



Atlas Islamic Income Fund

Atlas Islamic Stock Fund

ANNUAL REPORT

30 June 2013



Interlacing
Principles with High
Standards



at the Right Pace at the Right Place at the Right Time

It Takes Skill to
Master the Game



Managed By

Atlas Asset Management

Rated AM2- by PACRA

Company Profile

Atlas Asset Management Limited (AAML), an Atlas Group Company, was incorporated on 20 August 2002 and is registered with the Securities and Exchange Commission of Pakistan as an asset management company for managing open-ended funds and closed-end funds. AAML is also a licensed pension fund manager to manage voluntary pension funds. The mutual funds are regulated under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008). The voluntary pension funds are regulated under the Voluntary Pension System Rules, 2005 (VPS Rules 2005). AAML manages assets on behalf of retirement funds, welfare organizations, insurance companies, multinationals, NBFCs, and individuals.

AAML is a wholly owned subsidiary of Shirazi Investments (Pvt.) Limited (SIL). As the parent company, SIL sponsors Atlas Group projects and is also engaged in the business of equity trading, underwriting, real estate, and general trading. Atlas Group is a diversified group dealing in engineering, financial services and trading. The growth of SIL, and the Atlas Group as a whole, is the result of continued focus on good corporate governance.

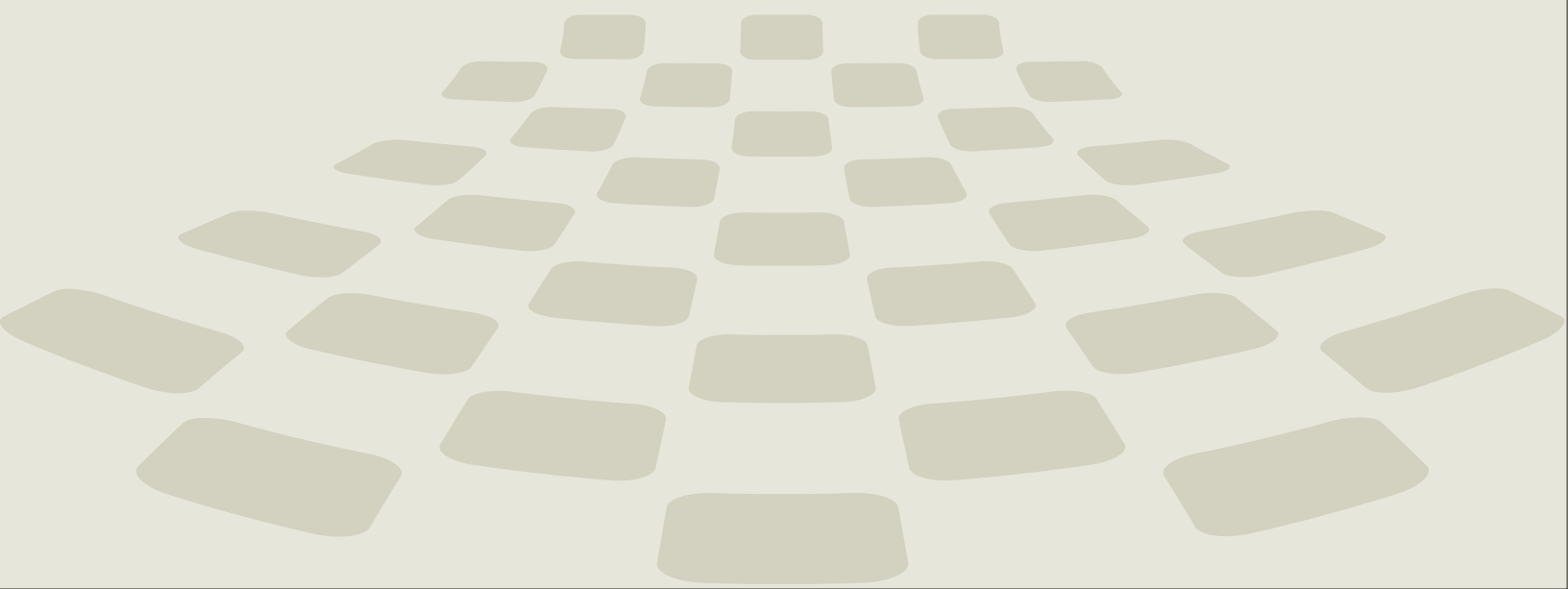
Atlas Funds are well designed and carefully managed mutual funds that facilitate the investment needs of corporations, retirement funds and individual investors. The Atlas Funds family includes six open ended mutual funds - Atlas Money Market Fund, Atlas Income Fund, Atlas Stock Market Fund, Atlas Islamic Income Fund, Atlas Islamic Stock Fund and the latest entrant to the Atlas Funds' family is the Atlas Gold Fund, a commodity fund launched subsequent to year end in July 2013. The only closed end fund managed by the Company, Atlas Fund of Funds, as per the decision of the certificate holders and the approval of the Securities & Exchange Commission of Pakistan, has been revoked.

Atlas Funds also offers Administrative Plans derived from the underlying mutual funds the Company offers. The Plans are designed to suit the investors' risk profiles. These include the Income Multiplier Plan, Balanced Plan and Growth Plan between the Atlas Income Fund and Atlas Stock Market Fund, as well as between Atlas Islamic Income Fund and Atlas Islamic Stock Fund, and the Systematic Payout and Systematic Withdrawal Plan under the Atlas Islamic Income Fund.

Atlas Pensions is a comprehensive savings product established under the VPS Rules, 2005, with numerous advantages over existing occupational retirement schemes, in particular the provident fund. Inter alia, the VPS Schemes offer individualized asset allocation, portability, tax advantages (which can be availed up-front) and an in-built insurance wrap. Atlas Pensions offers two products: Atlas Pension Fund (APF) and Atlas Pension Islamic Fund (APIF), a Shariah Compliant pension fund. In the conventional fund, i.e. Atlas Pension Fund, the APF - Gold Sub Fund has been launched in July 2013, being the fourth sub fund providing the participants another avenue for attractive returns.

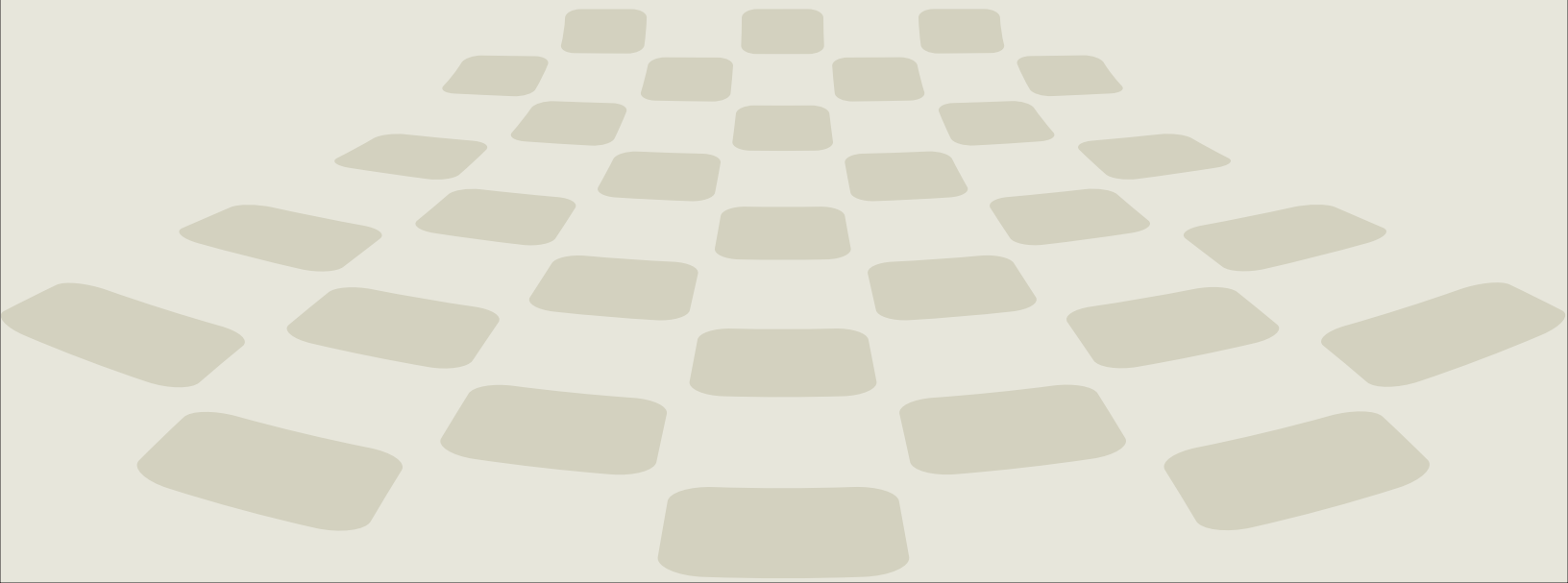
AAML has been assigned an asset manager rating AM2- by the Pakistan Credit Rating Agency Limited (PACRA). The rating denotes the Company's very strong capacity to manage the risks inherent in asset management and meets very high investment management industry standards and benchmarks.

AAML strives to be a market leader in providing quality fund management services with customer satisfaction as its aim, and is consistently committed to offering its investors the best possible returns on a diverse range of products, meeting not only the customer's current requirements but also exceeding their future expectations. Moreover, with its strong emphasis on systems and controls, quality human resource and backing of Atlas Group, AAML enjoys a distinct advantage.



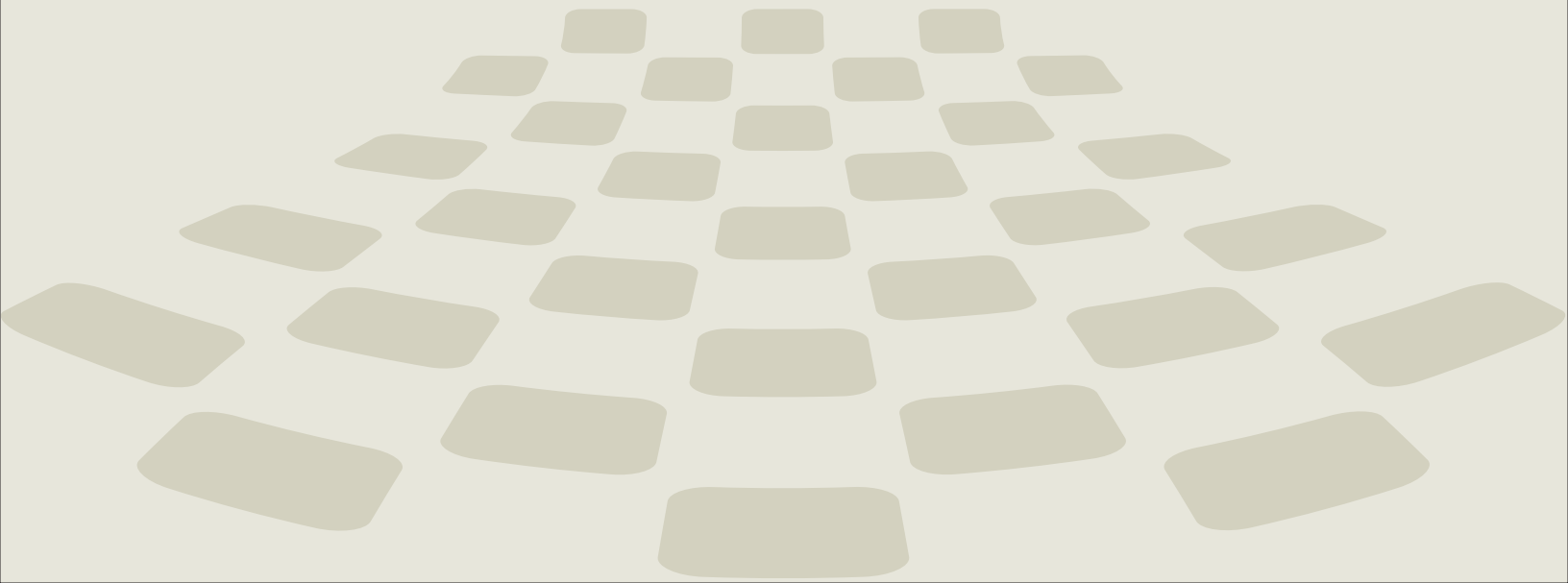
Vision

To be a market leader in providing quality fund management services with customer satisfaction as our premier goal.



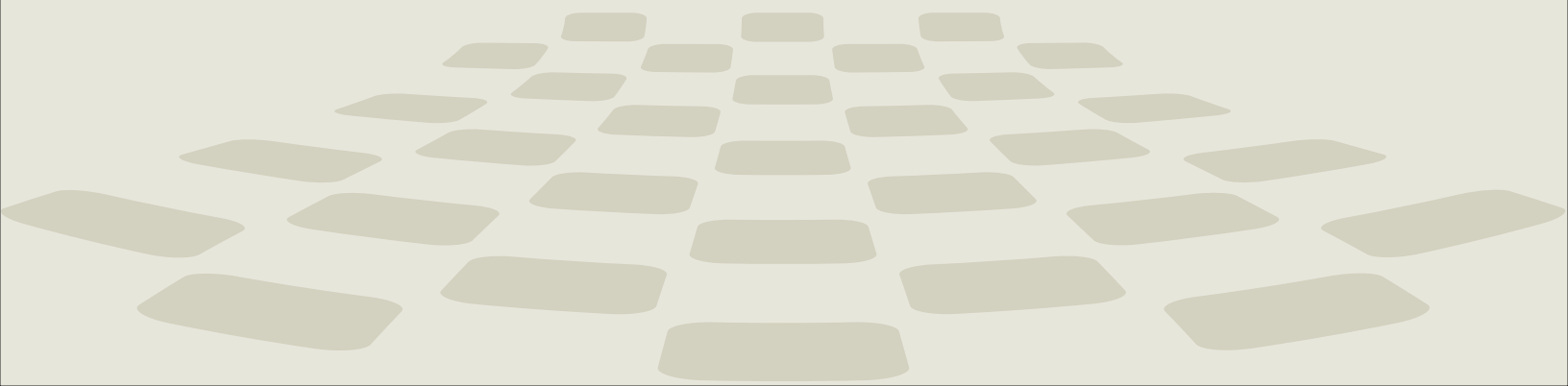
Mission

We are committed to offering our investors the best possible returns on a diverse range of products; to meeting not only the customers' current and future requirements, but also exceeding their expectations. We aim to be the company with which people prefer to do business. We are committed to providing a stimulating and challenging environment in which all our people can be valuable contributors to the achievement of our vision, while achieving career progression and job satisfaction. We recognize that our success comes from our people. We are committed to the highest ethical and fiduciary standards and firmly believe that by placing the best interests of our clients first, we will also serve the best interest of our employees, our shareholders, and the communities in which we operate.



Contents

Organisation	05	Atlas Islamic Stock Fund	
Board of Directors of the Management Company	06	Corporate Information	55
Chairman's Review	08	Fund Manager's Report	56
Directors' Report	12	Performance since inception	59
Atlas Islamic Income Fund		Statement of Compliance with the Code of Corporate Governance	60
Corporate Information	17	Trustee Report to the Unit Holders	62
Fund Manager's Report	18	Review Report to the Unit Holders on the Statement of Compliance with the best practices of Code of Corporate Governance	63
Performance since inception	21	Review Report of the Shariah Advisor	64
Statement of Compliance with the Code of Corporate Governance	23	Independent Auditors' Report to the Unit Holders	65
Trustee Report to the Unit Holders	25	Statement of Assets and Liabilities	66
Review Report to the Unit Holders on the Statement of Compliance with the best practices of Code of Corporate Governance	26	Income Statement	67
Review Report of the Shariah Advisor	27	Statement of Comprehensive Income	68
Independent Auditors' Report to the Unit Holders	28	Distribution Statement	69
Statement of Assets and Liabilities	29	Statement of Movement in Unit Holders' Fund	70
Income Statement	30	Cash Flow Statement	71
Statement of Comprehensive Income	31	Notes to the Financial Statements	72
Distribution Statement	32		
Statement of Movement in Unit Holders' Fund	33		
Cash Flow Statement	34		
Notes to the Financial Statements	35		



Organisation

Management Company

Atlas Asset Management Limited

Board of Directors of the Management Company

Chairman	Mr. Yusuf H. Shirazi (Non-Executive Director)
Directors	Mr. Azam Faruque* (Independent Director) Mr. Shamshad Nabi* (Independent Director) Mr. Frahim Ali Khan (Non-Executive Director) Mr. Arshad P. Rana (Non-Executive Director) Mr. Ali H. Shirazi (Non-Executive Director)

* with effect from 30 October 2012

Chief Executive Officer Mr. M. Habib-ur-Rahman
(Executive Director)

Company Secretary Ms Lilly R. Dossabhoy

Board Committees

Audit Committee

Chairman Mr. Azam Faruque*
Members Mr. Shamshad Nabi*
Mr. Frahim Ali Khan

Secretary Ms Qurrat-ul-Ain Jafari

* with effect from 30 October 2012

Human Resource & Remuneration Committee

Chairman Mr. Frahim Ali Khan
Members Mr. M. Habib-ur-Rahman
Mr. Ali H. Shirazi
Secretary Mr. Mohsin Ali Khan

The above information is as at 20 September 2013.

Investment Committee

Chairman Mr. M. Habib-ur-Rahman
Members Mr. Ali H. Shirazi
Mr. Muhammad Abdul Samad
Mr. Khalid Mahmood
Mr. Muhammad Umar Khan
(Secretary)
Mr. Fawad Javaid*

* with effect from 5 April 2013

Management Committee

Chairman Mr. M. Habib-ur-Rahman
Members Ms Lilly R. Dossabhoy
Mr. Muhammad Abdul Samad
Mr. Abbas Sajjad

Secretary Mr. M. Irfan Dhedhi

Risk Management Committee

Chairman Mr. Muhammad Abdul Samad
Members Mr. Khalid Mahmood
Ms Qurrat-ul-Ain Jafari
Mr. Muhammad Umar Khan

Secretary Ms Zainab Hussain

Chief Internal Auditor

Ms Qurrat-ul-Ain Jafari

Registered Office

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Sharae Firdousi, Clifton, Karachi - 75600
Tel: (92-21) 111-MUTUAL (6-888-25)
(92-21) 35379501-04
Fax: (92-21) 35379280
Email: info@atlasfunds.com.pk
Website: www.atlasfunds.com.pk

Board of Directors of the Management Company

Mr. Yusuf H. Shirazi

Chairman

Mr. Shirazi is a Law graduate (L.L.B) with BA (Hons) and JD (Diploma in Journalism) Punjab University and AMP Harvard. He served in the Financial Services of the Central Superior Services of Pakistan for eight years. He is the author of five books including 'Aid or Trade' adjudged by the Writers Guild as the best book of the year and continues to be a columnist, particularly on economy. Mr. Shirazi is the Chairman of the Atlas Group, which among others, has joint ventures with GS Yuasa International, Honda Motor Company and MAN, to name a few. He has been the president of Karachi Chamber of Commerce and Industries for two terms. He has been on the Board of Harvard Business School Alumni Association and is the Founder President of Harvard Club of Pakistan and Harvard Business School Club of Pakistan. He has been visiting faculty member of National Defence University, National School of Public Policy and Naval War College. He has been on the Board of Governors LUMS, GIK and FC College. Previously, he also served on the Board of Fauji Foundation Institute of Management and Computer Sciences (FFIMCS) and Institute of Space Technology - Space and Upper Atmosphere Research Commission (SUPARCO).

Mr. Azam Faruque

Director

Mr. Azam Faruque is a Graduate in Electrical Engineering and Computer Sciences from the Princeton University, USA, and an MBA (High Honours) from the University of Chicago, Booth School of Business, USA. He is the Chief Executive of Cherat Cement Company Limited. He has served as a member on the Boards of the State Bank of Pakistan, National Bank of Pakistan, Oil & Gas Development Company Limited, Privatization Commission of Pakistan, and on the Board of Governors of the GIK Institute. He was also a member, of the National Commission on Science and Technology. Presently, he is on the Board of Directors of Faruque (Pvt.) Limited, Madian Hydro Power Limited, and International Industries Limited. He is also a Member of the National Committee of the Aga Khan Foundation.

Mr. Shamshad Nabi

Director

Mr. Shamshad Nabi is a Chartered Accountant by profession. He is a Fellow of the Institute of Chartered Accountants of England & Wales and Institute of Chartered Accountants of Pakistan. He has also completed his MBA in Finance from the University of Wales in the UK. Mr. Nabi has over 40 years working experience in the UK, Saudi Arabia and Pakistan mostly in asset management and development banking. He has had a long association with the Mutual fund industry in Pakistan, having served the NIT from 1966 to 1980 including the last four years as the NIT's Deputy Managing Director. He was the first Chief Executive Officer of the Mutual Funds Association of Pakistan from August 2007 to July 2012. During his association with the NIT, Mr. Nabi served on the Board of Directors of a large number of listed companies including ICI Pakistan Limited, Siemens Pakistan Limited, former Reckit & Colman of Pakistan Limited, Premier Tobacco Company Limited and Gul Ahmed Textiles Mills Limited besides many others. He has also served on the Board of Directors of the Karachi Stock Exchange. From 1980 until the end of 2002, Mr. Nabi worked for the Islamic Development Bank in Jeddah, Saudi Arabia for almost the entire period in the Grade of Director in the Treasury & Finance Department, Business Development Department and the Trade Finance Department. He has also worked for The Citizens Foundation in an Honorary capacity for four years as Advisor.

Mr. Frahim Ali Khan

Director

Mr. Frahim Ali Khan has over 46 years of experience in General Management, Finance, Investment and Taxation. He graduated in Commerce from the Karachi University in 1965 and also obtained a degree in law from the same University. He has also attended the Senior Managers' Program from Harvard University, USA, Financial Management from Stanford University, USA, and General Management Program from Insead University, France. He joined the Atlas Group in 1967 and has served in different senior positions. Currently, his other directorships include Atlas Insurance Limited, Atlas Engineering Limited, Atlas Power Limited, Shirazi Trading Company (Pvt.) Limited, Atlas Hi-Tech Limited, Atlas Autos (Pvt.) Limited, Atlas Metals (Pvt.) Limited and Atlas Foundation. Earlier, he has also served on the Boards of Atlas Honda Limited and Atlas Battery Limited, and has been the CEO of Shirazi Investments (Pvt.) Limited, Shirazi Trading Company (Pvt.) Limited, and former Atlas Investment Bank Limited.

Board of Directors of the Management Company

Mr. Arshad P. Rana

Director

Mr. Arshad P. Rana is a graduate from Government College, Lahore; B.S. in Insurance & Economics from Iran and MBA from USA. He is a senior expert in insurance industry and has been affiliated with Atlas Insurance Limited, an associate company of the Atlas Group since 1991; first as General Manager and then as Chief Operating Officer before being appointed as the Chief Executive Officer of the company in March 2004. In his professional career that spans over 35 years, he has worked in Iran, USA and Middle East. Since his appointment to this position, Mr. Rana has been managing the company affairs with a professional approach having the vision to make Atlas Insurance Limited as one of the best performing companies in the market. Under his leadership, Atlas Insurance Limited has won several awards in the financial sector. Mr. Rana has been the Chairman, Insurance Association of Pakistan (IAP), Lahore Regional Committee in 2002-2003 and Vice Chairman, Central Committee (IAP) in the year 2004-2005 prior to becoming the Chairman, Insurance Association of Pakistan in 2005-2006.

Mr. Ali H. Shirazi

Director

Mr. Ali H. Shirazi graduated in Political Science from Yale University, U.S.A. in 2000 and thereafter completed his Masters in Law from Bristol University, U.K. in 2005. He has worked with the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California. He is an Atlas Group Director, and is responsible for Group's financial services. He is also on the Boards of Atlas Insurance Limited, Atlas Engineering Limited, Shirazi Investments (Pvt.) Limited, Shirazi Trading Company (Pvt.) Limited, Atlas Metals (Pvt.) Limited, Techlogix International Limited, Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (as alternate director), and National Management Foundation (sponsoring body of LUMS).

Mr. M. Habib-ur-Rahman

Chief Executive Officer

Mr. M. Habib-ur-Rahman is an FCA from the Institute of Chartered Accountants of England & Wales and has attended the management level programme (PMD) from Harvard Business School, USA. He has been a founding member and past Chairman / Director of the Mutual Funds Association of Pakistan. He played an instrumental role in setting up the first open-end mutual fund in the private sector in Pakistan. He has been SECP's nominee on the Board of Karachi Stock Exchange in 2000, 2001, & 2003, and has also been a member of the Commission's Advisory Group on Capital Markets, and the Commission's Enquiry Committee on management of Exposure Rules by KSE / LSE.

Chairman's Review

It is my pleasure to present to you the Annual Reports of Atlas Islamic Income Fund and Atlas Islamic Stock Fund for the year ended 30 June 2013.

THE ECONOMY

The economy of Pakistan has performed reasonably well in FY 2012-13, as inflation declined to single digit; and on the external side, exports managed to remain at last year's level, whereas remittances showed strong growth. CPI inflation for the FY 2012-13 averaged at 7.4% as against 10.9% recorded in FY 2011-12. The SBP lowered its policy rate by a cumulative 300 basis points (bps) to 9% during FY 2012-13. Lower than expected inflation allowed the State Bank of Pakistan (SBP) to focus on encouraging private investment expenditures in the economy along with promoting economic growth and price stability. Overseas Pakistanis remitted an amount of US\$ 13.92 billion during the FY 2012-13, showing a growth of 5.6%, compared with US\$ 13.18 billion received during the same period of FY 2011-12.

Exports during FY 2012-13 were US\$ 24.5 billion, as compared to US\$ 23.6 billion in FY 2011-12. Imports grew by 0.08 % and stood at US\$ 44.95 billion during FY 2012-13. The current account deficit stood at US\$ 1.95 billion in FY 2012-13, which was largely because of the increase in trade deficit. Remittances increased to record US\$ 13.92 billion during FY 2012-13, as compared to US\$ 13.18 billion for the previous year. Pakistan's foreign exchange reserves stood at US\$ 11 billion at the end of June 2013 compared to US\$ 15.3 billion at the end of June 2012.

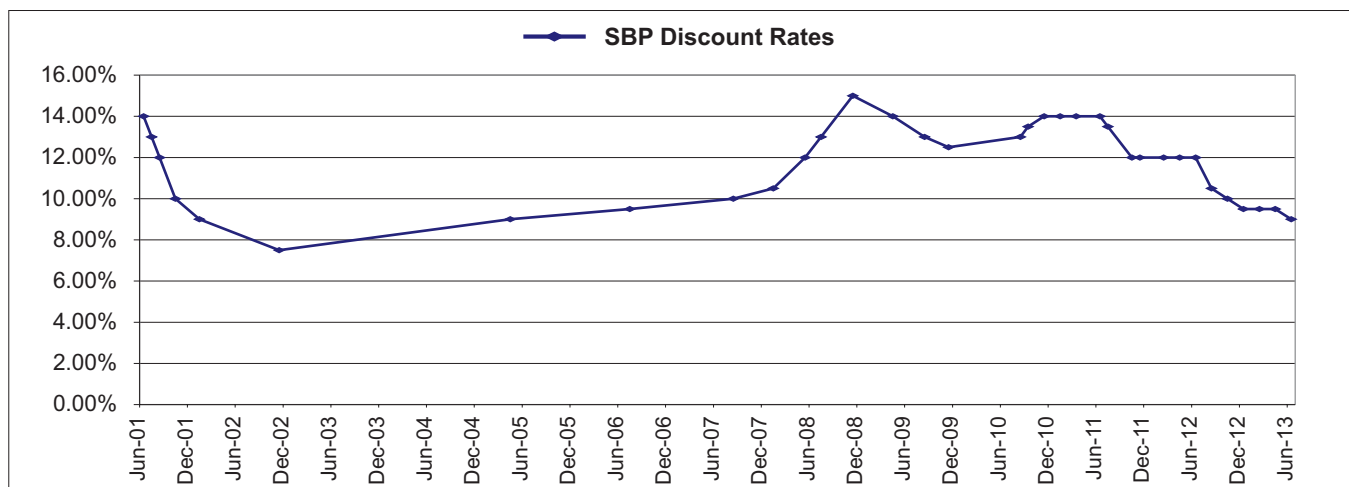
CPI was 7.4% during FY 2012-13, as compared to 11% for the previous year. The downward trend in inflation during the FY 2012-13 was largely due to better supply position of food and nonfood items, resulting in an easing of domestic prices. The global commodity prices also witnessed a decline. Food and non-food inflation averaged 7.1 % and 7.5% respectively in FY 2012-13 against 11% each in the same period of FY 2011-12. A growth of 17.21% was witnessed in the M2 (money supply) during FY 2012-13, as compared to 14.14% growth during the previous year. In FY 2012-13, M2 witnessed acceleration as compared to corresponding period last year, which was primarily due to increase in borrowings from scheduled banks.

Real GDP growth for FY 2012-13 stood at 3.6%, as compared to a growth of 4.4% in the preceding year (after rebasing the National Accounts at constant prices of 2005-06). The Agriculture sector recorded growth of 3.3% against previous year's growth rate of 3.5%. The Large Scale Manufacturing (LSM) recorded a growth of 4.26% against 1.49% last year. Overall, the commodity producing sectors and especially the Services sector have performed better. The Services sector recorded growth of 3.7% in FY 2012-13.

THE MONEY MARKET

The Consumer Price Index (CPI) on average was recorded at 7.4% during FY 2012-13, as compared to 11% for the FY 2011-2012. The highest increase was in July 2012 at 9.6% and the lowest was in May 2013 at 5.1%. The inflationary trend in the economy remained subdued during FY 2012-13. Food and non-food inflation followed almost the overall inflationary trends as a result of better supply situation domestically and decline in international commodity prices. Food inflation reflected improved supply while deceleration in non-food inflation stemmed mainly from decreased prices of gas and fuel related component and absence of increase in electricity tariff.

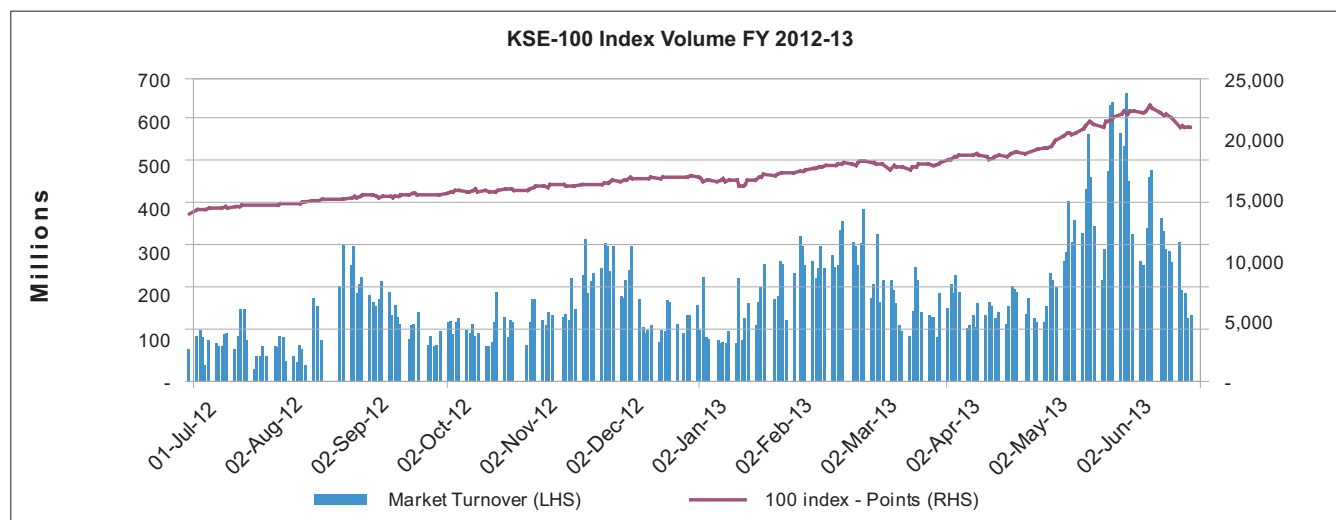
During FY 2012-13, money supply (M2) increased by 17.31% against the growth of 14.14% in the comparable period last year on account of improvement in Net Foreign Assets (NFA), rise in Net Domestic Assets (NDA), and credit off take by the Public



Sector Enterprises (PSEs). The improvement in NFA however, was mainly on account of realization of US\$1.8 billion under the Coalition Support Fund (CSF) during the first half of FY 2012-13. Despite some improvement, NFA remained under great pressure due to decline in foreign exchange reserves on account of debt repayment to IMF since February 2012. The current policy rate stance has been largely supportive of the dual objective of promoting economic growth and price stability, along with the revival of credit to private sector. During the first half of FY 2012-13, the policy rate was reduced by cumulative 250 basis point (bps) to 9.5% on account of positive inflationary outlook together with a retirement of fiscal borrowing from SBP and improvement in the external current account deficit in October 2012. While keeping in view the major risks to medium term inflation outlook, the SBP decided to keep the policy rate unchanged at 9.5% until 21 June 2013. The policy rate was reduced by another 50 basis points (bps) on 21 June 2013 to 9% due to evolving positive sentiments in the economy and lower than targeted average inflation.

THE STOCK MARKET

The KSE - 100 index has increased from 13,801.41 points as on 29 June 2012 to 21,005.69 points as on 28 June 2013, showing a growth of 52.2%. In the month of May 2013 alone, the KSE - 100 index increased by 15% as the market reached 21,823.05 points from the level of 18,982.42 points, at the start of the month. The increase in the index was in anticipation of resolution of circular debt, structural reforms in the power sector and the expected initiative by the new government in Public Sector Development projects. Foreign Portfolio Investment during the FY 2012-13 stood at US\$ 558 million (including Unilever buyback) that also helped the market to perform well. Top performing sectors during the period were Cement, Textile, Food, and Electricity. The average daily trading volume increased to 201 million shares during the FY 2012-13 as compared to 130 million shares in FY 2011-12.



During the period under review, the cement sector has depicted strong earnings growth due to better prices, higher dispatches and lower coal prices that helped in lowering the cost of production. Textile sector also showed a stellar performance as spinning units' profitability increased manifold. This was due to surge in yarn exports to China, as the Chinese government imposed a support price of raw cotton in their local market making yarn production expensive in the Chinese market, resulting in increased exports from Pakistan. Food Producers sector also performed well during the year, driven by sales growth and future expectations. Electricity sector towards the end of the fiscal year gave hefty returns in anticipation of resolution to the circular debt issue.

The budgetary measures carried an overall positive tone for the business activity. The corporate tax rate for non-banking companies has been reduced to 34% from 35% for tax year 2014, while it is envisioned to be brought down by 1% annually to 30%. Going forward, Cement, Electricity, Oil and Gas sectors are expected to benefit by proposed boost in infrastructure spending, and commitments to alleviate cash flows of the energy chain. The banking sector is expected to witness a decline in profitability because of a further cut in discount rate in June 2013 that would affect banking spreads. Pakistan's equity market is currently trading at attractive PE multiples of 7.71x for FY 2013-2014 and has a dividend yield of 6.5%, thus having a strong potential to yield an attractive return.

MUTUAL FUND INDUSTRY

Local mutual fund industry with Rs.362 billion in assets under management as on 30 June 2013 witnessed a negative growth of 5% since 30 June 2012. Money Market Funds constituted Rs.131 billion of total assets under management followed by equity funds category at Rs.77 billion. Among the major categories, the Islamic Equity Funds led the industry, in terms of percentage growth of 77% whereas large outflows were witnessed in the Income Fund and Money Market Fund categories. On the closed

End funds' side, in compliance with Non-Banking Finance Companies and Notified Entities Regulations 2008, the asset management companies managing Closed End Funds sought approval of the certificate holders or shareholders, as the case may be, to convert the fund into an Open End Scheme or revoke the Closed End Scheme or wind up the Investment Company. Most of the closed end schemes decided to convert into open-ended schemes/ revoke.

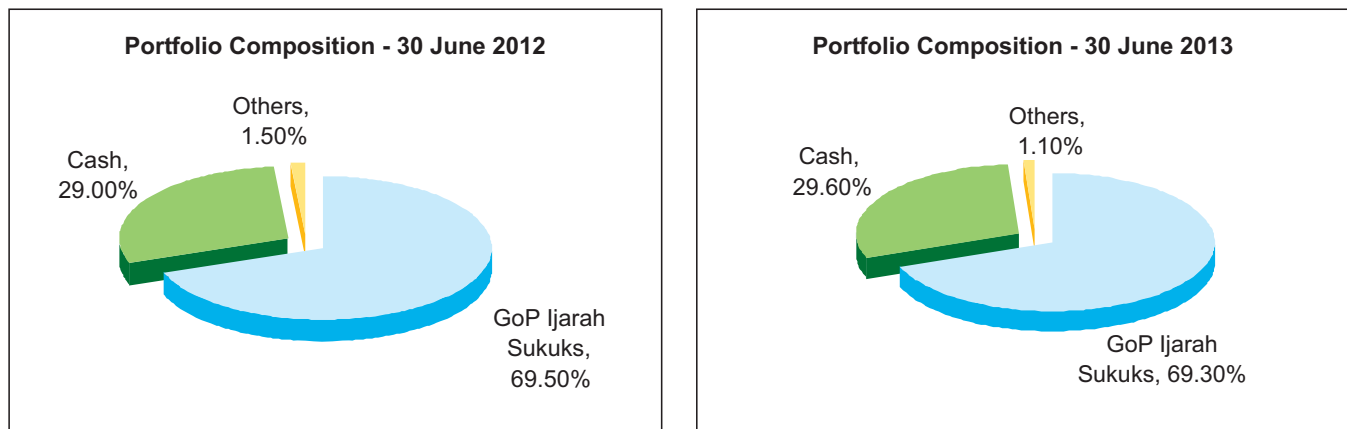
On budgetary measures, the following amendments related to mutual fund industry were introduced in the Income Tax Ordinance 2001 through Finance Bill, 2013, which was later adopted by the National Assembly of Pakistan.

- Tax on dividend received by banking companies from Money Market Funds and Income Funds to be @ 25% for tax year 2014 onwards as against the previous decision to increase the rate to 35%.
- The Finance Act, 2013 introduced federal excise duty on asset management services @ 16%.

During the year, the SECP, via Circular No.32 of 2012 has introduced the category of Commodities Funds in mutual funds. This category of fund will seek to invest at least 70% of the Net Assets in commodity or Commodity futures contracts based on quarterly average investments calculated on daily basis. A new fund was launched during the period in the Commodities category. Atlas Asset Management Limited also decided to introduce a Commodities fund, "Atlas Gold Fund" in this category, which was launched on 15 July 2013.

FUND OPERATIONS - AIIF

The Net Asset Value per unit of Atlas Islamic Income Fund has increased by 8.65% to Rs.502.31 as on 30 June 2013, which includes interim payouts of total Rs.42 per unit. The benchmark average six months profit rate of three Islamic Banks stood at 6.91% for the period under review. The AIIF's total exposure in Government of Pakistan Ijarah Sukuks was 69.3%, deposits with high yielding Shariah compliant banks was 29.6% and remaining 1.1% in others. The Net Assets of the Fund stood at Rs.526.08 million, with 1.05 million units outstanding as of 30 June 2013.



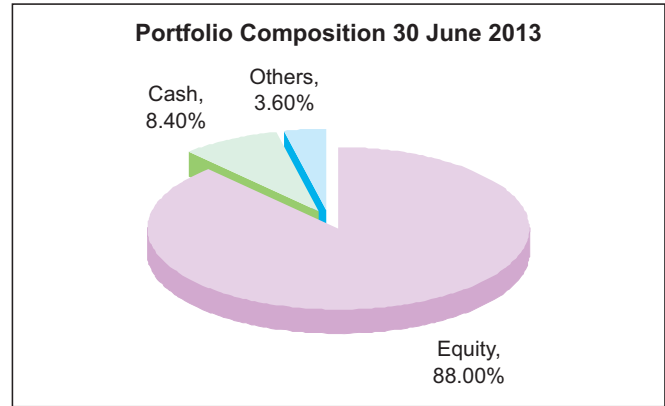
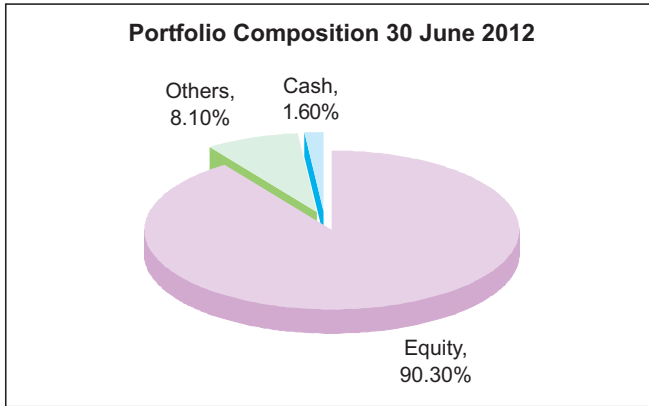
The Investment Committee of Atlas Asset Management Limited, the Management Company of AIIF, under the authority delegated by the Board of Directors of the Company has approved an interim bonus distribution of Rs.10.75 per unit (2.15% on the face value of Rs.500 per unit) in their meeting held on 27 June 2013. This is in addition to the aggregate Interim Bonus Distribution of Rs.31.25 per unit (6.25% on the face value of Rs.500 per unit) respectively, already distributed. The total bonus distribution for the FY 2012-13 is Rs.42 per unit.

The Scheme has maintained provisions against WWF liability of Rs.3,325,956. If the same were not made, the NAV per unit/return of the Scheme would be higher by Rs.3.18/0.63%. For details please refer to note 11.3 of the financial statements.

FUND OPERATIONS - AISF

The Net Asset Value per unit of Atlas Islamic Stock Fund has increased by 48.67% to Rs.483.55 as on 30 June 2013. The benchmark KMI-30 index increased by 54.41% during the same period. The KMI - 30 index increased from 23,776 points as on 30 June 2012 to 36,713 points as on 30 June 2013. AISF strategy will continue to focus on dividend plays and stocks which are trading at relatively cheap multiples with earning growth prospects. AISF's equity portfolio exposure was mainly in Oil & Gas, Electricity, Construction and Chemical sectors.

The Net Assets of the Fund stood at Rs.974.61 million, with 2.02 million units outstanding as of 30 June 2013. AISF's Net Capital Gain for the period under review stood at Rs.148.71 million. The Dividend Income and Income from Shariah Compliant Bank Deposits for the period under review stood at Rs.51.99 million and Rs.3.45 million respectively.



The Scheme has maintained provisions against WWF liability of Rs.13,102,880. If the same were not made, the NAV per unit/return of the Scheme would be higher by Rs.6.5/1.34%. For details please refer to note 10.4 of the financial statements.

RATINGS

ASSET MANAGER RATING

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of Atlas Asset Management Limited (AAML) at "AM2-" (AM Two Minus). The rating denotes the Company's very strong capacity to manage the risks inherent in asset management and meets very high investment management industry standards and benchmarks.

FUND STABILITY RATING - AIIF

PACRA has assigned a stability rating of "AA- (f)" (Double A Minus - Fund rating) to the Fund. The Fund's rating denotes a very strong capacity to manage relative stability in returns and low exposure to risks.

STAR RANKING - AISF

PACRA has assigned a "5 Star" short term ranking to the Fund, and a long term "4 Star" ranking, for FY 2011-12. The short term ranking is based on performance during the trailing twelve months period, whereas long-term star ranking is based on performance during the trailing thirty six months.

FUTURE OUTLOOK

Pakistan's current economic situation requires a need for initiating fiscal reforms. Meaningful fiscal consolidation would require prudent spending and efforts to increase tax revenues. Significant reduction in spending can be achieved by rationalizing power tariffs and restructuring loss-making Public Sector Enterprises (PSEs). As a strategy to reduce the domestic debt servicing burden, the government should move away from bank borrowing, which is short-term and costly. On the revenues side, the tax net needs to be widened along with removal of tax exemptions, and leakages in the tax collection need to be plugged. The external outlook remains challenging, with scheduled repayments to the IMF in the short to medium term impacting the foreign exchange reserves. In this regard, re-entry into IMF program would prove beneficial for the economy and provide support to the country's external account.

The Funds are committed to prudent investment procedures and will continue to provide consistent long term returns to the investors.

پرواز ہے دونوں کی اسی ایک فضا میں

کرگس کا جہاں اور ہے شاہین کا جہاں اور

(Let us continue to fly our flag high)

ACKNOWLEDGEMENT

I would like to thank the Securities and Exchange Commission of Pakistan, the Board of Directors, and the Group Executive Committee for their help, support and guidance. I also thank the financial institutions and the unit holders for their help, support and the confidence reposed in the Fund and the Chief Executive Officer, Mr. M. Habib-ur-Rahman and his management team for their hard work, dedication, and sincerity of purpose.

Karachi: 10 September 2013

Yusuf H. Shirazi
Chairman

Directors' Report

The Board of Directors of Atlas Asset Management Limited, the Management Company of Atlas Islamic Income Fund (AIIF) and Atlas Islamic Stock Fund (AISF), take pleasure in presenting the Annual Reports of the AIIF and AISF along with the audited financial statements and Auditors' Reports thereon for the year ended 30 June 2013.

MANAGEMENT'S REVIEW

FY 2012-13 spelt out certain important milestones for Atlas Asset Management Limited (The Company). Aggregate AUM of the Company as at 30 June 2013 was Rs.9.59 billion, starting from an AUM base of Rs.7.93 billion, recording a growth of 20.9%, as against 5.2% negative growth in overall AUM of mutual and pension funds across the industry. During the year, in the prestigious Thomson Reuters Lipper Report, three of Atlas Equity Funds, viz. Atlas Stock Market Fund, and the Equity Sub Funds of APF and APIF were named in the Top 100 best performing equity funds of the world, out of over 27,000 managed funds tracked globally.

In the last quarter, the Company expanded its scope to the Commodities market arena and obtained approval for the launch of Atlas Gold Fund from the Securities & Exchange Commission of Pakistan (the Commission). The fund was launched for public subscription on 15 July 2013. The Company also sought approval of the Commission for introduction of a Gold Sub Fund in the Atlas Pension Fund, and on 16 July 2013, launched a Gold Sub Fund within the umbrella of Voluntary Pension Schemes.

Highlights of the major operational activities during the year under review are given below:

RISK MANAGEMENT

The Risk Management (RM) function of the Company, based on Enterprise-wide Risk Management (ERM), is implemented at all levels of management to enable identification of potential risks that the Company or the funds may be exposed to, and the steps that may be taken to mitigate and manage those risks. The RM Committee reports its findings to the Management Committee of the Company, enabling all the Heads of Department to give their input to the findings or recommendations and for necessary measures to mitigate or manage any risks. For every Fund managed by the Company, the risk profile is managed as per the NBFC Rules, 2003, the NBFC Regulations, 2008, and the Investment Mandates of each fund. The RM Committee reports its findings to the Investment Committee, which advises further measures that may be necessary to mitigate any risks. During the year under review, thirty-six meetings of RM Committee were held.

INVESTOR SERVICES

The Company places highest importance to providing top class investor services. Towards the facilitation of investors, during FY 2012-13, two new value added services in the form of transaction alerts and requests for balances were implemented, besides emailing of monthly account statements to investors. In the year ahead, the Company intends to further enhance its value added services to investors, through the use of IT.

CORPORATE GOVERNANCE

Corporate governance, ethics, and good business practices are an integral part of the Atlas Culture, followed by all the Atlas Group Companies. In the previous year, the Board had approved the Code of Conduct for the Company. This Code of Conduct, which is available on the Company's website, defines the obligations and responsibilities of all - the Board members, the employees, and the Company towards the various stakeholders, each other, and the society as a whole.

CORPORATE SOCIAL RESPONSIBILITIES (CSR) & DONATIONS

As per the CSR / Donations Policy of the Company approved by the Board, each year, the Company makes a contribution of 1% of the Management Company's after tax profit to donations. In addition, the Shariah Compliant Atlas Islamic Stock Fund, and Atlas Pension Islamic Fund, as per their Constitutive documents, are required to purify their Shariah Non Compliant (Haram) income from the Fund. Such income, in accordance with the certification by the Shariah Advisor of these funds, is also donated to charitable institutions approved by the Shariah Advisor, on quarterly basis.

EARNINGS PER UNIT, NET ASSETS AND SALES/REDEMPTIONS SUMMARY

Earnings per unit, net assets, and summary of sales / redemption of units of the AIIF and AISF for the year ended 30 June 2013 are as follows:

	AIIF		AISF	
	2013	2012	2013	2012
Earnings per unit - Rupees	44.67	46.56	158.69	84.02
Net assets - Rupees million	526.08	462.31	974.61	510.95
Sales - Rupees million	347.09	215.29	753.50	482.83
Sales - in units	679,541	421,306	1,866,935	1,382,710
Redemptions - Rupees million	324.82	167.91	562.32	398.82
Redemptions - in units	637,720	330,177	1,422,403	1,113,247
Units outstanding at year end	1,047,317	920,985	2,015,536	1,317,773

INCOME DISTRIBUTION - AIIF

The Investment Committee of the Management Company of AIIF, under the authority delegated to them by the Board of Directors, approved an aggregate distribution of Rs.42 per unit (2012: Rs.47.50) for the FY 2012-13. The total payout for the year works out to 8.40% (2012: 9.50%) on the face value of Rs.500 per unit.

INCOME DISTRIBUTION - AISF

The Board of Directors of the Management Company of AISF, in their meeting held on 04 July 2013, approved a final bonus of Rs.110 per unit (2012: Rs.62.50 per unit), which works out to 33.82% on the opening ex-bonus NAV (2012: 20.55%).

CHAIRMAN'S REVIEW

The review included in the Annual Report of AIIF and AISF deals inter alia with the performance of these Funds for the period and future prospects. The directors endorse the contents of the review.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Board of Directors states for AIIF and AISF that:

- The financial statements, prepared by the Management Company of these funds present fairly their state of affairs, the results of operations, comprehensive income for the period, cash flows, and movement in Unit Holders' Funds.
- Proper books of account of these Funds have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt about the Funds' ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Summaries of key financial data/ performance tables of AIIF and AISF are annexed on pages 21 and 59 respectively, of the Annual Report.
- The statement as to the value of investments of provident fund is not applicable in the case of these funds as these relate to retirement benefits of the employees of the Management Company, and are not chargeable to these Funds.
- The pattern of unit holdings is appended as notes 20 and 19 to the respective financial statements of AIIF and AISF.

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY & COMMITTEES THEREOF

The Board of Directors of the Management Company comprises of one executive and six non-executive directors. The three years' term of office of the previous Board was completed and a new Board comprising of seven directors was elected for the next term of three years commencing from 30 October 2012, with the approval of the Securities and Exchange Commission of Pakistan, as required by the NBFC Regulations, 2008. The former independent directors, Mr. Tariq Amin and Mr. M. Ashraf Janjua, who completed their terms of office on 29 October 2012, were succeeded by Mr. Azam Faruque and Mr. Shamshad Nabi respectively. There was no casual vacancy during the year.

Consequent to the election of the Board, the Audit Committee (AC) of the Board was also reconstituted as follows:

- Mr. Azam Faruque (Independent Director), Chairman
- Mr. Shamshad Nabi (Independent Director), Member
- Mr. Frahim Ali Khan (Non - Executive Director), Member

Six Board Meetings were held during FY 2012-13. The particulars of the dates of meetings, and the directors attending, as required under the NBFC Regulations, 2008, are appended as note 24 and note 22 to the respective financial statements of AIF and AISF.

Committees of the Board comprise the Audit Committee, the Human Resource & Remuneration Committee, and the Investment Committee (which includes executive management personnel as required under the NBFC Regulations, 2008). These meetings were attended by the Directors as per the following details:

Audit Committee (AC) - four AC meetings were held during the year, and attended as follows:

Serial no.	Name of Director	Status	Meetings attended	Out of total meetings
1	Mr. Tariq Amin	Independent Director	2	2
2	Mr. M. Ashraf Janjua	Independent Director	2	2
3	Mr. Azam Faruque *	Independent Director	1	2
4	Mr. Shamshad Nabi *	Independent Director	2	2
5	Mr. Frahim Ali Khan	Non-Executive Director	3	4

* With effect from 30 October 2012

Human Resource & Remuneration Committee (HR& RC) - three meetings were held during the year and attended as follows:

Serial no.	Name of Director	Status	Meetings attended
1	Mr. Frahim Ali Khan	Non-Executive Director	3
2	Mr. Ali H. Shirazi	Non-Executive Director	3
3	Mr. M. Habib-ur-Rahman	Chief Executive Officer	3

Investment Committee (IC) - 54 meetings were held during the year and attended as follows:

Serial no.	Name of Director	Status	Meetings attended
1	Mr. Ali H. Shirazi	Non-Executive Director	31
2	Mr. M. Habib-ur-Rahman	Chief Executive Officer	51
3	Mr. M. Abdul Samad (executive management)	Chief Investment Officer - Member IC	52
4	Mr. Khalid Mahmood (executive management)	Fund Manager - Equity Markets - Member IC	49
5	Mr. M. Umar Khan (executive management)	Fund Manager - Commodities Member IC	50
6	Mr. Fawad Javaid (executive management)	Fund Manager - Fixed Income (Member IC w.e.f. 05/4/2013)	14

DIRECTORS' TRAINING PROGRAM REQUIREMENTS

Four members of the Board of Directors of the Management Company are exempt from the requirements of the Directors' Training Program as per the proviso to Clause xi of the Code, whilst one of the independent directors elected during the year is a certified director from an institute meeting the criteria specified by the Securities & Exchange Commission of Pakistan. The Certification Program requirements of one of the remaining two Board members are in progress.

TRANSACTIONS IN UNITS OF THE FUNDS

The Directors, CEO, executives and their spouses and minor children have made no transactions in the Fund's units during the year except as disclosed in note 16 and 14 to the financial statements of AIIF and AISF.

RATINGS UPDATE

ASSET MANAGER RATING

The Pakistan Credit Rating Agency Limited - PACRA, has maintained the asset manager rating of the Management Company at AM2 - (AM Two Minus). The rating denotes the Company's very strong capacity to manage the risks inherent in asset management and meets very high investment management industry standards and benchmarks.

FUND STABILITY RATING - AIIF

PACRA has assigned a stability rating of "AA - (f)" (Double A Minus - fund rating) to the Fund. The Fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

STAR RANKING - AISF

PACRA has upgraded the short term (normal) ranking of the Fund to "5 star" from the previous "4 Star", and maintained the "4 Star" long term rating to the Fund, for FY 2011-12. (trailing 12 months for normal star rankings and trailing 36 months for long term star rankings).

AUDITORS

The external auditors of Atlas Islamic Income Fund, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Karachi, have completed their five years' term permissible under the NBFC Regulations, 2008 and retire. The Audit Committee of the Board of Directors in their meeting held on 6 September 2013, recommended the appointment of M/s. A. F. Ferguson & Co., Chartered Accountants, Karachi, as external auditors of Atlas Islamic Income Fund for the year ending 30 June 2014.

In respect of Atlas Islamic Stock Fund, the Audit Committee, in their meeting held on 6 September 2013, recommended the re-appointment of M/s. A. F. Ferguson & Co., Chartered Accountants, Karachi, being eligible, as auditors of Atlas Islamic Stock Fund for the year ending 30 June 2014.

The Board approved the appointments.

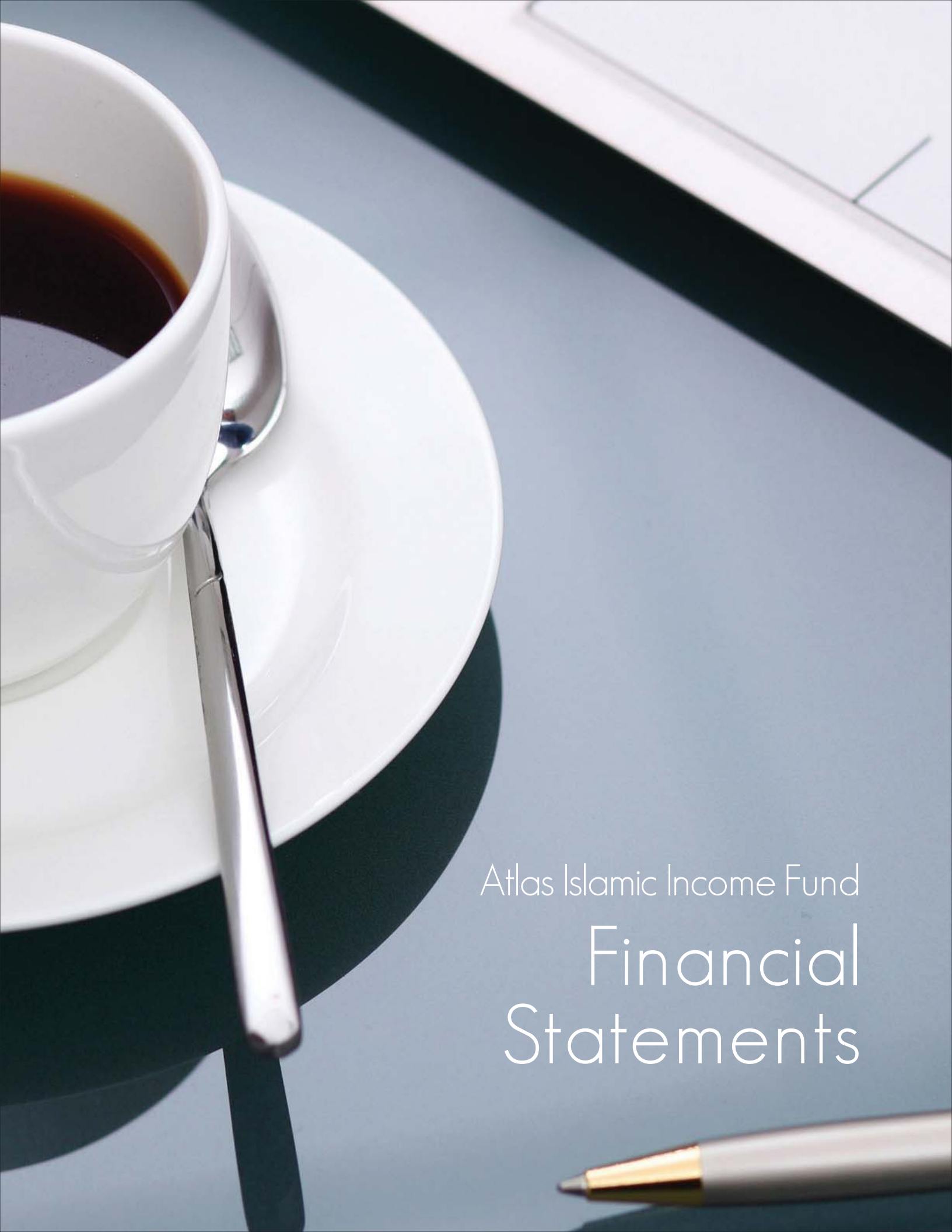
ACKNOWLEDGEMENT

The Board of Directors of the Management Company thanks the Securities and Exchange Commission of Pakistan for their 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 Company.

For and on behalf of the Board

Karachi: 10 September 2013

M. Habib-ur-Rahman
Chief Executive Officer



Atlas Islamic Income Fund
Financial
Statements

Corporate Information

Trustee

Central Depository Company of Pakistan Limited
99-B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal
Karachi - 74400

Shariah Advisor

Muhammad Yahya Asim

Auditors

FY 2012-13

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

FY 2013-14

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisers

Mohsin Tayebaly & Co.

Bankers

Al-Baraka Bank (Pakistan) Limited
Bank Al Habib Limited - Islamic Banking
Faysal Bank Limited - Barkat Islamic Banking



Fund Manager's Report

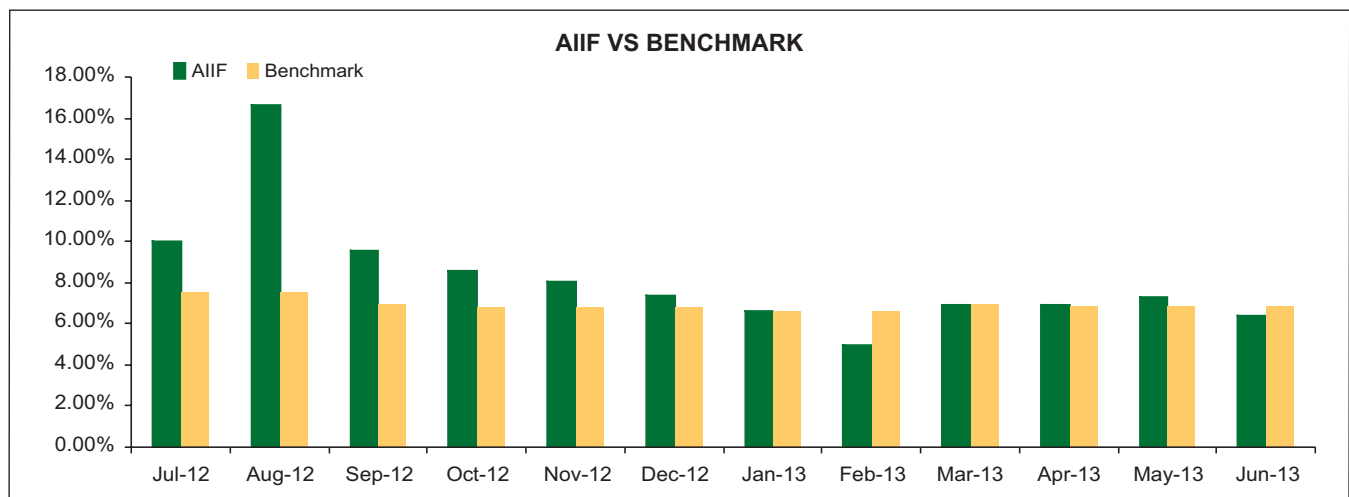
Atlas Islamic Income Fund is an Open-ended Shariah Compliant Income Fund. The Fund's primary objective is to provide investors with a good and stable rate of current income consistent with long-term preservation of capital in a Shariah Compliant manner. A secondary objective is to take advantage of opportunities to realize capital appreciation. The Fund shall seek to provide the investors with a rate of return consistent with a broadly diversified portfolio of long, medium and short term high quality Islamic income instruments.

The Fund's strategy is based on the conviction that economic environment drives long term performance, and that active management of credit risk can produce consistently superior results. Fundamental and market analysis are used to identify overall portfolio, bond market sectors, yield curve and credit positioning to provide high and sustainable rates of return. The Fund employs strategies such as overall portfolio duration and yield curve positioning to deal with market and reinvestment risks.

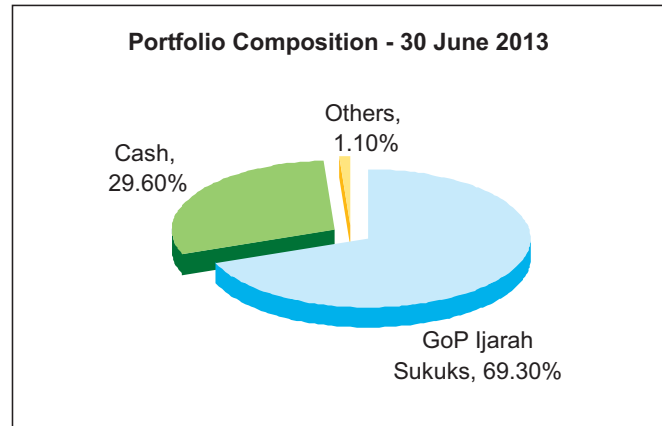
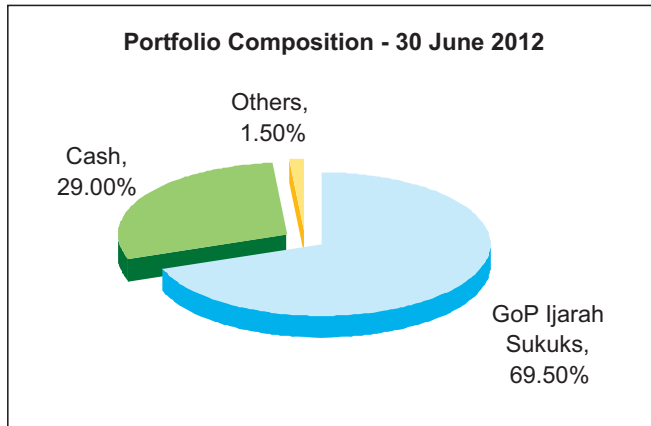
Atlas Islamic Income Fund's benchmark is average six months profit rate of three Islamic Banks.

The Consumer Price Index (CPI) on average was recorded at 7.4% during FY 2012-13, as compared to 11% for the FY 2011-12. The highest increase was in July 2012 at 9.6% and the lowest was in May 2013 at 5.1%. The inflationary trend in the economy remained subdued during FY 2012-13. Food and non-food inflation followed almost the overall inflationary trends as a result of better supply situation domestically and decline in international commodity prices. Food inflation reflected improved supply while deceleration in non-food inflation stemmed mainly from decreased prices of gas and fuel related component and absence of increase in electricity tariff.

During FY 2012-13, money supply (M2) increased by 17.31% against the growth of 14.14% in the comparable period last year on account of improvement in Net Foreign Assets (NFA), rise in Net Domestic Assets (NDA), and credit off take by the Public Sector Enterprises (PSEs). The improvement in NFA however, was mainly on account of realization of US\$1.8 billion under the Coalition Support Fund (CSF) during the first half of FY 2012-13. Despite some improvement, NFA remained under great pressure due to decline in foreign exchange reserves on account of debt repayment to IMF since February 2012. The current policy rate stance has been largely supportive of the dual objective of promoting economic growth and price stability, along with the revival of credit to private sector. During the first half of FY 2012-13, the policy rate was reduced by cumulative 250 basis point (bps) to 9.5% on account of positive inflationary outlook together with a retirement of fiscal borrowing from SBP and improvement in the external current account deficit in October 2012. While keeping in view the major risks to medium term inflation outlook, the SBP decided to keep the policy rate unchanged at 9.5% until 21 June 2013. The policy rate was reduced by another 50 basis points (bps) on 21 June 2013 to 9% due to evolving positive sentiments in the economy and lower than targeted average inflation.



The Net Asset Value per unit of Atlas Islamic Income Fund has increased by 8.65% to Rs.502.31 as on 30 June 2013, which includes interim payouts of total Rs.42 per unit. The benchmark average six months profit rate of three Islamic Banks stood at 6.91% for the period under review. The AIIF total Exposure in Government of Pakistan Ijarah Sukuks was 69.3%, deposit with high yielding Shariah compliant bank was 29.6% and remaining 1.1% in others. The Net Assets of the Fund stood at Rs.526 million, with 1.05 million units outstanding as of 30 June 2013.



The Investment Committee of Atlas Asset Management Limited, the Management Company of Atlas Islamic Income Fund, under the authority delegated by the Board of Directors of the Company has approved an interim bonus distribution of Rs.10.75 per unit (2.15% on the face value of Rs.500 per unit) in their meeting held on 27 June 2013. This is in addition to the aggregate Interim Bonus Distribution of Rs.31.25 per unit (6.25% on the face value of Rs.500 per unit) respectively, already distributed. The total bonus distribution for the financial year is Rs.42 per unit.

The Administrative Plans:

The management company is offering investment plans that allow investors focused combination investment strategic in Atlas Islamic Income Fund (AIIF) and Atlas Islamic Stock Fund (AISF). The investment plans were offered from September 2008, and the returns since then are as under:

Administrative Plans	Proportionate investment in		Return (period ended)		
	AIIF	AISF	2010-11	2011-12	2012-13
Islamic Income Multiplier	85%	15%	14.9%	12.7%	14.7%
Islamic Balanced	50%	50%	26.8%	18.8%	28.7%
Islamic Growth	15%	85%	38.7%	24.9%	42.7%

Breakdown of Unit holding by size:

Type of investor	No. of Investors	Amount of Investment (Rs.)	% of Total
Individuals	233	141,353,527	26.87%
Associated Companies/ Directors	4	109,638,051	20.84%
Insurance Companies	2	2,154,450	0.41%
Banks/ DFIs	1	49,675,661	9.44%
Retirement Funds	5	170,613,926	32.43%
Others	3	52,642,367	10.01%
Total	248	526,077,982	100%

The Scheme has maintained provisions against WWF liability of Rs.3,325,956. If the same were not made the NAV per unit/return of the Scheme would be higher by Rs.3.18/0.63%. For details please refer to note 11.3 of the financial statements.

During the year under review the Investment Committee held fifty four meetings to review investment of the Fund and the Risk Committee held thirty six meetings to review risk management.

Karachi: 10 September 2013

Fawad Javaid
Fund Manager

Performance Since Inception

	2013	2012	2011	2010	2009*
Net assets (Rs. in " 000 ")	526,078	462,315	379,805	346,658	255,864
Number of units in issue	1,047,317	920,985	738,995	679,312	494,203
Net asset value per unit (Rs.)	502.31	501.98	513.95	510.31	517.73
Net income (Rs. in " 000 ")	46,785	42,878	31,269	26,824	15,215
Earnings per unit (Rs.)	44.67	46.56	42.31	39.49	30.79
Annual return of the Fund (%)	8.65	10.11	9.90	9.22	11.50
Offer price **	507.14	506.92	519.09	515.41	522.91
Redemption price **	502.12	501.90	513.95	510.31	517.73
Highest offer price per unit (Rs.)	523.39	522.42	519.09	521.78	543.87
Lowest offer price per unit (Rs.)	507.04	506.61	506.42	505.97	506.92
Highest repurchase price per unit (Rs.)	518.21	517.25	513.95	518.14	538.49
Lowest repurchase price per unit (Rs.)	502.02	501.59	501.41	500.96	506.92
Weighted average portfolio (No. of days)	305.85	504.34	311.01	10.96	13.44

Date of Launch: 14 October 2008

* Period from 16 August 2008 to 30 June 2009.

** Relates to announced prices

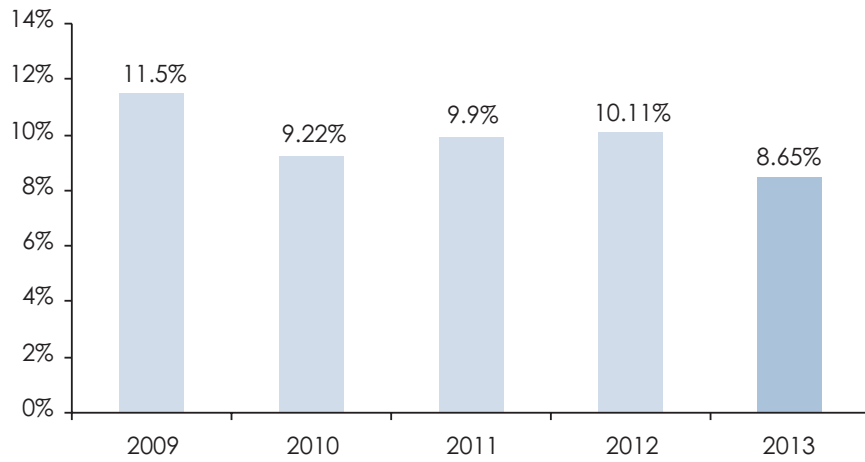
Past performance of the Fund is not indicative of future performance, and the unit price and investment return may go down, as well as up.

Distribution History

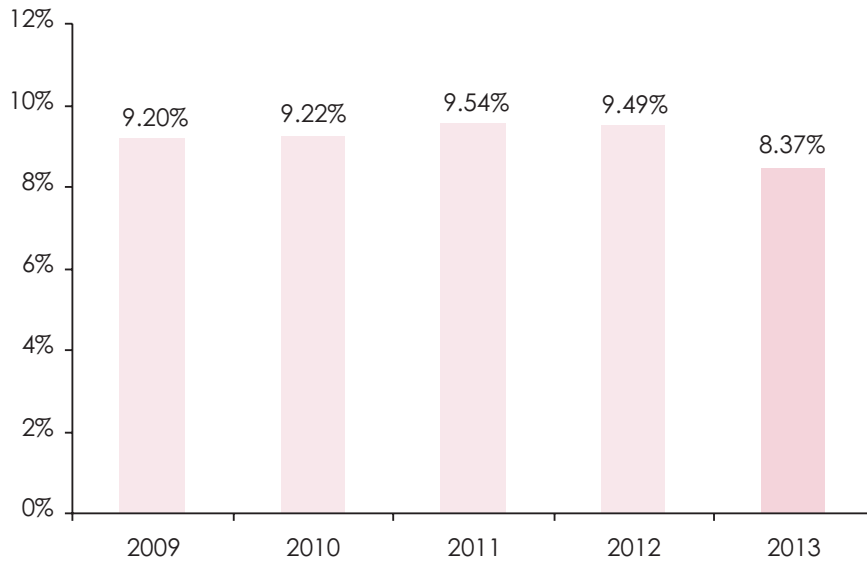
	2013	2012	2011	2010	2009*
Interim distribution (Bonus)	12.00	12.50	11.00	12.50	Nil
Interim distribution as a % of opening Ex -NAV of units	2.39	2.50	2.20	2.49	Nil
Date of distribution - Interim	05 October 2012	07 October 2011	12 October 2010	27 October 2009	Nil
Interim distribution (Bonus)	10.50	11.50	11.25	12.50	Nil
Interim distribution as a % of opening Ex -NAV of units	2.09	2.30	2.25	2.49	Nil
Date of distribution - Interim	04 January 2013	06 January 2012	11 January 2011	21 January 2010	Nil
Interim distribution (Bonus)	8.75	11.50	12.00	11.25	30.00
Interim distribution as a % of opening Ex -NAV of units	1.74	2.30	2.40	2.24	6.00
Date of distribution - Interim	5 April 2013	6 April 2012	7 April 2011	6 April 2010	24 April 2009
Interim distribution (Bonus)	10.75	12.00	Nil	Nil	Nil
Interim distribution as a % of opening Ex -NAV of units	2.14	2.40	Nil	Nil	Nil
Date of distribution - Interim	27 June 2013	27 June 2012	Nil	Nil	Nil
Final Distribution (Bonus)	Nil	Nil	13.50	10.00	16.00
Interim distribution as a % of opening Ex -NAV of units	Nil	Nil	2.70	1.99	3.20
Date of distribution - Final	Nil	Nil	7 July 2011	8 July 2010	3 July 2009

Performance Since Inception

Yearly Performance



Payout History



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2013

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

Atlas Asset Management Limited (AAML), the Management Company, is not listed and hence, the Code is not applicable to it. However, Atlas Islamic Income Fund, being listed at the Lahore Stock Exchange, comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), and Chief Financial Officer (CFO)/Company Secretary and other necessary personnel to manage the affairs of the Fund.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present the Board includes:

Category	Name of Director
Independent Directors	Mr. Azam Faruque Mr. Shamshad Nabi
Non-Executive Directors	Mr. Yusuf H. Shirazi Mr. Frahim Ali Khan Mr. Ali H. Shirazi Mr. Arshad P. Rana
Executive Director (CEO)	Mr. M. Habib-ur-Rahman

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The three years' term of office of the previous Board was completed and a new Board comprising of seven directors was elected for the next term of three years commencing from 30 October 2012, with the approval of the Securities and Exchange Commission of Pakistan, as required by the NBFC Regulations, 2008. The former independent directors, Mr. Tariq Amin and Mr. M. Ashraf Janjua, who completed their terms of office on 29 October 2012, were succeeded by Mr. Azam Faruque and Mr. Shamshad Nabi respectively. There was no casual vacancy during the year.
5. The Management Company has prepared a "Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of the remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, and the Board met at least once in every quarter during the period. Written notes of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2013

9. Four members of the Board of Directors of the Management Company are exempt from the requirements of the Directors' Training Program as per the proviso to Clause xi of the Code, whilst one of the independent independent directors elected during the year is a certified director from an institute meeting the criteria specified by the Securities & Exchange Commission of Pakistan. The Certification Program requirements of one of the remaining two Board members are in progress.
10. No new appointment of the Chief Financial Officer & Company Secretary and Chief Internal Auditor was made during the year. The terms of remuneration of the Chief Financial Officer & Company Secretary, and the Chief Internal Auditor have been approved by the Board.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
13. The Directors, CEO and Executives do not hold units other than those disclosed in note 16 to the financial statements "Transactions with Related Parties/Connected Persons", and as disclosed in the pattern of unit holdings disclosed in note 20 to the financial statements. These transactions have been placed before the Audit Committee and as per their recommendation, approved by the Board of Directors of the Management Company.
14. The Management Company has complied with the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee comprising of three members, all of whom are non-executive directors and the Chairman of the Committee is an independent director.
16. Meetings of the Audit Committee were held every quarter, prior to approval of the interim and annual results of the Fund, as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the committee is a non-executive director.
18. The Board has set up an effective internal audit function headed by a full time Chief Internal Auditor who is considered suitably qualified and experienced, and is conversant with the policies and procedures of the Fund.
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 spouse and minor children do not hold units of the Fund, and that the Firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the 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 except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/financial results, and business decisions, which may materially affect the market price / net asset value, was determined and intimated to directors, employees and the stock exchange.
22. Material /price sensitive information has been disseminated among all market participants at once through the Stock Exchange.
23. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 10 September 2013

M. Habib-ur-Rahman
Chief Executive Officer

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Atlas Islamic Income Fund (the Fund) are of the opinion that Atlas Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended 30 June 2013 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Karachi: 13 September 2013

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of the Management Company of Atlas Islamic 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 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 Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 internal controls, the Management Company's corporate governance procedures and risks.

Further, Listing Regulations of the Lahore Stock Exchange require the Management Company 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 the 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 Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2013.

Karachi: 10 September 2013

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

REVIEW REPORT OF THE SHARIAH ADVISOR

As the Shariah Advisor of the Atlas Islamic Income Fund, I am issuing this report in accordance with clause 10.2.6 (e) of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of Atlas Asset Management Limited (AAML), the management company of the Fund, to establish and maintain a system of internal controls to ensure compliance with the Shariah guidelines. As a Shariah Advisor, my responsibility is to express an opinion based on my review of the representations made by the management, to the extent where such compliance can be objectively verified.

As part of my mandate as the Shariah Advisor to the Fund, I have reviewed the following, during the year:

- The modes of investment of Fund's property and its compliance with Shariah guidelines.
- The process of deployment of Fund's property and its compliance with Shariah guidelines.
- The process of purification of income and its compliance with Shariah guidelines.

In light of the above scope, I hereby certify that all the provisions of the scheme and investments made by Atlas Islamic Income Fund for the year ended 30 June 2013 are in compliance with the Shariah principles.

Karachi: 24 July 2013

Muhammad Yahya Asim
Shariah Advisor

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the financial statements

We have audited the accompanying financial statements of **Atlas Islamic Income Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2013, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2013 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Report on other legal and regulatory requirements

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

Karachi: 10 September 2013

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Arslan Khalid
Audit Engagement Partner

STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2013

	Note	2013 ----- Rupees -----	2012 ----- Rupees -----
ASSETS			
Bank balances	4	157,248,565	134,968,907
Investment	5	367,738,800	324,132,500
Markup accrued	6	5,928,830	6,839,603
Deferred formation cost	7	-	207,620
Security deposit with Central Depository Company of Pakistan Limited		100,000	100,000
Total assets		531,016,195	466,248,630
LIABILITIES			
Payable to Atlas Asset Management Limited - Management Company	8	640,480	791,813
Payable to Central Depository Company of Pakistan Limited - Trustee	9	73,585	64,019
Annual fee payable to the Securities and Exchange Commission of Pakistan	10	423,536	323,111
Accrued expenses and other liabilities	11	3,800,612	2,754,901
Total liabilities		4,938,213	3,933,844
NET ASSETS		526,077,982	462,314,786
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		526,077,982	462,314,786
CONTINGENCIES AND COMMITMENTS	12	-	-
NUMBER OF UNITS IN ISSUE		1,047,317	920,985
NET ASSET VALUE PER UNIT		502.31	501.98

The annexed notes from 1 to 28 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 ----- Rupees -----	2012 -----
Income			
Markup income	13	55,191,106	50,132,712
Net gain on maturity / sale of investments		430,500	-
Net unrealised loss on remeasurement of investments classified as "financial assets at fair value through profit or loss"		(162,700)	(1,244,500)
		267,800	(1,244,500)
Element of income and capital gains included in prices of units issued less those in units redeemed - net		1,136,482	1,715,866
		56,595,388	50,604,078
Expenses			
Remuneration of Atlas Asset Management Limited - Management Company	8.1	5,647,149	4,308,183
Sindh Sales Tax on Remuneration of the Management Company	11.1	910,095	689,309
Federal Excise Duty on Remuneration of the Management Company	11.2	40,946	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	960,013	732,397
Annual fees - Securities and Exchange Commission of Pakistan	10	423,536	323,111
Auditors' remuneration	14	139,631	184,784
Securities transaction cost	15	27,400	17,500
Annual listing fee		30,000	30,000
Annual rating fee		220,000	200,000
Printing charges		244,009	153,979
Bank charges		5,565	3,658
Amortisation of deferred formation cost		207,620	207,620
Provision for Workers' Welfare Fund	11.3	954,788	875,071
		9,810,752	7,725,612
Net income for the year before taxation		46,784,636	42,878,466
Taxation		-	-
Net income for the year after taxation		46,784,636	42,878,466

The annexed notes from 1 to 28 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	----- Rupees -----	
Net income for the year after taxation	46,784,636	42,878,466
Other comprehensive income / (loss)	-	-
Total comprehensive income for the year	<u>46,784,636</u>	<u>42,878,466</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For Atlas Asset Management Limited
(Management Company)**

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	----- Rupees -----	
Undistributed income brought forward [includes unrealised loss on investments of Rs.934,750] (2012: includes unrealised gain on investments of Rs.309,750)	1,442,230	10,301,134
Net income for the year after taxation	46,784,636	42,878,466
Final distribution for the year ended 30 June 2012 - Nil (2011: Rs.13.50 per unit declared on 7 July 2011)		
- Nil Bonus units (2012: 17,627)	-	(8,641,358)
- Cash payout against distribution	-	(1,335,074)
	-	(9,976,432)
Interim distribution at the rate of Rs.12.00 per unit declared on 5 October 2012 (2012: Rs.12.50 per unit declared on 7 October 2011)		
- 21,472 Bonus units (2012: 18,277)	(10,871,852)	(9,227,932)
- Cash payout against distribution	(1,186,732)	(1,236,180)
	(12,058,584)	(10,464,112)
Interim distribution at the rate of Rs.10.50 per unit declared on 4 January 2013 (2012: Rs.11.50 per unit declared on 6 January 2012)		
- 23,438 Bonus units (2012: 17,694)	(11,853,414)	(8,920,366)
- Cash payout against distribution	(1,038,391)	(1,137,285)
	(12,891,805)	(10,057,651)
Interim distribution at the rate of Rs.8.75 per unit declared on 5 April 2013 (2012: Rs.11.50 per unit declared on 6 April 2012)		
- 19,934 Bonus units (2012: 18,441)	(10,063,490)	(9,291,095)
- Cash payout against distribution	(865,326)	(1,137,285)
	(10,928,816)	(10,428,380)
Interim distribution at the rate of Rs.10.75 per unit declared on 27 June 2013 (2012: Rs.12.00 per unit declared on 27 June 2012)		
- 19,667 Bonus units (2012: 19,182)	(9,872,919)	(9,624,063)
- Cash payout against distribution	(1,063,114)	(1,186,732)
	(10,936,033)	(10,810,795)
Undistributed income carried forward [includes unrealised loss on investments: Rs.849,890] (2012: includes unrealised loss on investments: Rs.934,750)	1,411,628	1,442,230

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For Atlas Asset Management Limited
(Management Company)**

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED 30 JUNE 2013

	2013		2012	
	Units	Rupees	Units	Rupees
Net assets at the beginning of the year [Rs.501.98 (2012: Rs.513.95) per unit]	920,985	462,314,786	738,995	379,804,937
Issue of units	679,541	347,092,106	421,306	215,291,775
Redemption of units	(637,720)	(324,823,500)	(330,177)	(167,911,969)
	41,821	22,268,606	91,129	47,379,806
Element of income and capital gains included in prices of units issued less those in units redeemed - net	-	(1,136,482)	-	(1,715,866)
Capital gain on maturity / sale of investments-net	-	430,500	-	-
Net unrealised loss on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	-	(162,700)	-	(1,244,500)
Other net income for the year	-	46,516,836	-	44,122,966
Total comprehensive income for the period	-	46,784,636	-	42,878,466
Final distribution for the year ended 30 June 2013 - Nil (2012: Rs.13.50 per unit declared on 7 July 2011)				
- Issue of bonus units	-	-	17,267	-
- Cash payout against distribution	-	-	-	(1,335,074)
Total interim distribution for the year ended 30 June 2013 (As per Distribution Statement)				
- Issue of bonus units	84,511	-	73,594	-
- Cash payout against distribution	-	(4,153,564)	-	(4,697,483)
Net assets at the end of the year [Rs.502.31 (2012: Rs.501.98) per unit]	1,047,317	526,077,982	920,985	462,314,786

The annexed notes from 1 to 28 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

Note	2013 ----- Rupees -----	2012 ----- Rupees -----
Cash flows from operating activities		
Net income for the year after taxation	46,784,636	42,878,466
Adjustment for:		
Mark-up income	(55,191,106)	(50,132,712)
Amortisation of deferred formation cost	207,620	207,620
Net (gain) / loss on revaluation of investments designated at fair value through income statement:		
Gain on maturity / sale of investments - net	(430,500)	-
Unrealised loss on revaluation of investments - net	162,700	1,244,500
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(1,136,482)	(1,715,866)
	(56,387,768)	(50,396,458)
Increase/(Decrease) in liabilities		
Payable to Atlas Asset Management Limited - management company	(151,333)	(150,429)
Payable to Central Depository Company of Pakistan Limited - Trustee	9,566	9,686
Annual fee payable to the Securities and Exchange Commission of Pakistan	100,425	76,100
Accrued expenses and other liabilities	1,045,710	949,033
	1,004,368	884,390
Investments made during the year	(118,833,500)	(195,766,249)
Investments sold / matured during the year	75,495,000	-
Markup received	56,101,879	48,449,445
Net cash generated from / (used in) from operating activities	4,164,615	(153,950,406)
Cash flows from financing activities		
Net receipts from issuance of units	347,092,107	215,291,775
Net payments against redemption of units	(324,823,500)	(167,911,969)
Cash payout against distribution	(4,153,564)	(6,032,557)
Net cash generated from financing activities	18,115,043	41,347,249
Net increase / (decrease) in cash and cash equivalents	22,279,658	(112,603,157)
Cash and cash equivalents at the beginning of the year	134,968,907	247,572,064
Cash and cash equivalents at the end of the year	157,248,565	134,968,907

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For Atlas Asset Management Limited
(Management Company)**

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Atlas Islamic Income Fund (the Fund) is an open ended Fund constituted by a trust deed entered into on 7 May 2008 between Atlas Asset Management Limited (AAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the trustee. The Trust Deed has been revised through the First Supplemental Trust Deed dated 23 June 2010 and the Second Supplemental Trust Deed dated 12 November 2010 with the approval of the SECP. Also, the Offering Document of the Fund has been revised through the First Supplement dated 23 June 2010 and the Second Supplement dated 12 November 2010, with the approval of the SECP. The investment activities and administration of the Fund are managed by AAML situated at Ground Floor, Federation House, Shahrae Firdousi, Clifton, Karachi.
- 1.2 Units of the Fund are offered for public subscription on a continuous basis since 14 October 2008, and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the Lahore Stock Exchange.
- 1.3 According to the trust deed, the objective of the Fund is to provide investors with a good and stable rate of current income consistent with long term preservation of capital in a Shariah Compliant manner. A secondary objective is to take advantage of opportunities to realize capital appreciation. The investment objectives and policies are fully defined in the Fund's Offering Document.

2. BASIS OF PREPERATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deeds, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following amendments to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after 1 July 2012:

IAS 1, 'Financial statement presentation'. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments did not have any effect on the Fund's financial statements.

IAS 12, 'Income Taxes'. The main change resulting from these amendments requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way the management expects to recover or settle the carrying amount of the entity's assets or liabilities. The amendments did not have any significant effect on the Fund's financial statements as the Fund is exempt from taxation.

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

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations and amendments:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Standard or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application except for certain additional disclosures.

There are certain new and amended standards and interpretations that are mandatory for the Fund's accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

Further, the following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 – Consolidated Financial Statements	01 January 2013
IFRS 11 – Joint Arrangements	01 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 – Fair Value Measurement	01 January 2013

2.4 Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimates and judgements that have a significant effect on the financial statements are in respect of the following:

	Notes
Investments	3.1 & 5
Provisions	3.7
Element of income / (loss) and capital gain / (loss) in prices of units issued less those in units redeemed - net	3.8

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair value.

2.6 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year other than as disclosed in note 2.2 above

3.1 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through income statement or available-for-sale investment, as appropriate.

All investments, are initially measured at fair value plus, in the case of investments not at fair value through income statement, transaction costs that are directly attributable to acquisition.

All regular way purchases / sales of investments are recognised on the trade date, i.e. the date on which the Fund commits to purchase / sell the investment.

Investments at fair value through income statement

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and gains or losses on revaluation are recognised in the income statement.

Available-for-sale

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealised gain or loss recognised directly in the statement of comprehensive income until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income is taken to the income statement.

3.2 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired.

3.3 Derivatives

These are measured at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of assets and liabilities. The resultant gains and losses are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3.4 Issue and redemption of units

Units issued are recorded at the offer price, determined by the management company for the application received by the distribution company / management company during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the distribution company and the management company.

Units redeemed are recorded at the redemption price applicable to units for which the distribution company / management company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of the business day, less an amount as the management company may consider to be an appropriate provision of duties and charges.

3.5 Revenue recognition

Markup income on Government Securities is recognised using effective markup method at the rate of return implicit in the instrument.

Income on bank balances and deposits is recognised on an accrual basis.

Element of income / loss and capital gains / losses in prices of units issued less those in units redeemed is recognised when the units are issued and redeemed at the transaction date.

Gain or loss on sale of Shariah compliant debt securities and derivatives is accounted for in the year in which it arises.

3.6 Expenses

All expenses chargeable to the Fund including remuneration of management company, trustee, and annual fee of the SECP are recognised in the income statement on an accrual basis.

3.7 Provisions

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

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

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

Upon sale and redemption of units, the amount representing net income / loss and capital gains / losses is accounted for in net asset value and included in the sale / redemption price is taken to the element account.

The element is computed to the extent that it is represented by the increase / decrease in net income / loss and capital gain / losses earned / incurred during the year.

3.9 Deferred formation cost

Formation cost refers to all the preliminary and floatation expenses of the Fund incurred upto the initial issue of units, to the extent allowable under the NBFC Regulations. These costs are being amortised over a period of five years commencing from January 2010, in accordance with the requirements of the NBFC Regulations. These expenses were paid off by the management company and are reimbursable to it by the Fund.

3.10 Taxation

The Fund is exempt from taxation under Clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the year is distributed amongst the Fund's unit holders. The Fund intends to avail this exemption for current and future years. Accordingly, no provision is made for current and deferred taxation in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3.11 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income statement.

3.12 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.

3.13 Distribution to unit holders

Distribution to unit holders is recognised upon declaration and approval by the Investment Committee of the management company, under the powers delegated to them by the Board of Directors of the management company.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Investment Committee of the management company.

3.14 Net asset value per unit

The net asset 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 year end.

3.15 Cash and cash equivalents

Cash and cash equivalents include deposits with banks and other short term highly liquid investments with original maturities of three months or less.

	Note	2013 ----- Rupees -----	2012 ----- Rupees -----
4. BANK BALANCES			
In local currency			
- Profit and loss sharing accounts	4.1	<u>157,248,565</u>	<u>134,968,907</u>
4.1 The expected rate of return on these profit and loss sharing accounts range between 6% to 8.90% (30 June 2012: 6% to 11%) per annum.			
5. INVESTMENTS			
At fair value through profit or loss			
Government Securities			
Government of Pakistan (GOP) - Ijarah Sukuks	5.1	<u>367,738,800</u>	<u>324,132,500</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

5.1 Government of Pakistan - Ijarah Sukuks

Script	Face Value - Rupees				Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Disposed during the year	At the end of the year	Market value	Total investments	Net assets
Government of Pakistan Ijarah Sukuks	324,000,000	118,000,000	75,000,000	367,000,000	367,738,800	100.00	69.90
	324,000,000	118,000,000	75,000,000	367,000,000	367,738,800	100.00	69.90

5.2 The cost of investments amounts to Rs.368,588,690/- (2012:Rs.325,067,250/-).

5.3 The expected rate of markup ranges between 8.92% to 9.43% (2012:11.81% to 11.94%) per annum and will mature by 28 June 2015 (2012: 28 June 2015).

Note	2013 ----- Rupees -----	2012 ----- Rupees -----
6. MARKUP ACCRUED		
On profit and loss sharing accounts	1,082,791	1,322,738
On GOP - Ijarah Sukuks	4,846,039	5,516,865
	5,928,830	6,839,603

7. DEFERRED FORMATION COST

Deferred formation cost	1,038,100	1,038,100
Less: Accumulated amortisation	(1,038,100)	(830,480)
	-	207,620

8. PAYABLE TO THE MANAGEMENT COMPANY - Related party

Management fee	8.1	432,860	376,573
Payable in respect of formation cost		207,620	415,240
		640,480	791,813

8.1 In accordance with the provisions of the NBFC Regulations, the management company is entitled to receive a remuneration during the first five years of the Fund, at the rate not exceeding 3% of the average annual net assets of the Fund and thereafter at the rate of 2% of such assets. The management company has charged its remuneration at the rate of 1.00% (2012:1.00%) per annum of the average net assets for the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9. PAYABLE TO THE TRUSTEE - Related party

The trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs.1,000 million Rs.0.6 million or 0.17% per annum of Net Asset Value, whichever is higher.
- Rs.1,000 million to Rs.5,000 million Rs.1.7 million plus 0.085% per annum of Net Asset Value exceeding Rs.1,000 million
- exceeding Rs.5,000 million Rs.5.1 million plus 0.07% per annum of Net Asset Value exceeding Rs.5,000 million

10. PAYABLE TO THE SECP

In accordance with the NBFC Regulations, the Fund is required to pay SECP an amount equal to 0.075% of average annual net assets of the Fund as annual fee.

11. ACCRUED AND OTHER LIABILITIES

	Note	2013 Rupees	2012 Rupees
Auditors' remuneration payable		132,750	167,500
Printing charges payable		180,900	128,400
Brokerage payable		2,000	-
Zakat payable		-	701
Withholding tax payable		749	25
Sindh Sales Tax payable on Remuneration of the Management Company	11.1	75,809	60,252
Federal Excise Duty payable on Remuneration of the Management Company	11.2	40,946	-
Provision for Workers' Welfare Fund	11.3	3,325,956	2,371,168
Other payable		41,502	26,855
		3,800,612	2,754,901

11.1 During the year, an amount of Rs.910,095 (2012: Rs.689,309) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011, out of which Rs.834,286 has already been paid to the management company which acts as a collecting agent. The remaining amount of Rs.75,809 (2012: Rs.60,252) shall be paid in due course.

11.2 The Finance Act, 2013 has enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from 13 June 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund as explained in note 11.1 above, the Management Company is of the view that further levy of FED is not justified. This matter being an industry issue, is being taken up collectively by the Mutual Funds Association of Pakistan (MUFAP), where the various options are being considered. As a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from 13 June 2013, aggregating to Rs.40,946.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11.3 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / Mutual Funds (CISs) / Pension Funds whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs / Pension Funds, which is pending adjudication. However, without prejudice to the above, the Management Company has been providing for WWF contribution since the financial year ended 30 June 2010.

During the year ended 30 June 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional Petition requesting the Court to dismiss the same. This response was contradictory to the earlier clarification issued by the Ministry. Show cause notices were then issued by Federal Board of Revenue (FBR) to several Mutual Funds (CISs) / Pension Funds for the collection of WWF including some of the mutual funds and a pension fund managed by the AMC. In respect of such show cause notices, certain Mutual Funds (CISs) / Pension Funds have been granted stay by Honourable SHC on the basis of the pending Constitutional Petition as referred above.

In March 2013, a three member bench of the Sindh High Court in its judgement on various Constitutional Petitions challenging the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, held that WWF is a tax and consequently, the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008 respectively (Money Bills) do not suffer from any constitutional or legal infirmity. This judgement was in contrast to the July 2011 single member bench decision of the Honourable Lahore High Court which had held such amendments as unlawful and unconstitutional for the reason that they were made through the money bills. For the CISs and Pension Funds, the issue of chargeability or otherwise of WWF levy to the CISs / Pension Funds is currently pending before the Honourable SHC.

In view of the pending decision, the Management Company of the Fund, as a matter of abundant caution, has continued to maintain the provision for WWF amounting to Rs.3,325,956 (2012: Rs.2,371,168) in these financial statements. Had the same not been made, the net asset value per unit of the Fund would have been higher by Rs.3.18 (2012: Rs.2.57) per unit.

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 30 June 2013.

13. MARK-UP INCOME

PLS saving accounts
Government of Pakistan Ijarah Sukuks

	2013	2012
	----- Rupees -----	
	18,559,645	23,456,452
	36,631,461	26,676,260
	55,191,106	50,132,712

14. AUDITORS' REMUNERATION

Audit fee
Half yearly review of financial statements
Certification charges
Review of compliance with Code of Corporate Governance
Out of pocket expenses

	82,500	82,500
	27,500	27,500
	-	33,000
	22,000	22,000
	7,631	19,784
	139,631	184,784

15. SECURITIES TRANSACTION COST

Represent brokerage and settlement charges.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 16.1** Connected persons include Atlas Asset Management Limited being the Management Company, Central Depository Company Limited being the Trustee, other collective investment schemes managed by the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and directors and key management personnel of the Management Company.
- 16.2** Transactions with connected persons essentially comprise sale and repurchase of units, fee on account of managing the affairs of the Fund, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 16.3** Remuneration to the Management Company and the Trustee of the Fund is determined in accordance with the provisions of the NBFC regulations and the Trust Deed.
- 16.4** The details of significant transactions carried out by the Fund with connected persons and balances with them at the year end are as follows:

	2013	2012
	----- Rupees -----	
Atlas Asset Management Limited (Management Company)		
Remuneration of the management company	5,647,149	4,308,183
Remuneration paid	5,590,862	4,250,992
Sindh Sales Tax on Remuneration of the Management Company	910,095	689,309
Federal Excise Duty on Remuneration of the Management Company	40,946	-
Formation cost paid	207,620	207,620
Sale of 16,846 (2012: Nil) units	8,560,131	-
Bonus of 361 (2012:1,630) units	181,098	819,926
Redemption of Nil (2012:17,764) units	-	9,019,009
Outstanding 17,207 (2012: Nil) units at the year end	8,643,291	-
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	960,013	732,397
Remuneration of the Trustee paid	950,447	722,711
Settlement charges	6,000	6,000
Atlas Fund of Funds (Fund under common management)		
Sale of 146,825 (2012: 48,678) units	75,000,000	25,000,000
Bonus of 2,998 (2012: 1,602) units	1,515,081	807,846
Redemption of 149,823 (2012: 50,280) units	76,537,271	25,447,895
Outstanding Nil (2012: Nil) units at the year end	-	-
Atlas Foundation (Group Company)		
Bonus of 5,328 (2012: 7,010) units	2,689,147	3,525,869
Outstanding 67,404 (2012: 62,076) units at the year end	33,857,731	31,160,967
Atlas Honda Limited (Group Company)		
Bonus of 10,239 (2012: 13,472) units	5,167,682	6,775,595
Outstanding 129,530 (2012: 119,291) units at the year end	65,063,747	59,881,428

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 2012
----- Rupees -----

16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS (Continued...)

Shirazi Investments (Private) Limited Employees Provident Fund (Retirement benefit plan of a Group Company)

Sale of 1,332 (2012: Nil) units	685,000	-
Bonus of 924 (2012: 2,171) units	467,627	1,091,905
Redemption 21,480 (2012: Nil) units	11,010,085	-
Outstanding Nil (2012: 19,224) units at the year end	-	9,648,516

Key Management Personnel of Management Company

Sale of 7,500 (2012: 4,428) units	3,826,744	2,247,691
Bonus of 483 (2012: 448) units	242,486	225,353
Redemption of 4,688 (2012: 5,255) units	2,395,000	2,671,322
Outstanding 7,179 (2012: 3,884) units at the year end	3,605,982	1,950,240

16.5 The balances due from / to related parties / connected persons are included in the respective notes to the financial statements.

16.6 For the purpose of this disclosure, transactions by the Board of Directors, and key management personnel falling within the scope of "executive" under the Code of Corporate Governance, 2012 are included herein. The term "executive" includes the Chief Executive Officer, Chief Financial Officer & Co. Secretary, Chief Internal Auditor, and executives of the Management Company of the Fund whose gross remuneration is Rs.3 million and above, as set by the Board of Directors of the Management Company for FY 2012-13.

17. FINANCIAL INSTRUMENTS BY CATEGORY

As at 30 June 2013

	Loans and receivables	At fair value through profit or loss	Available for sale	Total
	----- Rupees -----			
Assets				
Bank balances	157,248,565	-	-	157,248,565
Investments	-	367,738,800	-	367,738,800
Mark up accrued	5,928,830	-	-	5,928,830
Security deposit with Central Depository Company of Pakistan Limited	100,000	-	-	100,000
	163,277,395	367,738,800	-	530,916,195

As at 30 June 2013

	Liabilities at fair value through profit or loss	Others	Total
	----- Rupees -----		
Liabilities			
Payable to Atlas Asset Management Limited - Management Company	-	640,480	640,480
Payable to Central Depository Company of Pakistan Limited - Trustee	-	73,585	73,585
Accrued expenses and other liabilities	-	315,650	315,650
	-	1,029,715	1,029,715

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

17. FINANCIAL INSTRUMENTS BY CATEGORY (Continued...)

	As at 30 June 2012			Total
	Loans and receivables	At fair value through profit or loss	Available for sale	
	Rupees			
Assets				
Bank balances	134,968,907	-	-	134,968,907
Investments	-	324,132,500	-	324,132,500
Mark up accrued	6,839,603	-	-	6,839,603
Security deposit with Central Depository Company of Pakistan Limited	100,000	-	-	100,000
	141,908,510	324,132,500	-	466,041,010
	As at 30 June 2012			
	Liabilities at fair value through profit or loss	Others	Total	
	Rupees			
Liabilities				
Payable to Atlas Asset Management Limited - Management Company	-	791,813	791,813	
Payable to Central Depository Company of Pakistan Limited - Trustee	-	64,019	64,019	
Accrued expenses and other liabilities	-	295,900	295,900	
	-	1,151,732	1,151,732	

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

18.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and equity prices.

(i) Profit rate risk

Profit rate risk is the risk that the Fund's income will fluctuate due to changes in the market profit rates. As of 30 June 2013, the Fund is exposed to such risk in respect of bank balances and GOP Ijarah Sukuks. The investment committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which exposes the Fund to cash flow interest rate risk. In case of 100 basis points increase in market interest rates as at 30 June 2013, with all other variables held constant, the net income for the year and net assets would have been higher by Rs.5,249,874 (2012: Rs.4,591,014). In case of 100 basis points decrease in market interest rates as at 30 June 2013, with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 5,249,874 (2012: Rs.4,591,014).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

18.2 Market risk (Continued...)

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument that may expose the Fund to profit rate risk.

The composition of the Fund's investment portfolio and profit rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the impact on the Fund's net assets of the future movements in profit rates.

Yield / profit rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off balance sheet instruments is based on settlement date.

The fund's profit rate sensitivity related to financial assets and financial liabilities as at 30 June 2013 can be determined as follows:

----- As at 30 June 2013 -----					
Effective yield / profit rate	Exposed to yield / profit rate risk			Not exposed to yield/profit rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
Percentage	----- Rupees -----				
Financial Assets					
Bank balances	6 - 8.9	157,248,565	-	-	157,248,565
Investments	8.92 - 9.43	100,201,000	267,537,800	-	367,738,800
Markup accrued		4,139,830	1,789,000	-	5,928,830
Security deposit with Central Depository Company of Pakistan Limited		-	-	100,000	100,000
		261,589,395	269,326,800	-	531,016,195
Financial Liabilities					
Payable to Atlas Asset Management Limited - Management Company		-	-	640,480	640,480
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	73,585	73,585
Accrued expenses and other liabilities		-	-	357,152	357,152
		-	-	1,071,217	1,071,217
Total profit rate sensitivity gap		261,589,395	269,326,800	(1,071,217)	529,944,978

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

----- As at 30 June 2012 -----

	Effective yield / profit rate	Exposed to yield / profit rate risk			Not exposed to yield/profit rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	Percentage	----- Rupees -----				
Financial Assets						
Bank balances	6 - 11	134,968,907	-	-	-	134,968,907
Investments	11.81 - 11.94	112,018,600	212,113,900	-	-	324,132,500
Markup accrued		4,700,485	2,139,118	-	-	6,839,603
Security deposit with Central Depository Company of Pakistan Limited		-	-	-	100,000	100,000
		251,687,992	214,253,018	-	100,000	466,041,010
Financial Liabilities						
Payable to Atlas Asset Management Limited - Management Company		-	-	-	791,813	791,813
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	64,019	64,019
Accrued expenses and other liabilities		-	-	-	322,755	322,755
		-	-	-	1,178,587	1,178,587
Total profit rate sensitivity gap		251,687,992	214,253,018	-	(1,178,587)	464,862,423

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Equity price risk

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities as of 30 June 2013.

18.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to redemptions of its redeemable units on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is therefore to invest the majority of its assets in short term instruments in order to maintain liquidity.

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was obtained by the Fund during the current year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

18.3 Liquidity risk (Continued...)

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests 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. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month.

2013	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
----- Rupees -----					
Assets					
Bank balances	157,248,565	-	-	-	157,248,565
Investments	-	-	169,820,050	197,918,750	367,738,800
Markup accrued	1,082,791	3,057,039	1,789,000	-	5,928,830
Security deposit	-	-	-	100,000	100,000
	158,331,356	3,057,039	171,609,050	198,018,750	531,016,195
Liabilities					
Payable to Atlas Asset Management Ltd. - Management Company	640,480	-	-	-	640,480
Payable to Central Depository Company of Pakistan Limited - Trustee	73,585	-	-	-	73,585
Accrued and other liabilities	43,502	132,750	180,900	-	357,152
	757,567	132,750	180,900	-	1,071,217
Net assets / (liabilities)	157,573,789	2,924,289	171,428,150	198,018,750	529,944,978
----- Rupees -----					
2012					
----- Rupees -----					
Assets					
Bank balances	134,968,907	-	-	-	134,968,907
Investments	-	20,006,000	-	304,126,500	324,132,500
Markup accrued	1,322,738	3,377,747	2,139,118	-	6,839,603
Security deposit	-	-	-	100,000	100,000
	136,291,645	23,383,747	2,139,118	304,226,500	466,041,010
Liabilities					
Payable to Atlas Asset Management Ltd. - Management Company	376,573	207,620	-	207,620	791,813
Payable to Central Depository Company of Pakistan Limited - Trustee	64,019	-	-	-	64,019
Accrued and other liabilities	26,855	167,500	128,400	-	322,755
	467,447	375,120	128,400	207,620	1,178,587
Net assets / (liabilities)	135,824,198	23,008,627	2,010,718	304,018,880	464,862,423

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

18.4 Credit risk

Credit risk arises from the inability of the issuers of the instruments or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The Fund's policy is to enter into financial contracts in accordance with the interest risk management policies and investment guidelines approved by the Investment Committee. As of 30 June 2013, 69.90% (2012: 70.11%) of Fund's Net Assets are invested in Government Securities and the Fund's maximum exposure to credit risk as of 30 June 2013 amounts to Rs.163,277,395 (2012: Rs.141,908,510). The exposure is with respect to bank balances and markup accrued.

16.4.1 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. All the financial assets of the Fund that are exposed to credit risk are rated.

16.4.1 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

Rating	% of financial assets exposed to credit risk	
	2013	2012
AAA	70.17	70.74
A	29.81	29.24
Others	0.02	0.02
	100.00	100.00

18.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

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

Fair value of government securities is determined by reference to the quotation obtained from the brokers. The fair value of financial assets and liabilities of the Fund, other than government securities, approximates their carrying amount due to short term maturities of these instruments.

18.6 Fair value hierarchy

The Fund uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active markets for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2013, the Fund has investments at fair value through income statements measured using level 2 valuation technique.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

19. UNIT HOLDERS FUND RISK MANAGEMENT

The Fund'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 capital. 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.

The Fund has no restrictions on the subscription and redemption of units. As required under NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs.100 million at all times during the life of scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 18, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

20. UNIT HOLDING PATTERN OF THE FUND

Category	2013			2012		
	Number of unit holders	Amount Rupees	% of total	Number of unit holders	Amount Rupees	% of total
Individuals	233	141,353,527	26.87%	178	76,980,550	16.65%
Associated Companies/ Directors	4	109,638,051	20.84%	4	102,134,844	22.09%
Insurance Companies	2	2,154,450	0.41%	1	347,057	0.07%
Banks/ DFIs	1	49,675,661	9.44%	1	49,642,778	10.74%
Retirement Funds	5	170,613,926	32.43%	3	101,793,153	22.02%
Others	3	52,642,367	10.01%	3	131,416,405	28.43%
	248	526,077,982	100.00%	190	462,314,787	100.00%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

21. LIST OF TOP BROKERS BY PERCENTAGE OF THE COMMISSION PAID

2013		2012	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
JS Global Capital Limited	72.16	KASB Securities Limited	60.87
KASB Securities Limited	27.84	JS Global Capital Limited	39.13
	100.00		100.00

22. THE MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Mr. M. Habib-ur-Rahman	Chief Executive Officer	FCA	45 Years
Mr. Ali H. Shirazi	Director	Masters in Law	9.5 Years
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance)-UK, M. Com.	13 Years
Mr. Khalid Mehmood	Fund Manager - Equity Markets	MBA - Finance	9 Years
Mr. Muhammad Umar Khan	Fund Manager - Commodities	MSc - Finance - UK	5 Years
Mr. Fawad Javaid	Fund Manager - Fixed Income	CMA	5 Years

23. NAME AND QUALIFICATION OF FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Mr. Fawad Javaid	Fund Manager - Fixed Income	CMA	Atlas Income Fund Atlas Money Market Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

24. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The details of dates of Board meetings of the management company of the Fund, and the attendance of the Board members are given below:

Name of Directors	Meeting held on					
	05 July 2012	05 Sep. 2012	24 Oct 2012	12 Feb 2013	25 Apr 2013	16 May 2013
Mr. Yusuf H. Shirazi	P	P	P	P	P	P
Mr. M. Habib-ur-Rahman	P	P	P	P	P	P
Mr. Azam Faruque (w.e.f. 30 October 2012)	N/A	N/A	N/A	P	P	P
Mr. Shamshad Nabi (w.e.f. 30 October 2012)	N/A	N/A	N/A	P	P	L
Mr. Frahim Ali Khan	P	P	L	P	P	P
Mr. Ali H. Shirazi	P	P	P	P	P	P
Mr. Arshad P. Rana	P	P	L	P	P	P
Mr. Tariq Amin (Uptil 29 October 2012)	P	P	P	N/A	N/A	N/A
Mr. M. Ashraf Janjua (Uptil 29 October 2012)	P	P	P	N/A	N/A	N/A
Ms. Lilly R. Dossabhoy (CFO & Co. Secretary)	P	P	P	P	P	P

P Present

L Leave of absence

N/A Not Applicable

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

25. RATING OF THE FUND AND THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of the Management Company at AM2- (AM Two Minus).

PACRA has maintained a stability rating of "AA- (f)" (Double A Minus - Fund rating) for the Fund on 22 January 2013.

26. CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements.

27. GENERAL

Figures have been rounded off to the nearest Rupee.

28. DATE OF AUTHORISATION FOR ISSUE

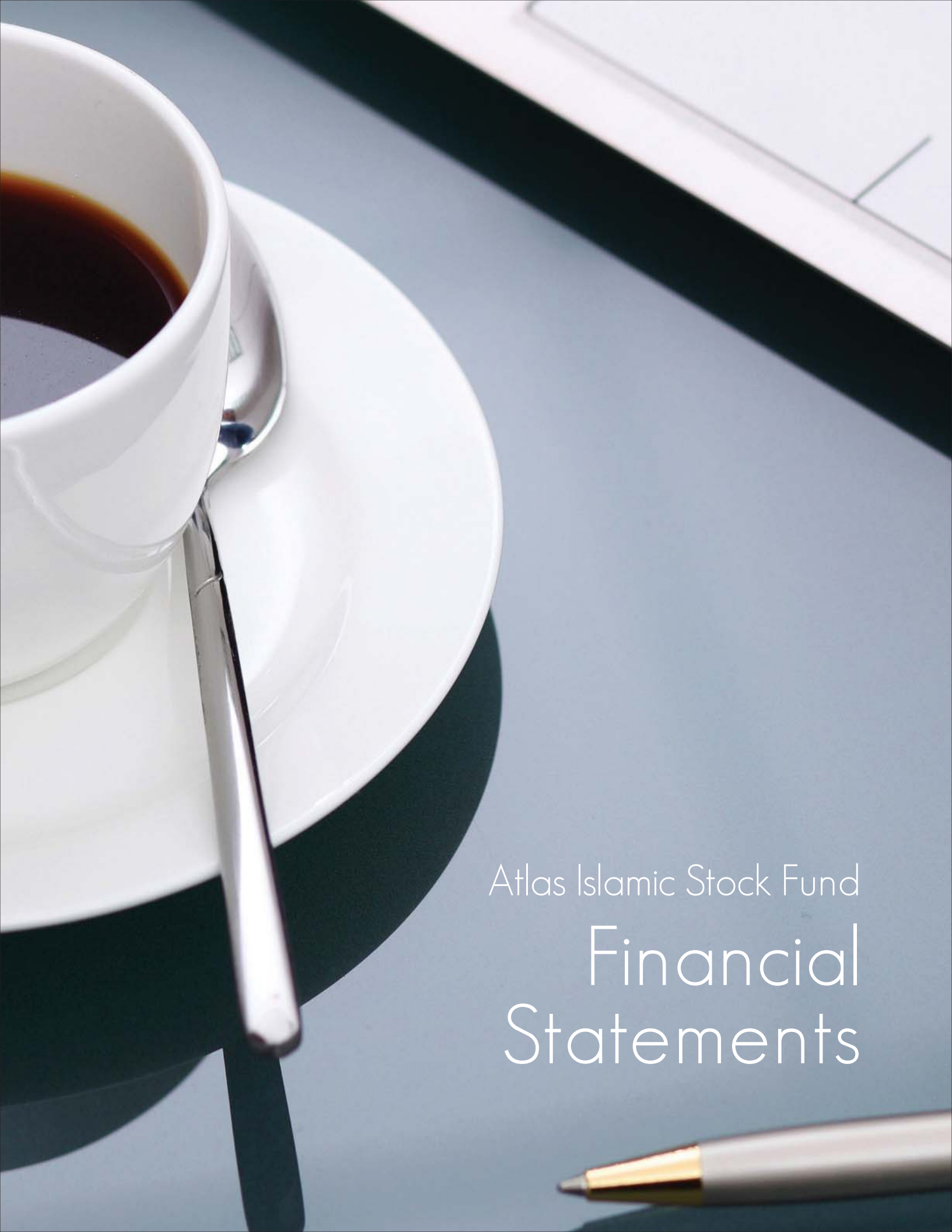
These financial statements were authorised for issue by the Board of Directors of the management company on 10 September 2013.

**For Atlas Asset Management Limited
(Management Company)**

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director



Atlas Islamic Stock Fund
Financial
Statements

Corporate Information

Trustee

Central Depository Company of Pakistan Limited
99-B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal
Karachi - 74400

Shariah Advisor

Muhammad Yahya Asim

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisers

Mohsin Tayebaly & Co.

Bankers

Al-Baraka Bank (Pakistan) Limited
Bank Islami Pakistan Limited
Faysal Bank Limited - Barkat Islamic Banking

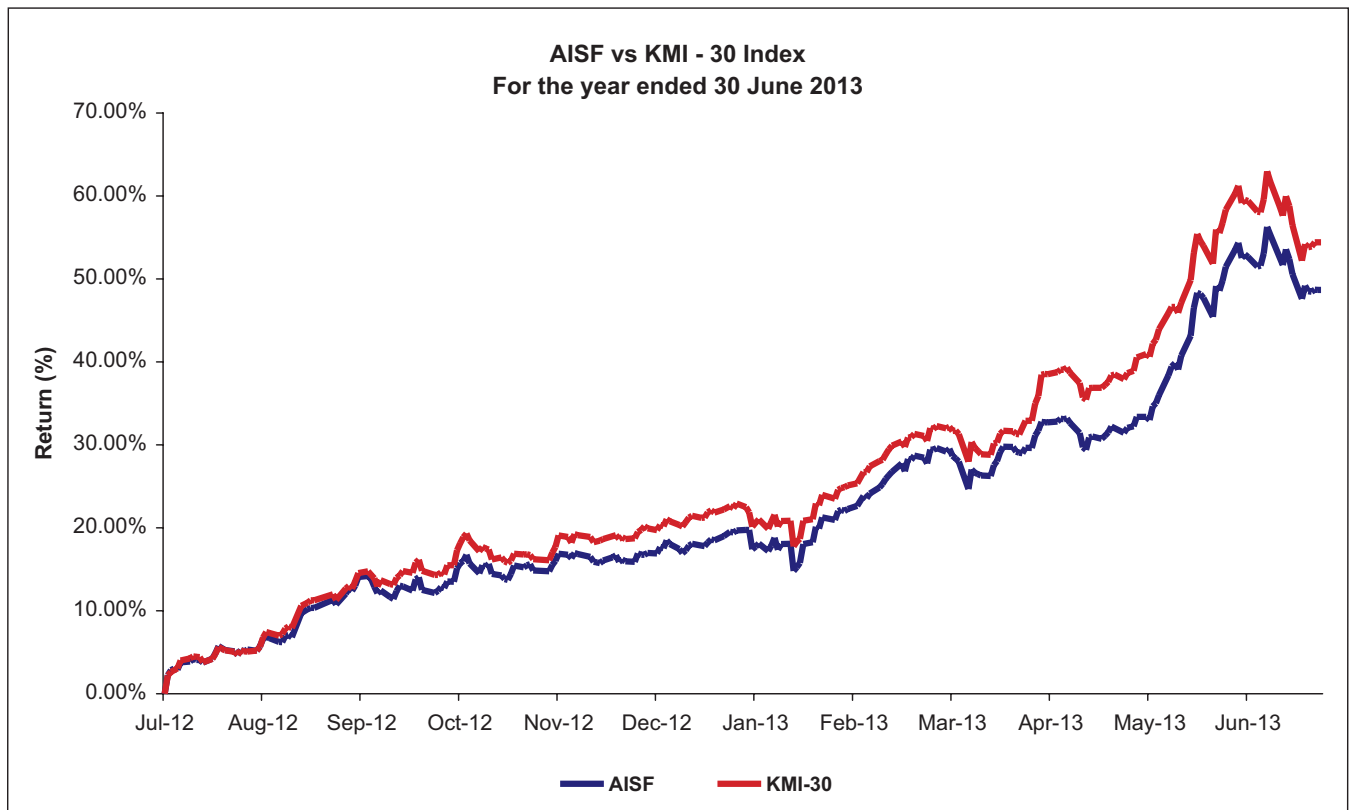


Fund Manager's Report

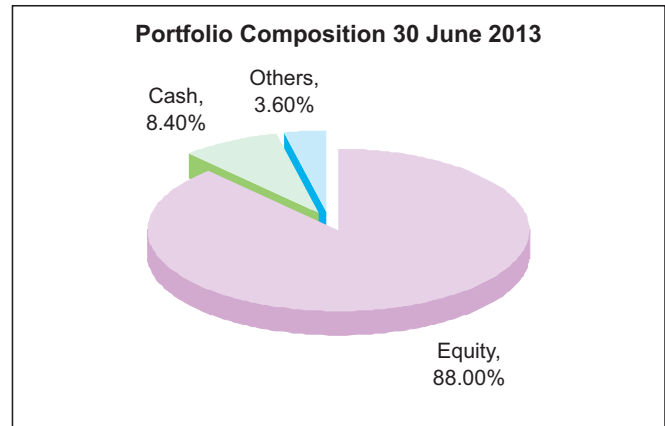
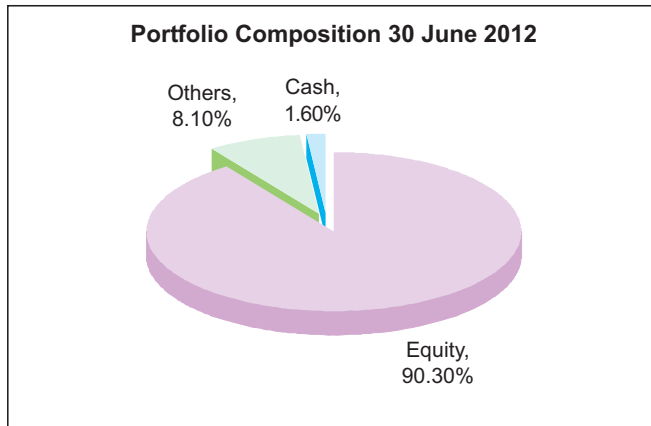
Atlas Islamic Stock Fund is an open-ended equity fund. The objective of the Fund is to maximize Unit Holders returns on their investments while at all times observing prudent investment practices, the highest professional standards, all applicable law, and the Shariah Code. The Fund's strategy revolves around Shariah Compliance while making investments in stocks with attractive fundamentals and a potential to outperform the market to generate high returns. The Fund observes the investment limitations as set out by the Shariah code, according to the guidance of the Shariah Advisor and emphasizes on medium to long term investment views, by making investment decisions based upon fundamental analysis. The Fund makes use of portfolio management skills for sector and stock selection in order to efficiently manage the Fund's portfolio.

KMI -30 Index serves as the performance benchmark of Atlas Islamic Stock Fund.

The KMI-30 index increased from 23,776 points as on 30 June 2012 to 36,713 points as on 28 June 2013, showing a growth of 54.41%. In the month of May 2013 alone the KMI-30 index increased by 14% as the market reached 37,642.68 points from the level of 33,032.89 points, at the start of the month. The increase in the index was in anticipation of resolution of circular debt, structural reforms in the power sector and the expected initiative by the new government in Public Sector Development projects. Foreign Portfolio Investment during the FY 2012-13 stood at US\$ 558 million (including Unilever buyback) that also helped the market to perform well. Top performing sectors during the period were Cement, Textile, Food and Electricity. The average daily trading volume increased to 201 million shares during the FY 2012-13 as compared to 130 million shares in FY 2011-12.



The Net Asset Value per unit of Atlas Islamic Stock Fund has increased by 48.67% to Rs.483.55 as on 30 June 2013. The benchmark KMI -30 index has increased by 54.41% during the same period. The KMI- 30 index has increased from 23,776 points as on 30 June 2012 to 36,713 points as on 30 June 2013. AISF's strategy will continue to focus on dividend plays and stocks which are trading at relatively cheap multiples with earning growth prospects. AISF's equity portfolio exposure was mainly in Oil & Gas, Electricity, Construction and Chemical sectors.



The Net Assets of the Fund stood at Rs.974.61 million, with 2.02 million units outstanding as of 30 June 2013. AISF's Net Capital Gain for the period under review stood at Rs.148.71 million. The Dividend Income and Income from Shariah Compliant Bank Deposits for the period under review stood at Rs.51.99 million and Rs.3.49 million respectively.

The Administrative Plans:

The management company is offering investment plans that allow investors focused combination investment strategic in Atlas Islamic Income fund (AIIF) and Atlas Islamic Stock Fund (AISF). The investment plans were offered from September 2008, and the returns since then are as under:

Administrative Plans	Proportionate investment in		Return (period ended)		
	AIIF	AISF	2010-11	2011-12	2012-13
Islamic Income Multiplier	85%	15%	14.9%	12.7%	14.7%
Islamic Balanced	50%	50%	26.8%	18.8%	28.7%
Islamic Growth	15%	85%	38.7%	24.9%	42.7%

Breakdown of Unit holding by size:

Type of investor	No. of Investors	Amount of Investment (Rs.)	% of Total
Individuals	344	107,926,166	11.07%
Associated Companies/ Directors	9	353,746,355	36.30%
Insurance Companies	1	76,586,766	7.86%
NBFC's	1	13,844	0.00%
Retirement Funds	13	425,865,688	43.70%
Others	3	10,466,967	1.07%
Total	371	974,605,786	100%

The Scheme has maintained provisions against WWF liability of Rs.13,102,880. If the same were not made the NAV per unit/return of the Scheme would be higher by Rs.6.5/1.34%. For details please refer to note 10.4 of the financial statements.

The Board of Directors has approved a final distribution of Rs.110 per unit (22% on the face value of Rs.500 per unit). This works out 33.82% of the ex-bonus net asset value of units of the Fund at the beginning of the year.

The NAV before distribution stood at Rs.483.55 per unit and after adjustment for final dividend stood at Rs.373.55 per unit.

During the year under review, the Investment Committee held fifty four meetings to review investment of the Fund and the Risk Committee held twenty six meetings to review risk management.

Karachi: 10 September 2013

Khalid Mehmood
Fund Manager

Performance Since Inception

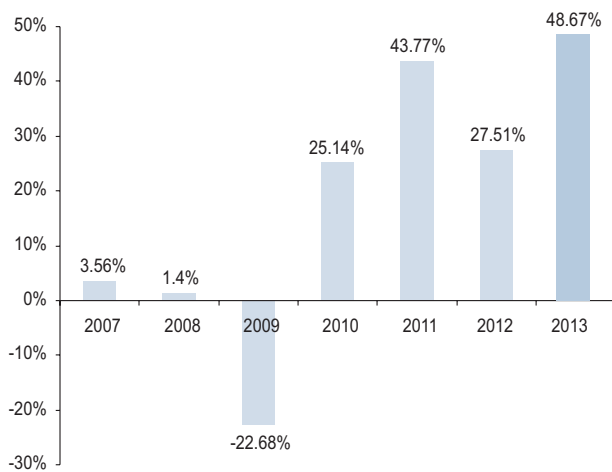
	2013	2012	2011	2010	2009	2008	2007*
Net Assets (Rs. In " 000 ")	974,606	510,953	318,777	252,773	417,775	597,788	512,580
Number of units in issue	2,015,536	1,317,773	779,243	521,664	1,078,902	1,172,525	989,930
Net asset value per unit	483.55	387.74	409.09	484.55	387.22	509.83	517.79
Net income / (loss) (Rs. In " 000 ")	319,844	110,717	97,396	114,084	(122,217)	9,319	17,489
Earnings per unit	158.69	84.02	124.99	218.69	(113.28)	7.95	17.67
Annual return of the fund (%)	48.67	27.51	43.77	25.14	(22.68)	1.40	3.56
Offer Price**	488.45	391.64	413.18	489.40	391.09	514.93	522.97
Redemption Price**	476.36	381.94	402.95	477.28	381.41	502.18	510.03
Distribution (Bonus)	110.00	62.50	105.00	200.00	-	9.00	15.00
Distribution as a % of Opening Ex-NAV of units	33.82	20.55	36.90	51.65	-	1.79	3.00
Date of distribution	4-Jul-13	5-Jul-12	7-Jul-11	8-Jul-10	-	4-Jul-08	20-Jul-07
Highest offer price per unit	513.39	402.82	423.05	562.83	488.69	603.50	525.33
Lowest offer price per unit	340.83	288.51	293.27	409.30	238.43	464.43	508.46
Highest redemption price per unit (after applicable back-end load)	500.69	392.85	412.58	548.90	476.59	588.56	512.33
Lowest redemption price per unit (after applicable back-end load)	332.40	281.37	286.01	399.17	232.53	452.93	495.88

Date of Launch: 15 January 2007.

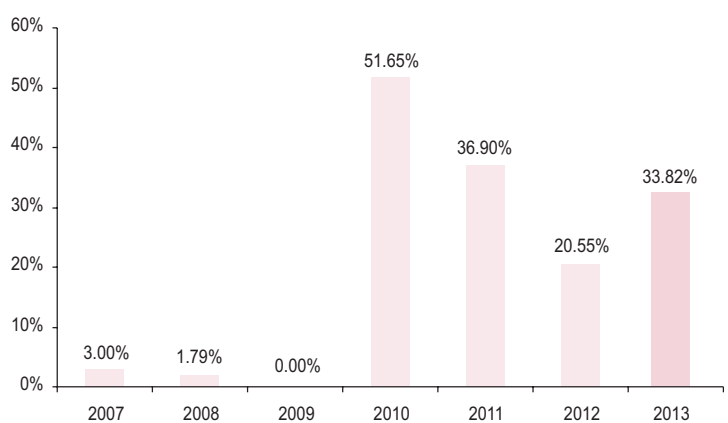
* Period from 17 October 2006 to 30 June 2007.

** Relates to announced prices.

Yearly Performance



Payout History - on opening Ex-NAV of units



Note: Past performance of the Fund is not indicative of future performance, and the unit price and investment return may go down, as well as up.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2013

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

Atlas Asset Management Limited (AAML), the Management Company, is not listed and hence, the Code is not applicable to it. However, Atlas Islamic Stock Fund, being listed at the Lahore Stock Exchange, comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), and Chief Financial Officer (CFO)/Company Secretary and other necessary personnel to manage the affairs of the Fund.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present the Board includes:

Category	Name of Director
Independent Directors	Mr. Azam Faruque Mr. Shamshad Nabi
Non-Executive Directors	Mr. Yusuf H. Shirazi Mr. Fahim Ali Khan Mr. Ali H. Shirazi Mr. Arshad P. Rana
Executive Director (CEO)	Mr. M. Habib-ur-Rahman

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The three years' term of office of the previous Board was completed and a new Board comprising of seven directors was elected for the next term of three years commencing from 30 October 2012, with the approval of the Securities and Exchange Commission of Pakistan, as required by the NBFC Regulations, 2008. The former independent directors, Mr. Tariq Amin and Mr. M. Ashraf Janjua, who completed their terms of office on 29 October 2012, were succeeded by Mr. Azam Faruque and Mr. Shamshad Nabi respectively. There was no casual vacancy during the year.
5. The Management Company has prepared a "Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of the remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, and the Board met at least once in every quarter during the period. Written notes of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. Four members of the Board of Directors of the Management Company are exempt from the requirements of the Directors' Training Program as per the proviso to Clause xi of the Code, whilst one of the independent directors elected during the year is a certified director from an institute meeting the criteria specified by the Securities & Exchange Commission of Pakistan. The Certification Program requirements of one of the remaining two Board members are in progress.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2013

10. No new appointment of the Chief Financial Officer & Company Secretary and Chief Internal Auditor was made during the year. The terms of remuneration of the Chief Financial Officer & Company Secretary, and the Chief Internal Auditor have been approved by the Board.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
13. The Directors, CEO and Executives do not hold units other than those disclosed in note 14 to the financial statements "Transactions with Related Parties/Connected Persons", and as disclosed in the pattern of unit holdings disclosed in note 18 to the financial statements. These transactions have been placed before the Audit Committee and as per their recommendation, approved by the Board of Directors of the Management Company.
14. The Management Company has complied with the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee comprising of three members, all of whom are non-executive directors and the Chairman of the Committee is an independent director.
16. Meetings of the Audit Committee were held every quarter, prior to approval of the interim and annual results of the Fund, as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the committee is a non-executive director.
18. The Board has set up an effective internal audit function headed by a full time Chief Internal Auditor who is considered suitably qualified and experienced, and is conversant with the policies and procedures of the Fund.
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 spouse and minor children do not hold units of the Fund, and that the Firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the 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 except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/financial results, and business decisions, which may materially affect the market price / net asset value, was determined and intimated to directors, employees and the stock exchange.
22. Material /price sensitive information has been disseminated among all market participants at once through the Stock Exchange.
23. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 10 September 2013

M. Habib-ur-Rahman
Chief Executive Officer

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Atlas Islamic Stock Fund (the Fund) are of the opinion that Atlas Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended 30 June 2013 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Karachi: 13 September 2013

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

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE 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 Atlas Asset Management Limited, the Management Company of Atlas Islamic Stock Fund to comply with the Listing Regulations No. 35 (Chapter XI) of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code 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 Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 internal controls, the Management Company's corporate governance procedures and risks.

Sub-Regulation (x) of Listing Regulation No. 35 as notified by the Lahore Stock Exchange require the Management Company 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 the 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 Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2013.

Karachi: 17 September 2013

A. F. Ferguson & Co.
Chartered Accountants

REVIEW REPORT OF THE SHARIAH ADVISOR

As the Shariah Advisor of the Atlas Islamic Stock Fund, I am issuing this report in accordance with clause 2.3.4 (V) of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of Atlas Asset Management Limited (AAML), the management company of the Fund, to establish and maintain a system of internal controls to ensure compliance with the Shariah guidelines. As a Shariah Advisor my responsibility is to express an opinion, based on my review of the representations made by the management, to the extent where such compliance can be objectively verified.

For screening investment in equities, I have advised a criteria on the basis of the following: (i) nature of business, (ii) interest bearing debt in relation to the total assets, (iii) illiquid assets in relation to the total assets, (iv) investment in non-Shariah compliant activities to total assets and income from non-compliant investments to gross revenues, and (v) net liquid assets per share vs share price.

As part of my mandate as the Shariah Advisor to the Fund. I have reviewed the following, during the year:

- The modes of investment of Fund's property and its compliance with Shariah guidelines.
- The process of deployment of Fund's property and its compliance with Shariah guidelines.
- The process of purification of income and its compliance with Shariah guidelines.

In light of the above scope, I hereby certify that all the provisions of the scheme and investments made by the Fund for the year ended 30 June 2013 are in compliance with the Shariah principles.

There are investments made by AISF where investee companies have earned a part of their income from non-compliant sources (e-g, interest income). In such cases, the Management Company, in consultation with me, the Shariah Advisor of the Fund, have determined the Haram portion of the income of the Fund and marked to charity in order to purify the whole income.

Karachi: 24 July 2013

Muhammad Yahya Asim
Shariah Advisor

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **ATLAS ISLAMIC STOCK FUND** (hereinafter referred to as 'the Fund'), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing 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 misstatements.

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 the 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 financial position of the Fund as at 30 June 2013 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTER

The financial statements of the Fund for the year ended 30 June 2012 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated 5 September 2012.

A. F. Ferguson & Co.
Chartered Accountants

Karachi: 17 September 2013

Engagement Partner: Salman Hussain

STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
Bank balances	4	85,170,897	42,299,162
Investments	5	891,299,600	469,632,380
Profit receivable on bank balances		751,015	594,447
Dividend receivable		1,002,050	450,000
Receivable against sale of investments		31,703,077	4,626,080
Security deposits	6	2,600,000	2,600,000
Total assets		1,012,526,639	520,202,069
LIABILITIES			
Payable to Atlas Asset Management Limited - Management Company	7	1,640,778	830,285
Payable to Central Depository Company of Pakistan Limited - Trustee	8	181,078	87,988
Payable to the Securities and Exchange Commission of Pakistan	9	659,888	392,080
Payable against purchase of investments		21,171,604	687,969
Accrued expenses and other liabilities	10	14,267,505	7,250,626
Total liabilities		37,920,853	9,248,948
NET ASSETS		974,605,786	510,953,121
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		974,605,786	510,953,121
CONTINGENCIES AND COMMITMENTS	11		
NUMBER OF UNITS IN ISSUE		2,015,536	1,317,773
NET ASSET VALUE PER UNIT		483.55	387.74

The annexed notes from 1 to 27 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 ----- Rupees -----	2012 ----- Rupees -----
INCOME			
Profit on bank balances		3,487,243	3,101,583
Dividend income		51,997,690	27,757,626
Capital gain on sale of investments - net		148,708,163	68,914,575
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		97,545,714	26,836,674
		246,253,877	95,751,249
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		46,603,913	2,070,613
		348,342,723	128,681,071
EXPENSES			
Remuneration of Atlas Asset Management Limited - Management Company	7.1	13,892,445	10,192,498
Sindh sales tax on remuneration of the Management Company	10.2	2,248,372	1,630,800
Federal Excise Duty on remuneration of the Management Company	10.3	159,888	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	8.1	1,388,234	837,431
Annual fee - Securities and Exchange Commission of Pakistan	9	659,888	392,080
Auditors' remuneration	12	224,420	235,395
Securities transaction cost	13	2,989,556	2,141,651
Annual listing fee		40,000	30,000
Annual rating fee		100,000	100,000
Printing charges		243,910	129,579
Bank charges		24,343	14,912
Provision for Workers' Welfare Fund	10.4	6,527,433	2,259,535
		28,498,489	17,963,881
Net income for the year before taxation		319,844,234	110,717,190
Taxation		-	-
Net income for the year after taxation		319,844,234	110,717,190

The annexed notes from 1 to 27 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	----- Rupees -----	
Net income for the year after taxation	319,844,234	110,717,190
Other comprehensive income	-	-
Total comprehensive income for the year	319,844,234	110,717,190

The annexed notes from 1 to 27 form an integral part of these financial statements.

**For Atlas Asset Management Limited
(Management Company)**

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	----- Rupees -----	
Undistributed income / (accumulated losses) brought forward [includes unrealised gain on investments of Rs.28,431,471] (2012: unrealised gain of Rs.7,526,893)	12,938,804	(15,476,034)
Final distribution of bonus units for the year ended 30 June 2012 Rs.62.50 per unit declared on 05 July 2012 (2012: Rs.105 per unit declared on 7 July 2011)	(82,360,783)	(81,820,514)
Net income for the year after taxation	319,844,234	110,717,190
Shariah non-compliant income set-aside for charity	10.1 (771,476)	(481,838)
Undistributed income carried forward [includes unrealised gain on investments of Rs.108,232,074] (2012: unrealised gain of Rs.28,431,471)	<u>249,650,779</u>	<u>12,938,804</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

**For Atlas Asset Management Limited
(Management Company)**

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED 30 JUNE 2013

	2013		2012	
	Units	Rupees	Units	Rupees
Net assets at beginning of the year [Rs.387.74 (2012: Rs.409.09) per unit]	1,317,773	510,953,121	779,243	318,776,676
Issue of units	1,866,935	753,500,474	1,382,710	482,831,724
Redemption of units	(1,422,403)	(562,316,655)	(1,113,247)	(398,820,018)
	444,532	191,183,819	269,463	84,011,706
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed - net	-	(46,603,913)	-	(2,070,613)
Issue of bonus units	253,231	-	269,067	-
Capital gain on sale of investments - net	-	148,708,163	-	68,914,575
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	-	97,545,714	-	26,836,674
Other net income for the year	-	73,590,357	-	14,965,941
Total comprehensive income for the year	-	319,844,234	-	110,717,190
Shariah non-compliant income set-aside for charity	-	(771,475)	-	(481,838)
Net assets at end of the year [Rs.483.55 (2012: Rs.387.74) per unit]	2,015,536	974,605,786	1,317,773	510,953,121

The annexed notes from 1 to 27 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

Note	2013 ----- Rupees -----	2012 -----
Cash flows from operating activities		
Net income for the year after taxation	319,844,234	110,717,190
Adjustments for:		
Profit receivable on bank balances	(3,487,243)	(3,101,583)
Dividend income	(51,997,690)	(27,757,626)
Capital gain on sale of investments - net	(148,708,163)	(68,914,575)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(97,545,714)	(26,836,674)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(46,603,913)	(2,070,613)
	(348,342,723)	(128,681,071)
(Increase) / decrease in assets		
(Receivable) / payable against sale / purchase of investments	(27,076,997)	5,665,181
Increase / (decrease) in liabilities		
Payable to Atlas Asset Management Limited - Management Company	810,493	25,679
Payable to Central Depository Company of Pakistan Limited - Trustee	93,090	25,448
Payable to the Securities and Exchange Commission of Pakistan	267,808	136,673
Payable against purchase of investments	20,483,635	(10,842,004)
Accrued and other liabilities	6,245,403	1,830,232
	27,900,429	(8,823,972)
Investments made during the year	(1,543,199,806)	(976,058,702)
Investments sold during the year	1,367,786,464	884,412,486
Profit received on bank balances	3,330,675	2,807,738
Dividend received	51,445,640	29,257,626
Net cash used in operating activities	(148,312,084)	(80,703,524)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issuance of units	753,500,474	482,831,724
Net payments against redemption of units	(562,316,655)	(398,820,018)
Net cash generated from financing activities	191,183,819	84,011,706
Net increase in cash and cash equivalents during the year	42,871,735	3,308,182
Cash and cash equivalents at the beginning of the year	42,299,162	38,990,980
Cash and cash equivalents at the end of the year	85,170,897	42,299,162

The annexed notes from 1 to 27 form an integral part of these financial statements.

**For Atlas Asset Management Limited
(Management Company)**

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Atlas Islamic Stock Fund (the Fund) is an open ended Fund constituted by a trust deed entered into on 12 September 2006 between Atlas Asset Management Limited (AAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was revised through the First Supplemental Trust Deed dated 29 October 2007, Second Supplemental Trust Deed dated 06 March 2008, Third Supplemental Trust Deed dated 04 December 2009 and the Fourth Supplemental Trust Deed dated 23 June 2010 with the approval of the SECP. Also, the Offering Document of the Fund was revised through the First, Second, Third and Fourth Supplements, dated 29 October 2007, 06 March 2008, 04 December 2009 and 23 June 2010 respectively, with the approval of the SECP. The investment activities and administration of the Fund are managed by AAML situated at Ground Floor, Federation House, Shahrae Firdousi, Clifton, Karachi.
- 1.2 Units of the Fund are offered for public subscription on a continuous basis since 15 January 2007 and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the Lahore Stock Exchange.
- 1.3 According to the trust deed, the objective of the Fund is to provide one window facility to invest in diversified, professionally managed investment portfolio of shariah compliant securities, such as equities, cash and/or near cash Shariah Compliant instruments including cash in bank accounts (excluding TDRs) and Shariah Compliant government securities not exceeding 90 days' maturity. The investment objectives and policies are fully defined in the Fund's Offering Document.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

The following amendments of approved accounting standards have been published and are mandatory for the Fund's accounting periods beginning on or after 1 July 2012:

- IAS 1, 'Financial statement presentation'. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments do not have any significant effect on the Fund's financial statements.
- IAS 12, 'Income Taxes'. The main change resulting from these amendments requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way the management expects to recover or settle the carrying amount of the entity's assets or liabilities. The amendments do not have any significant effect on the Fund's financial statements as the Fund is exempt from taxation.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning 1 July 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

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

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations and amendments:

- IFRS 7 - 'Financial Instruments : Disclosures' – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities.
- IAS 32 - 'Financial Instruments : Presentation' - Offsetting Financial Assets and Financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application except for certain additional disclosures.

There are certain other new and amended standards and interpretations that are mandatory for the Fund's accounting periods beginning on or after 1 July 2013 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

Further, the following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 – Consolidated Financial Statements	01 January 2013
IFRS 11 – Joint Arrangements	01 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 – Fair Value Measurement	01 January 2013

2.4 Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimates and judgements that have a significant effect on the financial statements are in respect of the classification and valuation of investments (notes 3.1 and 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair value.

2.6 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except as described below:

3.1 Financial assets

3.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3.1.1 Classification (Continued...)

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available-for-sale

Investments which are not classified in the preceding categories are classified as available-for-sale investments.

3.1.2 Regular way contracts

All regular way purchases / sales of investments are recognised on the trade date, i.e. the date on which the Fund commits to purchase / sell the investment. Regular way purchases / sales of investments require delivery of securities within two days after transaction date as per the stock exchange regulations.

3.1.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

3.1.4 Subsequent measurement

a) Equity securities

Subsequent to initial recognition, financial investment in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising on such revaluation is taken to the income statement for securities carried at fair value through profit or loss.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to other comprehensive income until these are derecognised. At this time, the cumulative gain or loss, previously recognised in under other comprehensive income, is shown as part of net income for the year.

b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired.

3.1.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income is reclassified to 'income statement'. Impairment losses recognised on equity instruments are not reversed through the income statement.

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of provision is determined based on the provisioning criteria specified by SECP.

3.1.6 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of assets and liabilities only 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3.1.7 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

3.2 Cash and cash equivalents

Cash and cash equivalents include deposits with banks and other short term highly liquid investments with original maturities of three months or less.

3.3 Derecognition

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

3.4 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement. Presently, the Fund does not have any derivative instrument.

3.5 Provisions

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

3.6 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the application received during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / Distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.7 Distribution to unit holders

Distribution to unit holders is recognised upon declaration and approval by the Board of Directors of the Management Company.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.8 Element of income / loss and capital gains / losses in prices of units issued less those in units redeemed

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

Upon sale and redemption of units, the amount representing net income / loss and capital gains / losses is accounted for in net asset value and included in the sale / redemption price is taken to the Income Statement.

The element is computed to the extent that it is represented by the increase / decrease in net income / loss and capital gains / losses earned / incurred during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3.9 Revenue recognition

- Gains or losses on sale of investments are included in the Income Statement in the year in which it arises.
- Dividend income is recognised when the right to receive the dividend is established.
- Interest income on bank balances, placements and deposits is recognised on an accrual basis.
- Element of income / loss and capital gains / losses in prices of units issued less those in units redeemed is recognised when the units are issued and redeemed at the transaction date.

3.10 Expenses

All expenses chargeable to the Fund including remuneration of Management Company and Trustee and annual fee of the SECP are recognised in the income statement on an accrual basis.

3.11 Taxation

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. The Fund intends to distribute such income at the year end in order to avail this tax exemption. Accordingly, no provision is made for current and deferred taxation in these financial statements.

3.12 Net asset value per unit

The net asset 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.

3.13 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculation EPU is not practicable.

	Note	2013 ----- Rupees -----	2012 ----- Rupees -----
4. BANK BALANCES			
In local currency			
- Profit and loss sharing accounts	4.1	<u>85,170,897</u>	<u>42,299,162</u>
4.1 The rate of return on these profit and loss sharing accounts ranges between 6% to 8.90% (30 June 2012: 6% to 11%) per annum.			
5. INVESTMENTS			
At fair value through profit or loss			
- Listed equity securities - Held for trading	5.1	<u>891,299,600</u>	<u>469,632,380</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

5.1 Listed equity securities

Shares of listed companies - fully paid ordinary shares with a face value of Rs 10 each unless stated otherwise.

Name of Investee Company	Number of shares				Rupees		Percentage of			
	As at 01 July 2012	Purchases during the year	Bonus shares during the year	Sales during the year	As at 30 June 2013	Carrying Cost	Market value	Market Value as a percentage of total Investments	Market Value as a percentage of net assets	Percentage of Paid up capital of investee company held
Held for trading equity securities										
OIL AND GAS										
Attock Petroleum Limited	-	119,500	-	119,500	-	-	-	-	-	-
National Refinery Limited	-	175,000	-	175,000	-	-	-	-	-	-
Oil and Gas Development Company Limited	100,000	846,600	-	346,600	600,000	124,956,131	137,250,000	15.40	14.08	0.01%
Pakistan Oilfields Limited	195,000	390,000	-	305,000	280,000	128,090,301	139,263,600	15.62	14.29	0.12%
Pakistan Petroleum Limited	405,000	350,000	82,500	637,500	200,000	43,111,166	42,316,000	4.75	4.34	0.01%
Pakistan State Oil Company Limited	100,000	450,000	50,000	400,000	200,000	41,894,273	64,076,000	7.19	6.57	0.08%
	800,000	2,331,100	132,500	1,983,600	1,280,000	338,051,871	382,905,600	42.96	39.28	0.23%
CHEMICALS										
Fauji Fertilizer Bin Qasim Limited	-	2,500,000	-	2,200,000	300,000	11,515,540	11,262,000	1.26	1.16	0.03%
Fauji Fertilizer Company Limited	450,000	1,105,800	-	955,800	600,000	67,680,711	64,458,000	7.23	6.61	0.05%
ICI Pakistan Limited	66,540	100,000	-	66,540	100,000	17,228,295	16,643,000	1.87	1.71	0.11%
Sitara Chemical Industries Limited	-	23,300	-	23,300	-	-	-	-	-	-
	516,540	3,729,100	-	3,245,640	1,000,000	96,424,546	92,363,000	10.36	9.48	0.19%
CONSTRUCTION AND MATERIALS										
D G Khan Cement Company Limited	1,000,000	2,455,000	-	2,855,000	600,000	41,217,051	50,214,000	5.63	5.15	0.14%
Kohat Cement Limited	-	100,000	-	-	100,000	8,583,270	8,583,000	0.96	0.88	0.08%
Lucky Cement Limited	345,000	600,000	-	745,000	200,000	30,887,844	41,944,000	4.71	4.30	0.06%
Akzo Nobel Pakistan Limited	33,460	-	-	33,460	-	-	-	-	-	-
	1,378,460	3,155,000	-	3,633,460	900,000	80,688,165	100,741,000	11.30	10.33	0.28%
AUTOMOBILE AND PARTS										
Indus Motor Company Limited	50,000	-	-	50,000	-	-	-	-	-	-
GENERAL INDUSTRIALS										
Packages Limited	-	50,000	-	-	50,000	11,170,000	11,168,500	1.25	1.15	0.06%
FOOD PRODUCERS										
Engro Foods Limited	-	318,500	-	193,500	125,000	13,684,583	17,596,250	1.97	1.81	0.02%
National Foods Limited	-	50,000	-	50,000	-	-	-	-	-	-
	-	368,500	-	243,500	125,000	13,684,583	17,596,250	1.97	1.81	0.02%
HOUSE HOLD GOODS										
Tariq Glass Industries Limited	-	500,000	-	-	500,000	12,659,500	11,000,000	1.23	1.13	0.72%
PERSONAL GOODS (TEXTILES)										
Nishat Mills Limited	-	1,400,000	-	700,000	700,000	57,397,906	65,947,000	7.40	6.77	1.99%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Name of Investee Company	Number of shares					Rupees		Percentage of		
	As at 01 July 2012	Purchases during the year	Bonus shares during the year	Sales during the year	As at 30 June 2013	Carrying Cost	Market value	Market Value as a percentage of total Investments	Market Value as a percentage of net assets	Percentage of Paid up capital of investee company held
Held for trading equity securities										
FIXED LINE TELECOMMUNICATION										
Pakistan Telecommunication Company Limited										
	650,000	2,325,000	-	2,975,000	-	-	-	-	-	-
ELECTRICITY										
The Hub Power Company Limited										
	1,800,000	2,504,500	-	1,979,500	2,325,000	120,712,869	143,336,250	16.08	14.71	0.20%
PakGen Power Limited										
	-	1,428,000	-	1,428,000	-	-	-	-	-	-
	1,800,000	3,932,500	-	3,407,500	2,325,000	120,712,869	143,336,250	16.08	14.71	0.20%
MULTIUTILITIES (GAS AND WATER)										
Sui Northern Gas Pipelines Limited										
	-	700,000	-	-	700,000	15,058,296	14,042,000	1.58	1.44	0.11%
COMMERCIAL BANKS										
BankIslami Pakistan Limited										
	-	800,000	-	800,000	-	-	-	-	-	-
Meezan Bank Limited										
	1,499,657	1,053,343	110,000	863,000	1,800,000	47,906,150	52,200,000	5.86	5.36	0.18%
	1,499,657	1,853,343	110,000	1,663,000	1,800,000	47,906,150	52,200,000	5.86	5.36	0.18%
Total as at 30 June 2013						793,753,886	891,299,600	100.00	91.45	
Total as at 30 June 2012						442,795,706	469,632,380			

5.2 The cost of listed equity securities as at 30 June 2013 is Rs.783,067,526 (2012: Rs.441,200,909).

5.3 The above investments include shares which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades:

	Number of shares		Market value	
	2013	2012	2013	2012
	-----Rupees-----			
Pakistan Oilfields Limited	45,000	45,000	22,381,650	16,512,300
Pakistan Petroleum Limited	-	115,000	-	21,653,350
Fauji Fertilizer Company Limited	75,000	75,000	8,057,250	8,328,750
Lucky Cement Limited	100,000	100,000	20,972,000	11,539,000
The Hub Power Company Limited	700,000	300,000	43,155,000	12,567,000
			94,565,900	70,600,400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 ----- Rupees -----	2012 -----
6. SECURITY DEPOSITS			
Held with:			
National Clearing Company of Pakistan Limited		2,500,000	2,500,000
Central Depository Company of Pakistan Limited		100,000	100,000
		2,600,000	2,600,000

7. PAYABLE TO ATLAS ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY - RELATED PARTY

Remuneration of the Management Company	7.1	1,640,778	829,914
Sales load		-	371
		1,640,778	830,285

7.1 In accordance with the provisions of the NBFC Regulations, the Management Company is entitled to receive a remuneration during the first five years of the Fund, at the rate not exceeding 3% per annum of the average annual net assets of the Fund and thereafter, at the rate equal to 2% of such assets. For the current year the Management Company has charged its remuneration at the rate of 2% (2012: 3% per annum for the period 1 July 2011 to 14 January 2012, and 2% per annum for the period from 15 January 2012 to 30 June 2012) per annum of the average net assets of the Fund.

8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE - RELATED PARTY

Trustee fee	8.1	163,074	82,988
Settlement charges		18,004	5,000
		181,078	87,988

8.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs. 1,000 million Rs. 0.7 million or 0.20% per annum of Net Asset Value whichever is higher
- On an amount exceeding Rs.1,000 million Rs. 2.0 million plus 0.10% per annum of Net Asset Value exceeding Rs. 1,000 million

9. PAYABLE TO THE SECURITIES EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, the Fund is required to pay SECP an amount on 0.095% of the average annual net assets of the Fund as annual fee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 ----- Rupees -----	2012
10. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		180,656	195,000
Printing charges payable		180,900	128,500
Rating fee payable		100,000	100,000
Charity payable	10.1	154,531	35,402
NCCPL charges payable		28,131	20,000
Withholding tax payable		3,640	956
Zakat payable		-	3,928
Sales load payable to distributors		-	1,114
Sindh Sales Tax payable on remuneration of the Management Company	10.2	288,106	132,786
Federal Excise Duty payable on remuneration of the Management Company	10.3	159,888	-
Provision for Workers' Welfare Fund	10.4	13,102,880	6,575,447
Others		68,773	57,493
		14,267,505	7,250,626

- 10.1** The Shariah Advisor of the Fund has certified an amount of Rs.771,475 (2012: Rs.481,838) against dividend income as Shariah non-compliant income which has accordingly, been marked to charity, out of which Rs.616,944 has been paid to charities approved by the new Shariah Advisor. The Management Company has appointed Mr. Muhammad Yahya Asim as the new Shariah Advisor of the Fund after the demise of (Late) Professor Dr. Fazlur Rahman in June 2013.
- 10.2** During the year, an amount of Rs.2,248,372 (2012: Rs.1,630,800) was charged on account of sales tax on remuneration of Management Company levied through Sindh Sales Tax on Services Act, 2011, out of which Rs.1,960,266 has already been paid to the Management Company which acts as a collecting agent.
- 10.3** The Finance Act, 2013 has enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from 13 June 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund as explained in note 10.2 above, the Management Company is of the view that further levy of FED is not justified. This matter being an industry issue, is being taken up collectively by the Mutual Funds Association of Pakistan (MUFAP), where various options are being considered. As a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from 13 June 2013, aggregating to Rs.159,888.
- 10.4** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) / pension funds whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs / pension funds, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended 30 June 2010.

During the year ended 30 June 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on 14 December 2010 the Ministry filed its response against the Constitutional Petition requesting the Court to dismiss the same. Show cause notices were then issued by Federal Board of Revenue (FBR) to several Mutual Funds (CISs) / Pension Funds for the collection of WWF including some of the mutual funds and a pension fund managed by the AMC. In respect of such show cause notices, certain Mutual Funds (CISs) / Pension Funds have been granted stay by Honourable SHC on the basis of the pending Constitutional Petition as referred above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

- 10.4** In March 2013, a three member bench of the Sindh High Court in its judgement on various Constitutional Petitions challenging the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, held that WWF is a tax and consequently, the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008 respectively (Money Bills) do not suffer from any constitutional or legal infirmity. This judgement was in contrast to the July 2011 single member bench decision of the Honourable Lahore High Court which had held such amendments as unlawful and unconstitutional for the reason that they were made through the money bills. For the CISs and Pension Funds, the issue of chargeability or otherwise of WWF levy to the CISs / Pension Funds is currently pending before the Honourable SHC.

In view of the pending decision, the Management Company of the Fund, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs.13,102,880 (30 June 2012: Rs.6,575,447) in these financial statements. Had the same not been made, the net asset value per unit of the Fund would have been higher by Rs.6.50 (2012: Rs.4.99) per unit.

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies or commitments outstanding as at 30 June 2013.

12. AUDITORS' REMUNERATION

	2013	2012
	----- Rupees -----	
Audit fee	99,000	99,000
Half yearly review of financial statements	49,500	49,500
Certification charges	33,000	33,000
Review of statement of compliance with Code of Corporate Governance	33,000	33,000
Out of pocket expenses	9,920	20,895
	224,420	235,395

13. SECURITIES TRANSACTION COST

Represent brokerage, federal excise duty, capital value tax and settlement charges.

14. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

- 14.1** Connected persons include Atlas Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and directors and key management personnel of the Management Company.
- 14.2** Transactions with connected persons essentially comprise sale and repurchase of units, fee on account of managing the affairs of the Fund, sales load and other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 14.3** Remuneration to the Management Company and the Trustee of the Fund is determined in accordance with the provisions of the NBFC regulations and the Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14.4 The details of significant transactions carried out by the Fund with connected persons during the year end are as follows:

	2013	2012
	----- Rupees -----	
Atlas Asset Management Limited (Management Company)		
Remuneration of the management company	13,892,445	10,192,498
Remuneration paid	13,081,581	10,166,447
Sindh sales tax on remuneration of the Management Company	2,248,372	1,630,800
Federal Excise Duty on remuneration of the Management Company	159,888	-
Sales load	-	371
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	1,388,234	837,431
Remuneration paid	1,308,148	811,983
Settlement charges	102,786	50,241
Atlas Fund of Funds (Fund under common management)		
Sale 221,249 (2012: 261,728) units	83,094,271	88,000,000
Bonus 14,107 (2012: 6,873) units	4,588,280	2,089,916
Redemption of 308,768 (2012: 215,092) units	121,020,147	76,543,202
Outstanding Nil (2012: 73,412) units at the year end	-	28,464,956
Atlas Battery Limited (Group Company)		
Sale 80,379 (2012: 45,160) units	29,996,275	15,000,000
Bonus 8,678 (2012: Nil) units	2,822,520	-
Outstanding 134,217 (2012: 45,160) units at the year end	64,900,891	17,510,462
Atlas Honda Limited (Group Company)		
Sales 98,365 (2012: Nil) units	50,000,000	-
Outstanding 98,365 (2012: Nil) units at the year end	47,564,478	-
Atlas Insurance Limited (Group company)		
Sale 515,055 (2012: 643,035) units	202,700,000	228,600,000
Bonus 67,078 (2012: 52,341) units	21,816,559	15,916,479
Redemption of 590,812 (2012: 497,897) units	233,349,537	183,833,160
Outstanding 340,386 (2012: 349,065) units at the year end	164,593,702	135,346,440
Batools Benefit Trust (Trust having common Director / Trustee)		
Sale 27,422 (2012: Nil) units	10,000,000	-
Outstanding 27,422 (2012: Nil) units at the year end	13,259,934	-
Iftikhar Shirazi Family Trust (Trust having common Director / Trustee)		
Sale 27,163 (2012: Nil) units	9,863,413	-
Outstanding 27,163 (2012: Nil) units at the year end	13,134,648	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	----- Rupees -----	
Shirazi Investments (Private) Limited - Employees Provident Fund		
Sale Nil (2012: 11,957) units	-	3,640,000
Bonus 2,298 (2012: Nil) units	747,315	-
Redemption of 14,255 (2012: Nil) units	5,989,426	-
Outstanding Nil (2012: 11,957) units at the year end	-	4,636,221
Sindh Province Pension Fund (Unit holder with more than 10% holding)		
Sale of 291,104 (2012: Nil) units	125,000,000	-
Outstanding 291,104 (2012: Nil) units at the year end	140,780,741	-
Key Management Personnel of the Management Company - note 14.6		
Sale 27,469 (2012: 27,283) units	9,989,764	8,575,915
Bonus 14,144 (2012: 19,439) units	4,600,147	5,911,381
Redemption 1,989 (2012: 11,101) units	780,506	3,632,183
Outstanding 113,226 (2012: 91,921) units at the year end	54,750,638	35,641,542

14.5 The balances due from / to related parties / connected persons are included in the respective notes to the financial statements.

14.6 For the purpose of this disclosure, transactions by the Board of Directors, and key management personnel falling within the scope of "executive" under the Code of Corporate Governance, 2012 are included herein. The term "executive" includes the Chief Executive Officer, Chief Financial Officer and Company Secretary, Chief Internal Auditor, and executives of the Management Company of the Fund whose gross remuneration is Rs.3 million and above, as set by the Board of Directors of the Management Company.

15. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2013			
	Loans and receivables	At fair value through profit or loss	Available for sale	Total
	----- Rupees -----			
Financial Assets				
Bank balances	85,170,897	-	-	85,170,897
Investments	-	891,299,600	-	891,299,600
Dividend receivable	1,002,050	-	-	1,002,050
Profit receivable on bank balances	751,015	-	-	751,015
Receivable against sale of securities	31,703,077	-	-	31,703,077
Security deposits	2,600,000	-	-	2,600,000
	121,227,039	891,299,600	-	1,012,526,639

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

15. FINANCIAL INSTRUMENTS BY CATEGORY (Continued...)

	As at 30 June 2013		
	Liabilities at fair value through profit or loss	Others	Total
	----- Rupees -----		
Financial Liabilities			
Payable to Atlas Asset Management Limited - Management Company	-	1,640,778	1,640,778
Payable to Central Depository Company of Pakistan Limited - Trustee	-	181,078	181,078
Payable against purchase of securities	-	21,171,604	21,171,604
Accrued expenses and other liabilities	-	712,991	712,991
	-	23,706,451	23,706,451

	As at 30 June 2012			
	Loans and receivables	At fair value through profit or loss	Available for sale	Total
	----- Rupees -----			
Financial Assets				
Bank balances	42,299,162	-	-	42,299,162
Investments	-	469,632,380	-	469,632,380
Dividend receivable	450,000	-	-	450,000
Profit receivable on bank balances	594,447	-	-	594,447
Receivable against sale of securities	4,626,080	-	-	4,626,080
Security deposits	2,600,000	-	-	2,600,000
	50,569,689	469,632,380	-	520,202,069

	As at 30 June 2012		
	Liabilities at fair value through profit or loss	Others	Total
	----- Rupees -----		
Financial Liabilities			
Payable to Atlas Asset Management Limited - Management Company	-	830,285	830,285
Payable to Central Depository Company of Pakistan Limited - Trustee	-	87,988	87,988
Payable against purchase of securities	-	687,969	687,969
Accrued expenses and other liabilities	-	536,395	536,395
	-	2,142,637	2,142,637

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

16.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and equity prices.

(i) Profit rate risk

Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market profit rates. As of 30 June 2013, the Fund is exposed to such risk on its balances held with banks. The investment committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cashflow profit rate risk. In case of 100 basis points increase in market profit rates as at 30 June 2013, with all other variables held constant, the net income for the year and net assets would have been higher by Rs. 851,709 (2012 : Rs.422,992).

In case of 100 basis point decrease in market profit rates as at 30 June 2013, with all other variables held constant, the net income for the year and net assets would have been lower by Rs.851,709 (2012 : Rs.422,992).

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio and profit rates are expected to change overtime. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the impact on the Fund's net assets of the future movement in profit rates.

As stated above that out of the total financial assets of Rs.1,012,526,639 (2012: Rs.520,202,069) assets aggregating to Rs.85,170,897 (2012: Rs.42,299,162) are subject to yield / interest rate risk. These represents bank balances having effective yield of 6% to 8.9% (2012: 6% to 11%).

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Equity price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(iii) Equity price risk (Continued...)

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 15% of net assets and issued capital of the investee company and sector exposure limit to 40% of the net assets.

In case of 5% increase / decrease in KMI 30 index on 30 June 2013, with all other variables held constant, net income of the Fund for the period would increase / decrease by Rs.21,369,680 and the net assets of the Fund would increase/ decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI 30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

16.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to the daily settlement of equity securities and to daily redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's listed securities are considered readily realisable, as they are listed on the Karachi Stock Exchange.

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was obtained by the Fund during the current year.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests 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. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

----- As at 30 June 2013 -----

	Within 1 month	1 to 3 months	3 to 12 months	More than 1 year	Financial instruments without fixed maturity	Total
----- Rupees -----						
Financial Assets						
Bank balances	85,170,897	-	-	-	-	85,170,897
Investments	-	-	-	-	891,299,600	891,299,600
Profit receivable on bank balances	751,015	-	-	-	-	751,015
Dividend receivable	1,002,050	-	-	-	-	1,002,050
Receivables against sale of investments	31,703,077	-	-	-	-	31,703,077
Security deposits	-	-	-	-	2,600,000	2,600,000
	118,627,039	-	-	-	893,899,600	1,012,526,639
Financial Liabilities						
Payable to Atlas Asset Management Limited - Management Company	1,640,778	-	-	-	-	1,640,778
Payable to Central Depository Company of Pakistan Limited - Trustee	181,078	-	-	-	-	181,078
Payable against purchase of investments	21,171,604	-	-	-	-	21,171,604
Accrued expenses and other liabilities	28,131	335,187	349,673	-	-	712,991
	23,021,591	335,187	349,673	-	-	23,706,451
Net assets / (liabilities)	95,605,448	(335,187)	(349,673)	-	893,899,600	988,820,188

----- As at 30 June 2012 -----

	Within 1 month	1 to 3 months	3 to 12 months	More than 1 year	Financial instruments without fixed maturity	Total
----- Rupees -----						
Financial Assets						
Bank balances	42,299,162	-	-	-	-	42,299,162
Investments	-	-	-	-	469,632,380	469,632,380
Profit receivable on bank balances	594,447	-	-	-	-	594,447
Dividend receivable	450,000	-	-	-	-	450,000
Receivables against sale of investments	4,626,080	-	-	-	-	4,626,080
Security deposits	-	-	-	-	2,600,000	2,600,000
	47,969,689	-	-	-	472,232,380	520,202,069
Financial Liabilities						
Payable to Atlas Asset Management Limited - Management Company	830,285	-	-	-	-	830,285
Payable to Central Depository Company of Pakistan Limited - Trustee	87,988	-	-	-	-	87,988
Payable against purchase of investments	687,969	-	-	-	-	687,969
Accrued expenses and other liabilities	20,000	230,402	285,993	-	-	536,395
	1,626,242	230,402	285,993	-	-	2,142,637
Net assets / (liabilities)	46,343,447	(230,402)	(285,993)	-	472,232,380	518,059,432

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16.4 Credit risk

Credit risk arises from the inability of the issuers of the instruments or the counter party to fulfil their obligations. The Fund is exposed to credit risk with respect to its bank balances, dividend receivable, receivable against sale of investment and security deposit. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instrument guidelines approved by the Investment Committee. The Fund's maximum exposure to credit risk as of 30 June 2013 amounts to Rs.121,227,039 (2012: Rs.50,569,689).

16.4.1 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

Rating	% of financial assets exposed to credit risk	
	2013	2012
AA	0.01	0.02
A	70.87	84.80
Others	29.12	15.18
	100	100

The maximum exposure to credit risk before any credit enhancement as at 30 June 2013 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial assets is mainly held with credit worthy counterparties.

16.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16.6 Fair value hierarchy

Following hierarchy is used in determining and disclosing the fair value of the following financial instruments by valuation technique:

- Level 1 : quoted prices in active markets for identical assets.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As the Fund only invests in Shariah compliant equity securities, the fair value of the investments is based on level 1 valuation technique.

17. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. They are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restrictions on the subscription and redemption of units. As required under NBFC Regulations, every open end scheme shall maintain a fund size (i.e. net assets of the Fund) of Rs.100 million at all times during the life of scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 16, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

18. UNIT HOLDING PATTERN OF THE FUND

Category	2013			2012		
	Number of unit holders	Amount Rupees	% of total	Number of unit holders	Amount Rupees	% of total
Individuals	344	107,926,166	11.07%	280	80,233,630	15.70%
Associated Companies/ Directors	9	353,746,355	36.30%	7	214,411,590	41.96%
Insurance Companies	1	76,586,766	7.86%	2	6,113,517	1.20%
NBFCs	1	13,844	0.00%	1	9,312	0.00%
Retirement Funds	13	425,865,688	43.70%	10	205,847,512	40.29%
Others	3	10,466,967	1.07%	2	4,337,560	0.85%
	371	974,605,786	100.00%	302	510,953,121	100.00%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

19. LIST OF TOP TEN BROKERS BY PERCENTAGE OF THE COMMISSION PAID

2013		2012	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Optimus Capital Management (Pvt.) Limited	9.91%	Optimus Capital Management (Pvt.) Limited	9.09%
Taurus Securities Limited	8.05%	Invest Capital Markets (Pvt.) Limited	7.81%
Topline Securities (Pvt) Limited	6.56%	Taurus Securities Limited	6.56%
Arif Habib Limited	6.35%	Topline Securities (Pvt.) Limited	6.14%
Habib Metropolitan Financial Services Limited	5.62%	Al Habib Capital Market (Pvt.) Limited	5.21%
Standard Capital Securities (Pvt) Limited	5.22%	Arif Habib Securities Limited	4.59%
Shajar Capital Sec. (Pvt) Limited	4.97%	IGI Finex Securities Limited	4.56%
Invest & Finance Securities Limited	4.43%	BMA Capital Management Limited	4.36%
Summit Capital (Pvt) Limited	4.42%	Foundation Securities (Pvt.) Limited	4.02%
Elixir Securities (Pvt) Limited	4.23%	Al Falah Securities (Pvt.) Limited	3.90%

20. THE MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Mr. M. Habib-ur-Rahman	Chief Executive Officer	FCA	45 Years
Mr. Ali H. Shirazi	Director	Masters in Law	9.5 Years
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance)-UK, M. Com.	13 Years
Mr. Khalid Mehmood	Fund Manager - Equity Markets	MBA - Finance	9 Years
Mr. Muhammad Umar Khan	Fund Manager - Commodities	MSc - Finance - UK	5 Years
Mr. Fawad Javaid	Fund Manager - Fixed Income	CMA	5 Years

21. NAME AND QUALIFICATION OF FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Mr. Khalid Mehmood	Fund Manager	MBA - Finance	Atlas Stock Market Fund Atlas Fund of Funds

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The details of dates of Board meetings of the management company of the Fund, and the attendance of the Board members are given below:

Name of Directors	Meeting held on					
	05 July 2012	05 Sep. 2012	24 Oct 2012	12 Feb 2013	25 Apr 2013	16 May 2013
Mr. Yusuf H. Shirazi	P	P	P	P	P	P
Mr. M. Habib-ur-Rahman	P	P	P	P	P	P
Mr. Azam Faruque (w.e.f. 30 October 2012)	N/A	N/A	N/A	P	P	P
Mr. Shamshad Nabi (w.e.f. 30 October 2012)	N/A	N/A	N/A	P	P	L
Mr. Frahim Ali Khan	P	P	L	P	P	P
Mr. Ali H. Shirazi	P	P	P	P	P	P
Mr. Arshad P. Rana	P	P	L	P	P	P
Mr. Tariq Amin (Uptil 29 October 2012)	P	P	P	N/A	N/A	N/A
Mr. M. Ashraf Janjua (Uptil 29 October 2012)	P	P	P	N/A	N/A	N/A
Ms. Lilly R. Dossabhoy (CFO & Co. Secretary)	P	P	P	P	P	P

P Present

L Leave of absence

N/A Not Applicable

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

23. RATING OF THE FUND AND THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of the Management Company at AM2- (AM Two Minus).

PACRA has upgraded the short term rating of the Fund to "5 Star" from the previous "4 Star", and maintained the "4 Star" long term rating of the Fund for the year ended 30 June 2012 on 2 November 2012.

24. CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements.

25. SUBSEQUENT EVENT - DISTRIBUTION TO UNIT HOLDERS

The Board of Directors of the Management Company, in their meeting held on 4 July 2013, approved a distribution of Rs.110 (2012: Rs.62.50) per unit on the face value of Rs.500 each i.e. 22% (2012: 12.50%) amounting to Rs.221,708,993 (2012: Rs.82,360,783).

26. GENERAL

Figures have been rounded off to the nearest Rupee.

27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the management company on 10 September 2013.

**For Atlas Asset Management Limited
(Management Company)**

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Azam Faruque
Director

Head Office

Ground Floor, Federation House, Sharae Firdousi,
Clifton, Karachi-75600. Ph: (92-21) 35379501- 04
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Rawalpindi Office

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