



JS Income Fund

Annual Report 2010



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In July 2010, the Board of Directors of JS Investments Limited adopted the sustainable growth initiative "JSIL 2010 Onwards ~"proposed by the newly appointed CEO. The revised Vision, Mission, and Statement of Broad Policy Objectives of JS Investments form the bedrock of "JSIL 2010 Onwards ~" and have been framed after a thorough S.W.O.T. Analysis of the Company and assessment of the Macro-economic and Financial Market Trends.

VISION

To be recognized as a responsible asset manager respected for continually realizing goals of its investors.

MISSION

To build JS Investments into a top ranking Asset Management Company; founded on sound values; powered by refined knowhow; supported by a committed team operating within an accountable framework of social, ethical and corporate responsibility – a strong and reliable institution for its shareholders to own; an efficient service provider and value creator for clients; an exciting and fulfilling work place for employees; and a participant worth reckoning for competitors.

BROAD POLICY OBJECTIVES

- Value creation for clients on a sustainable basis
- Maintain high standards of ethical behaviors and fiduciary responsibility
- Manage Investments with Prudence and with the aim of providing consistent returns better than that of peers
- Take Products and Services to the People; Create awareness on understanding financial goals, risks and rewards
- Professional Excellence – Adapt, Evolve and Continuously Improve
- Maintain highly effective controls through strong compliance and risk management
- A talented, diligent and diverse HR

ORGANIZATION

Management Company

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

Board of Directors

Munawar Alam Siddiqui	Chairman
Rashid Mansur	Chief Executive Officer
Suleman Lalani	
Nazar Mohammad Shaikh	
Fayaz Anwar	
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

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

Auditors

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

Legal Adviser

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

Transfer Agent

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

DIRECTORS' REPORT TO THE UNIT HOLDERS

The Board of Directors of JS Investments Limited, the Management Company of JS Income Fund (the Fund), is pleased to present the Annual Report for the year ended June 30, 2010.

Economic Outlook

The money market remained fairly stable during the Fiscal Year 2010. The pressures observed on the inflationary indicators cautioned the policy makers of State Bank of Pakistan (SBP) to keep the Discount Rate (DR) at 12.5% by the end of FY10. Rekindling of sustainable economic growth remains to be the prime focus for the government, albeit with monetary and fiscal stability. During the FY10, the 6 Months KIBOR averaged 12.40% and attained a maximum of 12.88%.

The stabilization endeavors have yielded affirmative results as the CPI rate for June 2010 was clocked in at 12.69% on YoY as compared to the previous year's figure of 20.8%. However, steady elimination of subsidies, reformed tax framework and increased international oil prices are the factors likely to keep the inflation rates in the higher bounds going forward. Moreover, the liquidity level is also dependent upon the extent of fiscal and public sector borrowing from the banking system.

The SBP, nevertheless, remains focused on balancing the risks between inflation and financial stability as seen in the recent hike in the policy rate by 50 basis points announced by the State Bank in its Monetary Policy on July 30, 2010.

Review of Fund Performance

The Fund incurred a net loss of Rs. 64.208 million during the year ended June 30, 2010. The above loss was primarily on account of provisions aggregating Rs. 317.295 million made against certain non-performing debt instruments in accordance with the Provisioning Policy of the Fund and the directives of the Securities and Exchange Commission of Pakistan. In addition the Fund also suffered loss on sale of marketable securities aggregating Rs. 138.658 million. The Fund also made provision of Rs. 16.416 million towards Workers Welfare Fund as fully explained in note 10.1 to the accounts.

The net assets of the Fund declined sharply from Rs. 5,014.850 million to Rs. 996.633 million during the year under review. The net assets value as on June 30, 2010 was Rs. 87.77 per unit compared to beginning ex-distribution net assets value of Rs. 100.37 per unit. During the year the Fund has paid two interim distributions aggregating Rs. 4.75 per unit based on the distributable income as on the dates of announcement of distributions. Adjusting for the interim distribution the net asset value per unit declined by 7.82% compared to the beginning net asset value as on June 30, 2009.

Fund and Asset Manager Rating

The Pakistan Credit Rating Agency (PACRA) has assigned a stability rating of "AA-(f)" (Double AA Minus – Fund Rating) to JS Income Fund. The Fund's rating denotes a very low exposure to risk and very strong capacity to manage relative stability in returns.

The asset manager rating for JS Investments Limited is in progress and has not yet been announced by JCR-VIS Credit Rating Co. Limited. The asset manager rating for JS Investments Limited last announced by PACRA was "AM2". The said rating was subsequently withdrawn by PACRA on March 16, 2010 subsequent to JS Investments' decision to discontinue the rating relationship with PACRA with immediate effect.

Future Outlook

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

JS Income Fund

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

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

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

Corporate Governance and Financial Reporting Framework

The Board of Directors of the Management Company states that:

- a. The financial statements, prepared by the Management Company, present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in net assets of the Fund.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements, and financial estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the Trust Deed and directives of the Securities and Exchange Commission of Pakistan have been followed in preparation of the financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as a going concern.
- g. There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations.
- h. A performance table / key financial data is given on page 09 of this annual report.
- i. The Directors have signed the "Statement of Ethics and Business Practices".
- j. The number of units of the Fund held by the Chief Executive, directors and executives and their spouses as at June 30, 2010 are as follows:

Name	Designation	Units Held
Suleman Lalani	CFO	12,820.79
Bilal Rashid	Head of Marketing	5.00
Muhammad Ali		-

- 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	1,464.84	10,368.26
Bilal Rashid	Head of Marketing	25.29	49.27
Muhammad Ali		10,847.82	22,227.81

- 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, 2010 was Rs. 15.978 million.

Meetings of the Directors

During the year six meetings of the Board of Directors were held. The attendance of each director for these meetings is disclosed in the notes to the financial statements.

Auditors

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

Other matters

Auditors have drawn attention to note 18 regarding distributions of Rs. 202.207 million made during the year and loss of Rs. 64.209 million incurred by the Fund during the year.

In respect of the above matter, the management has obtained a legal advice which has opined that provisions contained in chapter VIII A of the Companies Ordinance, 1984 and NBFC regulations would prevail over section 249 of the Companies Ordinance, 1984 (section 249 states that no dividend should be paid by a company otherwise than out of profits of the company). It further states that the Fund suffered loss, a scenario which could not have been reasonably foreseeable, nor was it within the reasonable control of the management company. Moreover, the interim dividend was paid out of the profit of the Fund it had generated till that time. Hence, such declaration and payment would not be deemed as a violation of section 249 of the Companies Ordinance, 1984.

Acknowledgment

The Directors express their gratitude to the Securities and Exchange Commission of Pakistan for its valuable support, assistance and guidance. The Board also thanks the employees of the Management Company and the Trustee for their dedication and hard work and the unit holders for their confidence in the Management.

Karachi: August 17, 2010

Rashid Mansur
Chief Executive Officer

FUND MANAGER'S REPORT

Investment philosophy

JS IF is an income fund that aims to preserve investor's capital while providing a regular stream of current income on an annual basis which is higher than that offered by commercial banks on deposits of a similar liquidity profile as this fund. The fund operates a diverse portfolio of investment-grade debt securities, government securities and money market instruments. The fund maintains liquidity in the form of spread transactions and bank deposits.

Key information

Fund type	Open end
Category	Income Fund
Fund launch date	26 August, 2002
Net Assets (PKR mn)	996.63
Management fee	1.50%
Trustee	MCB Financial Services Ltd.
Auditor	KPMG Taseer Hadi & Co.
Risk profile	Low To Medium
Listing	Lahore Stock Exchange
PACRA Rating	AA-(F)
Benchmark	Average of most recent published 3-month deposit rates of top 3 scheduled Commercial Bank by deposit size

Market Review

The money market remained fairly stable during the Fiscal Year 2010. The fragility observed among the inflationary indicators cautioned the policy makers of State Bank of Pakistan (SBP) to keep the Discount Rate (DR) at 12.5% by the end of FY10. Rekindling of sustainable economic growth remains to be the prime focus for the Government, albeit with monetary and fiscal stability. During the FY10, the 6 Months KIBOR averaged 12.40% and attained a maximum of 12.88%.

The stabilization endeavors have yielded affirmative results as the CPI rate for June 10 was clocked in at 12.69% on YoY as compared to the previous year's figure of 20.8%. However, steady elimination of subsidies, reformed tax framework and increased international oil prices are the factors likely to keep the inflation rates in the higher bounds going forward. Moreover, the liquidity level is also dependent upon the extent of fiscal and public sector borrowing from the banking system.

The SBP, nevertheless, remains utmost focused on balancing the risks between inflation and financial stability. Thus, it is participating actively by conducting Open Market Operations (OMOs), on a regular basis, to monitor the liquidity appetite.

Fund vs Benchmark Comparison

	1M	6M	1Y	3Y	Launch
Fund	-36.52	-24.96	-8.47	3.84	7.69
Benchmark	6.76	6.77	9.94	11.57	7.91
Difference	-43.28	-31.73	-18.41	-7.73	-0.21

Distribution for the Year Ended June 30, 2009

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

Distribution for the Year Ended June 30, 2010

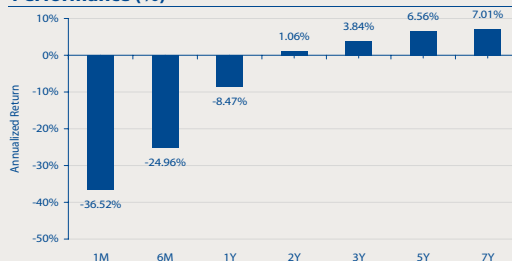
The Board of Directors of the Management Company has declared a interim distribution of Rs. 4.75 per unit for **JS Income Fund**.

Effects on the NAV after Distribution

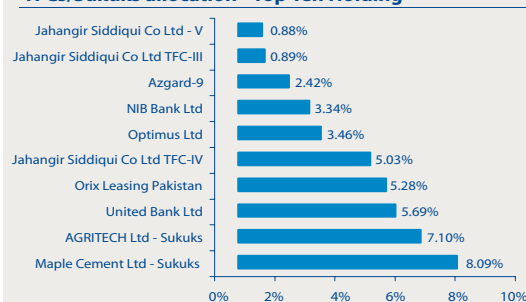
NAV per unit as on June 30, 2010	
Cum NAV (PKR)	87.77
Ex-NAV (PKR)	87.77

Disclaimer: This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All investments in mutual funds are subject to market risks. The NAV based prices of units and any dividends/returns thereon are dependent on forces and factors affecting the capital markets. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results.

Performance (%)



TFCs/Sukuks allocation - Top Ten Holding



Asset allocation (%)

	Jun-10
Term Fin. Certificates/ Sukuks	42.17
Treasury bills	41.73
PIBs	8.94
Cash	5.49
Other	1.67
Total	100.00

Statistical analysis

	Fund	Benchmark
Beta	0.4	1.0
Standard Deviation	5.0%	1.2%
Largest Month Gain	3.7%	1.2%
Largest Month Loss	-10.3%	0.0%
% Positive Months	91.6%	100.0%
Weighted Avg. Maturity (Yr)	1.98	

Investment Committee Members

Mr. Rashid Mansur - Chief Executive Officer
 Mr. Suleman Lalani - Executive Director & CFO
 Syed Rehan Mobin - Fund Manager¹

Split of Units

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

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.

¹ From June 2010 Syed Rehan Mobin has been appointed as Fund Manager after the resignation of Mr. Kashif Rafi.

PERFORMANCE TABLE / KEY FINANCIAL DATA

		2010	2009	2008	2007	2006	2005	2004	2003
Net assets	Rs.	996,632,891	5,014,850,320	1,125,383,5451	8,404,589,708	3,529,702,243	1,377,869,309	1,285,952,920	383,261,827
Net income	Rs.	(64,208,971)	820,841,963	1,211,838,623	862,359,859	395,762,293	129,933,686	75,501,120	36,134,364
Total return of the Fund	%	(8.47)	11.58	9.64	10.15	11.40	10.26	6.10	11.27
Annual dividend distribution	%	4.75	12.05	9.72	10.66	12.10	10.25	6.20	9.50
Capital Growth	%	(13.22)	(0.47)	(0.08)	(0.51)	(0.70)	0.01	(0.10)	1.77
Average annual return									
- One Year		(8.47)	11.58	9.64	10.15	11.40	10.26	6.10	11.27
- Two Years		0.53	5.16	4.83	5.25	5.27	4.00	5.07	n/a
- Three Years		1.26	3.37	3.35	3.42	2.98	3.35	n/a	n/a
NAV per unit	Rs.	87.77	104.87	104.07	111.84	113.62	112.23	107.98	101.77
Highest offer price per unit	Rs.	104.88	107.55	109.91	113.96	115.84	113.75	109.85	111.20
Lowest offer price per unit	Rs.	87.81	99.78	103.28	103.97	104.45	104.00	104.05	102.00
Year-end offer price per unit	Rs.	88.65	105.92	105.12	112.97	114.76	113.36	109.06	102.79
Highest repurchase price per unit	Rs.	103.84	106.48	108.28	111.73	113.57	111.45	107.65	108.95
Lowest repurchase price per unit	Rs.	86.94	98.77	101.31	101.93	102.30	101.90	101.95	100.00
Year-end repurchase price per unit	Rs.	87.77	104.87	104.07	111.84	113.62	112.23	107.98	101.77
First interim distribution	Rs.	2.75	3.05	6.70	-	-	-	-	-
Announcement date		25-Oct-09	6-Oct-08	27-Mar-08	-	-	-	-	-
Second interim distribution	Rs.	2.00	4.50	-	-	-	-	-	-
Announcement date		19-Feb-10	22-Apr-09	-	-	-	-	-	-
Final distribution	Rs.	-	4.50	3.02	10.66	12.10	10.25	6.20	9.50
Announcement date		-	7-Jul-09	9-Jul-08	7-Jul-07	8-Jul-06	9-Jul-05	12-Jul-04	12-Jul-03
Total distribution as % of par value	Rs.	4.75	12.05	9.72	10.66	12.10	10.25	6.20	9.50

Fund keeps the weighted average duration of its portfolio to less than 4 years.

Notes

- JS Income Fund was launched on August 26, 2002.
- All previous years' figures have been restated due to change in par value from Rs. 500 to Rs. 100 with effect from December 1, 2007.
- Investment portfolio composition of the Fund is disclosed in note 6 of the financial statements.
- The income distribution have been shown against the year to which they relate although these were declared and distributed subsequently to the year end.

Disclaimer

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Management Company of JS Income Fund ("the Fund") to comply with the listing regulations of the Lahore Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code 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 Fund personnel and review of various documents prepared by the Fund to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Fund's corporate governance procedures and risks.

Further sub-regulation (xiii-a) of Listing Regulations 35 notified by the Lahore Stock Exchange (Guarantee) Limited requires the Fund to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to Fund for the year ended June 30, 2010.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi: August 17, 2010

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

This Statement is being presented in compliance with the Code of Corporate Governance ('the Code') contained in the listing regulations of Lahore Stock Exchange where the Fund is listed. The purpose of the Code is to establish a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

JS Investments Limited (Management Company) which manages the affairs of the Fund has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. Presently, the Board of Directors (Directors) includes five non-executive directors.
2. The directors of the Management Company have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the directors of the Management Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Mr. Muhammad Najam Ali, CEO, Mr. Ali Raza Siddiqui, Executive Director and Mr. Siraj Ahmed Dadabhoy, Director tendered their resignation and Mr. Rashid Mansur, CEO, Mr. Suleman Lalani, Executive Director and Mr. Fayaz Anwar, Director were appointed to fill the casual vacancies after obtaining prior approval from SECP.
5. The Management Company has prepared a "Statement of Ethics and Business Practices," which has been signed by all the directors and employees of the Management Company.
6. The Management Company has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund which have been approved by the Board. A complete record of particulars of significant policies has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter during the year. Written notices of the meetings of the Board, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Management Company has established adequate procedures and systems for related party transactions vis-à-vis the pricing method for related party transactions. All the related party transactions are placed before the Audit Committee and the Board of Directors for their review and approval.
10. The Board of Directors is well aware of the requirements of the Code of Corporate Governance, however arrangements will also be made shortly for an orientation session.
11. During the year, there was no change of Chief Financial Officer / Company Secretary. His remuneration and terms and conditions of employment have been approved by the Board. The Head of Internal Audit resigned on 11 June 2010 and the Management Company is in the process to fill the said vacancy.
12. The Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

JS Income Fund

13. The financial statements of the Fund have been prepared in accordance with the approved accounting standards as applicable in Pakistan and were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than those disclosed in the Directors' Report.
15. The Management Company has complied with all other corporate and financial reporting requirements of the Code with respect to the Fund.
16. The Board has formed an Audit Committee. It comprises of three non-executive directors.
17. The meetings of the Audit Committee held every quarter prior to approval of interim and annual results of the Fund as required by the Code. The Board has approved terms of reference of the Audit Committee.
18. The Board has set-up an effective internal audit function headed by the Head of Internal Audit and Compliance.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services to the Company except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Karachi: August 17, 2010

Rashid Mansur
Chief Executive Officer

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

JS Income Fund, an open-end scheme established under a trust deed executed between JS Investments Limited as the Management Company and MCB Financial Services Limited (formerly: Muslim Commercial Financial Services 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.

1. JS Investments Limited, the Management Company of JS Income Fund has, in all material respects, managed JS Income Fund during the year ended 30th June 2010 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 with the requirements of the Trust Deed and the Offering Document;
 - (iv) the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008; and the constitutive documents.

For the purpose of information, the attention of unit holders is drawn towards note 18 of the financial statements regarding distribution of Rs. 202.207 million made during the year and loss of Rs. 64.209 million incurred by the fund during the year.

Karachi: August 20, 2010

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited
(formerly: Muslim Commercial Financial Services Limited)

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of JS Income Fund ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2010, and the income statement, statement of comprehensive income, distribution statement, statement of cash flows, statement of movement in Unit Holders' Fund for the year ended 30 June 2010 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2010, and of its financial performance, cash flows and transactions for the year ended 30 June 2010 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

We draw attention to note 18 regarding distribution of Rs. 202.207 million made during the year and loss of Rs. 64.209 million incurred by the Fund during the year. Brief contents of the legal adviser's opinion obtained in this respect are also given in the above mentioned note.

Karachi: August 17, 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Audit Engagement Partner: **Amyr Pirani**



FINANCIAL STATEMENT

**STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2010**

	Note	2010 (Rupees)	2009
Assets			
Bank balances	4	55,976,593	1,837,903,816
Receivables and prepayment	5	15,775,678	382,900,284
Investments	6	946,770,884	2,852,676,977
Advance tax		1,210,475	1,210,475
Security deposits		100,000	100,000
Total assets		1,019,833,630	5,074,791,552
Liabilities			
Amount payable on redemption of units		-	15,211,097
Remuneration payable to the Management Company	7	123,883	6,057,361
Remuneration payable to the Trustee	8	86,006	243,010
Annual fee payable to the Securities and Exchange Commission of Pakistan	9	2,949,191	6,949,408
Creditors, accrued and other liabilities	10	20,041,659	31,480,356
Total liabilities		23,200,739	59,941,232
Net assets		996,632,891	5,014,850,320
Unit holders' funds (as per statement attached)		996,632,891	5,014,850,320
		(Number)	
Number of units in issue	11	11,355,656	47,819,800
		(Rupees)	
Net assets value per unit		87.77	104.87

The annexed notes from 1 to 20 and Annexure I form an integral part of these financial statements.

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 (Rupees)	2009
Income			
Financial income	13	481,717,160	1,095,287,449
Net loss from transaction in marketable securities	12	(138,658,198)	(145,323,735)
Amortisation of discount on available for sale investments		11,001,012	1,035,973
Income from transactions under continuous funding system		-	97,434,806
		354,059,974	1,048,434,493
Expenses			
Element of loss and capital losses in prices of units sold less those of units redeemed - net		18,491,670	56,387,511
Remuneration of the Management Company	7	58,983,813	116,810,487
Remuneration of the Trustee	8	2,466,142	4,430,172
Annual fee of Securities and Exchange Commission of Pakistan	9	2,949,191	6,949,408
Provision against impaired debt securities (available-for-sale investments)	6.10	317,294,821	34,200,000
Listing fee		40,000	30,000
Bank and settlement charges		713,026	1,290,090
Securities transactions cost		129,314	580,148
Auditors' remuneration	14	441,884	490,000
Fee and charges to National Clearing Company of Pakistan Limited		-	5,678,457
Printing, stationery and postage charges		135,525	213,260
Legal and professional charges		46,648	432,997
Advertisement		48,280	-
Workers welfare fund	10.1	16,416,839	-
Mutual fund rating fee		111,792	100,000
		418,268,945	227,592,530
Net (loss) / income for the year		(64,208,971)	820,841,963

The annexed notes from 1 to 20 and Annexure I form an integral part of these financial statements.

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010**

	2010 (Rupees)	2009
Net (loss) / income for the year	(64,208,971)	820,841,963
Other comprehensive income for the year:		
- Deficit on revaluation of available-for-sale investment - net (on investments held as of the balance sheet date)	(12,092,983)	(130,717,044)
- Deficit on revaluation of available-for-sale investments transferred to income on maturity / sale	94,398,196	1,687,237
- Impairment on available for sale investments charged to Income Statement	27,496,700	-
	109,801,913	(129,029,807)
Total comprehensive income for the year	45,592,942	691,812,156

The annexed notes from 1 to 20 and Annexure I form an integral part of these financial statements.

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the year	(64,208,971)	820,841,963
Adjustments for:		
Amortisation of discount on available-for-sale investments	(11,001,012)	(1,035,973)
Provision against accrued mark-up on investments	12,096,685	4,007,109
Provision against redemption on investments	317,294,821	-
Element of loss and capital losses in prices of units sold less those of units redeemed - net	18,491,670	56,387,511
	272,673,193	880,200,610
Decrease / (Increase) in assets		
Receivable against transactions under CFS	-	3,768,878,692
Receivable against sale of investments	29,094,176	507,142,204
Receivable against issue of units	6,490,848	(6,490,848)
Receivable against reverse repurchase transactions	89,869,000	131,000
Receivable against clean placements	136,000,000	(136,000,000)
Investments	1,709,414,197	106,536,273
Mark-up / return receivables	93,662,105	11,235,738
Dividend receivable	-	179,500
Security deposit	-	3,600,000
Prepayment	(88,208)	856,172
	2,064,442,118	4,256,068,732
(Decrease) / Increase in liabilities		
Payable on redemption of units	(15,211,097)	8,855,836
Remuneration payable to the management company	(5,933,478)	(7,755,804)
Remuneration payable to the trustee	(157,004)	(258,386)
Annual fee payable to Securities and Exchange Commission of Pakistan	(4,000,217)	(4,233,626)
Creditors, accrued and other liabilities	(11,438,697)	17,290,784
	(36,740,493)	13,898,804
Net cash generated from operating activities	2,300,374,818	5,150,168,146
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issue of units	3,246,816,584	7,546,664,580
Payment against redemption of units	(7,193,670,981)	(14,252,795,418)
Encashment of bonus units	(135,447,644)	(281,053,960)
	(4,082,302,041)	(6,987,184,798)
Net decrease in cash and cash equivalents during the year	(1,781,927,223)	(1,837,016,653)
Cash and cash equivalents at beginning of the year	1,837,903,816	3,674,920,468
Cash and cash equivalents at end of the year	55,976,593	1,837,903,816

The annexed notes from 1 to 20 and Annexure I form an integral part of these financial statements.

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
	(Rupees)	
Net assets at beginning of the year	5,014,850,320	11,253,835,451
Cash received on issue of 34,542,183 units (2009: 79,515,458 units)*	3,246,816,584	7,546,664,580
Cash paid on redemption of 71,006,327 units (2009: 243,448,334 units)	(7,193,670,981)	(14,252,795,418)
	(3,946,854,397)	(6,706,130,838)
Encashment of bonus units	(135,447,644)	(281,053,960)
Element of loss and capital losses in prices of units sold less those of units redeemed - net	18,491,670	56,387,511
Total comprehensive income for the year	45,592,942	691,812,156
Net assets as at end of the year	996,632,891	5,014,850,320

*Including 2,798,465 (2009: 6,106,397) units issued as bonus units during the year.

The annexed notes from 1 to 20 and Annexure I form an integral part of these financial statements.

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
	(Rupees)	
Undistributed income at beginning of the year	361,597,060	440,098,657
Final distribution at the rate of Rs. 4.50 per unit for the year ended 30 June 2009 (2008: 3.02 per unit)*	<u>(215,189,099)</u>	<u>(326,565,698)</u>
	146,407,961	113,532,959
Net (loss) / income for the year	(64,208,971)	820,841,963
Interim distribution at the rate of Rs. 2.75 per unit approved on 23 October 2009 (2009: 3.05 per unit approved on 06 October 2008 respectively)*	(130,118,854)	(350,224,906)
Second interim distribution at the rate of Rs. 2.00 per unit approved on 19 February 2010 (2009: Rs. 4.50 per unit approved on 22 April 2009)*	(72,088,048)	(222,552,956)
Net (loss) / income for the year less distribution	(266,415,873)	248,064,101
(Deficit) / undistributed income at end of the year	<u>(120,007,912)</u>	<u>361,597,060</u>

* It includes bonus units collected as cash dividend by unit holders amounting to Rs.135,447,644 (2009: Rs. 281,053,960).

The annexed notes from 1 to 20 and Annexure I form an integral part of these financial statements.

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

JS Income Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Fund is governed under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008. It has been constituted under a Trust Deed, dated 18 July 2002, between JS Investments Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and MCB Financial Services Limited (MCBFSL) as the Trustee.

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements of the fund as at and for the year ended 30 June 2010 have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC rules and regulations). In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the Trust Deed and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee, which is the fund's functional currency. All financial information presented in Pakistani Rupee has been rounded to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with approved accounting standards, as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described as follows:

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, cannot be determined with precision.

Impairment of investment

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

Other assets

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

Workers welfare fund liability

For details please refer note 10.1 to these financial statements.

2.5 Changes in accounting policies

Presentation of financial statements

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

2.6 Other accounting developments

Disclosures pertaining to fair values for financial instruments

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

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

Revised disclosures in respect of fair values of financial instruments are included in note 17.

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

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

	Effective date
Improvements to IFRSs 2009	-
- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010



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

Improvements to IFRSs 2010

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. There have been no changes in accounting policies except for the change mentioned in note 2.5.

3.1 Investments

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

3.1.2 The Fund classifies its investments in the following categories:

Held for trading

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

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

Held-to-maturity

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

Available-for-sale

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

3.1.3 Basis of valuation of available-for-sale investments (debt securities)

- a) *Basis of valuation of Term Finance Certificates (TFCs) and Sukuk certificates*
Investment in TFCs and sukuk certificates have been valued at the rates determined and announced by MUFAP based on the methodology prescribed in the circular no. 1/2009 dated 06 January, 2009 issued by the SECP.
- b) *Basis of valuation of Government Securities*
The investment in government securities are valued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security.
- c) *Basis of valuation of Commercial papers*
Commercial papers (with residual maturity of upto six months) are valued at their amortized cost in accordance with requirements of circular no. 1 of 2009 dated 06 January 2009 issued by the SECP.

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

- 3.1.4 All regular way of purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investments.

3.2 Derivative Financial Instruments

Derivative Financial instruments held by the fund primarily comprise of futures contracts in the capital market. These are initially recognised at cost and are subsequently remeasured at their fair value. The fair value of futures contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract.

Derivatives with positive market values (unrealised gains) are included in as an asset and derivatives with negative market values (unrealised losses) are included as a liability in the balance sheet. The resultant gains and losses are included in the income currently.



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

Transactions of purchase under resale (reverse-repo) of marketable and government securities, including the securities purchased under continuous funding system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions / against continuous funding system. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

3.4 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received (however units are issued on the realisation of funds). The offer price represents the net assets value of units at the end of the day plus the allowable sales load. The sales load is payable to the Distribution Companies and the Management Company as processing fee.

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

3.5 Net assets value per unit

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

3.6 Revenue recognition

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

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

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

3.8 Taxation

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

3.9 Financial instruments

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

3.10 Offsetting of financial assets and liabilities

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

3.11 Cash and cash equivalents

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

3.12 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment is determined in accordance with the provisioning criteria for non performing debt securities specified by the Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 1 of 2009 dated 06 January 2009, circular no.3 of 2010 dated 20 January 2010 and the provisioning criteria / policy for non performing exposures approved by the Board of Directors of the management company in accordance with the requirements of SECP vide its Circular no. 13 of 2009 dated 4 May 2009. Amount of impairment is the higher of the amount determined under the above provisioning criteria.

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

In respect of other financial assets, at each balance sheet date an assessment is carried out to determine whether there is any objective evidence of impairment. The Financial assets are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Impairment losses are recognised in the income statement currently.

3.13 Provision

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

3.14 Other assets

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

3.15 Dividend distribution

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

4. BANK BALANCES - local currency

		2010	2009
		(Rupees)	
- In profit and loss sharing accounts	4.1	55,976,593	287,903,816
- In term deposits		-	1,550,000,000
		<u>55,976,593</u>	<u>1,837,903,816</u>

4.1 This includes bank balance of Rs. 155,752 (2009: Rs. 10,829,505) with JS Bank Limited (a related party) that carries profit at 9.0% (2009:11.75%) per annum. Other profit and loss sharing accounts carry profit rates ranging from 5% to 11.25% (2009: 5% to 12.75%) per annum.

- 4.2** As per circular no.7 of 2009 Categorization of Open-end Collective Investment Scheme, at least 25% of the net assets shall be invested in cash and near cash instrument (defined in circular no. 7 of 2009 dated 6 March 2009 as including cash in bank account (excluding TDRs) and treasury bills not exceeding 90 days). At 30 June 2010, the above balance was around 7% of the net assets, which balance however was raised to the prescribed percentage (as stated above) subsequent to the year-end. Under circular 16 of 2010 dated 7 July 2010, the Management Company was required to meet the above requirement by 31 December 2010.

5. RECEIVABLES AND PREPAYMENT - considered good

	2010	2009
	(Rupees)	
Receivable against:		
- sale of debt securities (available-for-sale investments)	-	29,094,176
- reverse repurchase transactions	-	89,869,000
- clean placements	-	136,000,000
- issue of units	-	6,490,848
	<u>-</u>	<u>261,454,024</u>
Mark-up / return receivable on:		
- term finance certificates and sukuk certificates (available-for-sale investments)	27,572,520	86,078,060
- Pre-IPO investments (available-for-sale investments)	4,007,109	4,007,109
- government securities (available-for-sale investments)	209,989	187,978
- bank balances	1,646	4,426,806
- term deposits	-	27,638,560
- reverse repurchase transactions	-	2,645,377
- clean placements	-	469,479
	31,791,264	125,453,369
Prepaid listing fees	88,208	-
	31,879,472	386,907,393
Less: Provision against accrued mark-up on non-performing assets		
- term finance certificates and sukuk certificates	(12,096,685)	-
- Pre-IPO investments	(4,007,109)	(4,007,109)
	(16,103,794)	(4,007,109)
	15,775,678	382,900,284

- 5.1** This represents profit receivable from JS Bank Limited (a related party) (2009: Rs. 857,049).

6. INVESTMENTS

Available-for-sale

Listed term finance certificates	6.1	177,123,682	260,353,852
Unlisted term finance certificates	6.2	98,034,834	893,674,935
Unlisted sukuk certificates	6.3	154,871,734	335,094,780
Government securities	6.4	516,730,634	1,159,840,350
Commercial papers	6.5	-	73,906,740
Advance against subscription of term finance certificates - (cement sector)	6.6	10,000	18,072,297
		946,770,884	2,740,942,954
Held to maturity			
Government securities	6.4.1	-	111,734,023
		946,770,884	2,852,676,977

JS Income Fund

6.1 Available-for-sale (listed debt securities)

Term finance certificates

Quoted (Refer note 6.7)

		As at 1 July 2009	Acquired during the year	Matured/ disposed during the year	As at 30 June 2010	Fair value 30 June 2010	% of total investments	Rating
Face value of Rs.5,000/- each unless stated otherwise		-----Number of certificates-----						
	Note					(Rupees)		
Financial Services								
Jahangir Siddiqui and Company Limited - TFC II (related party)		1,400	-	1,400	-	-	-	-
Jahangir Siddiqui and Company Limited - TFC III (related party)	6.1.1	2,427	-	-	2,427	9,095,370	0.96	AA+
Jahangir Siddiqui and Company Limited - TFC IV (related party)	6.1.2	8,249	1,925	-	10,174	51,307,786	5.42	AA+
Banks								
NIB Bank Limited	6.1.3	10,392	9,900	13,200	7,092	34,020,108	3.59	A+
United Bank Limited - TFC IV	6.1.4	13,218	15,000	16,000	12,218	58,031,800	6.13	AA
Personal Goods								
Azgard Nine Limited (related party)	6.1.5	15,531	24,000	21,001	18,530	66,493,513		Non Investment Grade
Provision held (made during the year)						(41,824,895)		
						24,668,618	2.61	
Chemicals								
Pakarab Fertilizers Limited		8,977	-	8,977	-	-	-	-
						<u>177,123,682</u>	<u>18.71</u>	
Cost of available-for-sale investments as at 30 June 2010						<u>200,840,760</u>		

6.1.1 These term finance certificates carry a rate of mark-up equal to the simple average six months KIBOR plus 175 basis points per annum with a floor of 6% and a cap of 16% receivable semi-annually in arrears and will mature in September 2010. These term finance certificates are unsecured.

6.1.2 These term finance certificates carry a rate of mark-up equal to the simple average six months KIBOR plus 250 basis points per annum with a floor of 6% and a cap of 16% receivable semi-annually in arrears and will mature in May 2012. These term finance certificates are secured by way of first ranking floating charge with 25% margin on all present and future movable assets of the company with certain exclusions.

6.1.3 These term finance certificates carry a rate of mark-up equal to the simple average six months KIBOR plus 115 basis points per annum without any floor and cap receivable semi-annually in arrears and will mature in March 2016. These term finance certificates are unsecured.

6.1.4 These term finance certificates carry a rate of mark-up equal to the simple average six months KIBOR plus 85 basis points for the first five years and 135 basis points from six to ten years per annum without any floor and cap receivable semi-annually in arrears and will mature in February 2018. These term finance certificates are unsecured.

6.1.5 These term finance certificates (TFCs) have been classified as non performing by MUFAP on 18 May 2010. On 20 March 2010 (redemption date) the issuer of TFCs had defaulted in its payments of redemption of principal and profit amount of Rs. 7.721 million and Rs. 5.166 million respectively. As per circular no. 1 of 2009 dated 6 January 2009 issued by SECP, the security was to be classified as non performing on 4 April 2010 (after 15 days from the date of default) but the issuer paid the profit amount and requested MUFAP to allow a grace period of 60 days for the payment of principal amount due on 20 March 2010 before classifying it as non performing. However, on expiry of 60 days grace period i.e. 18 May 2010 the issuer was unable to make the payment of principal amount and was classified as non performing debt security by the MUFAP.

The Fund has made a provision of Rs. 41.825 million against the principal amount in accordance with the requirements of Circular 1 of 2009 dated 6 January 2009 issued by SECP and the provisioning policy of the Fund approved by the Board of Directors of the Management Company. Further accrued mark-up amounting to Rs. 1.684 million has been reversed and accrual of further mark-up has been suspended.

These TFCs are being considered for restructuring (earlier the profit rate was six months KIBOR plus 240 basis point per annum).

6.2 Available-for-sale (unlisted debt securities)

Term finance certificates

Quoted (Refer note 6.7)

		As at 1 July 2009	Acquired during the year	Matured/ disposed during the year	As at 30 June 2010	Fair value 30 June 2010	% of total investments	Rating
Face value of Rs.5,000/- each unless stated otherwise		-----Number of certificates-----						
	<i>Note</i>					(Rupees)		
Financial Services								
Orix Leasing Pakistan Limited - Privately placed (face value of Rs.100,000/-)	6.2.1	2,202	-	1,640	562	53,815,827	5.68	A
Jahangir Siddiqui and Company Limited - TFC V Privately placed - (related party)	6.2.2	9,800	-	8,000	1,800	8,973,512	0.95	AA+
Technology and communication								
Pakistan Mobile Communication Limited - Privately placed		30,226	12,000	42,226	-	-	-	-
Optimus Limited - Privately placed	6.2.3	7,339	-	-	7,339	35,245,495	3.72	A
Chemicals								
Agritech Limited (formerly Pak American Fertilizer Limited) Privately placed - (related party)		75,000	-	75,000	-	-	-	-
Engro Corporation Limited - Privately placed		32,529	-	32,529	-	-	-	-
						<u>98,034,834</u>	<u>10.35</u>	
Cost of available-for-sale investments as at 30 June 2010						<u>100,742,684</u>		

6.2.1 These term finance certificates carry a mark-up equal to the simple average six months KIBOR rates plus 120 basis points per annum receivable semi-annually in arrears and will mature in January 2013. These term finance certificates are secured by a hypothecation charge and shall also include any additional charge, lien or other encumbrance or security.

6.2.2 These term finance certificates carry a mark-up equal to the simple average six months KIBOR rates plus 170 basis points per annum receivable semi-annually in arrears and will mature in July 2013. These term finance certificates are secured by way of first ranking floating charge with 25% margin on all present and future movable assets of the company with certain exclusions.

6.2.3 These term finance certificates carry a mark-up equal to the simple average six months KIBOR rates plus 210 basis points without any floor and cap receivable semi-annually in arrears and will mature in October 2012. These term finance certificates are secured by a charge on the current assets as well as fixed assets hypothecation charge and shall also include any additional mortgage charge, lien, other encumbrance or security.

6.3 Available-for-sale (unlisted debt securities)

Sukuk certificates

Quoted (Refer note 6.7)

		As at 1 July 2009	Acquired during the year	Matured/ disposed during the year	As at 30 June 2010	Fair value 30 June 2010	% of total investments	Rating
Face value of Rs.5,000/- each unless stated otherwise		-----Number of certificates-----						
	<i>Note</i>					(Rupees)		
Construction and Materials								
Maple Leaf Cement Factory Limited - Privately placed	6.3.1	55,049	-	-	55,049	275,128,021		
Provision held (made during the year)						(192,630,516)		
						82,497,505	8.71	Non Investment Grade
Chemicals								
Agritech Limited (formerly Pak American Fertilizer Limited) - Privately placed (related party)	6.3.2	19,484	-	4,000	15,484	72,374,229	7.64	BBB-
						<u>154,871,734</u>	<u>16.35</u>	
Cost of available-for-sale investments as at 30 June 2010						<u>347,467,879</u>		

6.3.1 The accrued profit on these sukus aggregating Rs.21.287 million was due on 3 December 2009 but was not received by the Fund on due date. Therefore, in accordance with the requirements of circular no. 1 of 2009 dated 6 January 2009, issued by the SECP, after 15 days of default, these sukuk certificates have been classified as 'non performing assets' and accordingly accrued mark-up has been reversed and further accrual of mark-up has been suspended. Subsequently on 10 April 2010, the Fund received the mark-up amounting Rs. 10.783 million which was recognised as income. The Fund has made a provision amounting to Rs. 192.631 million against the outstanding principal amount in accordance with requirements of circular no. 1 of 2009 and the provisioning policy of the Fund approved by the Board of Directors of the management company.

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Since then the exposure have been restructured and the revised terms agreed between the issuer and the investors are as follows:

- Payment of principal amount shall be made on a quarterly basis in arrears commencing from 3 March 2012 with final redemption on 3 December 2018 (principal payments of March and June quarter have been received).
- Payment of mark up shall be as follow:
- mark-up for the period from March 2010 to March 2011 equal to 0.5% of the mark-up amount due on their respective due dates in quarterly instalments. Remaining 99.5% mark up for the above period to be paid by the borrower during March 2012 to December 2017 in 24 equal Quarterly instalments.
- mark-up for the period due from March 2011 to March 2012 to be collected on their respective quarterly due dates except that the mark up for the June 2011 quarter shall be payable along with the September 2011 quarter.
- mark-up for the period from March 2017 to December 2018 shall be payable on the respective quarterly due dates.

The exposure is secured against first pari passu charge over all present and future fixed assets of the borrower.

6.3.2 These sukuk certificates carry a mark-up equal to the simple average of six months offered rate of KIBOR rates plus 200 basis points receivable semi-annually in arrears and will mature in August 2015. These sukuk certificates are secured by hypothecation charge over the entire legal ownership and the beneficial interest of the issuer from time to time in and to all present and future fixed assets (excluding land and building) of the issuer in favour of the Trustee for the benefit of certificate holders.

6.4 Available-for-sale - Government securities

Face value of Rs.100,000/- each unless stated otherwise	Note	As at	Acquired	Matured/	As at	Fair value	% of
		1 July	during the	disposed during	30 June	30 June	total
		2009	year	the year	2010	2010	investments
		-----Number of bonds / bills-----				(Rupees)	
Pakistan Investment Bonds							
10 - Years Pakistan Investment Bonds	6.4.1	1,000	2,050	2,050	1,000	91,131,719	9.63
5 - Years Pakistan Investment Bonds		-	3,500	3,500	-	-	-
3 - Years Pakistan Investment Bonds		-	750	750	-	-	-
Treasury Bills							
1 - Year Treasury Bills		12,750	80,150	89,350	3,550	317,746,080	33.56
6 - Months Treasury Bills		-	31,650	30,600	1,050	99,391,425	10.50
3 - Months Treasury Bills		-	33,900	33,815	85	8,461,410	0.89
						516,730,634	54.58
Cost of available-for-sale investments as at 30 June 2010						<u>554,548,529</u>	

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

Up to the previous year, these investments in Government securities (Pakistan Investment Bonds) were held for maturity. However, the management is now of the view that it may not hold these investments up to maturity. Accordingly, these investments have now been classified as available-for-sale and deficit of Rs. 17.818 million arising on revaluation of these investments have been taken to the "statement of comprehensive income" (as other comprehensive income).

6.5 Available-for-sale (unquoted debt securities) Commercial papers

Face value of Rs. 100,000/- each	Note	As at	Acquired	Matured/	As at	Fair value	% of
		1 July	during the	disposed during	30 June	30 June	total
		2009	year	the year	2010	2010	investments
		-----Number of commercial papers-----				(Rupees)	
Agritech Limited (formerly Pak-American Fertilizers Limited (related party)		-	400	400	-	-	-
Azgard Nine Limited (related party) Less: Provision held	6.5.1	750	750	1,500	-	67,049,410 (67,049,410)	-
						<u>67,049,410</u>	
Cost of available-for-sale investments as at 30 June 2010						<u>67,049,410</u>	

6.5.1 These commercial papers (with maturity of 270 days) was due to mature on 17 May 2010, but due to default in payment of maturity by the issuer, the Fund has made a provision of full amount in accordance with the requirements of Circular 01 of 2009 dated 6 January 2009 issued by SECP.

6.6 Advance against subscription of term finance certificates (cement sector)

This represents application money for subscription of 10,000 units of term finance certificates (Pre-IPO) of Dewan Cement Limited. The company was required to issue TFCs within a period of 270 days of public offering, which offering however was not made and the period of 270 days to complete the public offering expired on 5 October 2008. The Fund has made a provision of Rs. 49.99 million against the actual amount of Rs. 50 million disbursed in accordance with the provisioning policy of the Fund approved by the Board of Directors of the management company. Further, accrued mark up of Rs. 4.007 million has been reversed by the Fund.

The above provision is without prejudice to the Fund's claim against the above entire exposure of Rs. 50 million, unrecognised mark-up and other charges etc.

6.7 The term "quoted" indicated in note 6.1, 6.2 and 6.3 refers trade rates quoted by MUFAP.

6.8 Credit ratings as disclosed above are the credit ratings of the securities / issuing entity and are based on the ratings mentioned by the Mutual Fund Association of Pakistan on its website as of 30 June 2010.

6.9 Details of movements in deficit on revaluation of available-for-sale investments are as follows:

	2010 (Rupees)	2009
As at 1 July	(128,726,340)	303,467
- Deficit on revaluation of available-for-sale investment - net (on investments held as of the balance sheet date)	(12,092,983)	(130,717,044)
- Deficit on revaluation of available-for-sale investments transferred to income on maturity / sale	94,398,196	1,687,237
- Impairment on available for sale investments charged to Income Statement	27,496,700	-
As at 30 June	<u>(18,924,427)</u>	<u>(128,726,340)</u>

6.10 Details of movement in provision against impaired debt securities (available-for-sale investments) are as follows:

As at 1 July	34,200,000	-
Provision / reversal made during the year	317,294,821	34,200,000
As at 30 June	<u>6.10.1 351,494,821</u>	<u>34,200,000</u>

6.10.1 Details of above provision held as at 30 June 2010 are as follows:

	2010 (Rupees)
Azgard Nine Limited (related party) - term finance certificates	41,824,895
Maple Leaf Cement Factory Limited - sukuk certificates	192,630,516
Azgard Nine Limited (related party) - commercial papers	67,049,410
Dewan Cement Limited - term finance certificates (Pre IPO)	<u>49,990,000</u>
	<u>351,494,821</u>

6.11 Details of deviations from circular no. 7 of 2009 dated 6 March 2009 issued by SECP required vide circular no. 16 dated 7 July 2010 are as follow:

- a) Not more than 15% of the net assets shall be invested in non traded securities including reverse repos, bank deposits, certificates of investment (COI), certificate of musharakas (COM) and anything over 6 months maturity which is not a marketable security. At 30 June 2010, 33.91% of net assets were invested in non traded securities (as per the MUFAP's rate sheet as of the year end). Details of non traded securities are as follows:
- b) Rating of any security in the portfolio shall not be lower than investment grade. However, as of 30 June 2010 rating of the following securities were below investment grade.

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Name of non compliant investment	Non compliance of clause	Type of investment	Value of investment before provision	Provision held if any	Value of investment after provisioning	% of gross assets	% of net assets
----- (Rupees) -----							
Jahangir Siddiqui and Company Limited - TFC III	(a)	Term finance certificates	9,095,370	-	9,095,370	0.89%	0.91%
Jahangir Siddiqui and Company Limited - TFC IV	(a)	Term finance certificates	51,307,786	-	51,307,786	5.03%	5.15%
Jahangir Siddiqui and Company Limited - TFC V	(a)	Term finance certificates	8,973,512	-	8,973,512	0.88%	0.90%
Optimus Limited - Privately placed	(a)	Term finance certificates	35,245,494	-	35,245,494	3.46%	3.54%
Azgard Nine Limited	(a) and (b)	Term finance certificates	66,493,513	(41,824,895)	24,668,618	2.42%	2.48%
Agritech Limited (formerly Pak American Fertilizer Limited)	(a)	Sukuk certificates	72,374,229	-	72,374,229	7.10%	7.26%
Orix Leasing Pakistan Limited	(a)	Sukuk certificates	53,815,827	-	53,815,827	5.28%	5.40%
Maple Leaf Cement Factory Limited	(a) and (b)	Sukuk certificates	275,128,021	(192,630,516)	82,497,505	8.09%	8.28%
Azgard Nine Limited	(b)	Commercial papers	67,049,410	(67,049,410)	-	0.00%	0.00%
Dewan Cement Limited	(b)	Pre-IPO investment	50,000,000	(49,990,000)	10,000	0.00%	0.00%

7. REMUNERATION TO THE MANAGEMENT COMPANY

The Management Company is entitled to a remuneration for services to the Fund under the regulation 61 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, upto a maximum of 3% per annum of the average daily net assets of the Fund during the first five years and 2% per annum based on such assets thereafter. However, the management company has charged 1.5% (2009: 1.5%) per annum based on such assets.

	2010	2009
	(Rupees)	
Balance at beginning of the year	6,057,361	13,813,165
Remuneration for the year	58,983,813	116,810,487
Paid during the year	(64,917,291)	(124,566,291)
Balance at end of the year	<u>123,883</u>	<u>6,057,361</u>

8. REMUNERATION TO THE TRUSTEE

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

The Trustee 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.

	2010	2009
	(Rupees)	
Balance at beginning of the year	243,010	501,396
Remuneration for the year	2,466,142	4,430,172
Paid during the year	(2,623,146)	(4,688,558)
Balance at end of the year	<u>86,006</u>	<u>243,010</u>

9. ANNUAL FEE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP fee at the rate of 0.075% of the average daily net assets of the fund in accordance with regulation 62 of NBFC Regulations, 2008.

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

	2010	2009
	(Rupees)	
Payable in respect of purchase of term finance certificates	-	27,936,370
Brokerage payable	239,252	288,284
Auditors' remuneration	320,000	344,800
Printing charges payable	115,635	115,990
Sales load payable	39,999	28,791
Settlement charges payable	15,178	22,500
Dividend payable	55,818	-
Payable to Workers Welfare Fund	10.1 16,416,839	-
Other liabilities	2,838,938	2,743,621
	20,041,659	31,480,356

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

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

However, the Management Company in pursuance of the order passed by the Honourable High Court of Sindh considers it prudent to record the provision for WWF for the year ended 30 June 2009 (recorded in the current year) amounting to Rs. 16.417 million in these financial statements.

11. NUMBER OF UNITS IN ISSUE

	2010	2009
	(Number)	
Total outstanding at beginning of the year	47,819,800	108,134,337
Sales during the year	31,743,718	73,409,062
Bonus units issued	2,798,465	6,106,397
Redemption during the year	(71,006,327)	(139,829,996)
Total units in issue at the end of the year	11,355,656	47,819,800

12. NET (LOSS) / GAIN FROM TRANSACTION IN MARKETABLE SECURITIES (on sale)

	2010	2009
	(Rupees)	
Loss on sale of debt securities	(132,305,581)	(155,407,717)
Loss on sale of government securities	(6,352,617)	7,760,397
Income from spread transactions of equity instruments	-	2,323,585
	(138,658,198)	(145,323,735)

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13. FINANCIAL INCOME

	2010	2009
	(Rupees)	
Mark-up / Return on:		
- bank balances	112,466,178	569,637,155
- term finance certificates and sukuk certificates	181,442,447	355,944,321
Less: provision against accrued mark-up on term finance certificates and sukuk certificates (available-for-sale investments)	(12,096,685)	(4,007,109)
	169,345,762	351,937,212
- government securities	182,340,071	45,598,797
- commercial papers	6,992,566	20,707,237
- reverse repurchase transactions	8,296,008	73,707,896
- clean placements	2,276,575	33,699,152
	481,717,160	1,095,287,449

14. AUDITORS' REMUNERATION

Annual audit fee	250,000	250,000
Half yearly review fee	88,000	88,000
Fee for review of statement of compliance with the best practices of Code of Corporate Governance	45,000	45,000
Other services	21,000	67,000
Out of pocket expenses	37,884	40,000
	441,884	490,000

15. TAXATION

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

16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons / related parties include JS Investment Limited being the Management Company, MCB Financial Services Limited (MCBFSL) being the trustee, Jahangir Siddiqui and Company Limited being the holding company of the Management Company, associated companies of the Management Company, Key Management Personnel and other funds being managed by the Management Company.

Balances with related parties

	2010	2009
	(Rupees)	
JS Investments Limited		
- Remuneration payable to the management company	123,883	6,057,361
- Sales load payable	14,001	2,414
- Expenses payable	-	21,648
MCB Financial Services Limited		
- Remuneration payable to the trustee	86,006	243,010
JS Bank Limited		
- Bank balance	155,752	10,829,505
- Term deposit receipt	-	400,000,000
- Profits receivable	1,646	294,769
JS Global Capital Limited		
- Units held: Nil (2009: 2,406,133) units	-	252,330,452

	2010	2009
	(Rupees)	
JS Fund of Funds		
- Units held: 873,861 (2009: 683,228) units	<u>76,698,745</u>	<u>71,649,954</u>
Jahangir Siddiqui and Sons Limited		
- Units held: 1,983 (2009: Nil) units	<u>174,028</u>	<u>-</u>
JS ABAMCO Commodities Limited		
- Units held: 383,266 (2009: 352,886) units	<u>33,639,279</u>	<u>37,007,026</u>
EFU Life Assurance Limited		
- Units held: 933,595 (2009: 853,011) units	<u>81,941,599</u>	<u>89,454,981</u>
Pakistan International Container Terminal Company Limited		
- Units held: Nil (2009: 4,276,613) units	<u>-</u>	<u>448,487,107</u>
Jahangir Siddiqui and Company Limited		
- Profits receivable on term finance certificates	<u>1,779,220</u>	<u>5,257,761</u>
Azgard Nine Limited		
- Profit receivable on term finance certificates	<u>1,684,012</u>	<u>2,714,817</u>
Agritech Limited (formerly Pak-American Fertilizers Limited)		
- Profit receivable on term finance certificates and sukuk certificates	<u>4,391,639</u>	<u>36,448,886</u>
Network Microfinance Bank Limited		
- Bank balance	<u>-</u>	<u>10,436,172</u>
- Profit receivable	<u>-</u>	<u>97,719</u>
Key Management Personnel of the Management Company		
- Units held: 12,826 (2009: 36,184) units	<u>1,125,286</u>	<u>3,794,575</u>
<u>Transactions with related parties during the year</u>		
JS Investments Limited		
- Remuneration of the Management Company	<u>58,983,813</u>	<u>116,810,487</u>
- Bonus units	<u>-</u>	<u>4,352,839</u>
- Redemption of units	<u>-</u>	<u>150,430,480</u>
- Sales load	<u>589,430</u>	<u>1,355,687</u>
- Expenses incurred	<u>80,237</u>	<u>21,648</u>
MCB Financial Services Limited		
- Remuneration of the trustee	<u>2,466,142</u>	<u>4,430,172</u>
JS Global Capital Limited		
- Brokerage commission (refer note 16.1)	<u>857,356</u>	<u>1,234,458</u>
- Bonus units	<u>22,521,022</u>	<u>11,397,661</u>
- Redemption of units	<u>257,501,510</u>	<u>354,912,052</u>
- Issue of units	<u>-</u>	<u>600,000,000</u>

JS Income Fund

	2010	2009
	(Rupees)	
Jahangir Siddiqui and Company Limited		
- Profit on term finance certificates	<u>14,179,895</u>	<u>6,048,858</u>
Agritech Limited (formerly Pak-American Fertilizers Limited)		
- Profit on term finance certificates and sukuk certificates	<u>51,583,686</u>	<u>114,765,222</u>
- Profit on commercial papers	<u>3,533,720</u>	<u>6,600,171</u>
- Purchase of commercial papers	<u>36,466,280</u>	<u>53,455,740</u>
- Maturity of commercial papers	<u>40,000,000</u>	<u>85,000,000</u>
Azgard Nine Limited		
- Profit on term finance certificates	<u>12,817,374</u>	<u>4,154,810</u>
- Profit on commercial papers	<u>11,409,436</u>	<u>14,107,067</u>
- Purchase of commercial papers	<u>67,049,410</u>	<u>68,652,075</u>
- Maturity of commercial papers	<u>-</u>	<u>175,000,000</u>
- Impairment of commercial papers	<u>67,049,410</u>	<u>-</u>
JS Bank Limited		
- Profit on bank balances and term deposits	<u>6,472,771</u>	<u>82,561,991</u>
Network Microfinance Bank Limited		
- Profit on bank balances and term deposits	<u>300,345</u>	<u>661,171</u>
SilkBank Limited		
- Profit on bank balance and term deposits	<u>8,733,300</u>	<u>-</u>
JS Fund of Funds		
- Issue of units	<u>97,766,380</u>	<u>113,084,655</u>
- Redemption of units	<u>83,143,166</u>	<u>50,718,005</u>
- Bonus units	<u>5,892,171</u>	<u>1,091,224</u>
Jahangir Siddiqui and Sons Limited		
- Issue of units	<u>200,000</u>	<u>-</u>
- Bonus units	<u>3,889</u>	<u>-</u>
JS ABAMCO Commodities Limited		
- Issue of units	<u>-</u>	<u>5,300,000</u>
- Bonus units	<u>3,353,699</u>	<u>3,466,694</u>
- Redemption of units	<u>300,000</u>	<u>5,000,000</u>
EFU Life Assurance Limited		
- Bonus units	<u>8,120,725</u>	<u>8,420,601</u>
Pakistan International Container Terminal Company Limited		
- Issue of units	<u>-</u>	<u>547,041,454</u>
- Bonus units	<u>39,278,443</u>	<u>15,145,937</u>
- Redemption of units	<u>460,002,959</u>	<u>212,189,164</u>
EFU General Insurance Limited		
- Issue of units	<u>-</u>	<u>60,000,000</u>
- Bonus units	<u>-</u>	<u>1,478,093</u>
- Redemption of units	<u>-</u>	<u>61,654,254</u>

	2010	2009
	(Rupees)	
Unit Trust of Pakistan		
- Bonus units	-	23,178,976
- Redemption of units	-	488,442,793
Key Management Personnel of the Management Company		
- Issue of units	1,273,502	5,568,903
- Bonus units	275,009	254,036
- Redemption of units	3,341,146	3,425,140

16.1 The amount disclosed represents the amount of brokerage expense incurred to a related party and not the transacted through them. The purchase or sale values have not been treated as transactions with related party as ultimate counterparties are not related.

16.2 Remuneration of the management company and the trustee is determined in accordance with the terms disclosed in notes 7 and 8 respectively. Other transactions are in accordance with the agreed terms.

17. FINANCIAL RISK MANAGEMENT

Introduction and overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

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

Risk management framework

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

The Fund maintains positions in a variety of financial instruments in accordance with its investment management strategy. The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities, spread transactions, continuous funding system transactions and investments in other money market instruments (including the clean placements).

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

17.1 Credit risk

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

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations. Credit risk is managed and controlled by the management company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Assignment of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks.
- Investment transactions are carried out with a large number of brokers, whose credit worthiness is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- In respect of reverse repurchase transactions, the Fund receives collateral. Financial collaterals often involve discounts (hair cuts) to the market value, reflecting the quality, liquidity and volatility of the individual investments. It is the Fund's policy to closely monitor the counter party's credit worthiness as well as the fair value of the collateral held and upon unfavourable change, will seek to terminate the agreement or obtain additional collateral.

Exposure to credit risk

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

	30 June 2010		30 June 2009	
	Statement of Assets and Liabilities	Maximum exposure	Statement of Assets and Liabilities	Maximum exposure
	----- (Rupees) -----			
Investments				
- Available-for-sale investments	946,770,884	430,040,250	2,740,942,954	1,581,102,604
- Held-to-maturity investments	-	-	111,734,023	-
Deposits and receivables	15,775,678	15,565,689	382,900,284	382,712,306
Bank balances	55,976,593	55,976,593	1,837,903,816	1,837,903,816
	<u>1,018,523,155</u>	<u>501,582,532</u>	<u>5,073,481,077</u>	<u>3,801,718,725</u>

Difference in the balances as per the Statement of Assets and Liabilities and maximum exposure is due to the fact that investments of Rs. 516,730,634 (2009: Rs. 1,271,574,373) and receivable of Rs. 209,989 (2009: Rs. 187,979) relates to investments in Government securities which are not considered to carry credit risk.

Credit ratings and Collaterals held

Credit risk arising on debt securities is mitigated by investing primarily in investment-grade rated instruments published by MUFAP (and as determined by Pakistan Credit Rating Agency or JCR-VIS). The Fund is required to follow the guidelines / restrictions imposed in its offering document and SECP in respect of minimum ratings prior to any investment, etc. Details of credit rating of investments in debt securities, bank balances (including their profit receivable) and other receivables as at 30 June 2010 are as follows:

Rating	2010 %	2009 %
AA+	15.19	6.94
AA	22.16	27.52
AA-	0.03	17.03
A+	7.09	3.28
A	18.73	11.80
A-	-	25.74
BBB-	15.30	0.48
Non investment grade	21.37	0.01
Others	0.12	7.20
	100	100

Details of securities held against investment in debt securities are mentioned in the note 6 to these financial statements.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors effect 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.

As at the reporting date, the Fund's total credit risk was concentrated in the following industrial / economic sectors:

	2010 %	2009 %
Banks	20.73	58.78
Financial Services	17.46	8.81
Personal Goods	9.04	3.55
Chemicals	10.43	17.11
Construction and Material	37.38	7.14
Technology and Communication	-	3.64
Others	4.95	0.97
	100	100

Settlement risk

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

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

Past due and impaired assets

None of the financial assets of the Fund are past due / impaired except as disclosed in notes 6.1.5, 6.3.1, 6.5.1 and 6.6 to these financial statements. Movement in provision against impaired debts are given in the note 6.10.

17.2 Liquidity risk

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

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

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

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

Maturity analysis for financial liabilities

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

	Carrying amount	Less than 1 months	1 month or above
	----- (Rupees) -----		
30 June 2010			
<i>Non-derivative liabilities</i>			
Remuneration payable to Management Company	123,883	123,883	-
Remuneration payable to Trustee	86,006	86,006	-
Annual fee payable to Securities and Exchange Commission of Pakistan	2,949,191	-	2,949,191
Creditors, accrued and other liabilities	<u>3,624,820</u>	<u>3,304,820</u>	<u>320,000</u>
	<u>6,783,900</u>	<u>3,514,709</u>	<u>3,269,191</u>
30 June 2009			
<i>Non-derivative liabilities</i>			
Remuneration payable to Management Company	6,057,361	6,057,361	-
Remuneration payable to Trustee	243,010	243,010	-
Annual fee payable to Securities and Exchange Commission of Pakistan	6,949,408	-	6,949,408
Creditors, accrued and other liabilities	31,480,356	31,135,556	344,800
Amount payable on redemption of units	15,211,097	15,211,097	-
	<u>59,941,232</u>	<u>52,647,025</u>	<u>7,294,208</u>

Above financial liabilities do not carry any mark-up.

17.3 Market risks

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

Management of market risks

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

The Fund is exposed to interest rate risk only.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fund's interest rate exposure arises on investment in debt securities, and profit and loss sharing bank balances. Fund's interest bearing assets carry fixed interest rates and mature within a period ranging from one month to four years except for the exposure in fixed rate instruments in Government securities. However to enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. The Fund monitors the interest rate environment on a regular basis and may also alter the portfolio mix of fixed and floating rate securities. Other risk management procedures are the same as those mentioned in the credit risk management.

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

<i>Fixed rate instruments</i>		2010	2009
Financial assets	<i>Rupees</i>	<u>516,730,634</u>	<u>3,124,549,247</u>
<i>Variable rate instruments</i>			
Financial assets	<i>Rupees</i>	<u>486,016,843</u>	<u>1,791,900,546</u>

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

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed rate financial instrument at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not effect the profit or loss.

A change of 100 basis points in interest rates of Government securities classified as available-for-sale would have increased or decreased the unit holders fund by Rs. 5.507 million (2009: Rs. 8.682 million).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased / decreased the loss / profit for the year and unit holders fund by Rs. 1.016 million (2009: Rs. 5.913 million). The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

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

30 June 2010	Profit / mark-up rates (%)	upto three month	three months to six months	six months to one year	above one year	Total
		----- (Rupees) -----				
Assets						
Bank balances	5 - 11.25	55,976,593	-	-	-	55,976,593
Investments	8 - 14.75	274,337,298	268,442,170	312,859,697	91,131,719	946,770,884
		<u>330,313,891</u>	<u>268,442,170</u>	<u>312,859,697</u>	<u>91,131,719</u>	<u>1,002,747,477</u>

None of the Fund's liability is subject to interest rate risk.

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30 June 2009	Profit / mark-up rates (%)	upto three month	three months to six months	six months to one year	above one year	Total
------(Rupees)-----						
Assets						
Bank balances	5 - 12.75	1,837,903,816	-	-	-	1,837,903,816
Receivables	13.60 - 14	225,869,000	-	-	-	225,869,000
Investments	8.29-17.38	1,125,045,019	456,057,585	1,159,840,350	111,734,023	2,852,676,977
		<u>3,188,817,834</u>	<u>456,057,585</u>	<u>1,159,840,350</u>	<u>111,734,023</u>	<u>4,916,449,793</u>

None of the Fund's liability is subject to interest rate risk.

17.4 Operational risks

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

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

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

17.5 Unit holder's fund risk management

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

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units and the Fund is not subject to any externally imposed minimum Fund maintenance requirement.

Fair value of financial instruments

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

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

<i>Available-for-sale investments</i>	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Term finance certificates and sukuk certificates	-	92,051,907	337,988,343	430,040,250
Government securities	-	516,730,634	-	516,730,634
	-	608,782,541	337,988,343	946,770,884

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

	30 June 2010 (Rupees)
Balance as at 01 July 2009	754,116,638
Amortisation of discount / premium for the year - net	9,888,601
Revaluation gain / (loss) for the year	3,461,608
Purchase during the year (at cost)	93,523,397
Redemption during the period	(15,880,195)
Sale during the year	(289,822,149)
Provision made during the year	(217,299,557)
Balance as at 30 June 2010	337,988,343

18. DISTRIBUTION

During the year, the Board of Directors of the Management Company, on 23 October 2009 and 19 February 2010, have approved a cumulative interim distribution of Rs. 202.207 million. These distributions were made from the distributable income available for the quarter and half year ended 30 September 2009 and 31 December 2009 respectively. However at the end of the year 30 June 2010, the fund incurred accumulated net loss of Rs. 64.209 million. As a consequence the undistributed income closed at a negative Rs. 120.008 million as on 30 June 2010.

In respect of the above matter, the management has obtained a legal advice which has opined that provisions contained in chapter VIIIA of the Companies Ordinance, 1984 and NBFRC regulations would prevail over section 249 of the Companies Ordinance, 1984 (section 249 states that no dividend should be paid by a company otherwise than out of profits of the company). It further states that the Fund suffered loss, a scenario which could not have been reasonably foreseeable, nor was it within the reasonable control of the management company. Moreover, the interim dividend was paid out of the profit of the Fund it had generated till that time. Hence, such declaration and payment would not be deemed as a violation of section 249 of the Companies Ordinance, 1984.

19. 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.

20. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by Board of Directors of the Management Company on August 17, 2010.

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

JS Income Fund

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

ANNEXURE I

(i) UNIT HOLDING PATTERN OF THE FUND

Category	30 June 2010		
	Number of unit holders	Number of units held	% of total
Individuals	446	4,123,409	36.31%
Associated Companies / Directors	5	2,205,525	19.42%
Insurance Companies	0	-	0.00%
Banks / Development Financial Institutions	1	483,525	4.26%
Non Banking Finance Companies	0	-	0.00%
Retirement Funds	63	3,326,042	29.29%
Others	22	1,217,156	10.72%
	537	11,355,656	100.00%

Category	30 June 2009		
	Number of unit holders	Number of units held	% of total
Individuals	629	6,261,349	13.09%
Associated Companies	6	8,593,647	17.97%
Insurance Companies	1	286,807	0.60%
Banks / Development Financial Institutions	8	21,243,673	44.42%
Retirement Funds	96	5,957,766	12.46%
Public Limited Companies	1	529,132	1.11%
Others	33	4,947,427	10.35%
	774	47,819,800	100.00%

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

30 June 2010	
	Percentage of commission paid %
JS Global Capital Limited	23.31
KASB Securities Limited	15.77
Global Securities Pakistan Limited	12.77
Alfalah Securities (Private) Limited	11.75
Invisor Securities (Private) Limited	10.95
BMA Capital Management Limited	9.95
Invest Capital & Securities (Private) Limited	5.20
Atlas Capital Markets (Private) Limited	4.62
Invest & Finance Securities (Private) Limited	2.18
Elixir Securities (Private) Limited	1.80

30 June 2009	
Name of broker	Percentage of commission paid %
Global Securities Pakistan Limited	27.24
JS Global Capital Limited	26.53
Arif Habib Limited	20.63
Live Securities (Private) Limited	6.63
Invisor Securities (Private) Limited	5.85
KASB Securities Limited	3.39
First Capital Securities Corporation Limited	2.58
Invest Capital & Securities (Private) Limited	1.42
IGI Finex Securities Limited	1.21
Invest & Finance Securities (Private) Limited	1.06

(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE

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

- **Mr. Rashid Mansur**
- **Mr. Suleman Lalani**
- **Syed Rehan Mobin (Fund Manager)**

Mr. Rashid Mansur- Chief Executive Officer

Mr. Rashid Mansur joined JS Investments Limited on April 1, 2010 as Chief Executive Officer. Prior to joining JSIL he was President and CEO of Escorts Investment Bank Limited and also served as the Chairman of the 'Investment Banks Association of Pakistan'. He is a qualified Associate of the Chartered Institute of Bankers London with specialization in 'International Banking Operations', 'Practice & Law of International Banking' and 'International Finance & Investment'.

He is a Fellow of the Institute of Bankers in Pakistan with over 26 years of Domestic and International Banking experience. He started his career with Habib Bank Limited in 1974 and served for 18 years on various management positions including 10 years in Turkey. In Pakistan, he has held various Board-level positions in both Private and Public Sector, such as President and CEO, 'Fidelity Investment Bank Limited', CEO 'Fidelity Leasing Modaraba', Director 'Security General Insurance Company Limited' and Chairman and CEO 'Board of Investment and Trade Punjab'.

During his tenure as Chairman and CEO of 'The Board of Investment and Trade', Government of Punjab and as Secretary General of Turkey 'Pakistan Business Council (Lahore Chapter)', he is credited with hosting and organizing various investment conferences abroad and rendered valuable services for the promotion of economic relations between Turkey and Pakistan. Besides English and Urdu, he speaks French and Turkish fluently.

Mr. Suleman Lalani – Executive Director

Mr. Lalani joined JSIL as CFO and Company Secretary in January 2005. He is a fellow member of the Institute of Chartered Accountants of Pakistan and has 18 years of experience in the financial services sector. Prior to joining JSIL, Mr. Lalani has also served as CFO and Company Secretary of a regulated microfinance institution for three years. Earlier he worked as Chief Operating Officer for Jahangir Siddiqui Investment Bank Limited and as Vice President - Finance & Legal with JSCL.

Mr. Lalani has also passed the Board Development Certificate Program conducted by Pakistan Institute of Corporate Governance. He is serving as a member of the Board of Directors of AI – Abbas Sugar Mills Limited.

Syed Rehan Mobin (Fund Manager)

Mr. Mobin joined JS Investments Limited in July 2007. He brings with him 9 years of highly specialized experience in the field of Debt and Equity Markets. Currently, he is looking after the JS Large Cap. Fund, JS Aggressive Income Fund and JS Principal Secure Fund I.

He is an MBA with majors in Finance. He has extensive exposure of Fixed Income and Equity Portfolio Management, Research and Risk Management. In his last assignment, he worked as Head of Fixed Income Funds at National Asset Management Company Limited. Prior to that, he was engaged in wealth management consultancy for high net-worth individual clients. He successfully structured and managed Fixed Income Hedge Portfolio worth PKR 2,500 million and an Equity Portfolio worth PKR 200 million. He started his professional career with Khadim Ali Shah Bukhari & Company Limited, where he managed Fixed Income and Money Market department.

iv) MANAGER OF THE FUND**Syed Rehan Mobin**

For details, refer note (iii) above

JS Income Fund

v) DIRECTOR MEETING ATTENDANCE

Name of directors	Meeting Attended	2010					
		07 Jul 09	21 Aug 09	29 Aug 09	23 Oct 09	26 Feb 10	24 Apr 10
Mr. Munwar Alam Siddiqui	6	1	1	1	1	1	1
Mr. Rashid Mansur - Incoming CEO	1	-	-	-	-	-	1
Mr. Suleman Lalani - Incoming Executive Director	1	-	-	-	-	-	1
Mr. Muhammad Najam Ali - Out going CEO	5	1	1	1	1	1	-
Mr. Ali Raza Siddiqui - Out going director	5	1	1	1	1	1	-
Mr. Nazar Mohammad Shaikh	6	1	1	1	1	1	1
Lt. General (Retd.) Masood Parwaiz	6	1	1	1	1	1	1
Mr. Sadeq Sayeed	2	-	1	1	-	-	-
Mr. Fayaz Anwar - Incoming Director	1	-	-	-	-	-	1
Mr. Siraj Ahmed Dadabhoy - Out going Director	-	-	-	-	-	-	-
Members attended		5	6	6	5	5	6

vi) FUND AND ASSET MANAGER RATING

The Pakistan Credit Rating Agency (PACRA) has assigned a stability rating of 'AA-(f)' (Double A Minus – Fund Rating) to the JS Income Fund. The fund's rating denotes a very low exposure to risk and very strong capacity to manage relative stability in returns.

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



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