistical Analysis	Fund	Benchmark
Compound ROR	10.2%	7.5%
Standard Deviation	2.5%	1.2%
Cumulative Return	95.4%	65.28%
Cumulative VAMI	1,954	1,653
Sharpe (6.50%)	1.4	0.8
Largest Month Gain	3.7%	1.2%
Largest Month Loss	-2.6%	0.0%
% Positive Months	95.2%	100.0%
% Negative Months	4.8%	0.0%

Split of Units

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

Distribution (FY08)	in %	in PKR
Stock dividend	9.60% on the opening NAV for FY08 (PKR 101.18)	9.72

Effects on the NAV after Distribution

NAV per unit as on June 30, 2008

Cum NAV (PKR)	104.07
Ex-NAV (PKR)	101.05

Distribution for the Year Ended June 30, 2009

The Board of Directors of the Management Company has declared a final distribution of Rs. 4.50 per unit in addition to the interim distributions of Rs. 7.55 per unit already paid during the year thus making a total distribution of Rs. 12.05 per unit or 11.9248% of the beginning NAV of Rs. 101.05

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

	2009	2008	2007	2006	2005	2004	2003
Net Assets	5,014,850,320	11,253,835,451	8,404,589,708	3,529,702,243	1,377,869,309	1,285,952,920	383,261,827
Net Income	820,841,963	1,211,838,623	862,359,859	395,762,293	129,933,686	75,501,120	36,134,364
Net assets value per unit	104.87	104.07	111.84	113.62	112.23	107.98	101.77
Earnings per unit	17.17	11.21	11.48	12.74	10.58	6.34	9.59
Net assets value per unit (Ex-Dividend)	100.37	101.05	101.18	101.52	101.98	101.78	92.27
First Interim distribution per unit	3.05	6.70	-	-	-	-	-
First Interim distribution date	6-Oct-08	27-Mar-08	-	-	-	-	-
Second Interim distribution per unit	4.50	-	-	-	-	-	-
Second Interim distribution date	22-Apr-09	-	-	-	-	-	-
Final Distribution per unit	4.50	3.02	10.66	12.10	10.25	6.20	9.50
Final distribution date	07-Jul-09	09-Jul-08	07-Jul-07	08-Jul-06	09-Jul-05	12-Jul-04	12-Jul-03
Total Distribution as % of par value	12.05%	9.72%	10.66%	12.10%	10.25%	6.20%	9.50%
Highest offer price per unit	107.55	109.91	113.96	115.84	113.75	109.85	111.20
Lowest offer price per unit	99.78	103.28	103.97	104.45	104.00	104.05	102.00
Highest repurchase price per unit	106.48	108.28	111.73	113.57	111.45	107.65	108.95
Lowest repurchase price per unit	98.77	101.31	101.93	102.30	101.90	101.95	100.00
Number of units in issue	47,819,800	108,134,337	75,147,130	31,065,866	12,276,900	11,909,650	3,766,095

Notes:

- JS Income Fund was launched on 26-Aug-02
- All previous years' figures have been restated due to change in par value from Rs. 500 to Rs. 100 w.e.f 01-Dec-07
- Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF 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 Management Company of the **JS Income Fund** to comply with the listing regulations of the Lahore Stock Exchange, where the Fund is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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.

Karachi: 21 August 2009

KPMG Taseer Hadi & 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 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.

JS Income 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

REPORT OF THE TRUSTEE 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

JS Income Fund, an open-end fund established under a trust deed executed between JS Investments Limited as the Management Company and Muslim Commercial Financial Services (Private) Limited as the Trustee on July 18, 2002. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on August 02, 2002.

As per the Deed of change of Trustee and amendment of Trust Deed dated May 28, 2005 Muslim Commercial Financial Services (Private) Limited retired as the Trustee and Central Depository Company of Pakistan Limited was appointed as the Trustee of JS Income Fund. Subsequently Muslim Commercial Financial Services (Private) Limited was reappointed as new Trustee of the Fund and Central Depository Company of Pakistan Limited retired as per the second supplemental trust deed dated October 06, 2007. However, the assets of the fund were transferred to Muslim Commercial Financial Services (Private) Limited by Central Depository Company of Pakistan Limited on November 03, 2007.

1. JS Investments Limited, the Management Company of JS Income Fund has, in all material respects, managed JS Income Fund during the year ended 30th June 2009 in accordance with the provisions of the following:
 - (i) the limitations imposed on the investment powers of the Management Company under the Constitutive Documents;
 - (ii) the valuation and pricing of Units are carried out in accordance with the requirements of the Trust Deed and the Offering Document;
 - (iii) the creation and cancellation of Units are carried out in accordance the requirements of the Trust Deed and the Offering Document;
 - (iv) the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008; and the constitutive documents.
2. We are not aware of any material shortcoming that may have impact on the decision of the existing or the potential unit holders remaining or investing in the Fund.

For the purpose of information, the attention of unit holders is drawn towards auditor s report and note 6.10.2 of the financial statements regarding the valuation of Held-to-maturity investments.

Karachi: 12 August 2009

Khawaja Anwer Hussain
Acting Chief Executive Officer
Muslim Commercial Financial Services (Private) Limited

INDEPENDENT AUDITORS REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **JS Income Fund** (the Fund), which comprise of the statement of assets and liabilities as at 30 June 2009 and the income statement, distribution statement, cash flow statement and statement of movement in unit holders fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2009, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of matter

Without qualifying our opinion we draw attention to note 6.10.2 to the financial statements, regarding the valuation of Held-to-maturity Investments.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Karachi: 21 August 2009

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani



FINANCIAL STATEMENTS

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

	Note	2009	2008
Assets			
Bank balances	4	1,837,903,816	3,674,920,468
Receivables and prepayments	5	382,900,284	4,532,839,853
Investments	6	2,852,676,977	3,087,207,084
Advance tax		1,210,475	1,210,475
Security deposits		100,000	3,700,000
Total assets		5,074,791,552	11,299,877,880
Liabilities			
Amount payable on redemption of units		15,211,097	6,355,261
Remuneration payable to the Management Company	7	6,057,361	13,813,165
Remuneration payable to the Trustee	8	243,010	501,396
Annual fee payable to Securities and Exchange Commission of Pakistan	9	6,949,408	11,183,034
Creditors, accrued and other liabilities	10	31,480,356	14,189,573
Total liabilities		59,941,232	46,042,429
Commitments	11		
Net assets	Rupees	5,014,850,320	11,253,835,451
Unit holders' funds (as per statement attached)	Rupees	5,014,850,320	11,253,835,451
Number of units in issue	12	47,819,800	108,134,337
Net assets value per unit	Rupees	104.87	104.07

The annexed notes from 1 to 21 and Annexure I 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 YEAR ENDED 30 JUNE 2009**

	Note	2009	2008
Income			
Net (loss) / gain from transactions in marketable securities	13	(145,323,735)	36,889,247
Income from transactions under continuous funding system		97,434,806	322,787,063
Financial income	14	1,099,294,558	878,440,371
Amortisation of discount on available-for-sale investments		3,822,943	-
Element of income / (loss) and capital gains / (losses) in prices of units sold less those of units redeemed - net		(56,387,511)	176,075,702
		998,841,061	1,414,192,383
Unrealised loss on held for trading investment in marketable securities - net		-	(1,143,746)
		998,841,061	1,413,048,637
Expenses			
Remuneration of the Management Company	7	116,810,487	167,793,374
Remuneration of the Trustee	8	4,430,172	7,876,390
Annual fee to Securities and Exchange Commission of Pakistan	9	6,949,408	11,183,034
Amortisation of premium on held-to-maturity investments		2,786,970	2,944,423
Provision against impaired debt securities (available-for-sale investments)		34,200,000	-
Provision against markup accrued on advance against subscription of term finance certificates		4,007,109	-
Listing fee		30,000	30,082
Bank and settlement charges		1,290,090	3,010,794
Securities transaction cost		580,148	3,360,541
Auditors' remuneration	15	490,000	448,000
Fee and charges to National Clearing Company of Pakistan Limited		5,678,457	3,597,326
Printing and stationery Charges		213,260	140,500
Legal and professional charges		432,997	452,500
Mutual fund rating fee		100,000	100,000
Financial charges on repurchase transactions		-	201,400
Others		-	71,650
		177,999,099	201,210,014
Net income	<i>Rupees</i>	820,841,963	1,211,838,623

The annexed notes from 1 to 21 and Annexure I 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 YEAR ENDED 30 JUNE 2009

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	820,841,963	1,211,838,623
Adjustments for:		
Amortisation of premium on held-to-maturity investments	2,786,970	2,944,423
Amortisation of discount on available-for-sale investments	(3,822,943)	-
Unrealised loss on held for trading investment in marketable securities - net	-	1,143,746
Unrealised loss on revaluation of derivative financial instrument	-	9,660,555
Element of (income) / loss and capital (gains) / losses in prices of units sold less those of units redeemed - net	56,387,511	(176,075,702)
	876,193,501	1,049,511,645
Decrease / (increase) in assets		
Receivable against transactions under CFS	3,768,878,692	(1,445,827,252)
Receivable against sale of investments	507,142,204	577,429,420
Receivable against issue of units	(6,490,848)	463,752
Receivable against reverse repurchase transactions	131,000	(90,000,000)
Receivable against clean placements	(136,000,000)	-
Investments	106,536,273	(2,358,270,331)
Mark-up / return receivables	15,242,847	(112,003,945)
Dividend receivable	179,500	(179,500)
Security deposit	3,600,000	(2,600,000)
Prepayment	856,172	(841,014)
	4,260,075,841	(3,431,828,870)
Increase / (decrease) in liabilities		
Payable on redemption of units	8,855,836	(11,036,178)
Remuneration payable to the management company	(7,755,804)	5,094,654
Remuneration payable to the trustee	(258,386)	(161,989)
Annual fee payable to Securities and Exchange Commission of Pakistan	(4,233,626)	7,056,855
Creditors, accrued and other liabilities	17,290,784	2,318,791
	13,898,804	3,272,133
Net cash flows from operating activities	5,150,168,146	(2,379,045,092)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issue of units	7,546,664,580	27,538,105,323
Payment against redemption of units	(14,252,795,418)	(25,280,351,314)
Encashment of bonus units	(281,053,960)	(444,632,312)
Net cash flows from financing activities	(6,987,184,798)	1,813,121,697
Net decrease in cash and cash equivalents during the year	(1,837,016,653)	(565,923,395)
Cash and cash equivalents at beginning of the year	3,674,920,468	4,240,843,863
Cash and cash equivalents at end of the year	1,837,903,816	3,674,920,468

Rupees

The annexed notes from 1 to 21 and Annexure I 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 YEAR ENDED 30 JUNE 2009**

	2009	2008
Net assets at the beginning of the year	11,253,835,451	8,404,589,708
Cash received on issue of 79,515,458 units* (2008: 276,435,544 units)	7,546,664,580	27,538,105,323
Cash paid / payable on redemption of 139,829,996 units (2008: 243,448,334 units)	(14,252,795,418) (6,706,130,838)	(25,280,351,314) 2,257,754,009
Encashment of bonus units	(281,053,960)	(444,632,312)
Element of income / (loss) and capital gains / (losses) in prices of units sold less those of units redeemed - net	56,387,511	(176,075,702)
(Deficit) / surplus on revaluation of available-for-sale investments (recognised directly in net assets)	(130,717,044)	1,821,026
Deficit / (surplus) on revaluation of available-for-sale investments transferred to income statement on maturity / sale	1,687,237	(1,459,901)
Net income for the year	820,841,963	1,211,838,623
Total recognised income for the year	691,812,156	1,212,199,748
Net assets as at end of the year	<i>Rupees</i> 5,014,850,320	11,253,835,451
Net assets value per unit at the beginning of the year	<i>Rupees</i> 104.07	111.84
Net assets value per unit at end of the year	<i>Rupees</i> 104.87	104.07

* Including 6,106,397 (2008: 13,939,801) units issued as bonus units during the year.

The annexed notes from 1 to 21 and Annexure I 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 YEAR ENDED 30 JUNE 2009

	2009	2008
Undistributed income brought forward	440,098,657	888,338,397
Final distribution at the rate of Rs. 3.02 and 10.66 per unit for the years ended 30 June 2008 and 30 June 2007 respectively	* (326,565,698)	(801,068,381)
Net income up to 30 June 2008 (30 June 2007) less distribution	113,532,959	87,270,016
Net income for the year ended 30 June 2009 and 30 June 2008 respectively	820,841,963	1,211,838,623
First interim distribution at the rate of Rs. 3.05 approved on 06 October 2008 (2008: 6.70 per unit approved on 27 March 2008 respectively)	** (350,224,906)	(859,009,982)
Second interim distribution at the rate of Rs. 4.50 per unit approved on 22 April 2009	*** (222,552,956)	-
Net income for the year ended 30 June 2009 (30 June 2008) less distribution	248,064,101	352,828,641
Undistributed income carried forward	Rupees 361,597,060	440,098,657

* It includes bonus units collected as cash dividend by unit holders amounting to Rs. 74,192,529 (2008: Rs. 197,392,033)

** It includes bonus units collected as cash dividend by unit holders amounting to Rs. 95,725,942 (2008: Rs. 247,240,279)

*** It includes bonus units collected as cash dividend by unit holders amounting to Rs. 111,135,489 (2008: Nil)

The annexed notes from 1 to 21 and Annexure I 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 YEAR ENDED 30 JUNE 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

JS Income Fund ("the Fund") has been established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Fund is governed under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008. It has been constituted under a Trust Deed, dated 18 July 2002, between JS Investments Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Muslim Commercial Financial Services (Private) Limited (MCFSL) as the Trustee. Subsequently, on 28 May 2005 Central Depository Company (CDC) was appointed as Trustee after voluntary resignation of MCFSL. On 4 November 2007, MCFSL was re-appointed as new Trustee of the fund as CDC vacated the office of Trustee of the Fund by a notice of retirement on 15 March 2007. Accordingly title to the assets of the Fund is held in the name of MCFSL as a Trustee of the Fund. The Fund is registered as notified entity under NBFC Regulations, 2008.

The Fund is an open end mutual fund and is listed on Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund.

The Fund invests primarily in fixed-rate securities and other avenues of investment, which include corporate debt securities and Government securities and transactions under continuous funding system, which is a form of financing through the stock exchange.

The registered office of the Management Company is situated at 7th Floor, The Forum, Clifton, Karachi, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC rules and regulations). In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the Trust Deed and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008 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 Pakistan Rupees, which is the functional and presentation currency of the Fund and rounded to the nearest rupees.

2.4 Initial application of a standard or an interpretation

The following standards, amendments and interpretations become effective during the current year

IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 Financial Instruments: Disclosure and Presentation. The application of the

standard did not have any impact on the Fund's financial statements other than increase in disclosures.

IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). Application of this standard did not have any effect on the Fund's financial statements.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) The application of IFRIC 13 did not have any effect on the Fund's financial statements.

IFRIC 14 IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). The interpretation has no effect on Fund's financial statements for the year ended 30 June 2009.

Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than increase in disclosures in certain cases:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009)

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009)

IAS 27 Consolidated and separate financial statements (effective for annual periods beginning on or after 1 January 2009)

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation.

Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009)

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvement project. The effective dates for these amendments vary by standard and most will be applicable to the Fund's 2010 financial statements.

Amendments to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009)

Amendment to IFRS 2 Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009)

Amendment to IFRS 2 Share-based Payment Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010)

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009)

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009)

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting

IFRIC 15-Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009)

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)

IFRIC-17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009)

IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009)

2.5 Critical accounting 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 asset. 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:

Held-to-maturity investment

The Fund has classified certain investment as held-to-maturity. In this regard, management's judgment is involved in evaluating the intention and ability to hold these investment till their respective maturities.

Investment stated at fair value

Management has determined fair value of certain investments by using quotation from active market. 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, interest rates, etc.) and therefore, can not be determined with precision.

Impairment of investment

The Fund determines that investments are impaired in accordance with the provisioning guidelines prescribed by the Securities and Exchange Commission of Pakistan and the provisioning criteria approved by the Board of Directors of the Management Company (Refer note no. 3.12). Actual results may differ and the difference could be material.

Other assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Investments

All investments are initially recognised at cost, being the fair value of the consideration given including transactions cost associated with the investment, excluding those pertaining to held for trading which are charged to the Income Statement.

3.1.2 The Fund classifies its investments in the following categories:

Held for trading

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

Subsequent to initial recognition, these are re-measured at fair value by reference to quoted market price with a resultant gain or loss being included in Income Statement for the period in which it arises.

Held-to-maturity

Investments with fixed maturity where the management has both the intent and ability to hold till maturity are classified as held-to-maturity. These investments are stated at amortised cost less impairment losses, if any. Amortisation of premium / discount on acquisition of the investments is carried out using the effective yield method.

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 unit holders' 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 available-for-sale investments (debt securities)

a) Basis of valuation of Term Finance Certificates (TFCs) and Sukuk certificates

The SECP vide its circular no. 1/2009 dated 06 January 2009 has changed the methodology for valuation of debt securities. Under the said directive, investment in TFCs and sukuk certificates have to be valued on the basis of rates quoted by the Mutual Fund Association of Pakistan (MUFAP). Accordingly, investment in TFCs and sukuk certificates have been valued at the rates determined and announced by MUFAP based on the methodology prescribed in the circular. Prior to the issuance of the said directive investments in TFCs and sukuk certificates were valued as follows:

- (i) With effect from 05 November 2008 to 9 January 2009, at the lower of discounted redeemable face value of TFCs and sukuk certificates and the market value as determined using the rates notified by MUFAP in accordance with the SECP circular no. 26/2008 dated 05 November 2008.
- (ii) Prior to 05 November, 2008, at the rates notified by MUFAP in accordance with the requirements of Regulation 2(1)(xvi) of the Non-Banking Finance Companies and Notified Entities Regulation, 2007. However where these

rates were not so quoted by MUFAP, these were valued at the average of the rates quoted by certain brokers (unless the rates were not quoted by the brokers also, where these were valued at cost).

Had all the TFCs and sukkuk certificates been valued on the earlier basis of rates notified by MUFAP, net assets value of the Fund calculated during the year and as of 30 June 2009, would have been different and consequently the number of units issued / redeemed during the year as well as element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed recorded by the Fund would also have been different. These effects have not been quantified as it is impracticable to do so.

b) Basis of valuation of Government Securities

The investment of the Fund in government securities are valued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security.

c) Basis of valuation of Commercial papers

Commercial papers (with residual maturity of upto six months) are valued at their amortized cost in accordance with requirements of Circular 01 of 2009 with effect from 06 January 2009. The Fund does not have any investment in Commercial paper with residual maturities exceeding six months. Prior to the issuance of the said directive investment in commercial papers were valued as follows:

- (i) With effect from 05 November 2008 to 05 January 2009, these were valued after applying discount rates specified in circular 26/2008 dated 05 November 2008 issued by Securities and Exchange Commission of Pakistan.
- (ii) Prior to 05 November, 2008, these were valued on the basis of average yield rates acquired from three brokers.

Had these Commercial papers been valued on earlier basis, the net assets value of the Fund calculated during the year and as of 30 June 2009, would have been different and consequently the number of units issued / redeemed during the year as well as element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed recorded by the Fund would also have been different. These effects have not been quantified as it is impracticable to do so.

Provision against non-performing debt securities is made on accordance with the provisioning criteria prescribed by the Securities and Exchange Commission of Pakistan and the Fund's provision criteria discussed more fully in note no. 3.12 to these financial statements.

3.1.4 All regular way of 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 of purchase and sale of investments require delivery of securities within two days after the transaction, as required by the Stock Exchange Regulations.

3.2 Derivative Financial Instruments

Derivative Financial instruments held by the fund primarily comprise of futures contracts in the capital market. These are initially recognised at cost and are subsequently remeasured at their fair value. The fair value of futures contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives with positive market values (unrealised gains) are included in as an asset and derivatives with negative market values (unrealised losses) are included as a liability in the balance sheet. The resultant gains and losses are included in the income currently.

3.3 Securities under resale agreements (including balance receivable against securities sold under continuous funding system)

Transactions of purchase under resale (reverse-repo) of marketable and government securities, including the securities purchased under continuous funding system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos)

are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions / against continuous funding system. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

3.4 Issue and redemption of units

Units are allocated at the offer price 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 sales load. The sales load is payable to the Distribution Companies and the Management Company as processing fee.

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

3.5 Net assets 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 the Fund by the number of units in issue at the year-end.

3.6 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / losses arising on the revaluation of derivatives and held for trading investments to fair value are taken to the Income Statement currently.
- Income from reverse repurchase transactions, continuous funding system, returns on certificates of investments, clean placements, bank deposits and investments in debt and government securities are recognised at rate of return implicit in the instrument on a time proportionate basis.

3.7 Element of income in prices of units sold less those in units redeemed

An equalisation account called the "element of income / (loss) 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.

3.8 Taxation

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

3.9 Financial instruments

All the financial assets and financial liabilities are recognised 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 statement directly.

3.10 Offsetting of financial assets and liabilities

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

3.11 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.

3.12 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment is determined in accordance with the provisioning criteria for non performing debt securities specified by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular no. 1 of 2009 dated 06 January 2009 and the provisioning criteria / policy for non performing exposures approved by the Board of Directors of the management company in accordance with the requirements of SECP vide its Circular no. 13 of 2009 dated 4 May 2009. Amount of impairment is the higher of the amount determined under the above provisioning criterias.

The Fund's policy for provision against impaired debt securities essentially is the same as prescribed by the Securities and Exchange Commission of Pakistan (SECP). However in respect of the Pre-IPO investments and the advances, it shall follow the time bands prescribed by the SECP for provision against impaired debt securities and the investment committee shall also consider additional provision keeping in view the information available of the borrower relating the financial statements, periodic announcements, etc. Full provision shall not be made against the entire balance of any of the installment in arrears (unless required as above).

In respect of other financial assets, at each balance sheet date an assessment is carried out to determine whether there is any objective evidence of impairment. The Financial assets are 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. 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.

Impairment losses are recognised in the income statement currently.

3.13 Provision

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 Other assets

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

3.15 Dividend distribution

Dividend distributions are recorded in the period in which the distributions are approved.

4. BANK BALANCES - Local Currency

		2009	2008
- In profit / loss sharing accounts	4.1	287,903,816	1,674,920,468
- In term deposits	4.2	1,550,000,000	2,000,000,000
	<i>Rupees</i>	<u>1,837,903,816</u>	<u>3,674,920,468</u>

- 4.1** This includes bank balance of Rs. 10,829,505 (2008: Rs. 305,982,065) with JS Bank Limited (a related party) that carries profit at 11.75% (2008:11%) per annum and Rs. 10,436,172 (2008: Nil) with Network Microfinance Bank Limited (a related party) that carries profit at 11.50% (2008: Nil) per annum. Other profit / loss sharing accounts carry profit rates ranging from 5% to 12.75% (2008: 5% to 12.5%) per annum.
- 4.2** This includes term deposits of Rs. 400 million with JS Bank Limited (a related party) that carry profit rates of 14.25% and 14.50% per annum maturing in July 2009. Other term deposits carry profit rate ranging between 13% to 14.86% per annum (2008: 9% to 17.5%).

5. RECEIVABLES AND PREPAYMENTS - considered good

	2009	2008
Receivable against:		
- transactions under Continuous Funding System	-	3,768,878,692
- sale of held for trading securities	-	531,086,380
- sale of debt securities (available-for-sale)	5.1 29,094,176	5,150,000
- reverse repurchase transactions	5.2 89,869,000	90,000,000
- clean placements	5.3 136,000,000	-
- issue of units	5.1 6,490,848	-
Mark-up / return receivable on:		
- bank balances	5.4 32,065,366	13,661,877
- transactions under Continuous Funding System	-	14,358,930
- term finance certificates and Pre-IPO investments (available-for-sale investments)	90,085,169	108,167,424
- government securities (held to maturity investments)	187,978	185,262
- reverse repurchase transactions	2,645,377	315,616
- clean placements	469,479	-
Dividend receivable	-	179,500
Prepaid listing fee to National Clearing Company of Pakistan Limited	-	841,096
Prepaid listing fee to Lahore Stock Exchange	-	15,076
	386,907,393	4,532,839,853
Less: provision against accrued markup on advance against Pre-IPO investment	(4,007,109)	-
	Rupees 382,900,284	4,532,839,853

- 5.1** These amount were received subsequent to the year-end.
- 5.2** These placements with a financial institution are secured against Pakistan Investment Bonds and carry a rate of return of 13.6% (2008: 16%) per annum. The amount was received subsequent to year end. At 30 June 2009, the credit rating of the borrower was A1.
- 5.3** This is a unsecured placement with a financial institution which carries profit rate of 14% per annum and matured subsequent to the year end. At 30 June 2009, the credit rating of the borrower was A1.
- 5.4** This includes profit receivable from JS Bank Limited (a related party) amounting to Rs. 857,049 (2008: Nil)

JS Income Fund

6. INVESTMENTS

		2009	2008
Held for trading			
Listed equity securities		-	71,774,835
Available-for-sale			
Listed debt securities	6.1	260,353,852	532,169,058
Unlisted debt securities	6.2	893,674,935	1,578,825,375
Unlisted sukuk certificates	6.3	335,094,780	601,380,800
Government securities	6.4	1,159,840,350	-
Commercial Papers	6.5	73,906,740	188,536,022
Advance against subscription of term finance certificates - (Cement Sector)	6.7	18,072,297	-
Held-to-maturity			
Government securities	6.8	111,734,023	114,520,994
	<i>Rupees</i>	<u>2,852,676,977</u>	<u>3,087,207,084</u>

6.1 Available-for-sale (listed debt securities)

Quoted (Refer Note: 6.8)

	Note	As at 01 July 2008	Acquired during the year	Matured / disposed during the year	As at 30 June 2009	Fair / carrying value 30 June 2009	% of total investments	Credit rating
-----Number of certificates-----								
Term finance certificates - face value of Rs.5,000 each								
Investment Banks / Cos. / Securities								
Jahangir Siddiqui and Company Limited - TFC II (related party)	6.1.1	-	1,400	-	1,400	3,199,134	0.11	AA+
Jahangir Siddiqui and Company Limited - TFC III (related party)	6.1.2	-	4,763	2,336	2,427	10,078,881	0.35	AA+
Jahangir Siddiqui and Company Limited - TFC IV (related party)	6.1.3	-	9,427	1,178	8,249	38,319,368	1.34	AA+
Commercial Banks								
NIB Bank Limited	6.1.4	-	13,798	3,406	10,392	48,012,715	1.68	A+
United Bank Limited - TFC IV	6.1.5	73,000	5,000	64,782	13,218	60,769,693	2.13	AA
United Bank Limited - TFC I		-	10,000	10,000	-	-	-	-
Askari Bank Limited - TFC I		-	1,990	1,990	-	-	-	-
Bank Alfalah Limited		-	1,638	1,638	-	-	-	-
Textile Composite								
Azgard Nine Limited (related party)	6.1.6	-	17,900	2,369	15,531	57,184,763	2.00	AA-
Fertilizer								
Engro Chemicals Pakistan Limited		16,246	20,200	36,446	-	-	-	-
Pakarab Fertilizers Limited	6.1.7	17,232	24,000	32,255	8,977	42,789,298	1.50	AA
Miscellaneous								
Pakistan Services Limited		1,494	-	1,494	-	-	-	-
						<i>Rupees</i> <u>260,353,852</u>	<u>9.13</u>	
Cost of available-for-sale investments as at 30 June 2009						<i>Rupees</i> <u>265,097,092</u>		

- 6.1.1** These term finance certificates carry a fixed rate of mark-up of 8.29% per annum receivable semi-annually in arrears and will mature in December 2009. These term finance certificates are unsecured.
- 6.1.2** These term finance certificates carry a rate of mark-up equal to the simple average six months KIBOR plus 175 basis points per annum with a floor of 6% and a cap of 16% receivable semi-annually in arrears and will mature in September 2010. These term finance certificates are unsecured.
- 6.1.3** These term finance certificates carry a rate of mark-up equal to the simple average six months KIBOR plus 250 basis points per annum with a floor of 6% and a cap of 16% receivable semi-annually in arrears and will mature in May 2012. These term finance certificates are secured by way of first ranking floating charge with 25% margin on all present and future movable assets of the company with certain exclusions.
- 6.1.4** These term finance certificates carry a rate of mark-up equal to the simple average six months KIBOR plus 115 basis points per annum without any floor and cap receivable semi-annually in arrears and will mature in March 2016. These term finance certificates are unsecured.
- 6.1.5** These term finance certificates carry a rate of mark-up equal to the simple average six months KIBOR plus 85 basis points for the first five years and 135 basis points from six to ten years per annum without any floor and cap receivable semi-annually in arrears and will mature in February 2018. These term finance certificates are unsecured.
- 6.1.6** These term finance certificates carry a rate of mark-up equal to the simple average six months KIBOR plus 240 basis points per annum without any floor and cap receivable semi-annually in arrears and will mature in September 2012. These term finance certificates are secured by first pari passu charge on the present and future fixed assets of the company (excluding land and building) with 25% margin in favor of the Trustee and memorandum for creation of mortgage through deposits of title deeds on lands building in favor of the trustee of the issue.
- 6.1.7** These term finance certificates carry a rate of mark-up equal to the simple average six months KIBOR plus 150 basis points per annum without any floor and cap receivable semi-annually in arrears and will mature in February 2013. These term finance certificates are secured by way of First ranking pari passu charge, along with 25% margin, created in favour of the Trustee by way of hypothecation over all present and future plant and machinery, wherever situated together with all documents of title thereto and sale proceeds thereof and with the benefit of all contracts entered by Pakarab Fertilizers Limited.

6.2 Available-for-sale (unlisted debt securities)

Quoted (Refer Note: 6.8)	Note	As at 01 July 2008	Acquired during the year	Matured / disposed during the year	As at 30 June 2009	Fair / carrying value 30 June 2009	% of total investments	Credit rating
		-----Number of certificates-----						
Term finance certificates - face value of Rs.5,000 each unless stated otherwise								
Leasing companies								
Orix Leasing Pakistan Limited - Privately placed (face value of Rs. 100,000 each)	6.2.1	3,000	-	798	2,202	215,522,952	7.56	AA
Investment Banks / Cos. / Securities								
Jahangir Siddiqui and Company Limited - TFC V - Privately placed - (related party)	6.2.2	-	15,800	6,000	9,800	44,808,099	1.57	AA+
Technology and communication								
Pakistan Mobile Communication Limited - Privately placed	6.2.3	48,000	-	17,774	30,226	131,755,285	4.62	AA-
Optimus Limited - Privately placed	6.2.4	10,000	-	2,661	7,339	35,035,498	1.23	A
Fertilizer								
Pak American Fertilizers Limited - Privately placed - (related party)	6.2.5	138,000	-	63,000	75,000	325,697,798	11.42	AA-
Engro Chemical Pakistan Limited - Privately placed	6.2.6	34,050	13,000	14,521	32,529	143,127,600	5.02	AA
Miscellaneous								
Prime Electronics Securitization Company Limited - (Pre-IPO)		15,000	-	15,000	-	-	-	-
						895,947,232		
Less: Provision against impaired debt security	6.2.7					(2,272,297)		
						893,674,935	31.41	
						<i>Rupees</i>		
Cost of available-for-sale investments as at 30 June 2009						<i>Rupees</i>	988,143,079	

- 6.2.1** These term finance certificates carry a mark-up equal to the simple average six months KIBOR rates plus 120 basis points per annum receivable semi-annually in arrears and will mature in January 2013. These term finance certificates are secured by a hypothecation charge and shall also include any additional charge, lien or other encumbrance or security.
- 6.2.2** These term finance certificates carry a mark-up equal to the simple average six months KIBOR rates plus 170 basis points per annum receivable semi-annually in arrears and will mature in July 2013. These term finance certificates are secured by way of first ranking floating charge with 25% margin on all present and future movable assets of the company with certain exclusions.
- 6.2.3** These term finance certificates carry a mark-up equal to the simple average six months KIBOR rates plus 130 basis points without any floor and cap receivable semi-annually in arrears and will mature in October 2010. All the properties and assets of the issuer recovered or received by the trustee including any benefit of all the covenants, undertakings, obligation of the issuer and rights and remedies of the trustee on behalf of the TFC holders, upon institution of any action, legal proceedings or otherwise.
- 6.2.4** These term finance certificates carry a mark-up equal to the simple average six months KIBOR rates plus 210 basis points without any floor and cap receivable semi-annually in arrears and will mature in October 2012. These term finance certificates are secured by a charge on the current assets as well as fixed assets hypothecation charge and shall also include any additional mortgage charge, lien, other encumbrance or security.
- 6.2.5** These term finance certificates carry a mark-up equal to the simple average six months KIBOR rates plus 175 basis points per annum receivable semi-annually in arrears and will mature in January 2015. These term finance certificates are secured by a substituted or additional mortgage, charge, lien, or other encumbrance or security in favour of the trustee for the benefit of the TFCs holders.
- 6.2.6** These term finance certificates carry a mark-up equal to the simple average six months KIBOR rates plus 170 basis points per annum for the first 6 years, 190 basis points for 7th year, 210 basis points for 8th year, 230 basis points for 9th year and 250 basis points for 10th year receivable semi-annually in arrears and will mature in March 2018. These term finance certificates are secured by a floating charge over present and future fixed assets (excluding land and building) of the issuer.
- 6.2.7** This represents specific provision made against a debt security in accordance with the provision policy of the Fund approved by the Board of Directors of the management company.

6.3 Available-for-sale (unlisted sukuk certificates - debt securities)

Quoted (Refer Note: 6.8)

		As at 01 July 2008	Acquired during the year	Matured / disposed during the year	As at 30 June 2009	Fair / carrying value 30 June 2009	% of total investments	Credit rating	
Note	-----Number of certificates-----								
Sukuk certificates - face value of Rs.5,000 each									
Cement									
	Maple Leaf Cement Factory Limited - Privately placed	6.3.1	80,000	-	24,951	55,049	247,748,300	8.68	A-
Fertilizer									
	Pak American Fertilizer limited - Privately Privately placed - (related party)	6.3.2	-	42,000	22,516	19,484	87,346,480	3.06	AA-
Cables and Electrical Goods									
	PAK Electron Limited - Privately placed		9,800	-	9,800	-	-	-	-
Miscellaneous									
	Karachi Shipyard and Engineering Works Limited - Privately placed		30,000	-	30,000	-	-	-	-
						Rupees	<u>335,094,780</u>	<u>11.75</u>	
	Cost of available-for-sale investments as at 30 June 2009					Rupees	<u>366,272,500</u>		

6.3.1 These sukuk certificates carry a mark-up equal to the simple average six months KIBOR rates plus 170 basis points without any floor and cap receivable semi-annually in arrears and will mature in December 2013. These sukuk certificates are secured by way of hypothecation over the hypothecated assets of the issuer for creating a ranking charge in favor of Investment Agent for the benefit of the certificate holders.

6.3.2 These sukuk certificates carry a mark-up equal to the simple average of six months offered rate of KIBOR rates plus 200 basis points receivable semi-annually in arrears and will mature in August 2013. These sukuk certificates are secured by hypothecation charge over the entire legal ownership and the beneficial interest of the issuer from time to time in and to all present and future fixed assets (excluding land and building) of the issuer in favor of the Trustee for the benefit of certificate holders.

6.4 Available-for-sale - Government Securities

	As at 01 July 2008	Acquired during the year	Matured / disposed during the year	As at 30 June 2009	Fair / carrying value 30 June 2009	% of total investments
	-----Number of certificates-----					
Government Securities - face value of Rs. 100,000 each						
	3 - Months Treasury Bills	-	10,000	10,000	-	-
	6 - Months Treasury Bills	-	4,000	4,000	-	-
	1 - Year Treasury Bills	-	13,250	500	12,750	1,159,840,350
	3 - Years Pakistan Investment Bonds	-	750	750	-	-
	5 - Years Pakistan Investment Bonds	-	750	750	-	-
	7 - Years Pakistan Investment Bonds	-	500	500	-	-
	10 - Years Pakistan Investment Bonds	-	750	750	-	-
					Rupees	<u>1,159,840,350</u>
	Cost of available-for-sale investments as at 30 June 2009				Rupees	<u>1,156,004,963</u>

6.5 Available-for-sale (unlisted debt securities) - Commercial Papers

	As at 01 July 2008	Acquired during the year	Matured / disposed during the year	As at 30 June 2009	Fair / carrying value 30 June 2009	% of total investments	Credit rating
	-----Number of certificates-----						
Commercial papers - face value of Rs. 100,000 each							
	Pak American Fertilizers Limited - (related party)	250	600	850	-	-	
	Azgard Nine Limited - (related party)	1,750	750	1,750	750	73,906,740	A+
					Rupees	<u>73,906,740</u>	<u>2.59</u>
	Cost of available-for-sale investments as at 30 June 2009				Rupees	<u>73,906,746</u>	

- 6.6** Credit ratings as disclosed above are the credit ratings of the securities / issuing entity and are based on the ratings mentioned by the Mutual Fund Association of Pakistan on its website as of 30 June 2009.
- 6.7** This represents application money for subscription of 10,000 units of term finance certificates (Pre-IPO) of Dewan Cement Limited. The company had to issue TFCs within a period of 270 days of public offering. The period of 270 days to complete the public offering expired on 5 October 2008 and the management company of the Fund has been making efforts for the recovery of the actual amount disbursed of Rs. 50 million. The Fund has made a provision of Rs. 31.928 million against the actual amount disbursed in accordance with the provisioning policy of the Fund approved by the Board of Directors of the management company. The Fund is of the view that the additional provision against the non performing exposure is not required at this stage as it is confident of the recovery of the remaining balance.
- The above provision is without prejudice to the Fund's claim against the above entire exposure of Rs. 50 million and unrecognised markup and other charges etc.
- 6.8** The term "listed" indicated in note 6.1, 6.2 and 6.3 refers to the listing in the stock exchanges. However their trade rates are quoted by MUFAP.
- 6.9** As at 30 June 2009, the deficit on revaluation of available-for-sale investments (difference between amortised cost and market value) amounted to Rs. 128.727 million (2008: Surplus of Rs. 0.303 million).
- 6.10 Held-to-maturity (government securities - at amortised cost)**

	As at 01 July 2008	Acquired during the year	Matured / disposed during the year	As at 30 June 2009	Fair / carrying value 30 June 2009	% of total investments
-----Number of certificates-----						
Pakistan Investment Bonds (face value of Rs.100,000 each)	1,000	-	-	1,000	<u>111,734,023</u>	<u>3.92</u>
Market value of government securities as at 30 June 2009				<i>Rupees</i>	<u>90,894,060</u>	

- 6.10.1** These bonds carry a rate of mark-up ranging from 8% to 9% per annum receivable semi-annually and will mature in year 2013.
- 6.10.2** These securities are carried at amortized cost. However Non-Banking Finance Companies and Notified Entities Regulations, 2008 requires the investment securities to be revalued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security.

Had these securities been revalued as above, value of the above investments and net assets as of 30 June 2009 would have been lower by Rs. 20.839 million.

7. REMUNERATION TO THE MANAGEMENT COMPANY

The Management Company is entitled to a remuneration for services to the Fund under the regulation 61 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, upto a maximum of 3% per annum of the average daily net assets of the Fund during the first five years and 2% per annum based on such assets thereafter. However, the management company has charged 1.5% (30 June 2008: 1.5%) per annum based on such assets.

	2009	2008
Balance at beginning of the year	<u>13,813,165</u>	8,718,511
Remuneration for the year	<u>116,810,487</u>	167,793,374
Paid during the year	<u>(124,566,291)</u>	(162,698,720)
Balance at end of the year	<i>Rupees</i> <u>6,057,361</u>	<u>13,813,165</u>

8. REMUNERATION TO THE TRUSTEE

The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed.

The Trustee (Muslim Commercial Financial Services (Private) Limited) is entitled to a remuneration at the rate of Rs.1 million plus 0.05% per annum on amount exceeding Rs. 1 billion of the daily average net assets of the Fund.

	2009	2008
Balance at beginning of the year	<u>501,396</u>	663,385
Remuneration for the year	<u>4,430,172</u>	7,876,390
Paid during the year	<u>(4,688,558)</u>	(8,038,379)
Balance at end of the year	<i>Rupees</i> <u>243,010</u>	<u>501,396</u>

9. ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP an amount as follows:

Upto 20 November 2008

- at the rate of 0.1% of the average daily net assets of the fund in accordance with regulation 71 of NBFC regulations 2007

From 21 November 2008 onwards

- at the rate of 0.075% of the average daily net assets of the fund in accordance with regulation 62 of NBFC regulations 2008

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

	2009	2008
Payable in respect of purchase of term finance certificates	27,936,370	-
Brokerage payable	288,284	916,947
Auditors' remuneration	344,800	246,675
Printing charges payable	115,990	100,100
Sales load payable	28,791	2,788,242
Settlement charges payable	22,500	195,000
Other liabilities	2,743,621	9,942,609
	<i>Rupees</i> 31,480,356	14,189,573

11. COMMITMENTS

- Sales	<i>Rupees</i> -	673,072,896
- Purchases	<i>Rupees</i> -	607,426,496

12. NUMBER OF UNITS IN ISSUE

Total outstanding at beginning of the year	108,134,337	75,147,128
Sales during the year	73,409,062	262,495,743
Bonus units issued	6,106,397	13,939,800
Redemption during the year	(139,829,996)	(243,448,334)
Total units in issue at the end of the year	<i>Numbers</i> 47,819,800	108,134,337

13. NET (LOSS) / GAIN FROM TRANSACTION IN MARKETABLE SECURITIES

Income from spread transactions of equity instruments (held for trading investments)	2,323,585	24,712,583
(Loss) / gain on sale of debt securities	(155,407,717)	12,283,310
Gain / (loss) on sale of government securities	7,760,397	(106,645)
	<i>Rupees</i> (145,323,735)	36,889,247

JS Income Fund

14. FINANCIAL INCOME	2009	2008
Mark-up / Return on:		
- bank balances	569,637,155	553,082,676
- term finance certificates (available-for-sale investments)	355,944,321	242,006,214
- government securities (available-for-sale investments)	36,697,177	39,564,005
- government securities (held-to-maturity investments)	8,901,620	13,016,199
- commercial papers (available-for-sale investments)	20,707,237	13,348,150
- reverse repurchase transactions	73,707,896	17,423,127
- clean placements	33,699,152	-
	<i>Rupees</i> <u>1,099,294,558</u>	<u>878,440,371</u>
15. AUDITORS' REMUNERATION		
Annual audit fee	250,000	250,000
Half yearly review fee	88,000	88,000
Fee for review of statement of compliance with the best practices of Code of Corporate Governance	45,000	45,000
Other services	67,000	25,000
Out of pocket expenses	40,000	40,000
	<i>Rupees</i> <u>490,000</u>	<u>448,000</u>
16. TAXATION		

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. Details of distribution for the year ended 30 June 2009 are given in note 19 to the financial statements (and accordingly, no provision has been made in these financial statements).

17. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

17.1 Related parties / connected persons comprise the following:

Related party / Connected person	Relationship	Details of transactions and balances
		Note
JS Investments Limited	Management Company	7, 17.2 & 17.3
Key Management Personnel	Directors and Executives of the Management Company	17.2
Jahangir Siddiqui and Company Limited	Holding Company of the Management Company	6.1, 6.2 & 17.3
JS Global Capital Limited	Associate Company of Holding Company of the Management Company	17.2 & 17.3
Azgard Nine Limited	----- do-----	6.1, 6.5 & 17.3
Pakistan International Container Terminal Limited	----- do-----	17.2
EFU Life Assurance Limited	----- do-----	17.2 & 17.3
EFU General Insurance Limited	----- do-----	17.3
Pak American Fertilizer Limited	----- do-----	6.3 & 17.3
Network Microfinance Bank Limited	----- do-----	4.1 & 17.3
JS Bank Limited	Subsidiary of Holding Company of the Management Company	4.1, 4.2 & 17.3
JS ABAMCO Commodities Limited	Subsidiary of the Management Company	17.2
Muslim Commercial Financial Services (Private) Limited	Trustee of the Fund	8
JS Value Fund Limited	Fund managed by JS Investments Limited	-
Unit Trust of Pakistan	----- do-----	17.2
UTP Islamic Fund	----- do-----	-
JS Fund of Fund	----- do-----	17.2
JS Large Cap. Fund (formerly UTP Large Cap. Fund)	----- do-----	-
JS Growth Fund	----- do-----	-
UTP - A30+ Fund	----- do-----	-
JS Aggressive Asset Allocation Fund	----- do-----	-
JS Capital Protected Fund	----- do-----	-
JS Capital Protected Fund II	----- do-----	-
JS Capital Protected Fund III	----- do-----	-
JS Capital Protected Fund IV	----- do-----	-
JS Aggressive Income Fund	----- do-----	-
JS Pension Savings Fund	----- do-----	-
JS Islamic Pension Savings Fund	----- do-----	-
JS Principal Secured Fund I	----- do-----	-
Pakistan Oilfields Limited	Company under common directorship of the Management Company	-
Bankislami Pakistan Limited	----- do-----	-
Eye Television Network Limited	----- do-----	-
Al Abbas Sugar Mills Limited	----- do-----	-
Silk Bank Limited	----- do-----	-

JS Income Fund

17.2 Details of transactions and balances of units with related parties during the year are as follows:

	2009 (Units)	2008	2009 (Rupees)	2008
Units sold to:				
- JS Investments Limited	-	56,617,694	-	5,971,364,271
- JS Global Capital Limited	5,784,351	-	600,000,000	-
- JS ABAMCO Commodities Limited	50,934	504,003	5,300,000	52,131,615
- Pakistan International Container Terminal Limited	4,054,557	-	200,389,901	-
- EFU Life Assurance Limited	-	289,782	-	30,000,000
- Key Management Personnel	190,567	189,622	19,526,726	19,574,020
- JS Fund of funds	1,097,093	1,736,736	113,084,655	179,265,484
- Unit Trust of Pakistan	-	5,823,562	-	600,000,000
Units redeemed by:				
- JS Investments Limited	1,484,414	58,631,384	150,430,480	6,158,423,788
- JS Global Capital Limited	3,490,824	-	354,912,052	-
- JS ABAMCO Commodities Limited	48,031	188,182	5,000,000	20,348,137
- Pakistan International Container Terminal Limited	-	500,000	-	51,825,000
- Key Management Personnel	172,109	189,471	17,485,273	19,604,625
- JS Fund of funds	479,253	1,682,062	50,718,005	174,463,338
- Unit Trust of Pakistan	4,838,917	1,213,945	488,442,793	125,084,893
Bonus units distributed to:				
- JS Investments Limited	43,076	961,088	4,352,839	97,522,249
- JS Global Capital Limited	112,606	-	11,397,661	-
- JS ABAMCO Commodities Limited	34,161	-	3,466,694	-
- Pakistan International Container Terminal Limited	105,092	93,343	10,710,610	9,459,686
- EFU Life Assurance Limited	82,979	88,880	8,420,601	9,011,967
- Key Management Personnel	4,935	1,215	500,417	122,955
- JS Fund of funds	10,716	-	1,091,223	-
- Unit Trust of Pakistan	229,300	-	23,178,976	-
Units held by:				
- JS Investments Limited	-	1,441,338	-	150,002,739
- JS Global Capital Limited	2,406,133	-	252,330,452	-
- JS ABAMCO Commodities Limited	352,886	315,821	37,007,026	32,868,078
- Pakistan International Container Terminal Limited	4,276,613	116,964	448,487,107	12,172,676
- EFU Life Assurance Limited	853,011	770,031	89,454,981	80,138,628
- Key Management Personnel	36,184	12,790	3,794,575	1,331,106
- JS Fund of funds	683,228	54,674	71,649,954	5,689,955
- Unit Trust of Pakistan	-	4,609,617	-	479,731,633

17.3 Details of other transactions and balances with related parties during the year are as follows:

		2009	2008
JS Investments Limited			
Sales load for the year	<i>Rupees</i>	<u>1,355,687</u>	<u>2,993,782</u>
Jahangir Siddiqui and Company Limited			
Profit receivable on Term Finance Certificates	<i>Rupees</i>	<u>5,257,761</u>	-
Return on Term Finance Certificates	<i>Rupees</i>	<u>6,048,858</u>	-
JS Global Capital Limited			
Brokerage fee (17.3.1)	<i>Rupees</i>	<u>1,333,253</u>	<u>2,124,393</u>
JS Bank Limited			
Term Finance Certificates sold	<i>Rupees</i>	<u>148,150,000</u>	<u>47,977,500</u>
Return on Bank deposits and Term Deposit Receipts	<i>Rupees</i>	<u>82,561,991</u>	<u>83,058,139</u>
Azgard Nine Limited			
Commercial Papers purchased	<i>Rupees</i>	<u>68,652,075</u>	<u>161,026,600</u>
Commercial Papers matured	<i>Rupees</i>	<u>175,000,000</u>	-
Return on Commercial Papers	<i>Rupees</i>	<u>14,107,067</u>	<u>5,170,871</u>
Profit receivable on Term Finance Certificates	<i>Rupees</i>	<u>2,714,817</u>	-
Return on Term Finance Certificates	<i>Rupees</i>	<u>4,154,810</u>	<u>14,819,200</u>
Pak American Fertilizer Limited			
Commercial Papers purchased	<i>Rupees</i>	<u>53,455,740</u>	-
Commercial Papers matured	<i>Rupees</i>	<u>85,000,000</u>	-
Sukuk Certificates purchased	<i>Rupees</i>	<u>160,000,000</u>	-
Return on Commercial Papers	<i>Rupees</i>	<u>6,600,171</u>	<u>1,157,115</u>
Profit receivable on Term Finance Certificates	<i>Rupees</i>	<u>29,910,834</u>	<u>37,456,867</u>
Return on Term Finance Certificates	<i>Rupees</i>	<u>96,221,574</u>	<u>40,515,973</u>
Profit receivable on Sukuk Certificates	<i>Rupees</i>	<u>6,538,052</u>	-
Return on Sukuk Certificates	<i>Rupees</i>	<u>18,543,648</u>	-
EFU General Insurance Limited			
Term Finance Certificates sold	<i>Rupees</i>	<u>4,086,810</u>	-
EFU Life Assurance Limited			
Term Finance Certificates sold	<i>Rupees</i>	<u>82,433,510</u>	-
Network Microfinance Bank Limited			
Return on Bank Balances	<i>Rupees</i>	<u>661,171</u>	-

JS Income Fund

- 17.3.1** The amount disclosed represents the amount of brokerage paid to a 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 related.

Remuneration of the management company 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 / commercial terms.

18. FINANCIAL INSTRUMENTS

Financial risk management

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

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

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

18.1 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 in to financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations.

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

	30 June 2009		30 June 2008	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
Investments				
- Available-for-sale investments	2,740,942,954	1,581,102,604	2,900,911,254	2,972,686,089
- Held-to-maturity investments	111,734,023	-	114,520,994	-
- Held for trading	-	-	71,774,835	-
Deposits and receivables	382,900,284	382,712,306	4,532,839,852	4,532,654,590
Bank balances	1,837,903,816	1,837,903,816	3,674,920,468	3,674,920,468
	5,073,481,077	3,801,718,725	11,294,967,403	11,180,261,148

Rupees

Differences in the balances as per the statement of assets & liabilities and maximum exposures in investments and receivables were due to the fact that investments of Rs. 1,271,574,373 (2008: Rs. 114,520,994) and receivable of Rs. 187,979 (2008: Rs. 185,263) relates to investments in Government securities which are not considered to carry credit risk.

The management is of view that credit risk arising on the investments including the related sales and clean placements is accounted as follows:

- 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.
- 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.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

Details of the credit ratings and collaterals (if any) of investments, reverse repurchase lending and a clean placement are respectively given in notes 6, 5.2 and 5.3 to these financial statements. None of the financial assets of the Fund are past due / impaired except as disclosed in notes 6.2.7 and 6.7 to the financial statements.

Cash is held only with reputable banks with high quality external credit enhancements.

In respect of reverse repurchase transactions, the Fund receives collateral. Financial collaterals often involve discounts (hair cuts) to the market value, reflecting the quality, liquidity and volatility of the individual investments. It is the Fund's policy to closely monitor the counter party's credit worthiness as well as the fair value of the collateral held and upon unfavourable change, will seek to terminate the agreement or obtain additional collateral.

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 distribution are given in the respective notes to the financial statements.

18.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its 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).

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. However the Fund did not withhold any redemptions during the year.

Details of the undiscounted contractual financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date are given in note 18.3.1.1 to the financial statements. Liabilities payable on demand / currently payable are included in the earliest time band.

18.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Management Company 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 only.

18.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows 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, from repurchase, reverse repurchase agreements, clean placements and profit and loss sharing bank balances. Most of the Fund's interest bearing assets carry fixed interest rates and mature within a period ranging from one month to four years. Currently most of the exposure in fixed rate instruments are in Government securities, However to enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of the 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 2009, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

Fixed rate instruments		2009	2008
Financial assets	<i>Rupees</i>	<u>3,124,549,247</u>	<u>2,393,057,015</u>
Variable rate instruments			
Financial assets	<i>Rupees</i>	<u>1,791,900,546</u>	<u>4,387,295,701</u>

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Accordingly, the actual trading results may differ from the below sensitivity analysis and the difference could be material.

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed rate financial instrument at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not effect the profit or loss. A change of 100 basis points in interest rates would have increased or decreased the unit holders fund by Rs. 8.682 million (2008:Nil)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased / (decreased) the unit holders fund by Rs. 5.913 million (2008:Rs. 10.223 million) The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

18.3.1.1 The following table analyses the Fund's interest rate risk exposure, categorised on the basis of the earlier of contractual re-pricing or maturity dates.

	Mark-up / return (%)	2009			Non mark-up bearing upto three months	Total
		Profit / mark-up bearing				
		Upto three months	three months to one year	More than one year		
Financial Assets						
Bank balances	5 - 12.75	1,837,903,816	-	-	-	1,837,903,816
Receivables	13.60 - 14	225,869,000	-	-	157,031,285	382,900,284
Investments	8.29-17.38	-	1,233,747,090	1,618,929,887	-	2,852,676,977
Security Deposits		-	-	-	100,000	100,000
		2,063,772,816	1,233,747,090	1,618,929,887	157,131,285	5,073,581,077
Financial Liabilities						
Remuneration payable to Management Company		-	-	-	6,057,361	6,057,361
Remuneration payable to Trustee		-	-	-	243,010	243,010
Annual fee payable to Securities and Exchange Commission of Pakistan		-	-	-	6,949,408	6,949,408
Creditors, accrued and other liabilities		-	-	-	31,480,356	31,480,356
Amount payable on redemption of units		-	-	-	15,211,097	15,211,097
		-	-	-	59,941,232	59,941,232
On-balance sheet gap - 2009 (a)	<i>Rupees</i>	2,063,772,816	1,233,747,090	1,618,929,887	97,190,052	5,013,639,844

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

	Mark-up / return (%)	2008			Non mark-up bearing upto three months	Total
		Profit / mark up bearing				
		Upto three months	three months to one year	More than one year		
Financial Assets						
Bank balances	5 - 17.50	3,674,920,468	-	-	-	3,674,920,468
Receivables	11.49 - 25	4,531,983,681	-	-	-	4,531,983,681
Investments	11 - 14.60	24,943,700	163,592,322	2,826,896,227	71,774,835	3,087,207,084
Security Deposits		-	-	-	3,700,000	3,700,000
		8,231,847,849	163,592,322	2,826,896,227	75,474,835	11,297,811,233
Financial Liabilities						
Remuneration payable to Management Company		-	-	-	13,813,165	13,813,165
Remuneration payable to Trustee		-	-	-	501,396	501,396
Annual fee payable to Securities and Exchange Commission of Pakistan		-	-	-	11,183,034	11,183,034
Creditors, accrued and other liabilities		-	-	-	14,189,573	14,189,573
Derivative financial instruments		-	-	-	-	-
Amount payable on redemption of units		-	-	-	6,355,261	6,355,261
		-	-	-	46,042,429	46,042,429
On-balance sheet gap - 2008	<i>Rupees</i>	8,231,847,849	163,592,322	2,826,896,227	29,432,406	11,251,768,804

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

18.4 Unit holder's fund risk management

Management's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' 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 any externally imposed minimum Fund maintenance requirement.

18.5 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.

Carrying amount of all financial instruments reflected in the statement of Assets and Liabilities approximate their fair values, except in case of held-to-maturity Government securities indicated in note 6.10 to these financial statements which are being carried at amortised cost of Rs 111.743 million as of 30 June 2009. Its fair value at 30 June 2009, based on the rates quoted on the PKRV rate sheet on the Reuters page based on the remaining tenor of the security amounted to Rs. 90.89 million.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities (for more detail refer note 3 to these financial statements).

19. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The board of directors of the management company has approved a final distribution of Rs. 4.50 (2008: Rs. 3.02) per unit for the year ended 30 June 2009 amounting to Rs. 215.189 million (2008: Rs. 326.566 million) in their meeting held on 7 July 2009. This is in addition to first and second interim distributions already paid at Rs. 3.05 per unit amounting to Rs. 350.225 million and at Rs. 4.50 per unit amounting to Rs. 222.553 million respectively. The total distribution is Rs. 12.05 per unit (2008: Rs. 9.72 per unit) amounting to Rs. 787.967 million (2008: Rs. 1,185.576 million). These financial statements do not include the effect of the above final distribution of Rs. 215.189 million that will be accounted for subsequent to the year end. These distribution meet the dividend distribution requirements indicated in note 16 to these financial statements.

20. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

21. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by Board of Directors of the Management Company on 21 August 2009.

For JS Investments Limited
(Management Company)

Muhammad Najam Ali
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

Ali Raza Siddiqui
Director

ANNEXURE I

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

(i) **UNIT HOLDING PATTERN OF THE FUND**

Category	30 June 2009		
	Number of unit holders	Number of units held	% of total
Individuals	629	6,261,349	13.09%
Associated Companies	6	8,593,647	17.97%
Insurance Companies	1	286,807	0.60%
Banks / Development Financial Institutions	8	21,243,673	44.42%
Retirement Funds	96	5,957,766	12.46%
Public Limited Companies	1	529,132	1.11%
Others	33	4,947,427	10.35%
	774	47,819,800	100.00%
	30 June 2008		
Individuals	793	11,366,238	10.51%
Associated Companies / Directors	3	1,811,832	1.68%
Insurance Companies	5	1,176,965	1.09%
Banks / Development Financial Institutions	8	42,995,224	39.76%
Retirement Funds	127	14,071,645	13.01%
Public Limited Companies	16	25,073,663	23.19%
Others	45	11,638,770	10.76%
	997	108,134,337	100.00%

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

Name of broker	30 June 2009	
	Percentage of commission paid	
Global Securities Pakistan Limited	27.24	
JS Global Capital Limited	26.53	
Arif Habib Limited	20.63	
Live Securities (Private) Limited	6.63	
Invisor Securities (Private) Limited	5.85	
KASB Securities Limited	3.39	
First Capital Securities Corporation Limited	2.58	
Invest Capital & Securities (Private) Limited	1.42	
IGI Finex Securities Limited	1.21	
Invest & Finance Securities (Private) Limited	1.06	
	30 June 2008	
JS Global Capital Limited	21.56	
Invest & Finance Securities (Private) Limited	20.77	
Escorts Investment Bank Limited	13.98	
Global Securities Pakistan Limited	6.77	
Invest Capital & Securities (Private) Limited	6.03	
Standard Capital Securities (Private) Limited	5.30	
Alfalah Securities (Private) Limited	4.76	
Aziz Fida Hussain & Company (Private) Limited	4.24	
Atlas Capital Markets (Private) Limited	3.46	
Taurus Securities (Private) Limited	2.41	

(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE

ANNEXURE I

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

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

MR. NAJAM ALI - CHIEF EXECUTIVE OFFICER

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.

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 - EXECUTIVE DIRECTOR & CHIEF INVESTMENT OFFICER

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.

MR. SYED ATHER AHMED, CHIEF OPERATING OFFICER

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.

ANNEXURE I

iv) FUND MANAGER

Mr. Kashif Rafi earned his MBA (Finance) from IBA Karachi, CA Foundation from ICAP and CFA Level 1 from CFA Institute. He started his career with BMA Capital Management in May 2001 and worked there for 1-1/2 years as money market dealer, and then joined Security Leasing Corporation Ltd, in November 2002 and worked there for 6 months as treasury manager. He then remained associated with Arif Habib Investment Management as a Vice President, Fixed Income Funds, and was promoted to SVP & Head of Fixed Income Funds. He joined JS Investments Limited as a Fund Manager in May 2007.

Presently Mr. Kashif is also looking after UTP-A30+ Fund and JS Fund of Funds.

v) DIRECTOR MEETING ATTENDANCE

Name of directors	Meeting ended	2009					
		09 Jul 08	15 Sep 08	06 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 Sheikh	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	-	-	-	-	-	-	-
Members attended		4	4	5	5	6	4

vi) FUND AND ASSET MANAGER RATING

The Pakistan Credit Rating Agency (PACRA) assigned rating of 5-Star for year ended June 2007. For the year ended June 2008, 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.

PACRA has awarded normal and long term asset manager rating of an "AM2+" to JS Investments Limited in its report dated June 2009 for the year ended 30 June 2008. 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.



JS Investments Limited

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

Phone: +92 21 111 222 626
Fax: +92 21 5361724
E-mail: info@jsil.com
Website: www.jsil.com