



## CONTENTS

|                                                                                                                  |    |
|------------------------------------------------------------------------------------------------------------------|----|
| Vision and Mission Statement                                                                                     | 02 |
| Organization                                                                                                     | 03 |
| Directors' Report to the Unit Holders                                                                            | 04 |
| Fund Manager's Report                                                                                            | 06 |
| Performance Table / Key Financial Data                                                                           | 08 |
| Review Report to the Unit holders on Statement of Compliance with Best Practices of Code of Corporate Governance | 11 |
| Statement of Compliance with the Code of Corporate Governance                                                    | 12 |
| Report of the CDC Trustee to the Unit Holders                                                                    | 14 |
| Report of the MCFSL Trustee to the Unit Holders                                                                  | 15 |
| Independent Auditors' Report to the Unit Holders                                                                 | 16 |
| Statement of Assets and Liabilities                                                                              | 19 |
| Income Statement                                                                                                 | 20 |
| Cash Flow Statement                                                                                              | 21 |
| Statement of Movement in Unit holders' Fund                                                                      | 22 |
| Distribution Statement                                                                                           | 23 |
| Notes to the Financial Statements                                                                                | 24 |

# 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  
7<sup>th</sup> Floor, The Forum, G-20  
Khayaban-e-Jami, Block-9, Clifton  
Karachi-75600  
Tel: (92-21) 111-222-626 Fax: (92-21) 5361724  
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             | Executive Director      |
| 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) 2419770  
Fax : (92-21) 2416371

### Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants  
1<sup>st</sup> 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) 4391316-7  
Fax: (92-21) 4391318

## JS Income Fund (Formerly UTP-Income Fund)

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### DIRECTORS' REPORT TO THE UNIT HOLDERS

The Board of Directors of JS Investments Limited (formerly JS ABAMCO Limited), the Management Company of JS Income Fund (the Fund), is pleased to present the Annual Report for the year ended June 30, 2008.

#### 1. Review of Fund Performance

The net assets of the Fund increased by 33.9 percent from Rs. 8,404.589 million to Rs. 11,253.835 million during the year under review. During the year the Fund carried out a unit split exercise as a result of which one unit of par value of Rs. 500 was split into 5 units of par value of Rs. 100 each. The net income of the Fund for the year ended June 30, 2008, including unrealized loss on investment of Rs. 1.144 million, was Rs. 1,211.838 million.

The Board of Directors of the Management Company has declared a final distribution of Rs. 3.02 per unit in addition to the interim distribution of Rs. 6.70 per unit already paid during the year thus making a total distribution of Rs. 9.72 per unit or 9.6066 percent of the beginning net asset value per unit of Rs. 101.18. The total distribution for the year works out to Rs. 1,185.575 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.

#### 2. Market Outlook

The SBP continued to maintain its tight monetary stance in order to combat inflationary pressures, particularly in the second half of the current fiscal year. In order to curtail demand pressure, SBP initially increased its policy rate by 50 bps to 10% effective from Aug 01, 2007. However, to curb aggregate demand pressure further, SBP increased its policy rate by another 50 bps to 10.5% and raised the cash reserve requirement (CRR) by 100 bps effective from Feb 01, 2008. Despite these measures, inflation continued to climb with overall CPI reaching a record high of 17.2% in April 2008, which was more than double from 6.4% in July 2007. The continuing demand and supply pressures resulted in SBP further raising its policy rate by 150bps and reserve requirements by 100bps effective from May 23, 2008. In maintaining its tight monetary policy SBP has managed to sterilize excess money supply through PIB auctions worth PKR 53.4bn (FY07: PKR 75bn). Furthermore as a result of the discount rate hikes, 6-month KIBOR has gone up by over 400 bps from 10.02% as at July 01, 2007 to 14.19% on June 30, 2008. In contrast to FY07, foreign investment up to May 2008 has declined by 30.2% YoY to USD 3.93bn compared to USD 5.6bn in the same period last year.

Average CFS rates fell during the year to 12% compared to 14% last year, due to the increase of fixed income mutual funds in the market. However CFS rates over June FY08 averaged around 16% reflecting a rising rate environment. Ready market future spreads have also contracted in FY08, averaging 5.8% compared to 7% last year, as arbitrage seekers have competed away the profitability from this source.

#### 3. Fund and Asset Manager Rating

The Pakistan Credit Rating Agency (PACRA) has assigned a 5-Star (normal and long-term) fund rating to JS Income Fund, which reflects a superior performance relative to its peers.

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 Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2007, requirements of the Trust Deed and directives of the Securities and Exchange Commission of Pakistan have been followed in preparation of the financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as a going concern.
- g. There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations.
- h. A performance table / key financial data is given on page 08 of this annual report.
- i. The Directors have signed the "Statement of Ethics and Business Practices."
- j. The number of units of the Fund held by the Chief Executive, directors and executives and their spouses as at June 30, 2008 are as follows:

| Name           | Designation             | Units Held |
|----------------|-------------------------|------------|
| Suleman Lalani | CFO & Company Secretary | 2,912.5142 |
| Kashif Rafi    | Vice President          | 9,864.1276 |

- 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 & Company Secretary | 2,912.5142     | 2,524.1738     |
| Kashif Rafi    | Vice President          | 24,853.1339    | 15,000.0000    |

- 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, 2008 was Rs. 23.063 million.

#### 5. Meetings of the Directors

During the year seven 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 KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible offers 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, 2009.

#### 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: 15 September 2008

Muhammad Najam Ali  
Chief Executive Officer

# JS Income Fund (Formerly UTP-Income Fund)

## FUND MANAGER'S REPORT

### Fund Profile

|                       |                                       |
|-----------------------|---------------------------------------|
| Fund type             | Open end- Income Fund                 |
| Fund launch date      | 26 August, 2002                       |
| Fund Assets (PKR mn): | 11,300                                |
| Benchmark 1 (BM1):    | 1 Month Kibor Rate                    |
| Listing               | Lahore Stock Exchange                 |
| Trustee               | Muslim Comm. Fin. Services (Pvt) Ltd. |
| Auditors              | KPMG Taseer Hadi & Co.                |
| Risk profile          | Low                                   |
| Management fee        | 1.50%                                 |
| PACRA Rating          | 5 Star (Normal & Long Term)           |

### Investment Philosophy

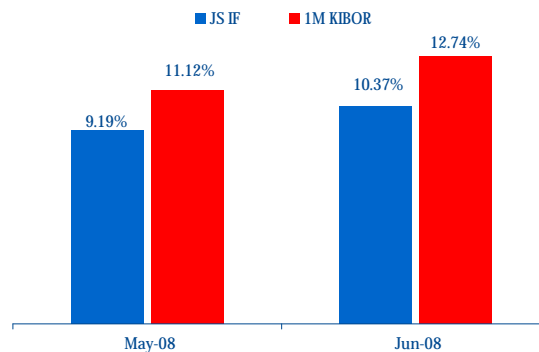
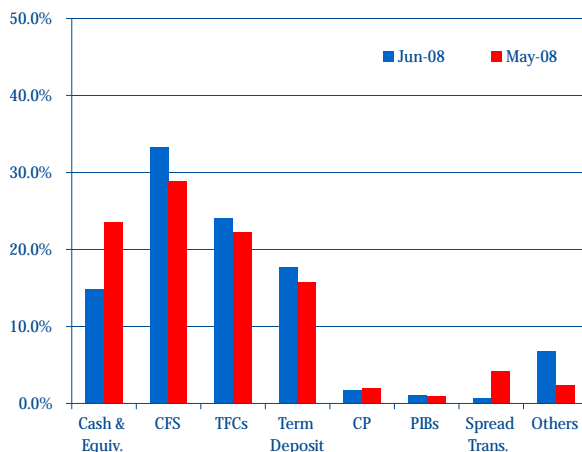
JS IF (formerly UTP IF) is an income fund that aims to preserve investor's capital while providing a regular stream of current income on an annual basis which is higher than that offered by commercial banks on deposits of a similar liquidity profile as this fund. The fund operates a diverse portfolio 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. The fund, during the year, underperformed the 1 month KIBOR rate by over 40 basis points. There was no significant change in the state of affairs of the fund during the period.

### Market Review FY08

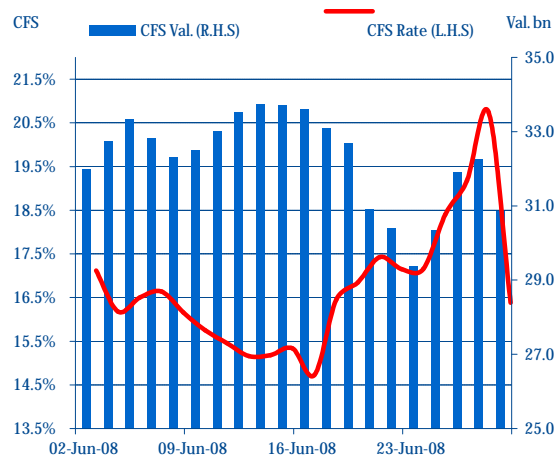
The SBP continued to maintain its tight monetary stance in order to combat inflationary pressures, particularly in the second half of the current fiscal year. In order to curtail demand pressure, SBP initially increased its policy rate by 50 bps to 10% effective from Aug 01, 2007. However, to curb aggregate demand pressure further, SBP increased its policy rate by another 50 bps to 10.5% and raised the cash reserve requirement (CRR) by 100 bps effective from Feb 01, 2008. Despite these measures, inflation continued to climb with overall CPI reaching a record high of 17.2% in April 2008, which was more than double from 6.4% in July 2007. The continuing demand and supply pressures resulted in SBP further raising its policy rate by 150bps and reserve requirements by 100bps effective from May 23, 2008. In maintaining its tight monetary policy SBP has managed to sterilize excess money supply through PIB auctions worth PKR 53.4bn (FY07: PKR 75bn). Furthermore as a result of the discount rate hikes, 6-month KIBOR has gone up by over 400 bps from 10.02% as at July 01, 2007 to 14.19% on June 30, 2008. In contrast to FY07, foreign investment up to May 2008 has declined by 30.2% YoY to USD 3.93bn compared to USD 5.6bn in the same period last year.

Average CFS rates fell during the year to 12% compared to 14% last year, due to the increase of fixed income mutual funds in the market. However CFS rates over June FY08 averaged around 16% reflecting a rising rate environment. Ready market future spreads have also contracted in FY08, averaging 5.8% compared to 7% last year, as arbitrage seekers have competed away the profitability from this source.

Asset Allocation May '08 vs Jun '08



CFS Rates and Values (Jun '08)



## JS Income Fund (Formerly UTP-Income Fund)

| Benchmark Analysis | Benchmark 1 |
|--------------------|-------------|
| Alpha              | 0.6%        |
| Annualized Alpha   | 7.5%        |
| Beta               | 0.4         |
| Correlation        | 0.2         |
| R-squared          | 0.0         |

| Statistical Analysis | Fund  | BM1    |
|----------------------|-------|--------|
| Compound ROR         | 9.9%  | 6.4%   |
| Standard Deviation   | 2.1%  | 1.0%   |
| Cumulative Return    | 75.2% | 44.69% |
| Cumulative VAMI      | 1,752 | 1,447  |
| Sharpe (5.00%)       | 2.2   | 1.3    |
| Largest Month Gain   | 3.7%  | 1.1%   |
| Largest Month Loss   | -0.9% | 0.0%   |
| % Positive Months    | 95.8% | 100.0% |
| % Negative Months    | 4.2%  | 0.0%   |

### Split of Units

|                 | Before | After |
|-----------------|--------|-------|
| Par Value (PKR) | 500    | 100   |
| per unit        |        |       |

Due to Par Value change, existing 1 (one) JS IF unit were sub-divided into 5 (five) units of JS IF units.

### Effects on the NAV after Split

| Ex-dividend NAV on June 30, 2007 | PKR    |
|----------------------------------|--------|
| Before                           | 505.90 |
| After                            | 101.18 |

### Returns on the Investments

|                                                      | % of contribution |
|------------------------------------------------------|-------------------|
| All return from fixed income and related instruments |                   |
| NAV return                                           | 9.48%             |

### Distribution (FY07)

|                | in %                      | in PKR |
|----------------|---------------------------|--------|
| Stock dividend | 10.50% on the opening     | 10.66  |
|                | NAV for FY07 (PKR 101.52) |        |

### Effects on the NAV after Distribution

| NAV per unit as on June 30, 2007 |        |
|----------------------------------|--------|
| Cum NAV (PKR)                    | 111.84 |
| Ex-NAV (PKR)                     | 101.18 |

### Distribution for the Year Ended June 30, 2008

The Board of Directors of the Management Company has declared a final distribution of Rs. 3.02 per unit in addition to the interim distribution of Rs. 6.70 per unit already paid during the year thus making a total distribution of Rs. 9.72 per unit or 9.6066% of the beginning NAV of Rs. 101.18

### 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.

## JS Income Fund (Formerly UTP-Income Fund)

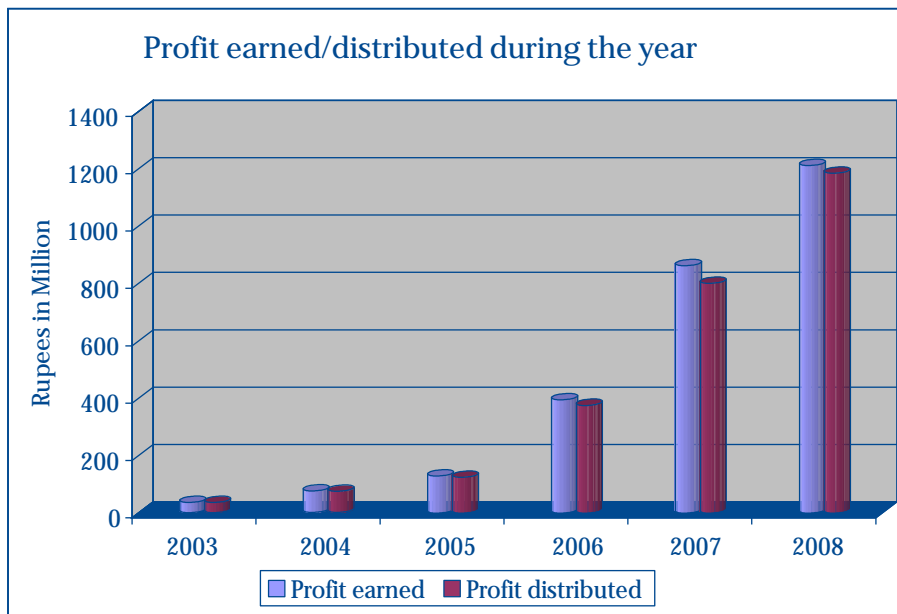
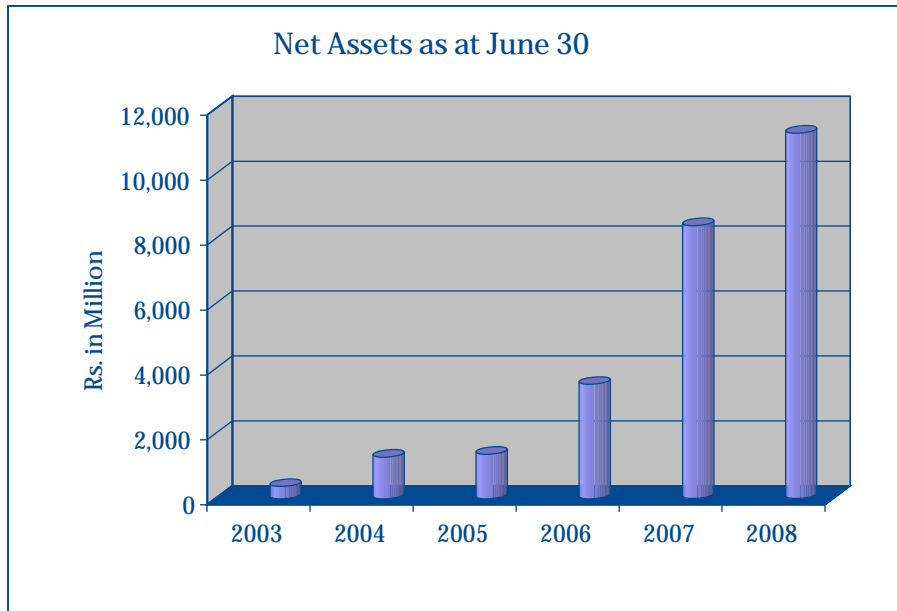
### PERFORMANCE TABLE / KEY FINANCIAL DATA

|                                         | 2008           | 2007          | 2006          | 2005          | 2004          | 2003        |
|-----------------------------------------|----------------|---------------|---------------|---------------|---------------|-------------|
| Net Assets                              | 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                              | 1,211,838,623  | 862,359,859   | 395,762,293   | 129,933,686   | 75,501,120    | 36,134,364  |
| Net assets value per unit               | 104.07         | 111.84        | 113.62        | 112.23        | 107.98        | 101.77      |
| Earnings per unit                       | 11.21          | 11.48         | 12.74         | 10.58         | 6.34          | 9.59        |
| Net assets value per unit (Ex-Dividend) | 101.05         | 101.18        | 101.52        | 101.98        | 101.78        | 92.27       |
| Interim distribution per unit           | 6.70           | -             | -             | -             | -             | -           |
| Interim distribution date               | 27-Mar-08      | -             | -             | -             | -             | -           |
| Final Distribution per unit             | 3.02           | 10.66         | 12.10         | 10.25         | 6.20          | 9.50        |
| Final distribution date                 | 09-Jul-08      | 07-Jul-07     | 08-Jul-06     | 09-Jul-05     | 12-Jul-04     | 12-Jul-03   |
| Total Distribution as % of par value    | 9.72%          | 10.66%        | 12.10%        | 10.25%        | 6.20%         | 9.50%       |
| Highest offer price per unit            | 109.91         | 113.96        | 115.84        | 113.75        | 109.85        | 111.20      |
| Lowest offer price per unit             | 103.28         | 103.97        | 104.45        | 104.00        | 104.05        | 102.00      |
| Highest repurchase price per unit       | 108.28         | 111.73        | 113.57        | 111.45        | 107.65        | 108.95      |
| Lowest repurchase price per unit        | 101.31         | 101.93        | 102.30        | 101.90        | 101.95        | 100.00      |
| Number of units in issue                | 108,134,337    | 75,147,130    | 31,065,866    | 12,276,900    | 11,909,650    | 3,766,095   |

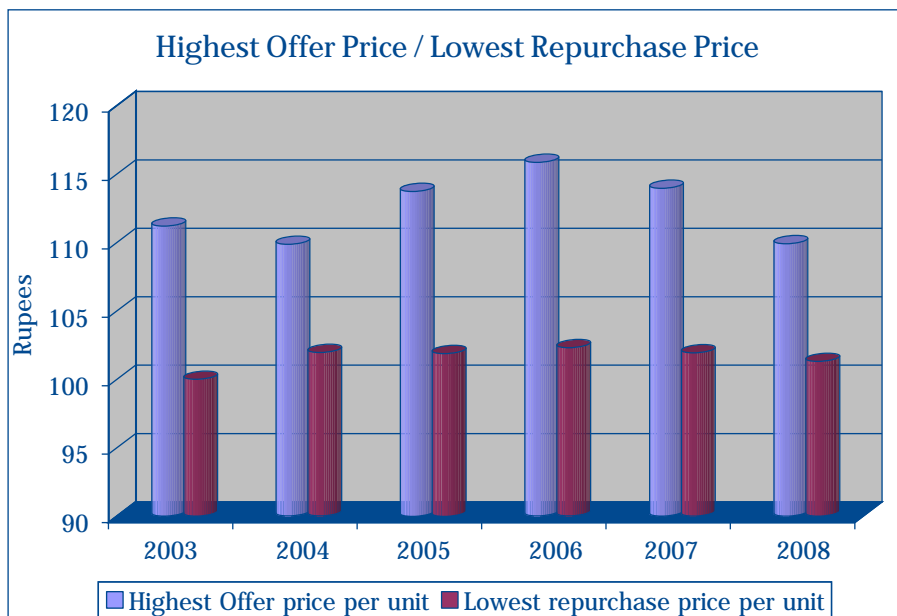
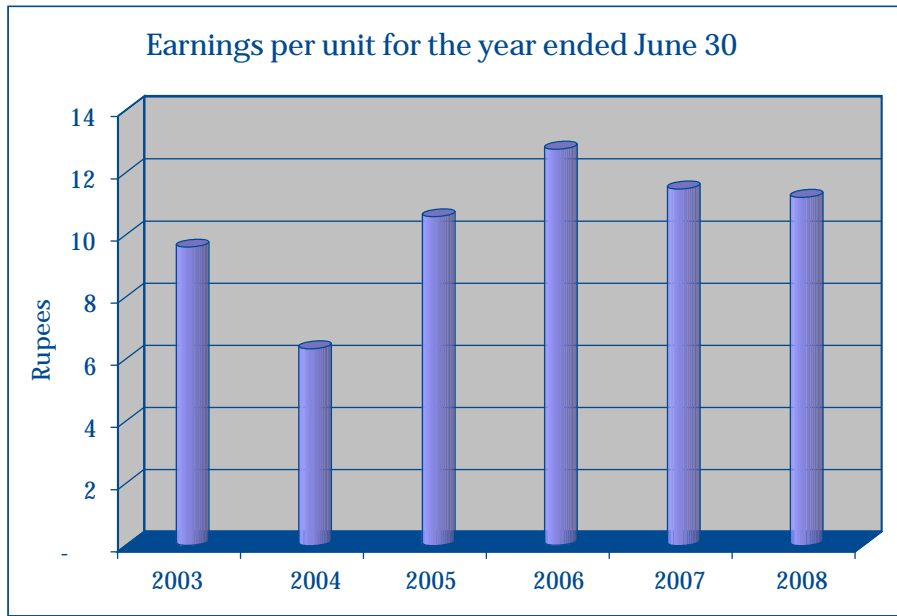
#### Notes:

- 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.





## JS Income Fund (Formerly UTP-Income Fund)





## JS Income Fund (Formerly UTP-Income Fund)

### 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 (formerly UTP-Income Fund) to comply with the listing regulation 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 as at 30 June 2008.

Karachi: 15 September 2008

KPMG Taseer Hadi & Co.  
Chartered Accountants

## JS Income Fund (Formerly UTP-Income Fund)

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### 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 43 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 (formerly JS ABAMCO Limited) 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. Presently, the Board includes five non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company 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. The election of directors of the Management Company was held on December 26, 2007 upon completion of the three years' term of the previous Board. No casual vacancy has arisen subsequent to the election of directors.
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 of Directors, 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 Chairman of the Board of Directors has completed the Board Development Series Certificate Program conducted by the Pakistan Institute of Corporate Governance ("PICG"). The Management Company intends to nominate other directors to the above program as and when these are announced by PICG.
10. During the year, there was no change of Chief Financial Officer / Company Secretary, however, the Head of Internal Audit was appointed in the current year. 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 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.



## JS Income Fund (Formerly UTP-Income Fund)

14. The Management Company has complied with all other corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board has formed an Audit Committee. It comprises of three non-executive directors.
16. The meetings of the Audit Committee 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 and Compliance. Prior to his appointment, the internal audit function was performed by a firm of Chartered Accountants.
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: 15 September 2008

Muhammad Najam Ali  
Chief Executive Officer

## JS Income Fund (Formerly UTP-Income Fund)

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### REPORT OF THE CDC TRUSTEE TO THE UNIT HOLDERS

#### JS INCOME FUND

Report of the Trustee Pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

JS Income Fund (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 the Fund.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2007 to October 05, 2007 in accordance with the provisions of the constitutive documents of the Fund (and the modification authorized by the SECP from time to time) and the Non-Banking Finance Companies and Notified Entities Regulation, 2007.

Karachi: 23 February 2008

Muhammad Hanif  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

### REPORT OF THE MCFSL TRUSTEE TO THE UNIT HOLDERS

#### JS INCOME FUND (Formerly UTP-Income Fund)

Report of the Trustee Pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

JS Income Fund (formerly UTP-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 period from October 06, 2007 to June 30, 2008 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, 2007; 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 6.7.2 of the financial statements regarding the valuation of Held-to-maturity investments.

Karachi: 08 August 2008

Agha Ahmed Shah  
Chief Executive Officer  
Muslim Commercial Financial Services (Private) Limited

## JS Income Fund (Formerly UTP-Income Fund)

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### INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of JS Income Fund (formerly UTP – Income Fund) (“the Fund”), which comprise the statement of assets and liabilities as at 30 June 2008, and the income statement, cash flow statement, distribution statement and statement of movement in unit holders' funds 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 Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2007 and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' responsibility*

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

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2008, 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 6.7.2 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 Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2007.

Karachi: 15 September 2008

KPMG Taseer Hadi & Co.





# FINANCIAL STATEMENTS

## JS Income Fund (Formerly UTP-Income Fund)

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STATEMENT OF ASSETS AND LIABILITIES  
AS AT 30 JUNE 2008

|                                                                         | Note   | 2008                  | 2007                 |
|-------------------------------------------------------------------------|--------|-----------------------|----------------------|
| Bank balances                                                           | 4      | 3,674,920,468         | 4,240,843,863        |
| Receivables and prepayments                                             | 5      | 4,532,839,853         | 3,461,881,313        |
| Investments                                                             | 6      | 3,087,207,084         | 732,663,798          |
| Advance tax                                                             |        | 1,210,475             | 1,210,475            |
| Security deposits                                                       | 7      | 3,700,000             | 1,100,000            |
| Total assets                                                            |        | <u>11,299,877,880</u> | <u>8,437,699,449</u> |
| <b>Liabilities</b>                                                      |        |                       |                      |
| Amount payable on redemption of units                                   |        | 6,355,261             | 17,391,439           |
| Remuneration payable to the Management Company                          | 8      | 13,813,165            | 8,718,511            |
| Remuneration payable to the Trustee                                     | 9      | 501,396               | 663,385              |
| Annual fee payable to Securities and Exchange<br>Commission of Pakistan | 10     | 11,183,034            | 4,126,179            |
| Creditors, accrued and other liabilities                                | 11     | 14,189,573            | 2,210,227            |
| Total liabilities                                                       |        | <u>46,042,429</u>     | <u>33,109,741</u>    |
| Commitments                                                             | 12     |                       |                      |
| Net assets                                                              | Rupees | <u>11,253,835,451</u> | <u>8,404,589,708</u> |
| Unit holders' funds (as per statement attached)                         | Rupees | <u>11,253,835,451</u> | <u>8,404,589,708</u> |
|                                                                         |        |                       | (Restated)           |
| Number of units in issue                                                | 13     | <u>108,134,337</u>    | <u>75,147,128</u>    |
| Net assets value per unit                                               | Rupees | <u>104.07</u>         | <u>111.84</u>        |

The annexed notes from 1 to 24 and Annexure I form an integral part of these financial statements.

For JS Investments Limited (Formerly JS ABAMCO Limited)  
(Management Company)

Muhammad Najam Ali  
Chief Executive Officer

Munawar Alam Siddiqui  
Chairman

Ali Raza Siddiqui  
Executive Director

## JS Income Fund (Formerly UTP-Income Fund)

### INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

|                                                                                                   | Note   | 2008                 | 2007               |
|---------------------------------------------------------------------------------------------------|--------|----------------------|--------------------|
| <b>Income</b>                                                                                     |        |                      |                    |
| Net gain / income from transaction in marketable securities                                       | 14     | 36,889,247           | 64,393,073         |
| Income from transactions under Continuous Funding System                                          |        | 322,787,063          | 132,747,613        |
| Financial income                                                                                  | 15     | 878,440,371          | 285,179,557        |
| Element of income and capital gains in prices<br>of units sold less those of units redeemed - net |        | <u>176,075,702</u>   | <u>460,588,858</u> |
|                                                                                                   |        | 1,414,192,383        | 942,909,101        |
| Unrealised loss on investment in marketable securities - net                                      |        | <u>(1,143,746)</u>   | -                  |
|                                                                                                   |        | 1,413,048,637        | 942,909,101        |
| <b>Expenses</b>                                                                                   |        |                      |                    |
| Remuneration to the Management Company                                                            | 8      | 167,793,374          | 61,871,882         |
| Remuneration to the Trustee                                                                       | 9      | 7,876,390            | 5,114,147          |
| Annual fee to the Securities and Exchange<br>Commission of Pakistan                               | 10     | 11,183,034           | 4,126,179          |
| Amortisation of premium on investments                                                            |        | 2,944,423            | 2,911,296          |
| Listing fee                                                                                       |        | 188,986              | 30,000             |
| Bank and settlement charges                                                                       |        | 3,010,794            | 923,120            |
| Financial charges on repurchase transactions                                                      |        | 201,400              | -                  |
| Transaction cost                                                                                  |        | 3,569,917            | 3,274,774          |
| Auditors' remuneration                                                                            | 16     | 448,000              | 383,205            |
| Fee to National Clearing Company of Pakistan Limited                                              |        | 3,229,046            | 1,789,178          |
| Printing and stationary                                                                           |        | 140,500              | -                  |
| Legal and professional                                                                            |        | 452,500              | -                  |
| Mutual fund rating fee                                                                            |        | 100,000              | 100,000            |
| Others                                                                                            |        | 71,650               | 25,461             |
|                                                                                                   |        | <u>201,210,014</u>   | <u>80,549,242</u>  |
| Net income                                                                                        | Rupees | <u>1,211,838,623</u> | <u>862,359,859</u> |

The annexed notes from 1 to 24 and Annexure I form an integral part of these financial statements.

For JS Investments Limited (Formerly JS ABAMCO Limited)  
(Management Company)

Muhammad Najam Ali  
Chief Executive Officer

Munawar Alam Siddiqui  
Chairman

Ali Raza Siddiqui  
Executive Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

|                                                                                                   | Note   | 2008                   | 2007                   |
|---------------------------------------------------------------------------------------------------|--------|------------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                       |        |                        |                        |
| Net income for the year                                                                           |        | 1,211,838,623          | 862,359,859            |
| Adjustments for:                                                                                  |        |                        |                        |
| Amortisation of premium on investments                                                            |        | 2,944,423              | 2,911,296              |
| Unrealised loss on investment in marketable securities - net                                      |        | 1,143,746              | -                      |
| Unrealised loss on revaluation of derivative financial instrument                                 |        | 9,660,555              | -                      |
| Element of income and capital gains in prices<br>of units sold less those of units redeemed - net |        | <u>(176,075,702)</u>   | <u>(460,588,858)</u>   |
|                                                                                                   |        | 1,049,511,645          | 404,682,297            |
| <b>(Increase) / decrease in assets</b>                                                            |        |                        |                        |
| Receivable against transactions under CFS                                                         |        | (1,445,827,252)        | (759,033,554)          |
| Receivable against sale of investments                                                            |        | 577,429,420            | (1,113,665,800)        |
| Receivable against issue of units                                                                 |        | 463,752                | (378,479)              |
| Receivable against money market transaction                                                       |        | (90,000,000)           | -                      |
| Investments                                                                                       |        | (2,358,270,331)        | (294,147,917)          |
| Mark-up / return receivables                                                                      |        | (112,003,945)          | 4,625,726              |
| Dividend receivable                                                                               |        | (179,500)              | 17,900,450             |
| Security deposit                                                                                  |        | (2,600,000)            | -                      |
| Prepayment                                                                                        |        | (841,014)              | (158)                  |
|                                                                                                   |        | (3,431,828,870)        | (2,144,699,732)        |
| <b>Increase / (decrease) in liabilities</b>                                                       |        |                        |                        |
| Payable on redemption of units                                                                    |        | (11,036,178)           | 14,705,072             |
| Remuneration payable to the management company                                                    |        | 5,094,654              | 4,511,383              |
| Remuneration payable to the trustee                                                               |        | (161,989)              | 288,430                |
| Annual fee payable to Securities and Exchange<br>Commission of Pakistan                           |        | 7,056,855              | 2,063,995              |
| Creditors, accrued and other liabilities                                                          |        | 2,318,791              | (2,788,326)            |
|                                                                                                   |        | 3,272,133              | 18,780,554             |
| Taxes recovered                                                                                   |        | -                      | 713                    |
| Net cash used in operating activities                                                             |        | <u>(2,379,045,092)</u> | <u>(1,721,236,168)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                       |        |                        |                        |
| Amounts received on issue of units                                                                |        | 27,538,105,323         | 12,220,450,599         |
| Payment against redemption of units                                                               |        | (25,280,351,314)       | (7,685,987,940)        |
| Encashment of bonus units                                                                         |        | <u>(444,632,312)</u>   | <u>(62,882,437)</u>    |
| Net increase in cash and cash equivalents during the year                                         |        | (565,923,395)          | 2,750,344,054          |
| Cash and cash equivalents at beginning of the year                                                |        | 4,240,843,863          | 1,490,499,809          |
| Cash and cash equivalents at end of the year                                                      | Rupees | <u>3,674,920,468</u>   | <u>4,240,843,863</u>   |

The annexed notes from 1 to 24 and Annexure I form an integral part of these financial statements.

For JS Investments Limited (Formerly JS ABAMCO Limited)  
(Management Company)

Muhammad Najam Ali  
Chief Executive Officer

Munawar Alam Siddiqui  
Chairman

Ali Raza Siddiqui  
Executive Director

## JS Income Fund (Formerly UTP-Income Fund)

### STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED 30 JUNE 2008

|                                                                                                      |        | 2008             | 2007            |
|------------------------------------------------------------------------------------------------------|--------|------------------|-----------------|
| Net assets at the beginning of the year                                                              |        | 8,404,589,708    | 3,529,702,243   |
| Cash received on issue of 262,495,743 units<br>(2007: 111,853,725 units - restated)                  |        | 27,538,105,323   | 12,220,450,599  |
| Cash paid / payable on redemption of 243,448,334 units<br>(2007: 70,855,742 units - restated)        |        | (25,280,351,314) | (7,685,987,940) |
|                                                                                                      |        | 2,257,754,009    | 4,534,462,659   |
| Encashment of bonus units                                                                            |        | (444,632,312)    | (62,882,437)    |
| Element of income and capital gains in prices<br>of units sold less those of units redeemed - net    |        | (176,075,702)    | (460,588,858)   |
| Surplus on revaluation of available-for-sale<br>investments (recognised directly in net assets)      |        | 1,821,026        | 1,536,242       |
| Surplus on revaluation of available-for-sale<br>investments transferred to income on maturity / sale |        | (1,459,901)      | -               |
| Net income for the year                                                                              |        | 1,211,838,623    | 862,359,859     |
| Total recognised income for the year                                                                 |        | 1,212,199,748    | 863,896,101     |
| Net assets as at end of the year                                                                     | Rupees | 11,253,835,451   | 8,404,589,708   |
|                                                                                                      |        |                  | (Restated)      |
| Net assets value per unit at the beginning of the year                                               | Rupees | 111.84           | 113.62          |
| Net assets value per unit at end of the year                                                         | Rupees | 104.07           | 111.84          |

The annexed notes from 1 to 24 and Annexure I form an integral part of these financial statements.

For JS Investments Limited (Formerly JS ABAMCO Limited)  
(Management Company)

Muhammad Najam Ali  
Chief Executive Officer

Munawar Alam Siddiqui  
Chairman

Ali Raza Siddiqui  
Executive Director

**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

|                                                                                                                                    | 2008               | 2007          |
|------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------|
| Undistributed income brought forward                                                                                               | 888,338,397        | 401,875,505   |
| Final distribution (bonus units at the rate of 10.5% and 12.10%<br>for the years ended 30 June 2007 and 30 June 2006 respectively) | *(801,068,381)     | (375,896,967) |
| Net income up to 30 June 2007 (30 June 2006) less distribution                                                                     | 87,270,016         | 25,978,538    |
| Net income for the year ended 30 June 2008 (30 June 2007)                                                                          | 1,211,838,623      | 862,359,859   |
| Interim distribution (bonus units at the rate of Rs. 6.70)<br>approved on : 27 March 2008                                          | **(859,009,982)    | -             |
| Net income for the year ended 30 June 2008 (30 June 2007)<br>less distribution                                                     | 352,828,641        | 862,359,859   |
| Undistributed income carried forward                                                                                               | Rupees 440,098,657 | 888,338,397   |

\* It includes bonus units collected as cash dividend by unit holders amounting to Rs. 197,392,032 (2007: 62,882,437).

\*\* It includes bonus units collected as cash dividend by unit holders amounting to Rs. 247,240,279 (2007: Nil).

The annexed notes from 1 to 24 and Annexure I form an integral part of these financial statements.

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

**Muhammad Najam Ali**  
Chief Executive Officer

**Munawar Alam Siddiqui**  
Chairman

**Ali Raza Siddiqui**  
Executive Director

## JS Income Fund (Formerly UTP-Income Fund)

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

#### 1. LEGAL STATUS AND NATURE OF BUSINESS

JS Income Fund (formerly UTP - Income Fund) (the "Fund") was established under Trust Deed executed on 18 July 2002 between ABAMCO Limited (now JS Investments Limited) as its Management Company and Muslim Commercial Financial Services (Private) Limited (MCFSL) as its Trustee. Subsequently, on 28 May 2005 Central Depository Company 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 sending notice of retirement on 15 March 2007. Accordingly, title to the assets of the Fund is held in the name of Muslim Commercial Financial Services (Private) Limited as a Trustee of the Fund.

In accordance with the supplementary Trust Deed, dated 5 October 2007, approved by the Securities and Exchange Commission of Pakistan, following significant changes have been made that are effective from 5 October 2007 and 1 December 2007 respectively:

- the name of the fund has been changed from UTP - Income Fund to JS Income Fund; and
- the face value of the units issued by the fund has been changed from Rs. 500 per unit to Rs. 100 per unit.

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 Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). Its registered office is located at 7th Floor, The Forum, Clifton, Karachi, Pakistan.

#### 2. BASIS OF PRESENTATION

##### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2007. 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, 2007 shall prevail.

##### 2.2 Initial application of a standard or an interpretation

During the year, amendments to International Accounting Standards (IAS) 1, Presentation of Financial Statements relating to capital disclosures became effective and have resulted in certain disclosures. The related disclosure have been made in note 20.6 to the financial statements.

##### 2.3 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 1 July 2008 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 certain increased disclosures:



IFRS 7 - Financial Instruments: Disclosures

IFRS 8 - Operating Segments

Revised IAS 1 - Presentation of financial statements

Revised IAS 23 - Borrowing costs

IFRS 2 (amendment) - Share based payments

IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31-Interest in Joint Ventures.

IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements

IFRIC 10 – Interim Financial Reporting and Impairment

IFRIC 11 – Group and Treasury Share Transactions

IFRIC 12 – Service Concession Arrangements

IFRIC 13 - Customer Loyalty Programme

IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction

IFRIC 15 - Agreement for the Construction of Real Estate

IFRIC 16 - Hedge of Net Investment in a Foreign Operation

### 2.4 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 have been marked to market and are carried at fair value.

### 2.5 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.

### 2.6 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 assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

## JS Income Fund (Formerly UTP-Income Fund)

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

### *Other assets*

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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 year-end quoted rates. 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.

### *Basis of valuation of debt securities*

The Fund's investment in term finance certificates (TFCs) and sukuk certificates are revalued at the period end rates quoted by Mutual Fund Association of Pakistan (MUFAP). In cases where these rates are not quoted by MUFAP, including for the commercial papers, these are revalued at the average of rates quoted by certain reputable brokers (unless the rates are not quoted by the brokers, in which case these are carried at cost). Prior to 18 December 2007 (the date from which MUFAP had started to declare the valuation rates), the TFCs and sukuk certificates were valued at the average of rates quoted by the brokers or carried at cost in cases where the brokers quotations were not available. The above change in valuation practice did not have a material effect on the fund's financial statements.

- 3.1.3 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.

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

- 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.

## JS Income Fund (Formerly UTP-Income Fund)

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### 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.

Income from reverse repurchase transactions and continuous funding system lending arrangements, returns on certificates of investment, placements, bank deposits and investments in debt 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.

### 3.12 Impairment

The carrying amount of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceed its recoverable amount. Impairment losses are recognised in the Income Statement.

### 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.

## JS Income Fund (Formerly UTP-Income Fund)

|     |                                                                                                                                                                                                                                                                    | 2008                               | 2007                 |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------------|
| 4.  | <b>BANK BALANCES - Local Currency</b>                                                                                                                                                                                                                              |                                    |                      |
|     | - In saving accounts                                                                                                                                                                                                                                               | <i>4.1</i> 1,674,920,468           | 4,040,838,863        |
|     | - In current accounts                                                                                                                                                                                                                                              | -                                  | 5,000                |
|     | - In term deposits                                                                                                                                                                                                                                                 | <i>4.2</i> 2,000,000,000           | 200,000,000          |
|     |                                                                                                                                                                                                                                                                    | <i>Rupees</i> <u>3,674,920,468</u> | <u>4,240,843,863</u> |
| 4.1 | This includes bank balance of Rs. 305,982,065 with JS Bank Limited (a related party) that carries profit at 11% per annum. Other saving accounts carry profit rates ranging from 5% to 12.5% (2007: 5% to 10.25%) per annum.                                       |                                    |                      |
| 4.2 | Term deposit accounts carry profit rate of 9% to 17.5% (2007: 10.5%) per annum maturing in July 2008.                                                                                                                                                              |                                    |                      |
| 5.  | <b>RECEIVABLES AND PREPAYMENTS - considered good</b>                                                                                                                                                                                                               |                                    |                      |
|     | Receivable against:                                                                                                                                                                                                                                                |                                    |                      |
|     | - transactions under Continuous Funding System                                                                                                                                                                                                                     | <i>5.1</i> 3,768,878,692           | 2,323,051,440        |
|     | - sale of investments                                                                                                                                                                                                                                              | <i>5.2</i> 531,086,380             | 1,113,665,800        |
|     | - sale of debt securities                                                                                                                                                                                                                                          | 5,150,000                          | -                    |
|     | - reverse repo of money market transactions                                                                                                                                                                                                                        | <i>5.3</i> 90,000,000              | -                    |
|     | - issue of units                                                                                                                                                                                                                                                   | -                                  | 463,752              |
|     | Mark-up / return receivable on:                                                                                                                                                                                                                                    |                                    |                      |
|     | - bank balances                                                                                                                                                                                                                                                    | 13,661,877                         | 4,417,121            |
|     | - transactions under Continuous Funding System                                                                                                                                                                                                                     | 14,358,930                         | 8,879,438            |
|     | - term finance certificates                                                                                                                                                                                                                                        | 108,167,424                        | 11,202,246           |
|     | - government securities                                                                                                                                                                                                                                            | 185,262                            | 186,358              |
|     | - money market transaction                                                                                                                                                                                                                                         | 315,616                            | -                    |
|     | 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                             | 15,158               |
|     |                                                                                                                                                                                                                                                                    | <i>Rupees</i> <u>4,532,839,853</u> | <u>3,461,881,313</u> |
| 5.1 | The market value of securities held in respect of these aggregates to Rs 3,696,680,941 (2007: Rs.2,312,812,455 ). These have rates of return ranging from 11.49% to 25.00% (2007: 9.73% to 15.30%) per annum with maturities between overnight to 22 working days. |                                    |                      |
| 5.2 | The amount was received subsequently to the year-end.                                                                                                                                                                                                              |                                    |                      |
| 5.3 | These placements are secured against term finance certificates and carry a rate of return of 16%, maturing on 23 July 2008.                                                                                                                                        |                                    |                      |
| 6.  | <b>INVESTMENTS</b>                                                                                                                                                                                                                                                 |                                    |                      |
|     | Held for trading                                                                                                                                                                                                                                                   |                                    |                      |
|     | Quoted equity securities                                                                                                                                                                                                                                           | <i>6.1</i> 71,774,835              | -                    |
|     | Units of an open-end mutual fund                                                                                                                                                                                                                                   | -                                  | 5,079,500            |
|     | Available-for-sale                                                                                                                                                                                                                                                 |                                    |                      |
|     | Quoted debt securities                                                                                                                                                                                                                                             | <i>6.2</i> 532,169,058             | 98,295,772           |
|     | Unquoted debt securities                                                                                                                                                                                                                                           | <i>6.3</i> 1,578,825,375           | 511,850,000          |
|     | Unquoted sukuk certificates                                                                                                                                                                                                                                        | <i>6.4</i> 601,380,800             | -                    |
|     | Unquoted debt securities -Commercial Papers                                                                                                                                                                                                                        | <i>6.5</i> 188,536,022             | -                    |
|     | Held-to-maturity                                                                                                                                                                                                                                                   |                                    |                      |
|     | Government securities                                                                                                                                                                                                                                              | <i>6.7</i> 114,520,994             | 117,438,526          |
|     |                                                                                                                                                                                                                                                                    | <i>Rupees</i> <u>3,087,207,084</u> | <u>732,663,798</u>   |

## JS Income Fund (Formerly UTP-Income Fund)

| 6.1                                                     | Held for trading (quoted equity securities)<br><i>Note 6.1.1</i> | As at<br>01 July<br>2007   | Acquired<br>during the<br>year | Disposed<br>during the<br>year | As at<br>30 June<br>2008 | Market value<br>as at 30 June<br>2008 | % of<br>Total<br>Investment |
|---------------------------------------------------------|------------------------------------------------------------------|----------------------------|--------------------------------|--------------------------------|--------------------------|---------------------------------------|-----------------------------|
|                                                         |                                                                  | -----Number of shares----- |                                |                                |                          |                                       |                             |
| <i>Investment banks/ Companies/ Securities</i>          |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | Arif Habib Securities Limited                                    | -                          | 30,500                         | 30,500                         | -                        | -                                     | -                           |
|                                                         | Jahangir Siddiqui and Company Limited -<br>related party         | -                          | 1,587,500                      | 1,587,500                      | -                        | -                                     | -                           |
| <i>Commercial banks</i>                                 |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | Allied Bank Limited                                              | -                          | 1,000                          | 1,000                          | -                        | -                                     | -                           |
|                                                         | Askari Bank Limited                                              | -                          | 3,000                          | 3,000                          | -                        | -                                     | -                           |
|                                                         | Bank Alfalah Limited                                             | -                          | 540,500                        | 540,500                        | -                        | -                                     | -                           |
|                                                         | MCB Bank Limited                                                 | -                          | 738,500                        | 738,500                        | -                        | -                                     | -                           |
|                                                         | National Bank of Pakistan Limited                                | -                          | 229,000                        | 229,000                        | -                        | -                                     | -                           |
|                                                         | Arif Habib Bank Limited                                          | -                          | 1,969,500                      | 1,969,500                      | -                        | -                                     | -                           |
|                                                         | Bank of Punjab                                                   | -                          | 2,124,000                      | 2,124,000                      | -                        | -                                     | -                           |
|                                                         | Habib Bank Limited                                               | -                          | 723,000                        | 723,000                        | -                        | -                                     | -                           |
|                                                         | JS Bank Limited - related party                                  | -                          | 862,500                        | 862,500                        | -                        | -                                     | -                           |
| <i>Textile Composite</i>                                |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | Nishat Mills Limited                                             | -                          | 5,000                          | 5,000                          | -                        | -                                     | -                           |
|                                                         | Azgard Nine Limited                                              | -                          | 4,130,000                      | 3,030,000                      | 1,100,000                | 67,716,000                            | 2.19                        |
| <i>Insurance</i>                                        |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | Adamjee Insurance Company Limited                                | -                          | 12,000                         | 12,000                         | -                        | -                                     | -                           |
| <i>Cement</i>                                           |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | Lucky Cement Limited                                             | -                          | 259,000                        | 259,000                        | -                        | -                                     | -                           |
|                                                         | Maple Leaf Cement Factory Limited                                | -                          | 568,000                        | 568,000                        | -                        | -                                     | -                           |
| <i>Refinery</i>                                         |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | National Refinery Limited                                        | -                          | 11,500                         | 11,500                         | -                        | -                                     | -                           |
| <i>Oil and gas marketing companies</i>                  |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | Pakistan State Oil Limited                                       | -                          | 35,000                         | 35,000                         | -                        | -                                     | -                           |
|                                                         | Sui Northern Gas Company Limited                                 | -                          | 81,000                         | 81,000                         | -                        | -                                     | -                           |
|                                                         | Sui Southern Gas Company Limited                                 | -                          | 27,500                         | 27,500                         | -                        | -                                     | -                           |
| <i>Oil and gas exploration companies</i>                |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | Oil and Gas Development Company Limited                          | -                          | 1,733,000                      | 1,733,000                      | -                        | -                                     | -                           |
|                                                         | Pakistan Oilfields Limited - related party                       | -                          | 454,000                        | 454,000                        | -                        | -                                     | -                           |
|                                                         | Pakistan Petroleum Limited                                       | -                          | 250,500                        | 234,000                        | 16,500                   | 4,058,835                             | 0.13                        |
| <i>Technology &amp; Communication</i>                   |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | Pakistan Telecommunication Company Limited                       | -                          | 2,000                          | 2,000                          | -                        | -                                     | -                           |
|                                                         | Telecard Limited                                                 | -                          | 29,000                         | 29,000                         | -                        | -                                     | -                           |
| <i>Fertilizer</i>                                       |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | Fauji Fertilizer Company Limited                                 | -                          | 218,000                        | 218,000                        | -                        | -                                     | -                           |
|                                                         | Fauji Fertilizer Bin Qasim Limited                               | -                          | 1,292,000                      | 1,292,000                      | -                        | -                                     | -                           |
|                                                         | Engro Chemical Pakistan Limited                                  | -                          | 173,500                        | 173,500                        | -                        | -                                     | -                           |
| <i>Power Generation &amp; Distribution</i>              |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | Hub Power Company Limited                                        | -                          | 10,500                         | 10,500                         | -                        | -                                     | -                           |
| <i>Chemicals</i>                                        |                                                                  |                            |                                |                                |                          |                                       |                             |
|                                                         | Sitara Peroxide Limited                                          | -                          | 5,500                          | 5,500                          | -                        | -                                     | -                           |
|                                                         |                                                                  |                            |                                |                                | <i>Rupees</i>            | <u>71,774,835</u>                     | <u>2.32</u>                 |
| Cost of held for trading investments as at 30 June 2008 |                                                                  |                            |                                |                                | <i>Rupees</i>            | <u>63,431,275</u>                     |                             |

6.1.1 These represent ready purchase and simultaneous sale in the future market.

## JS Income Fund (Formerly UTP-Income Fund)

### 6.2 Available-for-sale (quoted debt securities)

| <i>Note</i>                                                  | As at<br>01 July<br>2007 | Acquired<br>during the<br>year | Matured/<br>disposed<br>during<br>the year | As at<br>30 June<br>2008 | Market value<br>as at 30 June<br>2008 | % of<br>Total<br>Investment |      |
|--------------------------------------------------------------|--------------------------|--------------------------------|--------------------------------------------|--------------------------|---------------------------------------|-----------------------------|------|
| -----Number of certificates-----                             |                          |                                |                                            |                          |                                       |                             |      |
| Term finance certificates - face value<br>of Rs.5,000/- each |                          |                                |                                            |                          |                                       |                             |      |
| Leasing companies                                            |                          |                                |                                            |                          |                                       |                             |      |
|                                                              | 1,000                    | -                              | 1,000                                      | -                        | -                                     | -                           |      |
|                                                              | 16,116                   | -                              | 16,116                                     | -                        | -                                     | -                           |      |
| Commercial banks                                             |                          |                                |                                            |                          |                                       |                             |      |
|                                                              | -                        | 25,000                         | 25,000                                     | -                        | -                                     | -                           |      |
|                                                              | 6,400                    | 1,000                          | 7,400                                      | -                        | -                                     | -                           |      |
|                                                              | <i>6.2.1</i>             | -                              | 120,000                                    | 73,000                   | 362,992,500                           | 11.76                       |      |
| Textile Composite                                            |                          |                                |                                            |                          |                                       |                             |      |
|                                                              | -                        | 20,000                         | 20,000                                     | -                        | -                                     | -                           |      |
| Oil and gas exploration companies                            |                          |                                |                                            |                          |                                       |                             |      |
|                                                              | 724                      | -                              | 724                                        | -                        | -                                     | -                           |      |
|                                                              | 1,000                    | -                              | 1,000                                      | -                        | -                                     | -                           |      |
| Fertilizer                                                   |                          |                                |                                            |                          |                                       |                             |      |
|                                                              | <i>6.2.2</i>             | 20,000                         | 18,246                                     | 22,000                   | 16,246                                | 82,090,876                  | 2.66 |
|                                                              | <i>6.2.3</i>             | -                              | 17,232                                     | -                        | 17,232                                | 86,013,528                  | 2.79 |
| Technology and communication                                 |                          |                                |                                            |                          |                                       |                             |      |
|                                                              | 5,000                    | -                              | 5,000                                      | -                        | -                                     | -                           |      |
| Miscellaneous                                                |                          |                                |                                            |                          |                                       |                             |      |
|                                                              | <i>6.2.4</i>             | 1,494                          | -                                          | -                        | 1,494                                 | 1,072,154                   | 0.03 |
|                                                              |                          |                                |                                            | <i>Rupees</i>            | <u>532,169,058</u>                    | <u>17.24</u>                |      |
| Cost of available-for-sale investments as at 30 June 2008    |                          |                                |                                            | <i>Rupees</i>            | <u>533,440,261</u>                    |                             |      |

*6.2.1* These term finance certificates carry a rate of mark-up equal to the simple average of six months offered rate of KIBOR plus 85 basis points for the first five years and 135 basis points from six to ten years per annum with no floor and no cap receivable semi-annually in arrears and will mature in February 2018. These term finance certificates are unsecured.

*6.2.2* These term finance certificates carry a rate of mark-up equal to the simple average of six months offered rate of KIBOR plus 155 basis points per annum with no floor and no cap receivable semi-annually in arrears and will mature in November 2015. These term finance certificates are secured by the first pari passu charge in favour of trustee on all the present and future fixed assets and properties of Engro.

*6.2.3* These term finance certificates carry a rate of mark-up equal to the simple average of six months offered rate of KIBOR plus 150 basis points per annum with no floor and no 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.

*6.2.4* These term finance certificates carry a rate of mark-up equal to the State Bank of Pakistan discount rate plus 2.25% per annum with a floor of 9.75% per annum and a cap of 13.75% per annum receivable semi-annually in arrears and will mature in November 2008. These term finance certificates are secured by way of first equitable mortgage on all immovable assets of Pearl Continental Hotel, Karachi with 25% margin and first pari-passu charge by way of hypothecation over all current and future movable assets of the Pearl Continental Hotel, Karachi with 25% margin.

## JS Income Fund (Formerly UTP-Income Fund)

| 6.3 | Available-for-sale (unquoted debt securities)                                     |             | As at<br>01 July<br>2007         | Acquired<br>during the<br>year | Matured/<br>disposed<br>during the year | As at<br>30 June<br>2008 | Fair value as<br>at 30 June<br>2008 | % of<br>Total<br>Investment |
|-----|-----------------------------------------------------------------------------------|-------------|----------------------------------|--------------------------------|-----------------------------------------|--------------------------|-------------------------------------|-----------------------------|
|     |                                                                                   | <i>Note</i> | -----Number of certificates----- |                                |                                         |                          |                                     |                             |
|     | Term finance certificates - face value<br>of Rs.5,000/- each                      |             |                                  |                                |                                         |                          |                                     |                             |
|     | Investment Banks / Companies                                                      |             |                                  |                                |                                         |                          |                                     |                             |
|     | First Dawood Investment Bank Limited - Privately<br>placed                        |             | -                                | 6,900                          | 6,900                                   | -                        | -                                   | -                           |
|     | Textile Composite                                                                 |             |                                  |                                |                                         |                          |                                     |                             |
|     | Azgard Nine Limited - Privately placed                                            |             | 50,000                           | -                              | 50,000                                  | -                        | -                                   | -                           |
|     | Cement                                                                            |             |                                  |                                |                                         |                          |                                     |                             |
|     | Dewan Cement-(PreIPO)                                                             | 6.3.1       | -                                | 10,000                         | -                                       | 10,000                   | 50,000,000                          | 1.62                        |
|     | Technology and communication                                                      |             |                                  |                                |                                         |                          |                                     |                             |
|     | Pakistan Mobile Communication<br>Limited - Privately placed                       |             | -                                | 40,000                         | 40,000                                  | -                        | -                                   | -                           |
|     | Pakistan Mobile Communication<br>Limited - Privately placed                       | 6.3.2       | -                                | 70,000                         | 22,000                                  | 48,000                   | 238,992,000                         | 7.74                        |
|     | Optimus Limited - Privately placed                                                | 6.3.3       | -                                | 10,000                         | -                                       | 10,000                   | 49,990,000                          | 1.62                        |
|     | Fertilizer                                                                        |             |                                  |                                |                                         |                          |                                     |                             |
|     | Pak American Fertilizers Limited - Privately<br>placed                            | 6.3.4       | -                                | 178,000                        | 40,000                                  | 138,000                  | 691,104,000                         | 22.39                       |
|     | Engro Chemical Pakistan Limited - Privately<br>placed                             | 6.3.5       | -                                | 60,050                         | 26,000                                  | 34,050                   | 173,229,375                         | 5.61                        |
|     | Leasing companies                                                                 |             |                                  |                                |                                         |                          |                                     |                             |
|     | Orix Leasing Pakistan Limited - Privately placed<br>(face value of Rs. 100,000/-) | 6.3.6       | -                                | 3,000                          | -                                       | 3,000                    | 300,510,000                         | 9.73                        |
|     | Brokerage house                                                                   |             |                                  |                                |                                         |                          |                                     |                             |
|     | KASB Securities Limited - Privately placed                                        |             | 10,000                           | -                              | 10,000                                  | -                        | -                                   | -                           |
|     | Miscellaneous                                                                     |             |                                  |                                |                                         |                          |                                     |                             |
|     | Prime Electronics Securitization<br>Company Limited - (Pre-IPO)                   | 6.3.7       | 16,000                           | -                              | 1,000                                   | 15,000                   | 75,000,000                          | 2.43                        |
|     |                                                                                   |             |                                  |                                |                                         | <i>Rupees</i>            | <u>1,578,825,375</u>                | <u>51.14</u>                |
|     | Cost of available-for-sale investments as at 30 June 2008                         |             |                                  |                                |                                         | <i>Rupees</i>            | <u>1,575,240,325</u>                |                             |

6.3.1 This represents application money for subscription of 10,000 units of term finance certificates (Pre-IPO) and a rate of mark-up equal to the simple average of six months offered rate of KIBOR plus 200 basis points per annum receivable semi-annually in arrears with no floor or cap and will mature in 6 years after the issue. These term finance certificates are secured by a charge over the hypothecated assets with 25% margin.

6.3.2 These term finance certificates carry a mark-up equal to the simple average of the last seven days of ask side of six months daily average KIBOR rates plus 130 basis points with no floor and no 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.

6.3.3 These term finance certificates carry a mark-up equal to the simple average of the last seven days of ask side of six months daily average KIBOR rates plus 210 basis points with no floor and no cap receivable semi-annually in arrears and will mature in September 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.

6.3.4 These term finance certificates carry a mark-up equal to the simple average of the last seven days of ask side of six months daily average KIBOR rates plus 175 basis points per annum receivable semi-annually in arrears and will mature in January 2014. 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.

6.3.5 These term finance certificates carry a mark-up equal to the simple average of the last seven days of ask side of six months daily average 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.

6.3.6 These term finance certificates carry a mark-up equal to the simple average of the last seven days of ask side of six months daily average KIBOR rates plus 120 basis points per annum receivable semi-annually in arrears and will mature in January 2011. These term finance certificates are secured by a hypothecation charge and shall also include any additional charge, lien or other encumbrance or security.

6.3.7 This represents application money for subscription of 10,000 units of term finance certificates (Pre-IPO) and a rate of mark-up equal to the simple average of six months offered rate of KIBOR plus 250 basis points per annum receivable semi-annually in arrears with 10.5% floor to 17.5% cap and will mature in 5 years after the issue. These term finance certificates are secured by an exclusive charge over all the rights and interest acquired by the issuer.



## JS Income Fund (Formerly UTP-Income Fund)

### 6.4 Available-for-sale (unquoted sukuk certificates - debt securities)

| Note                                                                       | As at<br>01 July<br>2007         | Acquired<br>during the<br>period | Matured/<br>disposed<br>during<br>the period | As at<br>30 June<br>2008 | Fair value as<br>at 30 June<br>2008 | % of<br>Total<br>Investment |              |
|----------------------------------------------------------------------------|----------------------------------|----------------------------------|----------------------------------------------|--------------------------|-------------------------------------|-----------------------------|--------------|
|                                                                            | -----Number of certificates----- |                                  |                                              |                          |                                     |                             |              |
| Sukuk certificates - face value<br>of Rs.5,000/- each                      |                                  |                                  |                                              |                          |                                     |                             |              |
| Cement                                                                     |                                  |                                  |                                              |                          |                                     |                             |              |
| Maple Leaf Cement Factory Limited - Privately<br>placed                    | 6.4.1                            | -                                | 80,000                                       | -                        | 80,000                              | 402,320,000                 | 13.03        |
| Cables and Electrical Goods                                                |                                  |                                  |                                              |                          |                                     |                             |              |
| PAK Electron Limited Sukuk - Privately placed                              | 6.4.2                            | -                                | 24,000                                       | 14,200                   | 9,800                               | 49,573,300                  | 1.61         |
| Miscellaneous                                                              |                                  |                                  |                                              |                          |                                     |                             |              |
| Karachi Shipyard and Engineering Works<br>Limited Sukuk - Privately placed | 6.4.3                            | -                                | 30,000                                       | -                        | 30,000                              | 149,487,500                 | 4.84         |
|                                                                            |                                  |                                  |                                              |                          | <i>Rupees</i>                       | <u>601,380,800</u>          | <u>19.48</u> |
| Cost of available-for-sale investments as at 30 June 2008                  |                                  |                                  |                                              |                          | <i>Rupees</i>                       | <u>599,000,000</u>          |              |

6.4.1 These sukuk certificates carry a mark-up equal to the simple average of the last seven days of ask side of six months daily average KIBOR rates plus 170 basis points with a no floor and no cap receivable semi-annually in arrears and will mature in January 2014.

6.4.2 These sukuk certificates carry a mark-up equal to the simple average of the last seven days of ask side of three months daily average KIBOR rates plus 175 basis points with a floor of 10% and cap of 25% receivable quarterly in arrears and will mature in September 2012.

6.4.3 These sukuk certificates carry a mark-up equal to the simple average of the last seven days of ask side of six months daily average KIBOR rates plus 40 basis points with a no floor and no cap receivable half yearly in arrears and will mature in February 2016.

### 6.5 Available-for-sale (unquoted debt securities) - Commercial Papers

| Note                                                      | As at<br>01 July<br>2007         | Acquired<br>during the<br>year | Matured/<br>disposed<br>during the year | As at<br>30 June<br>2008 | Market value<br>as at 30 June<br>2008 | % of<br>Total<br>Investment |             |
|-----------------------------------------------------------|----------------------------------|--------------------------------|-----------------------------------------|--------------------------|---------------------------------------|-----------------------------|-------------|
|                                                           | -----Number of certificates----- |                                |                                         |                          |                                       |                             |             |
| Commercial papers - face value<br>of Rs. 100,000/- each   |                                  |                                |                                         |                          |                                       |                             |             |
| Pak Elektron Limited                                      | -                                | 450                            | 450                                     | -                        | -                                     | -                           |             |
| WorldCall Telecom Limited                                 | -                                | 935                            | 935                                     | -                        | -                                     | -                           |             |
| Pak American Fertilizers Limited                          | -                                | 250                            | -                                       | 250                      | 24,943,700                            | 0.81                        |             |
| Azgard Nine Limited                                       | -                                | 1,750                          | -                                       | 1,750                    | 163,592,322                           | 5.30                        |             |
|                                                           |                                  |                                |                                         |                          | <i>Rupees</i>                         | <u>188,536,022</u>          | <u>6.11</u> |
| Cost of available-for-sale investments as at 30 June 2008 |                                  |                                |                                         |                          | <i>Rupees</i>                         | <u>191,168,900</u>          |             |

6.6 As at 30 June 2008, the surplus on revaluation of available-for-sale debt securities amounted to Rs.2,061,776 (2007: Rs. 1,594,086).

### 6.7 Held-to-maturity (government securities - at amortised cost)

|                                                                |       |   |   |       |               |                   |
|----------------------------------------------------------------|-------|---|---|-------|---------------|-------------------|
| Pakistan Investment Bonds (face value of<br>Rs.100,000/- each) | 1,000 | - | - | 1,000 | 114,520,994   | 3.71              |
| Market value of government securities as at 30 June 2008       |       |   |   |       | <i>Rupees</i> | <u>84,931,530</u> |

6.7.1 These bonds carry a rate of mark-up ranging from 8% to 9% per annum receivable semi-annually and will mature in year 2013.

6.7.2 These securities are carried at amortized cost. However Non-Banking Finance Companies and Notified Entities Regulations, 2007 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 2008 would have been lower by Rs. 29,859 million.

### 7. SECURITY DEPOSITS

|                                                | 2008             | 2007             |
|------------------------------------------------|------------------|------------------|
| National Clearing Company of Pakistan Limited  | 3,500,000        | 1,000,000        |
| Central Depository Company of Pakistan Limited | 100,000          | 100,000          |
| Muslim Commercial Financial Services Limited   | 100,000          | -                |
|                                                | <i>Rupees</i>    | <u>3,700,000</u> |
|                                                | <u>3,700,000</u> | <u>1,100,000</u> |

### 8. REMUNERATION TO THE MANAGEMENT COMPANY

The Management Company is entitled to a remuneration for services to the Fund under the regulation 70 of Non-Banking Finance Companies and Notified Entities Regulations, 2007, 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 2007: 1.5%) per annum based on such assets.

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Balance at beginning of the year | 8,718,511         | 4,207,128         |
| Remuneration for the year        | 167,793,374       | 61,871,882        |
| Paid during the year             | (162,698,720)     | (57,360,499)      |
| Balance at end of the year       | <i>Rupees</i>     | <u>13,813,165</u> |
|                                  | <u>13,813,165</u> | <u>8,718,511</u>  |

## JS Income Fund (Formerly UTP-Income Fund)

### 9. 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.

*- From 1 July 2007 to 3 November 2007*

The Trustee (Central Depository Company) was entitled to remuneration at the rate of Rs 2 million plus 0.1% per annum on amount exceeding Rs. 1 billion of the daily average net assets of the Fund.

*- From 4 November 2007 onwards*

On 4 November 2007 Muslim Commercial Financial Services (Private) Limited (MCFSL) was appointed as Trustee (refer Note. 1), The Trustee MCFSL 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.

|                                  | 2008                  | 2007           |
|----------------------------------|-----------------------|----------------|
| Balance at beginning of the year | 663,385               | 374,955        |
| Remuneration for the year        | 7,876,391             | 5,114,147      |
| Paid during the year             | (8,038,380)           | (4,825,717)    |
| Balance at end of the year       | <u>Rupees 501,396</u> | <u>663,385</u> |

### 10. ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with regulation 71 of the Non Banking Finance Companies and Notified Entities Regulation, 2007 whereby the Fund is required to pay SECP an amount equal to one tenth of 1% of the average daily net assets within 3 months of the close of year of account.

### 11. CREDITORS, ACCRUED AND OTHER LIABILITIES

|                                                           |                          |                  |
|-----------------------------------------------------------|--------------------------|------------------|
| Payable in respect of marketable securities               | 916,947                  | 1,352,983        |
| Sales load payable                                        | 2,788,242                | -                |
| Unrealised loss on revaluation of future sale             | <i>11.1</i> 9,660,555    | -                |
| Settlement charges payable                                | 195,000                  | 57,000           |
| National Clearing Company of Pakistan Limited fee payable | 255,267                  | 115,500          |
| Auditors' remuneration                                    | 246,675                  | 200,000          |
| Other liabilities                                         | 126,887                  | 484,744          |
|                                                           | <u>Rupees 14,189,573</u> | <u>2,210,227</u> |

11.1 These represent future contracts in quoted shares outstanding as at 30 June 2008. These future contract will mature on 27 July 2008. The notional amount of these future contracts is Rs. 64,444,300.

### 12. COMMITMENTS

12.1 Deals in respect of Continuous Funding System (CFS) entered into by the Fund, in respect of which transactions will be settled after the year-end.

|             |                           |                    |
|-------------|---------------------------|--------------------|
| - Sales     | <u>Rupees 673,072,896</u> | <u>778,136,334</u> |
| - Purchases | <u>Rupees 607,426,496</u> | <u>430,411,807</u> |

### 13. NUMBER OF UNITS IN ISSUE - RESTATED

|                                             |                                |                   |
|---------------------------------------------|--------------------------------|-------------------|
| Total outstanding at beginning of the year  | 75,147,128                     | 31,065,865        |
| Sales during the year                       | 262,495,743                    | 111,853,725       |
| Bonus units issued                          | 13,939,800                     | 3,083,280         |
| Redemption during the year                  | (243,448,334)                  | (70,855,742)      |
| Total units in issue at the end of the year | <i>13.1</i> <u>108,134,337</u> | <u>75,147,128</u> |

13.1 Effective from 1st December 2007, the management company of the fund with the approval of trustee and after necessary amendments in the trust deed, has reduced the par value of the units from Rs. 500 to Rs. 100 per unit. Accordingly 24,082,285 outstanding units as of that date were split into 120,411,427 units and thereafter the units are being issued with a par value of Rs.100 each.

### 14. NET GAIN / INCOME FROM TRANSACTION IN MARKETABLE SECURITIES

|                                                       |                          |                   |
|-------------------------------------------------------|--------------------------|-------------------|
| Income from spread transactions of equity instruments | 24,712,583               | 59,314,463        |
| Gain on sale of debt securities                       | 12,283,310               | 5,078,610         |
| Loss on sale of government securities                 | (106,645)                | -                 |
|                                                       | <u>Rupees 36,889,247</u> | <u>64,393,073</u> |

### 15. FINANCIAL INCOME

|                              |                           |                    |
|------------------------------|---------------------------|--------------------|
| Mark-up / Return on:         |                           |                    |
| - bank balances              | 553,082,676               | 207,070,642        |
| - term finance certificates  | 242,006,214               | 57,590,492         |
| - certificates of investment | -                         | 10,648,393         |
| - government securities      | 52,580,204                | 8,899,999          |
| - money market transactions  | 17,423,127                | 970,031            |
| - commercial papers          | 13,348,150                | -                  |
|                              | <u>Rupees 878,440,371</u> | <u>285,179,557</u> |

## JS Income Fund (Formerly UTP-Income Fund)

|     |                                                                                                   |                       |         |
|-----|---------------------------------------------------------------------------------------------------|-----------------------|---------|
| 16. | AUDITORS' REMUNERATION                                                                            | 2008                  | 2007    |
|     | Audit fee - annual                                                                                | 250,000               | 200,000 |
|     | 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                                                                                    | 25,000                | 20,000  |
|     | Out of pocket expenses                                                                            | 40,000                | 30,205  |
|     |                                                                                                   | <i>Rupees</i> 448,000 | 383,205 |

17. TAXATION

The Fund has filed return of income tax for the tax years 2003 to 2007, which are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. No provision for taxation has been made in the financial statements in view of the exemption under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its income excluding realised and unrealised capital gains for the period is distributed among unit holders. Details of distribution for the year ended 30 June 2008 are given in note 22 to the financial statements.

18. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

18.1 Related parties / connected persons comprise the following:

| Related party / Connected person                                                       | Relationship                                                           | Details of transactions and balances<br><i>8.18.2 &amp; 18.3</i> |
|----------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------|
| JS Investments Limited<br>(formerly JS ABAMCO Limited)                                 | Management Company                                                     | <i>8.18.2 &amp; 18.3</i>                                         |
| Key Management Personnel                                                               | Directors and Head of departments of the Management Company            | <i>18.2</i>                                                      |
| Jahangir Siddiqui & Company Limited                                                    | Holding Company of the Management Company                              | <i>18.3</i>                                                      |
| JS Global Capital Limited<br>(formerly Jahangir Siddiqui Capital Markets Limited)      | Associate Company of Holding Company of the Management Company         | <i>18.2 &amp; 18.3</i>                                           |
| JS Bank Limited                                                                        | Subsidiary of Holding Company of the Management Company                | <i>4.1</i>                                                       |
| JS ABAMCO Commodities Limited                                                          | Subsidiary of the Management Company                                   | -                                                                |
| Muslim Commercial Financial Services (Private) Limited                                 | Trustee of the Fund                                                    | <i>9</i>                                                         |
| Central Depository Company Limited                                                     | Ex-Trustee of the Fund                                                 | <i>9</i>                                                         |
| JS Value Fund Limited<br>(formerly BSJS Balanced Fund Limited)                         | Fund managed by JS Investments Limited<br>(formerly JS ABAMCO Limited) | -                                                                |
| Unit Trust of Pakistan                                                                 | ----- do -----                                                         | <i>18.2</i>                                                      |
| UTP Islamic Fund                                                                       | ----- do -----                                                         | -                                                                |
| JS Fund of Fund (formerly UTP Fund of funds)                                           | ----- do -----                                                         | <i>18.2</i>                                                      |
| UTP Large Cap. Fund                                                                    | ----- do -----                                                         | -                                                                |
| JS Growth Fund (formerly UTP Growth Fund)                                              | ----- do -----                                                         | -                                                                |
| UTP A 30+ Fund                                                                         | ----- do -----                                                         | -                                                                |
| JS Aggressive Asset Allocation Fund<br>(formerly UTP Aggressive Asset Allocation Fund) | ----- do -----                                                         | -                                                                |
| JS Capital Protected Fund<br>(formerly UTP Capital Protected Fund)                     | ----- do -----                                                         | -                                                                |
| JS Capital Protected Fund II<br>(formerly UTP Capital Protected Fund II)               | ----- do -----                                                         | -                                                                |
| JS Capital Protected Fund III<br>(formerly UTP 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 -----                                                         | -                                                                |
| Pakistan Oilfields Limited                                                             | Company under common directorship of the Management Company            | <i>8.1</i>                                                       |
| Bankislami Pakistan Limited                                                            | ----- do -----                                                         | -                                                                |
| Eye Television Network Limited                                                         | ----- do -----                                                         | -                                                                |
| Al Abbas Sugar Mills Limited                                                           | ----- do -----                                                         | -                                                                |

## JS Income Fund (Formerly UTP-Income Fund)

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

|                                                                                        | 2008<br>(Units) | 2007      | 2008<br>(Rupees) | 2007        |
|----------------------------------------------------------------------------------------|-----------------|-----------|------------------|-------------|
| Units sold to:                                                                         |                 |           |                  |             |
| - JS Investments Limited<br>(formerly JS ABAMCO Limited)                               | 56,617,694      | 1,516,275 | 5,971,364,271    | 836,158,677 |
| - JS Global Capital Limited<br>(formerly Jahangir Siddiqui<br>Capital Markets Limited) | -               | 1,296,083 | -                | 675,000,000 |
| - Key Management Personnel                                                             | 27,766          | 20,885    | 2,894,390        | 11,141,245  |
| - JS Fund of funds<br>(formerly UTP Fund of funds)                                     | 1,736,736       | -         | 179,265,484      | -           |
| - Unit Trust of Pakistan                                                               | 5,823,562       | -         | 600,000,000      | -           |
| Units redeemed by:                                                                     |                 |           |                  |             |
| - JS Investments Limited<br>(formerly JS ABAMCO Limited)                               | 58,631,384      | 1,017,487 | 6,158,423,788    | 566,200,065 |
| - JS Global Capital Limited<br>(formerly Jahangir Siddiqui<br>Capital Markets Limited) | -               | 1,296,083 | -                | 694,417,438 |
| - Key Management Personnel                                                             | 27,621          | 29,883    | 2,887,599        | 16,117,676  |
| - JS Fund of funds<br>(formerly UTP Fund of funds)                                     | 1,682,062       | -         | 174,463,338      | -           |
| - Unit Trust of Pakistan                                                               | 1,213,945       | -         | 125,084,893      | -           |
| Bonus units distributed to:                                                            |                 |           |                  |             |
| - JS Investments Limited<br>(formerly JS ABAMCO Limited)                               | 961,088         | 1,017,487 | 97,522,249       | 566,200,065 |
| - Key Management Personnel                                                             | 1,215           | 1,208     | 122,955          | 610,586     |
| Units held by:                                                                         |                 |           |                  |             |
| JS Investments Limited<br>(Formerly JS ABAMCO Limited)                                 | 1,441,338       | 498,788   | 150,002,739      | 278,635,441 |
| - Key Management Personnel                                                             | 12,785          | 2,285     | 303,111          | 1,330,527   |
| - JS Fund of funds<br>(formerly UTP Fund of funds)                                     | 54,674          | -         | 5,689,955        | -           |
| - Unit Trust of Pakistan                                                               | 4,609,617       | -         | 479,731,633      | -           |

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

|                                                                                                                                                                                                                                                                                            |               | 2008      | 2007        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------|-------------|
| JS Investments Limited<br>(formerly JS ABAMCO Limited)                                                                                                                                                                                                                                     |               |           |             |
| Sales load for the year                                                                                                                                                                                                                                                                    | <i>Rupees</i> | 2,993,782 | 819,984     |
| JS Global Capital Limited (formerly Jahangir<br>Siddiqui Capital Markets Limited)                                                                                                                                                                                                          |               |           |             |
| Brokerage fee                                                                                                                                                                                                                                                                              | <i>Rupees</i> | 2,124,393 | 1,272,644   |
| 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. |               |           |             |
| Jahangir Siddiqui & Company Limited                                                                                                                                                                                                                                                        |               |           |             |
| Term finance certificates outright sales                                                                                                                                                                                                                                                   | <i>Rupees</i> | -         | 4,050,000   |
| Lending against repurchase transactions - matured                                                                                                                                                                                                                                          | <i>Rupees</i> | -         | 164,764,236 |
| Borrowing charges on repurchase transactions                                                                                                                                                                                                                                               | <i>Rupees</i> | -         | 970,031     |

Remuneration of the management company and the trustee is determined in accordance with the terms disclosed in notes 8 and 9 respectively. Other transactions are in accordance with the agreed / commercial terms.

## JS Income Fund (Formerly UTP-Income Fund)

### 19. MARK-UP / PROFIT RATE RISK EXPOSURE

The Fund's exposure to market rate of mark-up / profit rate risk based on contractual repricing and maturity dates, whichever is earlier is as follows:

|                                                                         | 2008                       |                          |                             |                       |                        | Total                 |
|-------------------------------------------------------------------------|----------------------------|--------------------------|-----------------------------|-----------------------|------------------------|-----------------------|
|                                                                         | Mark-up /<br>return<br>(%) | Profit / Mark-up bearing |                             |                       | Non mark-up<br>bearing |                       |
|                                                                         |                            | Upto three<br>months     | three months<br>to one year | More than<br>one year |                        |                       |
| <b>Financial Assets</b>                                                 |                            |                          |                             |                       |                        |                       |
| 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             |
|                                                                         |                            | <u>8,231,847,849</u>     | <u>163,592,322</u>          | <u>2,826,896,227</u>  | <u>75,474,835</u>      | <u>11,297,811,233</u> |
| <b>Financial Liabilities</b>                                            |                            |                          |                             |                       |                        |                       |
| Remuneration payable to<br>Management Company                           |                            | -                        | -                           | -                     | 13,813,165             | 13,813,165            |
| Remuneration payable to Trustee                                         |                            | -                        | -                           | -                     | 501,396                | 501,396               |
| Annual fee payable to Securities and<br>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<br>redemption of units                                |                            | -                        | -                           | -                     | 6,355,261              | 6,355,261             |
|                                                                         |                            | -                        | -                           | -                     | <u>46,042,429</u>      | <u>46,042,429</u>     |
| On-balance sheet gap - 2008 (a)                                         | <i>Rupees</i>              | <u>8,231,847,849</u>     | <u>163,592,322</u>          | <u>2,826,896,227</u>  | <u>29,432,406</u>      | <u>11,251,768,804</u> |

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

|                                                                         | 2007                       |                          |                             |                       |                        | Total                |
|-------------------------------------------------------------------------|----------------------------|--------------------------|-----------------------------|-----------------------|------------------------|----------------------|
|                                                                         | Mark-up /<br>return<br>(%) | Profit / Mark up bearing |                             |                       | Non mark-up<br>bearing |                      |
|                                                                         |                            | Upto three<br>months     | three months<br>to one year | More than<br>one year |                        |                      |
| <b>Financial Assets</b>                                                 |                            |                          |                             |                       |                        |                      |
| Bank balances                                                           | 5 - 10.25                  | 4,240,843,863            | -                           | -                     | -                      | 4,240,843,863        |
| Receivables                                                             | 9.3 - 15.30                | 2,323,051,440            | -                           | -                     | 1,138,814,715          | 3,461,866,155        |
| Investments                                                             | 8 - 14                     | 253,426,550              | -                           | 474,157,748           | 5,079,500              | 732,663,798          |
| Security Deposits                                                       |                            | -                        | -                           | -                     | 1,100,000              | 1,100,000            |
|                                                                         |                            | <u>6,817,321,853</u>     | <u>-</u>                    | <u>474,157,748</u>    | <u>1,144,994,215</u>   | <u>8,436,473,816</u> |
| <b>Financial Liabilities</b>                                            |                            |                          |                             |                       |                        |                      |
| Remuneration payable to<br>Management Company                           |                            | -                        | -                           | -                     | 8,718,511              | 8,718,511            |
| Remuneration payable to Trustee                                         |                            | -                        | -                           | -                     | 663,385                | 663,385              |
| Annual fee payable to Securities and<br>Exchange Commission of Pakistan |                            | -                        | -                           | -                     | 4,126,179              | 4,126,179            |
| Creditors, accrued and other liabilities                                |                            | -                        | -                           | -                     | 6,336,406              | 6,336,406            |
| Amount payable on<br>redemption of units                                |                            | -                        | -                           | -                     | 17,391,439             | 17,391,439           |
|                                                                         |                            | -                        | -                           | -                     | <u>37,235,920</u>      | <u>37,235,920</u>    |
| On-balance sheet gap - 2007                                             | <i>Rupees</i>              | <u>6,817,321,853</u>     | <u>-</u>                    | <u>474,157,748</u>    | <u>1,107,758,295</u>   | <u>8,399,237,896</u> |

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

### 20. RISK MANAGEMENT

The Fund primarily invests in a diversified portfolio of government securities, rated corporate debts, certificate of investments, continuous funding system and other money market instruments. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include but are not limited to:

#### 20.1 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 Fund manages market risk by monitoring exposure on securities by following the internal risk management policies and investment guidelines approved by its board of directors and regulations laid down by the Securities and Exchange Commission of Pakistan.

## JS Income Fund (Formerly UTP-Income Fund)

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### 20.2 Credit risk and Management of credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter party in case of reverse repurchase agreement transactions and receivable against continuous funding system or other arrangements, to fulfil their obligations. The fund is exposed to credit risk on assets amounting to Rs. 11,184,146,412 as at 30 June 2008 (2007: 8,315,927,938).

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the board of directors. In addition, the risk is managed through assignment of credit limits, obtaining adequate collaterals and by following strict credit evaluation criteria laid down by the management. The Fund does not expect to incur material credit losses on its financial assets.

### 20.3 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.

### 20.4 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

### 20.5 Market rate of return (MROR) risk

MROR risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Fund manages its investment portfolio in order to reduce the risk of loss in market value of investments as a result of changes in market interest rates. In case the Fund expects economic uncertainty, the portfolio is restructured so as to comprise short term debt securities, money market instruments, short maturity repurchase transactions, etc.

### 20.6 Unit holder's fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its 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.

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund is of the view that the fair market value of the financial assets and liabilities (except the held-to-maturity investments), are not significantly different from their carrying values as its assets and liabilities are essentially short term in nature and / or frequently repriced. The fair value of held-to- maturity investments at 30 June 2008 amounted to Rs. 84,931,530 as against its carrying value of Rs. 114,520,994.

## 22. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The board of directors of the management company has approved a final distribution of Rs. 3.02 per unit for the year ended 30 June 2008 amounting to Rs. 326.566 million in their meeting held on 09 July 2008. This is in addition to interim distribution already paid at Rs. 6.70 per unit amounting to Rs. 859.01 million. The total distribution is Rs. 9.72 per unit (2007: 10.66 per unit - restated) amounting to Rs. 1,185.576 million (2007: 801.068 million). These financial statements do not include the effect of the above final distribution of Rs. 326.566 million that will be accounted for subsequent to the year end.



## JS Income Fund (Formerly UTP-Income Fund)

### 23. 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.

### 24. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by Board of Directors of the Management Company on 15 September 2008.

For JS Investments Limited (Formerly JS ABAMCO Limited)  
(Management Company)

Muhammad Najam Ali  
Chief Executive Officer

Munawar Alam Siddiqui  
Chairman

Ali Raza Siddiqui  
Executive Director

## JS Income Fund (Formerly UTP-Income Fund)

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                                   | Number of unit holders | Number of units held | Amount (at par Rs. 100)<br>(Rupees) | % of total    |
|--------------------------------------------|------------------------|----------------------|-------------------------------------|---------------|
| Individuals                                | 793                    | 11,366,238           | 1,136,623,773                       | 10.51         |
| Associated Companies / Directors           | 3                      | 1,811,832            | 181,183,174                         | 1.68          |
| Insurance Companies                        | 5                      | 1,176,965            | 117,696,489                         | 1.09          |
| Banks / Development Financial Institutions | 8                      | 42,995,224           | 4,299,522,426                       | 39.76         |
| Retirement Funds                           | 127                    | 14,071,645           | 1,407,164,542                       | 13.01         |
| Public Limited Companies                   | 16                     | 25,073,663           | 2,507,366,341                       | 23.19         |
| Others                                     | 45                     | 11,638,770           | 1,163,876,968                       | 10.76         |
|                                            | <u>997</u>             | <u>108,134,337</u>   | <u>10,813,433,714</u>               | <u>100.00</u> |

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

| Name of broker                                | Percentage of commission paid |
|-----------------------------------------------|-------------------------------|
| 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                          |
| Alfalsh 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) MEMBERS OF THE INVESTMENT COMMITTEE

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

- Mr. Muhammad Najam Ali
- Mr. Ali Raza Siddiqui
- Syed Ather Ahmed
- Mr. Saad Hashmey
- Mr. Ata Rahman

MR. MUHAMMAD NAJAM ALI

Mr. Najam Ali joined JS Investments Limited (Formerly JS ABAMCO 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 and 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 as CEO of the Central Depository Company (CDC) which is Pakistan's only share depository established by Citigroup, IFC and Pakistan's stock exchanges, for 7 years. While at CDC, he also led the development of the National Clearing and Settlement System, which is the clearing system in Pakistan for securities transactions. His other assignments included his engagement as the Group Financial Controller and Head of Operations in addition to the Head of Money and Capital Markets at Fidelity Investment Bank. He has also worked as a chartered accountant with Robson Rhodes, a member firm of the RSM Group in the UK.



### ANNEXURE I

Mr. Najam Ali holds a Bachelors degree in Economics from the University of Michigan. He is also a qualified Chartered Accountant and holds memberships of the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Ontario, Canada.

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.

Mr. Ali Raza Siddiqui

Mr. Siddiqui joined JS Investments Limited as an Executive Director in 2005. 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 Sales, Business & Product Development, Marketing and Investment Finance activities of the Company. Prior to joining JS Investments Limited, 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 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.

Mr. Saad Hashmey

Mr. Hashmey is the Head of Research and joined us in June 2007. He earned his BS (Economics) from London School of Economics and MBA from Washington University. Before joining us, he was associated with Capital One Equities Ltd. as a CEO. Mr. Hashmey's rich exposure also includes his associations abroad with Deutsche Bank (NY-USA), Friedman, Billings, Ramsey Group, Inc. (Washington-USA), Robert W. Baird & Co. Inc. (Washington-USA) in different Research oriented positions. Mr. Saad Hashmey's profile further includes his experience with local concerns like Capital One Equities Ltd as a CEO, as a Head of Research and with Taurus Securities (Pvt) Ltd. as a senior equity analyst..

Mr. Ata Rehman

Mr. Rahman is the Head of Business Planning & Development. He has a Bachelor's in Business Administration from the National University of Singapore with concentration in Finance and Marketing. Mr. Rahman joined JS Investments Limited in March, 2006. Prior to this he was working in the Equity Research department of Credit Suisse Singapore, working in the commercial banks and conglomerate sector. He has also worked for the Securities lending and Prime brokerage desks at Credit Suisse Singapore.

## JS Income Fund (Formerly UTP-Income Fund)

### ANNEXURE I

#### iv) FUND MANAGER

Mr. Kashif Rafi is the fund manager of JS Income Fund. He is MBA (Finance) from IBA Karachi, CA Foundation qualified from ICAP and CFA Level 1 qualified from CFA Institute. He is also the Fund Manager of other open end funds, namely UTP A30+ Fund and JS Fund of funds.

#### v) DIRECTORS MEETING ATTENDANCES

|                                    | Dates               | 07 July<br>2007 | 18 August<br>2007 | 24 October<br>2007 | 05 January<br>2008 | 11 February<br>2008 | 27 March<br>2008 | 24 April<br>2008 |
|------------------------------------|---------------------|-----------------|-------------------|--------------------|--------------------|---------------------|------------------|------------------|
| Name of directors                  | Meeting<br>Attended |                 |                   |                    |                    |                     |                  |                  |
| Mr. Munawar Alam Siddiqui          | 7                   | 1               | 1                 | 1                  | 1                  | 1                   | 1                | 1                |
| Mr. Muhammad Najam Ali             | 7                   | 1               | 1                 | 1                  | 1                  | 1                   | 1                | 1                |
| Mr. Nazar Mohammad Shaikh          | 6                   | 1               | -                 | 1                  | 1                  | 1                   | 1                | 1                |
| Lt. General (Retd.) Masood Parwaiz | 7                   | 1               | 1                 | 1                  | 1                  | 1                   | 1                | 1                |
| Mr. Sher Afgan Zuhair Siddiqui     | 2                   | -               | 1                 | 1                  | -                  | -                   | -                | -                |
| Mr. Ali Raza Siddiqui              | 6                   | -               | 1                 | 1                  | 1                  | 1                   | 1                | 1                |
| Mr. Sadeq Sayeed                   | 3                   | -               | -                 | 1                  | 1                  | 1                   | -                | -                |
| Mr. Siraj A. Dadabhoy              | 2                   | -               | -                 | -                  | -                  | 1                   | -                | 1                |
| Members attended                   |                     | 4               | 5                 | 7                  | 6                  | 7                   | 5                | 6                |

#### vi) FUND AND ASSET MANAGER RATING

The Pakistan Credit Rating Agency (PACRA) has assigned normal and long term rating of a 5-Star fund to JS Income Fund in its report dated 13 May 2008. The rating is a composite measure of two factors namely, returns and risk associated with the returns measured by sharpe ratio.

PACRA has awarded normal and long term asset manager rating of an "AM2+" to JS Investments Limited (formerly JS ABAMCO limited) in its report dated 18 April 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.