

Atlas  
**funds**  
*Nurturing your investments*

Atlas Income Fund

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ANNUAL REPORT

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30 June 2009



Managed By

**Atlas Asset Management**

Rated AM3+ 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 2005). AAML manages assets on behalf of retirement funds, welfare organizations, insurance companies, multinationals, NBFCs, and individuals.

AAML is a subsidiary of Shirazi Investments (Pvt.) Limited (SIL). SIL holds 88% of the shareholding in AAML. 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 five mutual funds, four of which are open-ended - Atlas Income Fund, Atlas Stock Market Fund, Atlas Islamic Fund and Atlas Islamic Income Fund and the fifth is a closed-end fund, Atlas Fund of Funds.

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, and the Systematic Payout and Systematic Withdrawal Plan provides a Shariah Compliant option to the investors, through 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.

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 Vision

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

The graphic features two overlapping circles. The left circle is light purple with a darker purple border and contains the text 'Mission Statement' in a large, bold, dark blue font. The right circle is a larger, light purple shape with a darker purple border, containing a paragraph of text. The background is a light, textured blue.

# Mission Statement

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.

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# Organisation

## Management Company

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Atlas Asset Management Limited

## Board of Directors of the Management Company

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<b>Chairman</b>	Mr. Yusuf H. Shirazi
<b>Chief Executive Officer</b>	Mr. M. Habib-ur-Rahman
<b>Directors</b>	Mr. Frahim Ali Khan Mr. Tariq Amin Mr. Ali H. Shirazi Mr. M. Ashraf Janjua Mr. Arshad P. Rana

**Company Secretary** Ms. Lilly R. Dossabhoy

## Board Committees

### Audit Committee

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<b>Chairman</b>	Mr. Tariq Amin
<b>Members</b>	Mr. Frahim Ali Khan Mr. M. Ashraf Janjua

### Human Resource Committee

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<b>Chairman</b>	Mr. Frahim Ali Khan
<b>Members</b>	Mr. M. Habib-ur-Rahman Mr. Ali H. Shirazi

### Investment Committee

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<b>Chairman</b>	Mr. M. Habib-ur-Rahman
<b>Members</b>	Mr. Frahim Ali Khan Mr. Ali H. Shirazi Mr. Muhammad Abdul Samad Mr. Khurram Aftab Ahmed Mr. Khalid Mahmood

### Management Committee

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<b>Chairman</b>	Mr. M. Habib-ur-Rahman
<b>Members</b>	Mr. Ali H. Shirazi Ms. Lilly R. Dossabhoy Mr. Muhammad Abdul Samad Mr. Hassan Khan Ms. Beena Tauseef Shah

## Group Executive Committee

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<b>President</b>	Mr. Aamir H. Shirazi
<b>Members</b>	Mr. Frahim Ali Khan Mr. Jawaid Iqbal Ahmed Mr. Iftikhar H. Shirazi Mr. Saquib H. Shirazi Mr. Bashir Makki Mr. M. Naeem Khan

## Group Systems & Technology Committee

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<b>Chairman</b>	Mr. Iftikhar H. Shirazi
<b>Member</b>	Mr. Zia Ullah Begg

## Trustee

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

## Chief Internal Auditor

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Mr. Saood Hasan

## Auditors

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Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

## Legal Advisers

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Mohsin Tayebaly & Co.

## Bankers

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Atlas Bank Limited  
Bank Alfalah Limited  
The Bank of Punjab  
KASB Bank Limited

## Registered Office

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Ground Floor, Federation House, Sharae Firdousi  
Clifton, Karachi - 75600  
Tel: (92-21) 111-MUTUAL (6-888-25)  
(92-21) 5379501-04  
Fax: (92-21) 5379280  
Email: info@atlasfunds.com.pk  
Website: www.atlasfunds.com.pk

The above information is as at 30 September 2009.

## Board of Directors of the Management Company



### **Mr. Yusuf H. Shirazi**

Chairman

Mr. Yusuf H. Shirazi is the Chairman of Atlas Group of Companies. He is the Founder Member of the Karachi and Lahore Stock Exchanges, International Chamber of Commerce & Industry, Management Association of Pakistan, Lahore University of Management Sciences (LUMS), GIK Institute of Science and Technology and Al-Shifa Trust. He has been President of Karachi Chamber of Commerce twice. Mr. Shirazi was on the Board of Harvard Business School Alumni Association, Boston, USA. He is the Founder President of Harvard Club of Pakistan and Harvard Business School Club of Pakistan. He has attended the Advanced Management Program (AMP) from the Harvard Business School, USA.



### **Mr. M. Habib-ur-Rahman**

Chief Executive Officer

Mr. M. Habib-ur-Rahman is an FCA from the Institute of Chartered Accountants in England & Wales and has attended management level programme (PMD) from Harvard Business School, USA. He was a founding member and Vice Chairman 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.



### **Mr. Frahim Ali Khan**

Director

Mr. Frahim Ali Khan has been associated with Atlas Group since 1967 and has 42 years of experience in General Management, Financial Management, Investment Banking, Taxation, and Legal matters. He was the Chief Executive Officer of the former Atlas Investment Bank Limited, till its merger with Atlas Bank Limited. He has attended the Senior Managers' Program from Harvard University, USA, and Financial Management Program from Stanford University, USA.



### **Mr. Tariq Amin**

Director

Mr. Tariq Amin is the Chairman of Orkila Pakistan (Pvt.) Ltd., a leading multinational company dealing in chemicals. He is also the Deputy Chairman of Barrett Hodgson Pakistan (Pvt.) Ltd. and has a vast experience in the financial and industrial sectors of Pakistan. He is a law graduate from the University of Karachi, and also holds a Masters degree in English from the University of Karachi, and a Postgraduate Diploma in Development Administration from the University of Leeds.

## Board of Directors of the Management Company



### **Mr. Ali H. Shirazi**

Director

Mr. Ali H. Shirazi has graduated in Political Science from Yale University, and completed Masters in Law from Bristol University, UK. He has previously worked with the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California.



### **Mr. M. Ashraf Janjua**

Director

Mr. M. Ashraf Janjua is a Senior Fellow with the rank of Professor (Economics), and the Advisor to the President - College of Business Management, Karachi. He holds a Masters degree in Economics from Government College Lahore – Punjab University, and a Masters degree in Development Economics from the Williams College, USA. He has also done one year's graduate work at the Stanford University, California, USA. He joined the State Bank of Pakistan (SBP) in 1966 and was the Deputy Governor (Policy) of the SBP from 1992 to 1995, and was also affiliated with the SBP as Chief Economic Advisor, from 1995 to 2004. He has been affiliated with the office of the Executive Director for Pakistan at the International Monetary Fund, Washington D.C., USA, from 1979 to 1983. Prior to his career with the SBP, he was affiliated with the Pakistan Institute of Development Economics (PIDE) as a Research Economist, and with the Pakistan Development Review (PDR), as Associate Editor. Amongst other research works, he is the author of History of State Bank of Pakistan - Volume III (1977-78), and Volume IV (1988-2003).



### **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 34 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 becoming the Chairman, Insurance Association of Pakistan in 2005-2006.



## Management Committee



**M. Habib-ur-Rahman**  
Chief Executive Officer



**Ali H. Shirazi**  
Director



**Lilly R. Dossabhoy**  
Chief Financial Officer &  
Company Secretary



**Muhammad Abdul Samad**  
Chief Investment Officer



**Hassan Khan**  
Head of Marketing & Sales



**Beena Tauseef Shah**  
Head of Human Resources

## Chairman's Review

It is my pleasure to present to you the Sixth Annual Report of Atlas Income Fund for the year ended 30 June 2009.

### THE ECONOMY

Pakistan's economy, after several years of expansion, experienced slowdown due to challenges on both internal and external fronts. After an initial period of resilience, many emerging economies experienced stress in their foreign exchange, stock, and sovereign debt markets. Exchange rates came under pressure in all regions, leading to a combination of depreciation and depletion of foreign reserves. In response to these challenges, Pakistan's economic managers resorted to policy measures and embarked upon macro-economic stabilization program with the International Monetary Fund's support to arrest heightened inflation, deteriorating external balances, spillover affect of international economic crisis, and supply shocks, especially in case of energy shortage.

During the first half of FY 2008-09, external account positions endured severe pressure, as balance of payment (BoP) shortfall resulted in drawdown on liquid foreign exchange reserve, which fell to US\$ 6.4 billion on 25 November 2008, and the Pak Rupee witnessed large decline against major currencies. However, the second half of FY 2008-09 exhibited greater stability on the back of IMF support program, as foreign exchange reserves of the country stood at US\$ 11.525 billion in May 2009, while current account deficit during July 2008 to April 2009 stood at US\$ 8.547 billion which was lower by 23.5% against the corresponding period last year on account of lower imports and higher remittances. The Pak Rupee also stabilized against US Dollar, after losing 19.1% in value during the first half of FY 2008-09.

CPI inflation during July 2008 to May 2009 averaged 21.71% on Y/Y basis necessitating State Bank of Pakistan (SBP) to further tighten monetary stance so as to curb inflationary pressures in the economy even at the expense of growth. In November 2008, the central bank announced a 200bps hike in discount rate to 15%, which consequently resulted in decline of aggregate demand, as broad money (M2) growth decelerated to 4.59% in May 2009 against 8.96% during the corresponding period last year. Following the reversal in the inflationary pressures towards the end of FY 2008-09, the SBP lowered policy rate by 100bps in April 2009. Additionally, fiscal deficit is estimated to have declined to 4.3% in terms of percentage of GDP during FY 2008-09 against 7.4% last fiscal year, which also contributed to the decline in inflationary pressures.

The effects of these challenges at both internal and external front necessitated some remedial actions, which as a result curtailed the growth momentum with real GDP growth rate reduced to 2.0% against previous year's growth rate of 4.1%. Agriculture sector depicted stellar performance with 21.8% share in GDP and registered a strong growth of 4.7%. Among the other two major components of the economy, manufacturing sector witnessed negative growth of 3.3% against the target growth of 6.1%, whilst the service sector experienced slower growth of 3.6% against target of 6.1% during the year under review.

### THE MONEY MARKET

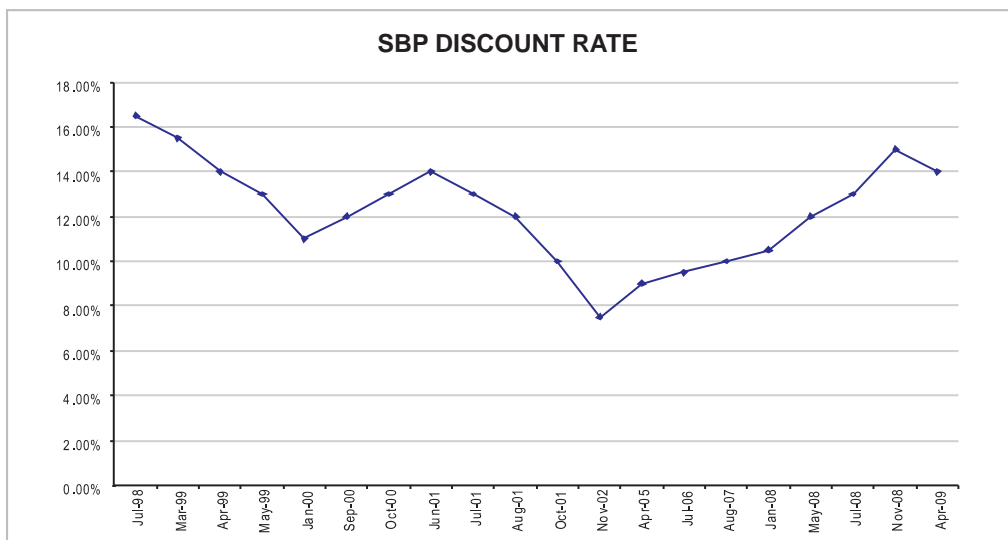
In the backdrop of improving trends in external accounts, anticipation of persistent fall in inflation and better fiscal discipline, the State Bank of Pakistan (SBP) has for the first time in more than six years eased the monetary stance by cutting the discount rate by 100 basis points to 14% in its Monetary Policy Statement for the period April 2008 to June 2009.

The money market experienced a liquidity crunch during the first half of the financial year 2008-09, which had resulted in large withdrawals from the Money Market and Income Funds. Although the SBP acted immediately in order to improve liquidity of the banking system by reducing Cash Reserve Requirement (CRR) for all deposits of up to one year maturity from 9% to 5%, liquidity still remained a constraint in the system throughout this period.

As aggregate demand represented by rising import bill and fiscal deficit was putting inflationary pressure, the third quarter of financial year 2008-09 saw a reversal in trend on account of decline in international oil prices and slow economic activity. This led the SBP to cut policy rate by 100 basis points in April 2009. Additionally, the Government of Pakistan has also announced reduction in the National Savings Schemes (NSS) rates by 50 - 150 basis points on different saving instruments, which will help in improving liquidity in the banking system.

The broad money (M2) supply also has depicted slower growth and only increased by 4.59% during July 2008 to May 2009, as against 8.96% during the corresponding period of last year. The stock of private sector credit grew by mere 0.8% during the July 2008 to May 2009 as compared to 16.5% in the comparable period last year, as private sector was reluctant to borrow at the high prevalent interest rate.

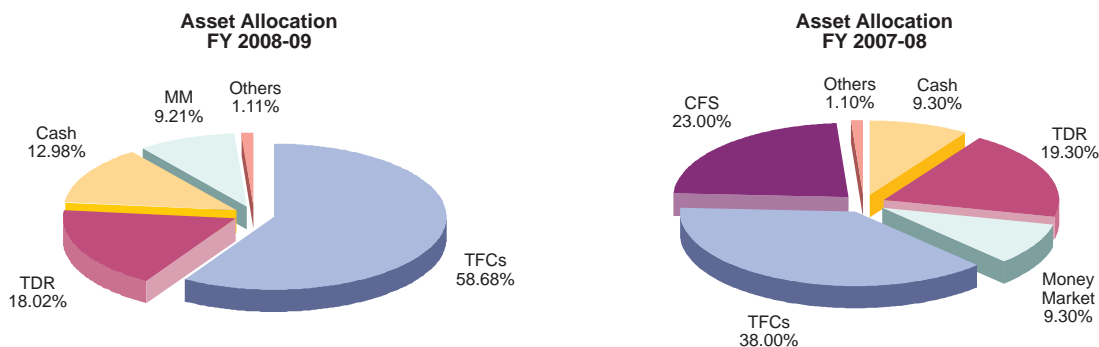




## FUND OPERATIONS

The Net Asset Value per unit of the Fund rose from the ex-bonus NAV of Rs.500.84 per unit as on 30 June 2008 to Rs.513.61 per unit as on 30 June 2009, thus, providing a total return of 6.91% (on reinvestment basis) for the year. AIF's return for the first half of the outgoing financial year stood at negative 3.98%, on the back of the SECP directive issued on 5 November 2008. The Directive enforced re-pricing of debt securities, due to absence of liquidity and price discovery in the debt market, by applying discount rates varying from 5% in case of AAA rated instruments to 30% for BBB rated and below. The re-pricing of debt securities immediately resulted in downward revision of net asset value of units by 7.8% on 5 November 2008. This resulted in an increase in the overall yield of the AIF portfolio and subsequent revaluation gains. Consequently, AIF posted a return of 19.26% for the second half of the outgoing financial year, resulting in a total return of 6.91% (on reinvestment basis). On 6 January 2009 the SECP issued another directive, after consulting the MUFAP, through Circular 1 of 2009 titled "Valuation of debt securities and provisioning criteria for non-performing debt securities." This Circular stipulated that from 10 January 2009, instead of the arbitrary discount, the pricing would be determined through a market price methodology as compiled by MUFAP. The valuation criteria takes into consideration a number of factors, such as "trading", "thinly trading" and "non-trading" status of the debt securities, rating and cash flows, besides liquidity factors. The "valuation criteria" as laid down by SECP is a step in the right direction. However, there is a need to create an active market for debt instruments, which will also help in price discovery.

AIF's exposure in TFCs stood at 58.68% as on 30 June 2009. The TFC portfolio comprised of high quality rated floating rate securities, of which 89% are rated AA- and better, with 88% exposure in Commercial Banks, Telecom and the Fertilizer sectors. In order to ensure low duration and liquidity, the remaining portfolio exposure is in short tenor Term Deposit Receipts, Money Market Placements and Daily Product Accounts. The period under review witnessed a liquidity crunch in the banking system which led to large withdrawals from the mutual fund industry. However, AIF despite facing redemption pressure in October - November 2008 period, managed to meet these redemptions to the satisfaction of its unit holders.



The Board of Directors has approved a final bonus of Rs.12.50 per unit (2.50% on the face value of Rs.500 per unit). An investor holding 100 units as at 30 June 2009 will get 2.4945 units on the ex-bonus price of Rs.501.11 per unit, the proportionate bonus will apply to actual holdings. Unit holders who have opted for cash payment will receive cash payment accordingly. This is in addition to the First and Second Interim Bonuses aggregating to Rs.21.25 per unit (aggregating to 4.25% on the face value of Rs.500 per unit) already paid. The total pay-out for the year stands at 6.75%.

## RESPONSE TO TRUSTEES' OBSERVATION IN TRUSTEES' REPORT TO THE UNIT HOLDERS

The Trustees of the Fund, in their report, have observed that certain instances were noted by them during the first half of the year, where redemptions payments of units of the Fund were not processed within the stipulated period of six working days, as required under Regulation 57(4) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), and that such matter was raised with the Management Company and also reported to the SECP.

As clarified in the Half Yearly Chairman's Review, the second quarter of the FY 2008-09 was one of turmoil in the financial markets the world over, and an extra-ordinary situation was faced in the financial sector of Pakistan. There was a liquidity crunch in the market and the suspension of sale and redemption of units by equity funds, due to imposition of floor price, led to redemption pressure on income funds. The misleading reports in the press exacerbated the problem. The liquidity of mutual funds was further aggravated by the failure of some banks to mature the Term Deposit Receipts (TDRs) on due dates and the decision of the stock exchanges to extend the CFS release to an unforeseen date. Even the guarantee by the Ministry of Finance, in respect of borrowing by mutual funds against "A" or better rated TFCs held by them, did not materialize. Your management vigorously followed the retirement of TDRs with the banks directly, or through the SECP, SBP and MUFAP, so that the liability in respect of redemptions could be met. We succeeded in getting the funds against TDRs maturity, but delays in retirement of TDRs, together with the above mentioned factors resulted in some delays in redemption payments. During this period, your Fund's Management remained in constant touch with the Trustees, the SECP, as well as the unit holders, and kept them updated of the situation. AIF has successfully been able to put this difficult period behind.

## RATINGS UPDATE

The Pakistan Credit Rating Agency Limited (PACRA), has maintained the asset manager rating of "AM3+" to the Company, for FY 2007-08. The rating reflects the Company's experienced and qualified management team, sound quality of support systems and processes, and a strong emphasis on risk management framework.

PACRA has assigned a "3 Star" normal ranking to the Fund, and a long term "3 Star" ranking, for FY 2007-08. The normal star 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

Improved fiscal discipline, contraction in the external current account deficit, market induced exchange rate adjustments, and retreat of international commodity prices led to an improvement in Pakistan's key economic indicators from November 2008 onwards. These were manifested in restrained government borrowings from the SBP, moderation in import growth, buildup of foreign exchange reserves, and improved inflation outlook to some extent. The major challenge now is to improve the business climate, which has suffered on account of both power shortages, and contraction in domestic and external demand. Hence, focus should now shift towards supporting real economic growth via further relaxation of monetary policy. Positive signs on inflation and macro stability also point towards further policy rate cuts are in the pipeline.

Your Fund is well equipped to take advantage of changing environment with its focus to seek higher yield while keeping duration low. AIF portfolio comprises of high-quality floating rate term finance certificates, short term bank deposits thus ensuring liquidity and healthy returns in the coming years.

ع ستاروں سے آگے جہاں اور بھی ہیں

(There is a world beyond the horizon)

## 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: 05 October 2009

**Yusuf H. Shirazi**  
Chairman

## Directors' Report

The Board of Directors of Atlas Asset Management Limited, the Management Company of Atlas Income Fund (the Fund), take pleasure in presenting the Sixth Annual Report of the Fund alongwith the audited financial statements and Auditors' Report thereon for the year ended 30 June 2009.

### EARNINGS PER UNIT

Earnings per unit for the year ended 30 June 2009 work out to Rs. 45.27 per unit (2008: 54.64 per unit).

### FUND SIZE AND INCOME DISTRIBUTION

As at 30 June 2009, the Net Assets of the Fund stood at Rs.1.75 billion as compared to the Net Assets of Rs.4.15 billion as at 30 June 2008. The Board of Directors of the Management Company of the Fund have approved a final bonus of 2.5% (2008: 4.50%) on the face value of Rs.500 per unit, which works out to Rs.12.50 per unit (2008:Rs.22.50 per unit). This is in addition to the first and second interim bonuses of 2.75% and 1.5% respectively, (2008: 5%) which were approved by the Board of Directors of the Management Company for the first quarter and third quarters ended 30 September 2008 and 31 March 2009 respectively, which working out to Rs.13.75 and Rs.7.50 per unit (2008: Rs.25). The total payout for the year aggregates to 6.75% (2008: 9.5%).

### SALE AND REDEMPTION OF UNITS

During the year, 3,224,727 units of the value of Rs.1.63 billion were issued, while 8,237,427 units of the value of Rs. 4.17 billion were redeemed. As at 30 June 2009, the total number of units outstanding was 3,403,895 valued at Rs.1.75 billion (2008: 7,930,536 units valued at Rs.4.15 billion).

The pattern of unit holdings of the Fund, as required under the NBFC Regulations, 2008, is presented in note 20 to the financial statements.

### CHAIRMAN'S REVIEW

The review included in the Annual Report deals inter alia with the performance of the Fund for the year and future prospects. The directors endorse the contents of the review.

### COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Board of Directors states that:

- a) The financial statements, prepared by the Management Company of the Fund, present fairly its state of affairs, the results of its operations, cash flows and movement in Unit Holders' Funds.
- b) Proper books of account of the Fund have been maintained.
- c) Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment. In August 2009, the Board has approved the Bad Debts Provisioning Policy for Collective Investment Schemes managed by the Company in relation to debt securities, pursuant to the requirements of Circular 13 of 2009 issued by the Securities and Exchange commission of Pakistan. Such policy however, has no impact on the financial statements of the Fund for the year ended 30 June 2009.
- d) 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.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There is no doubt about the Fund's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) A summary of key financial data/ performance table is annexed.
- i) The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.

## RATINGS UPDATE

The Pakistan Credit Rating Agency Limited (PACRA), has assigned an asset manager rating of "AM3+" to the Management Company, for FY 2007-08.

PACRA has assigned a "3 Star" long term rating to the Fund, and a normal '3 star' rating, for FY 2007-08.

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The Board comprises of one executive and six non-executive directors. During the year, the casual vacancy earlier arising from the death of (Late) Mr. M. P. Bhandara was filled in by the Board co-opting for Mr. M. Ashraf Janjua, with the approval of the SECP.

In July 2009, a casual vacancy occurred in the Board by the withdrawal of nominee director from ING, Mr. Michael Ferrer, consequent to the termination of the Co-operation Agreement between the Company and ING, as exercised by ING. The Board has co-opted for Mr. Arshad P. Rana as Director in place of Mr. Michael Ferrer, with the approval of SECP. The Board records their appreciation for the services rendered by Mr. Michael Ferrer during his tenure as Director of the Company.

During the year, five Board Meetings were held. The particulars of the dates of meetings, and the directors attending, as required under the NBFC Regulations, 2008, are appended as note 29 to the financial statements.

The Directors, CEO, CFO/Company Secretary and their spouses and minor children have made no transactions in the Fund's units during the year except as disclosed in note 20 to the financial statements - "Transactions with Related Parties / Connected Persons."

## AUDITORS

The Audit Committee of the Board of Directors, in their meeting held on 24 August 2009, recommended the re-appointment of M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, Karachi, as auditors of Atlas Income Fund for the financial year ending 30 June 2010. The Board approved the appointment.

## ACKNOWLEDGMENT

The Board of Directors of the Management Company thank 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: 26 August 2009

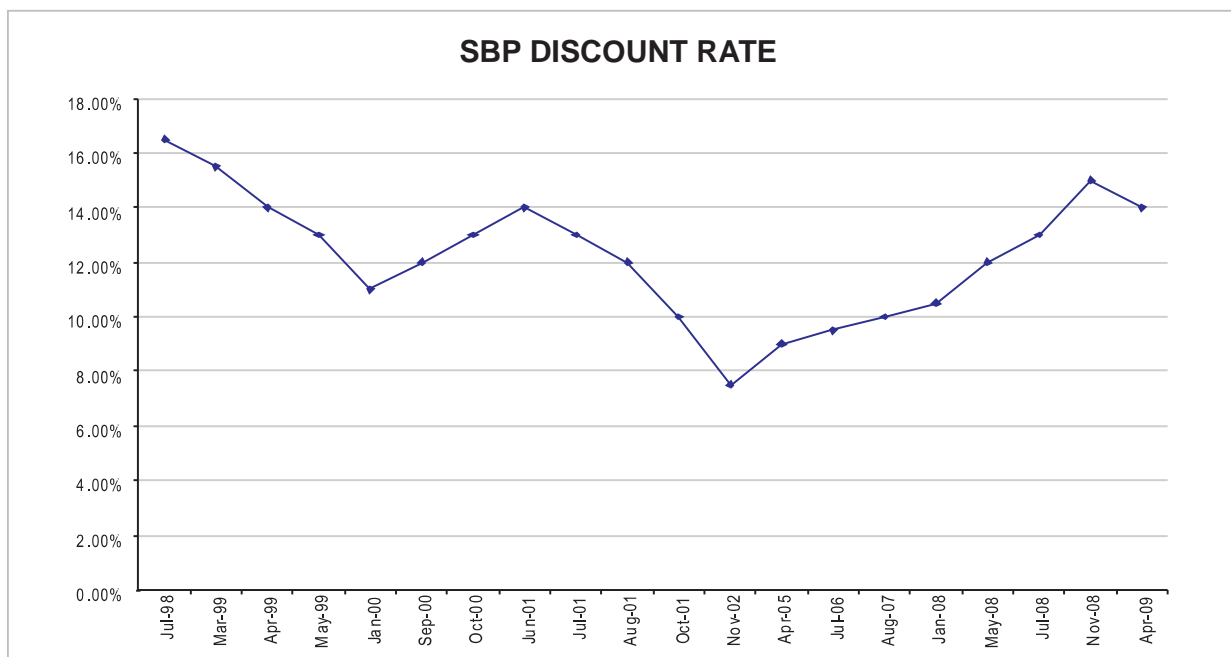
**M. Habib-ur-Rahman**  
Chief Executive Officer

## Fund Manager's Report

Atlas Income Fund is an Open-ended Income Fund. The objective of the Fund is to achieve a good rate of current income along with capital preservation and to provide investors with liquidity and the facility to join or leave the fund at their convenience.

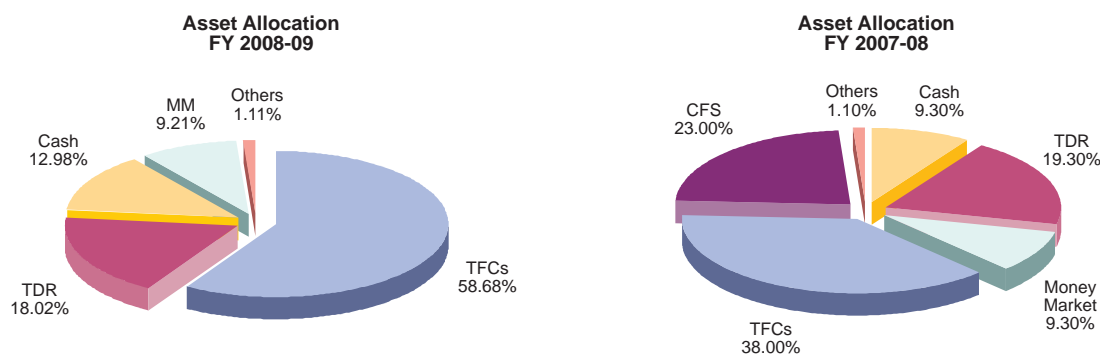
The Fund primarily invests in a diversified portfolio of long, medium and short term fixed income instruments. The Fund's strategy is based on the conviction that economic environment drives long term performance, and that active management of credit risk can produce consistently superior results. Fundamental 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. The average one month KIBOR Offer rate serves as the performance benchmark of Atlas Income Fund.

The money market experienced severe liquidity crunch during the first half of outgoing financial year 2008-09, as the SBP continued with tight monetary stance with the objective to arrest inflationary pressures. However, the third quarter of FY 2008-09 saw slight reversal in inflationary trend on account of decline in international oil prices and slow economic activity. This led the SBP for the first time in more than six years to ease the monetary stance by cutting the discount rate by 100 basis points to 14% in its Monetary Policy Statement for the period Apr-Jun 2009. The last cut in interest rates was seen in November 2002 when the SBP had reduced the policy rate by 150 basis points to 7.5%. Additionally, the Government of Pakistan has also announced reduction in the NSS rates by 50 -150 basis points on different saving instruments, which will help in improving liquidity in the banking system.



The Net Asset Value per unit of the Fund increased from the ex-bonus NAV of Rs. 500.84 per unit as on 30 June 2008 to Rs. 513.61 per unit as on 30 June 2009, along with two interim payouts of Rs. 13.75 and Rs. 7.50 per unit, thus providing a total return of 6.91% to its investors as against the benchmark of 13.26% based on average One Month KIBOR Offer rate. AIF's return for the first half of the outgoing financial year stood at -3.98%. This was a result of SECP directives regarding re-pricing of debt securities due to absence of liquidity and price discovery in the debt market, by applying discount rates varying from 5% in case of AAA rated instruments to 30% for BBB rated and below. However, the re-pricing of debt securities has resulted in an increase in the overall yield of the AIF portfolio and also led to revaluation gains. Consequently, AIF posted a sharp return of 19.26% for the second half of the outgoing financial year. Moreover, as evident from the return stated in the second half, AIF continues to present an attractive investment opportunity to the investors.

The asset allocation of the Fund as at the year end is given below



Breakdown of unit holding by size is given below

Category	Year ended 30 June 2009		
	No. of unit Holders	Unit holding Rupees	% of Total
Individuals	149	108,400,317	6.20%
Associated Companies / Directors	8	671,726,416	38.42%
Insurance Companies	4	4,523,477	0.26%
Banks / DFIs	5	495,507,487	28.34%
NBFCs	1	6,121	-
Retirement Funds	61	373,228,799	21.35%
Public Limited Companies	4	73,356,824	4.20%
Others	9	21,515,445	1.23%
	<b>241</b>	<b>1,748,264,886</b>	<b>100.00%</b>

The Board of Directors has approved a final bonus of Rs.12.50 per unit (2.50% on the face value of Rs.500 per unit). An investor holding 100 units as at 30 June 2009 will get 2.4945 units on the ex-bonus price of Rs. 501.11 per unit, the proportionate bonus will apply to actual holdings. Unit holders who have opted for cash payment will receive cash payment accordingly. This is in addition to the Interim Bonuses aggregating to Rs.21.25 per unit (4.25% on the face value of Rs. 500 per unit) already paid.

During the year under review, the Investment Committee held forty nine meetings to review investments of the Fund.

Karachi: 26 August 2009

**Khurram Aftab Ahmed**  
Fund Manager



## Performance Table

For the Year Ended 30 June 2009

	2009 Rupees	2008 Rupees	2007 Rupees
Net assets (Rs. in " 000 ")	1,748,265	4,150,406	3,853,940
Number of units in issue	3,403,895	7,930,536	6,988,480
Net asset value per unit (Rs.)	513.61	523.34	551.47
Net income (Rs. in " 000 ")	154,107	433,326	357,866
Earning per unit (Rs.)	45.27	54.64	51.21
Annual return of the Fund (%)	6.91	9.35	10.23
Offer price *	518.75	533.81	557.60
Redemption price *	513.61	523.34	546.67
First Interim distribution (Bonus)	13.75	25.00	-
First Interim distribution as % of par value of units	2.75	5.00	-
Date of distribution - First Interim	25 October 2008	3 April 2008	-
Second Interim distribution (Bonus)	7.50	-	-
Second Interim distribution as % of par value of units	1.50	-	-
Date of distribution - Second Interim	24 April 2009	-	-
Final Distribution (Bonus)	12.50	22.50	50.00
Final Distribution as % of par value of units	2.50	4.50	10.00
Date of distribution - Final	3 July 2009	4 July 2008	20 July 2007
Highest offer per unit (Rs.)	528.18	547.01	557.60
Lowest offer per unit (Rs.)	474.68	513.92	513.33
Highest repurchase price per unit (Rs.)	517.82	536.28	546.67
Lowest repurchase price per unit (Rs.)	466.39	503.84	503.26
Weighted average portfolio (No. of days)	58.63	76.47	26.19

\* Relates to announced prices

Date of Launch: 22 March 2004

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.

Atlas Income Fund

Atlas Income Fund

Financial  
Statements

# Financial Statements

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 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 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 consists of seven directors, including two independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten 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. No casual vacancy occurred during the year.
5. The Management Company has adopted a "Statement of Ethics and Business Practices", which has been distributed to, and acknowledged by all the directors and employees of the Management Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of the particulars 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 and Executive Director 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. No new appointments of Chief Financial Officer, Company Secretary, and Chief Internal Auditor were made during the year. The Board has approved the terms of remuneration of the Chief Financial Officer / Company Secretary, and the Chief Internal Auditor.
10. 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.
11. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
12. The Directors, CEO and Executives do not hold units other than those disclosed in note 20 to the financial statements "Transactions with Related Parties / Connected Persons".
13. The Management Company has complied with the corporate and financial reporting requirements of the Code.
14. The Directors of the Management Company are aware of their responsibilities and had attended an orientation course in 2007.

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## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2009

15. The Board has formed an Audit Committee comprising of three members, all of whom are non-executive directors, including the Chairman of the Committee. Meetings of the Committee were held every quarter, prior to approval of the interim and annual results of the Fund, as required by the Code. The Board has approved the terms of reference of the Audit Committee.
16. 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.
17. 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, 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 Institute of Chartered Accountants of Pakistan.
18. 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.
19. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 26 August 2009

**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

Atlas Income Fund (the Fund), an open-end scheme was established under a trust deed dated February 20, 2003, executed between Atlas Asset Management Limited, as the management company and Muslim Commercial Financial Services (Private) Limited (MCFSL), as the trustee.

As per the deed of change of trustee and first supplemental trust deed dated June 11, 2005, MCFSL retired as the trustee and Central Depository Company of Pakistan Limited was appointed as the Trustee of Atlas Income Fund.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2009 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations 2004) and the constitutive documents of the Fund.

For the purpose of information, Regulation 57(4) of the NBFC Regulations 2008 requires all redemptions to be processed within six working days from receipt of the redemption requests. As already stated in our report dated February 27, 2009, during the first half of the year under review, we noted certain instances where the redemption of units of the Fund were processed after such six days period. We raised this issue with the Management Company and also reported it to the Securities and Exchange Commission of Pakistan. However, no such instance has come to our knowledge during the second half of the year ended June 30, 2009.

Karachi: 5 October 2009

**Kamran Qazi**  
Chief Financial Officer & Company Secretary  
Central Depository Company of Pakistan Limited

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## **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 (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of the Management Company of the Atlas 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 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.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement 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 2009.

Karachi: 26 August 2009

**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Atlas Income Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2009, and the related statements of 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 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 approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

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

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

### Opinion

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

### Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, the NBFC Rules and the NBFC Regulations.

Karachi: 26 August 2009

**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants

**Arslan Khalid**  
Audit Engagement Partner

# STATEMENT OF ASSETS AND LIABILITIES

## AS AT 30 JUNE 2009

	Note	2009 ----- Rupees -----	2008 ----- Rupees -----
<b>Assets</b>			
Bank balances and term deposits	7	529,923,443	1,185,420,074
Receivable against sale of securities		-	2,686,000
Receivable against continuous funding system		-	953,463,170
Placement	8	100,000,000	-
Investments	9	1,087,258,513	1,963,965,908
Interest accrued	10	49,209,678	57,691,079
Prepayments and other receivables	11	15,000	861,620
Security deposits	12	100,000	1,100,000
<b>Total assets</b>		<b>1,766,506,634</b>	<b>4,165,187,851</b>
<b>Liabilities</b>			
Payable to unit holders against redemption of units		16,234	61,604
Payable against purchase of securities		-	2,185,074
Payable to the management company	13	2,143,043	-
Payable to the trustee	14	235,923	512,057
Payable to SECP	15	2,380,982	5,010,141
Accrued and other liabilities	16	13,465,566	7,012,952
<b>Total liabilities</b>		<b>18,241,748</b>	<b>14,781,828</b>
<b>Net assets</b>		<b>1,748,264,886</b>	<b>4,150,406,023</b>
<b>Unit holders' fund</b>		<b>1,748,264,886</b>	<b>4,150,406,023</b>
<b>Number of units in issue</b>		<b>3,403,895</b>	<b>7,930,536</b>
<b>Net asset value per unit</b>		<b>513.61</b>	<b>523.34</b>
<b>Commitments</b>	17		

The annexed notes from 1 to 31 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

Tariq Amin  
Director



# INCOME STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 ----- Rupees -----	2008 -----
<b>Income</b>			
Interest income	18	407,466,989	521,105,606
Income from transactions in futures		-	13,042,505
Dividend income		17,500	-
Net loss on sale of held-for-trading investments		(2,794,659)	-
Net loss on investments designated at fair value through income statement			
Net (loss) / gain on sale of investments		(75,306,925)	4,271,405
Net unrealised loss on revaluation of investments		(83,552,486)	(15,712,150)
		(158,859,411)	(11,440,745)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net		(26,831,110)	3,358,339
		<b>218,999,309</b>	<b>526,065,705</b>
<b>Expenses</b>			
Remuneration of the management company	12	34,336,096	44,232,065
Remuneration of the trustee	13.1	3,680,140	5,762,889
SECP annual fee	14.1	2,380,982	4,760,141
(Reversal of provision) / provision for SECP monitoring fee		(250,000)	250,000
NCCPL annual fee		699,620	300,380
Brokerage and capital value tax		1,260,291	23,158,993
Auditors' remuneration	19	726,060	664,850
Printing charges		278,010	222,630
Settlement charges		1,716,540	3,914,247
Annual rating fee		100,000	100,000
Annual listing fee		30,000	30,000
Legal and professional charges		-	66,667
Bank charges		97,155	44,497
Settlement / Impairment loss on term finance facility	9.8	11,438,994	9,232,179
Settlement loss on certificate of investment		8,398,920	-
		<b>64,892,808</b>	<b>92,739,538</b>
<b>Net income for the year</b>		<b>154,106,501</b>	<b>433,326,167</b>

The annexed notes from 1 to 31 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

Tariq Amin  
Director

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	2009 ----- Rupees -----	2008 -----
<b>Undistributed income brought forward</b> [includes unrealised loss on investments of Rs. 15,874,600] (2008: unrealised loss of Rs. 162,450)	185,278,684	359,834,722
Final distribution for the year ended 30 June 2008 at the rate of Rs. 22.50 per unit declared on 4 July 2008 (2008: Rs. 50 per unit declared on 20 July 2007)		
- Bonus units	(159,879,201)	(349,423,976)
- Cash payout against final distribution	(18,557,866)	-
	(178,437,067)	(349,423,976)
Interim distribution at the rate of Rs.13.75 per unit declared on 25 October 2008 (2008: nil)		
- Bonus units	(65,404,523)	-
- Cash payout against interim distribution	(20,871,147)	-
	(86,275,670)	-
Interim distribution at the rate of Rs.7.50 per unit declared on 24 April 2009 (2008: Rs. 25 per unit declared on 3 April 2008)		
- Bonus units	(18,715,670)	(190,302,576)
- Cash payout against interim distribution	(9,498,611)	(68,155,653)
	(28,214,281)	(258,458,229)
Net income for the year	154,106,501	433,326,167
<b>Undistributed income carried forward</b> [includes unrealised loss on investments of Rs. 99,427,086] (2008: unrealised loss of Rs. 15,874,600)	<b>46,458,167</b>	<b>185,278,684</b>

The annexed notes from 1 to 31 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

**Tariq Amin**  
Director

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
Note	----- Rupees -----	----- Rupees -----
<b>Cash flows from operating activities</b>		
Net income for the year	154,106,501	433,326,167
<b>Adjustments for:</b>		
Net loss / (gain) on sale of investments	78,101,584	(4,271,405)
Net unrealised loss on revaluation of investments	83,552,486	15,712,150
Settlement / Impairment loss on term finance facility	11,438,994	9,232,179
Settlement loss on certificate of investment	8,398,920	-
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net	26,831,110	(3,358,339)
	<b>208,323,094</b>	<b>17,314,585</b>
<b>Decrease / (increase) in assets</b>		
Receivable against sale of securities	2,686,000	(2,686,000)
Receivable against continuous funding system	953,463,170	620,658,815
Prepayments and other receivables	846,620	(846,620)
Interest accrued	13,036,167	(39,948,094)
Security deposits	1,000,000	-
	<b>971,031,957</b>	<b>577,178,101</b>
<b>(Decrease) / increase in liabilities</b>		
Payable to unit holders against redemption of units	(45,370)	59,439
Payable against purchase of securities	(2,185,074)	2,185,074
Payable to the management company	2,143,043	(5,236,223)
Payable to the trustee	(276,134)	75,736
Payable to SECP	(2,629,159)	2,005,464
Accrued and other liabilities	6,452,614	2,483,183
	<b>3,459,920</b>	<b>1,572,673</b>
	<b>1,336,921,472</b>	<b>1,029,391,526</b>
Investments made during the year	(257,606,870)	(3,771,413,192)
Investments sold / redeemed / matured during the year	848,267,515	2,119,250,982
<b>Net cash inflow from / (used in) operating activities</b>	<b>1,927,582,117</b>	<b>(622,770,684)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	1,634,774,252	11,873,804,056
Payment on redemption of units	(4,168,925,376)	(11,939,150,042)
Cash payout against distribution	(48,927,624)	(68,155,653)
<b>Net cash used in financing activities</b>	<b>(2,583,078,748)</b>	<b>(133,501,639)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(655,496,631)</b>	<b>(756,272,323)</b>
Cash and cash equivalents at the beginning of the year	1,185,420,074	1,941,692,397
<b>Cash and cash equivalents at the end of the year</b>	<b>529,923,443</b>	<b>1,185,420,074</b>

The annexed notes from 1 to 31 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

**Tariq Amin**  
Director

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED 30 JUNE 2009

	2009		2008	
	Units	Rupees	Units	Rupees
<b>Net assets as at the beginning of the year</b> [Rs.523.34 (2008: Rs.551.47) per unit]	<b>7,930,536</b>	<b>4,150,406,023</b>	<b>6,988,480</b>	<b>3,853,939,834</b>
Issue of units	3,224,727	1,634,774,252	22,873,621	11,873,804,056
Redemption of units	(8,237,427)	(4,168,925,376)	(23,000,572)	(11,939,150,042)
	<b>(5,012,700)</b>	<b>(2,534,151,124)</b>	<b>(126,951)</b>	<b>(65,345,986)</b>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net	-	26,831,110	-	(3,358,339)
Final distribution for the year ended 30 June 2008 / 2007				
Issue of bonus units	319,222	-	696,799	-
Cash payout against distribution	-	(18,557,866)	-	-
Net income for the year	-	154,106,501	-	433,326,167
Interim distribution - October 2008 (2008: Nil)				
Issue of bonus units	129,753	-	-	-
Cash payout against distribution	-	(20,871,147)	-	-
Interim distribution - April 2009 (2008: April 2008)				
Issue of bonus units	37,084	-	372,208	-
Cash payout against distribution	-	(9,498,611)	-	(68,155,653)
<b>Net assets as at the end of the year</b> [Rs.513.61 (2008: Rs.523.34) per unit]	<b>3,403,895</b>	<b>1,748,264,886</b>	<b>7,930,536</b>	<b>4,150,406,023</b>

The annexed notes from 1 to 31 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

Tariq Amin  
Director

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Atlas Income Fund (the Fund) is an open ended mutual fund constituted by a Trust Deed entered into on 20 February 2003 between Atlas Asset Management Limited (AAML) as the establisher and the management company and Muslim Commercial Financial Services (Private) Limited (MCFSL) as the trustee. MCFSL resigned on 11 June 2005 as trustee and Central Depository Company of Pakistan Limited (CDC) was appointed as the trustee with effect from that date. The investment activities and administration of the Fund are managed by Atlas Asset Management Limited situated at Ground Floor, Federation House, Sharae Firdousi, Clifton, Karachi.
- 1.2 Units of the Fund have been offered for public subscription on a continuous basis from 22 March 2004, and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on Lahore Stock Exchange.
- 1.3 According to the trust deed, the objective of the Fund is to provide investors one window facility to invest in diversified portfolio offering good returns and consistent growth. The Fund aims to deliver this objective mainly by investing in debt securities, Government securities, money market instruments, CFS transactions, reverse repurchase transactions and future transactions. The investment objectives and policies are more fully defined in the Fund's offering document.

## 2. STATEMENT OF COMPLIANCE

- 2.1 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 During the year, the Fund has adopted IFRS 7 "Financial Instruments – Disclosures", which resulted in certain additional disclosures relating to financial instruments in these financial statements. Further, interpretations of accounting standards, namely IFRIC 12 "Service Concession Arrangements", IFRIC 13 "Customer Loyalty Programs" and IFRIC 14 "IAS 19 - The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interactions" also became effective during the year. However, these interpretations do not affect the Fund's financial statements.

## 3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in notes 4.1 and 4.2 below.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the year, unless otherwise stated.

### 4.1 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through income statement, held-to-maturity investment 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. Regular way purchases / sales of investments require delivery of securities within two days after transaction date as per the stock exchange regulations.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## **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.

## **Held-to-maturity**

Investment securities with fixed maturities and fixed or determinable payments are classified as held-to-maturity investments when management has both the intention and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment except for in case of debt securities and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

## **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 unit holders' fund until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in unit holders' fund is taken to the income statement.

## **Fair values**

Fair value of investments is determined as follows:

Fair value of debt securities, other than government securities, is determined on the basis of prices announced by MUFAP in accordance with the SECP's Circular 1 of 2009 dated 6 January 2009, read with Regulation 66(b) of the NBFC Regulations. This circular superceded SECP's Circular No. 26 dated 5 November 2008 which remained effective from 5 November 2008 to 9 January 2009 and required debt securities to be valued at lower of the rates notified by MUFAP or value determined after applying specified discount rates to the face value of such securities based upon the entity or issuer rating.

Fair value of government securities is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

## **4.2 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 currently.

## **4.3 Securities under repurchase / resale agreements**

Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included as receivables in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

## **4.4 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 4.4 Issue and redemption of units (Continued...)

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.

### 4.5 Revenue recognition

Income on debt securities is recognised using effective interest method at the rate of return implicit in the instrument.

Interest income on bank balances, placements and deposits is recognised on an accrual basis.

Gain or loss on sale of debt securities, equity securities and derivatives is accounted for in the period in which it arises.

Dividend income is recognised when the right to receive the dividend is established.

### 4.6 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.

### 4.7 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.

### 4.8 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" is created.

The "element of income and capital gains in prices of units issued less those in units redeemed" account is credited with the amount representing net income and capital gains accounted for in net asset value and included in the sale proceeds of units. Upon redemption of units, the "element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed" account is debited with the amount representing net income and capital gains accounted for in net asset value and included in the redemption price.

The net "element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed" during an accounting period is transferred to the income statement.

### 4.9 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 periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

### 4.10 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 currently.

### 4.11 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## 4.12 Distribution to unit holders

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

## 4.13 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.

## 4.14 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and short term deposits.

## 5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Judgements made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes in the financial statements.

## 6. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS - 1 Presentation of Financial Statements (Revised)	1 January 2009
IAS - 23 Borrowing Costs (Revised)	1 January 2009
IAS - 27 Consolidated and Separate Financial Statements (Revised)	1 July 2009
IAS - 32 Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	1 January 2009
IAS - 39 Financial Instruments: Recognition and measurement - Amendments regarding Eligible Hedge items	1 July 2009
IFRS - 2 Share based payment - Amendments regarding Vesting Conditions and Cancellations	1 January 2009
IFRS - 3 Business Combinations (Revised)	1 July 2009
IFRS - 8 Operating Segments	1 January 2009
IFRIC - 15 Agreements for the Construction of Real Estate	1 January 2009
IFRIC - 16 Hedges of a Net Investment in Foreign Operation	1 October 2008
IFRIC - 17 Distributions on Non - Cash Assets to Owners	1 July 2009
IFRIC - 18 Transfers of Assets from Customers	1 July 2009

The Fund considers that the above standards and interpretations, are either not relevant or will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments and improvements to the various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after 1 January 2009. The management considers that such amendments and improvements will not have any significant effect on the Fund's financial statements for the ensuing periods.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 ----- Rupees -----	2008 -----
<b>7. BANK BALANCES AND TERM DEPOSITS</b>			
PLS saving accounts	7.1	214,923,443	385,420,074
Term deposit accounts	7.2	315,000,000	800,000,000
		<b>529,923,443</b>	<b>1,185,420,074</b>

**7.1** These carry rate of return ranging from 5% to 12.50% (2008:1.30% to 11.25%) per annum and includes Rs.2,006,100 (2008: Rs.12,850,535) balance with Atlas Bank Limited (a related party).

**7.2** These carry rate of return ranging from 12.75% to 13.80% (2008: 10.50% to 18.50%) per annum and includes deposit of Rs.175 million (2008: Rs.200 million) held with Atlas Bank Limited (a related party), maturing by 15 July 2009.

### 8. PLACEMENT - unsecured

This represents amount placed with a Non Banking Financial Institution, carrying mark up rate 13.75% (2008: Nil) per annum maturing on 2 July 2009.

### 9. INVESTMENTS

#### At fair value through income statement

##### Held-for-trading

Equity securities acquired under CFS MK II  
Square up Scheme

9.1

9.2

#### Designated at fair value through income statement

Term finance certificates - listed  
Term finance certificates - unlisted  
Sukuk certificates - unlisted

9.3

9.4

9.5

#### Held to maturity

Term finance certificates - listed  
Musharika finance facility  
Term finance facility  
Certificate of Investments  
Commercial papers

9.6

9.7

9.8

#### Advance against term finance certificate

		-	-
		786,133,055	1,163,393,039
		216,468,653	205,003,996
		18,200,919	-
		<b>1,020,802,627</b>	<b>1,368,397,035</b>
		5,305,475	6,527,116
		61,150,411	52,433,151
		-	73,750,046
		-	142,272,026
		-	116,826,534
		<b>66,455,886</b>	<b>391,808,873</b>
		-	203,760,000
		<b>1,087,258,513</b>	<b>1,963,965,908</b>

**9.1** Total cost of investments amounts to Rs.1,186,685,599 (2008: Rs.1,979,840,508).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

### 9.2 Equity securities acquired under CFS MK II Square Up Scheme - Held for trading

These shares were acquired from National Clearing Company of Pakistan Limited (NCCPL), under the CFS Mark II Square up Scheme (the Scheme) signed up by the Fund with NCCPL, on 29 December 2008. Under the provisions of the Scheme, the Fund, as Financier was required to purchase 30% of the shares financed under CFS MK II, and the remaining 70% aggregating to Rs.47,276,142 was fully settled in cash during the year.

The SECP, vide their letter no. NBFC - II/D/MUFAP/01/2009 dated 1 January 2009 issued to MUFAP for dissemination of such letter to all the members, had allowed the acquisition of such shares portfolio under the Scheme to be held for a period of three months, extendable to another three months, upon application to the SECP. The Fund has disposed off all scrips acquired under the scheme during the year.

Name of investee company	Number of certificates			Rupees	Percentage of	
	Acquired during the year	Disposed during the year	At the end of the year	Market value	Total investments	Net assets
<b>Square up Scheme - Held for trading</b> (Ordinary shares have a face value of Rs. 10/- each unless stated otherwise)						
<b>Closed-End Mutual Funds</b>						
JS Value Fund Limited	2,439	2,439	-	-	-	-
PICIC Growth Fund	340	340	-	-	-	-
Pakistan Premier Fund Limited	574	574	-	-	-	-
	3,353	3,353	-	-	-	-
<b>Investment Banks/Cos./Securities</b>						
Arif Habib Limited	323	323	-	-	-	-
Arif Habib Securities Limited	35,293	35,293	-	-	-	-
Dawood Equities Limited	43	43	-	-	-	-
First National Equities Limited	67	67	-	-	-	-
Invest & Finance Securities Limited	152	152	-	-	-	-
Javed Omar Vohra & Company Limited	1,818	1,818	-	-	-	-
Jahangir Siddiqui & Company Limited	36,220	36,220	-	-	-	-
JS Investments Limited	326	326	-	-	-	-
Pervez Ahmed Securities Limited	1,715	1,715	-	-	-	-
	75,957	75,957	-	-	-	-
<b>Commercial Banks</b>						
Allied Bank Limited	367	367	-	-	-	-
Arif Habib Bank Limited	2,412	2,412	-	-	-	-
Askari Commercial Bank Limited	1,159	1,159	-	-	-	-
Bank Alfalah Limited	3,431	3,431	-	-	-	-
Bank Alfalah Limited - Rights	1,715	1,715	-	-	-	-
Bank Al Habib Limited	272	272	-	-	-	-
BankIslami Pakistan Limited	2,492	2,492	-	-	-	-
The Bank of Punjab	869	869	-	-	-	-
Faysal Bank Limited	228	228	-	-	-	-
Habib Bank Limited	4,305	4,305	-	-	-	-
JS Bank Limited	3,506	3,506	-	-	-	-
MCB Bank Limited	1,826	1,826	-	-	-	-
Meezan Bank Limited	75	75	-	-	-	-
National Bank of Pakistan	1,494	1,494	-	-	-	-
NIB Bank Limited	5,302	5,302	-	-	-	-
Soneri Bank Limited	228	228	-	-	-	-
Saudi Pak Commercial Bank Limited	19,464	19,464	-	-	-	-
United Bank Limited	3,528	3,528	-	-	-	-
	52,673	52,673	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Name of investee company	Number of shares			Rupees	Percentage of	
	Acquired during the year	Disposed during the year	At the end of the year	Market value	Total investments	Net assets
<b>Insurance</b>						
Adamjee Insurance Company Limited	162	162	-	-	-	-
EFU General Insurance Company Limited	1,174	1,174	-	-	-	-
Pakistan Reinsurance Company Limited	347	347	-	-	-	-
	1,683	1,683	-	-	-	-
<b>Textile Spinning</b>						
D.S. Industries Limited	672	672	-	-	-	-
<b>Textile Composite</b>						
Azgard Nine Limited	112	112	-	-	-	-
Dawood Lawrencepur Limited	246	246	-	-	-	-
Nishat Chunian Limited	355	355	-	-	-	-
Nishat Mills Limited	726	726	-	-	-	-
	1,439	1,439	-	-	-	-
<b>Synthetic &amp; Rayon</b>						
Dewan Salman Fibre Limited	7,392	7,392	-	-	-	-
<b>Cement</b>						
Al Abbas Cement Limited	328	328	-	-	-	-
D.G. Khan Cement Company Limited	540	540	-	-	-	-
Dewan Cement Limited	533	533	-	-	-	-
Fauji Cement Company Limited	2,215	2,215	-	-	-	-
Lucky Cement Limited	120	120	-	-	-	-
Maple Leaf Cement Factory Limited	1,046	1,046	-	-	-	-
Pakistan Cement Company Limited	7,775	7,775	-	-	-	-
Pioneer Cement Limited	367	367	-	-	-	-
Thatta Cement Company Limited	61	61	-	-	-	-
	12,985	12,985	-	-	-	-
<b>Refinery</b>						
Attock Refinery Pakistan Limited	5,633	5,633	-	-	-	-
Bosicor Pakistan Limited	7,900	7,900	-	-	-	-
Pakistan Refinery Limited	8,547	8,547	-	-	-	-
	22,080	22,080	-	-	-	-
<b>Power Generation and Distribution</b>						
The Hub Power Company Limited	1,186	1,186	-	-	-	-
Kot Addu Power Company Limited	85	85	-	-	-	-
	1,271	1,271	-	-	-	-
<b>Oil and Gas Marketing Companies</b>						
Attock Petroleum Limited	805	805	-	-	-	-
Pakistan State Oil Company Limited	3,596	3,596	-	-	-	-
Sui Northern Gas Pipelines Limited	224	224	-	-	-	-
Sui Southern Gas Company Limited	629	629	-	-	-	-
	5,254	5,254	-	-	-	-
<b>Oil and Gas Exploration Companies</b>						
Mari Gas Company Limited	2	2	-	-	-	-
Oil & Gas Development Company Limited	1,565	1,565	-	-	-	-
Pakistan Oilfields Limited	106	106	-	-	-	-
Pakistan Petroleum Limited	604	604	-	-	-	-
	2,277	2,277	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Name of investee company	Number of shares			Rupees	Percentage of	
	Acquired during the year	Disposed during the year	At the end of the year	Market value	Total investments	Net assets
<b>Engineering</b>						
Crescent Steel & Allied Products Limited	378	378	-	-	-	-
Dost Steels Limited	1,570	1,570	-	-	-	-
	1,948	1,948	-	-	-	-
<b>Automobile Assemblers</b>						
Honda Atlas Cars (Pakistan) Limited	1,585	1,585	-	-	-	-
Indus Motor Company Limited	22	22	-	-	-	-
	1,607	1,607	-	-	-	-
<b>Cable and Electrical Goods</b>						
Pak Electron Limited	467	467	-	-	-	-
<b>Transport</b>						
Pakistan International Container Terminal Limited	32	32	-	-	-	-
<b>Technology and Communication</b>						
Eye Television Network Limited	464	464	-	-	-	-
NetSol Technologies Limited	173,587	173,587	-	-	-	-
Pakistan Telecommunication Company Limited	280	280	-	-	-	-
Telecard Limited	6,589	6,589	-	-	-	-
TRG Pakistan Limited	8,159	8,159	-	-	-	-
Worldcall Telecom Limited	4,768	4,768	-	-	-	-
	193,847	193,847	-	-	-	-
<b>Fertilizers</b>						
Engro Chemical Pakistan Limited	2,952	2,952	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	1,008	1,008	-	-	-	-
Fauji Fertilizer Company Limited	655	655	-	-	-	-
	4,615	4,615	-	-	-	-
<b>Pharmaceuticals</b>						
Searle Pakistan Limited	52	52	-	-	-	-
<b>Chemicals</b>						
BOC Pakistan Limited	16	16	-	-	-	-
ICI Pakistan Limited	1,423	1,423	-	-	-	-
Pakistan PTA Limited	3,821	3,821	-	-	-	-
Sitara Peroxide Limited	1,164	1,164	-	-	-	-
	6,424	6,424	-	-	-	-
<b>Papers and Board</b>						
Packages Limited	565	565	-	-	-	-
<b>Miscellaneous</b>						
Pace Pakistan Limited	6,848	6,848	-	-	-	-
Tri-Pack Films Limited	393	393	-	-	-	-
	7,241	7,241	-	-	-	-
	<b>403,834</b>	<b>403,834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Number of Certificates			Rupees	Percentage of		
	At the beginning of the year	Acquired during the year	Disposed/ Matured during the year	At the end of the year	Carrying value	Total investments	Net assets
<b>9.3 Term finance certificates - listed</b>							
<b>Modarabas</b>							
Al-Zamin Leasing Modaraba	2,000	-	2,000	-	-	-	-
Al-Zamin Leasing Modaraba-II	2,000	-	-	2,000	3,188,510	0.29	0.18
	4,000	-	2,000	2,000	3,188,510	0.29	0.18
<b>Leasing Companies</b>							
Orix Leasing Pakistan Limited	4,000	-	-	4,000	16,515,097	1.52	0.95
Trust Investment Bank Limited -II	629	-	-	629	314,500	0.03	0.02
	4,629	-	-	4,629	16,829,597	1.55	0.97
<b>Investment Banks/Cos./Securities</b>							
Escort Investment Bank Limited	5,000	-	-	5,000	24,848,156	2.29	1.42
IGI Investment Bank Limited	1,000	-	-	1,000	3,028,344	0.28	0.17
Jahangir Siddiqui & Company Limited -II	2,000	-	-	2,000	4,570,191	0.42	0.26
Jahangir Siddiqui & Company Limited - III	2,000	-	-	2,000	8,305,629	0.76	0.48
	10,000	-	-	10,000	40,752,320	3.75	2.33
<b>Commercial Banks</b>							
Allied Bank Limited	42,196	-	24,000	18,196	87,957,758	8.09	5.03
Askari Commercial Bank Limited - I	2,400	-	-	2,400	11,522,079	1.06	0.66
Askari Commercial Bank Limited - II	16,775	-	10,000	6,775	32,327,525	2.97	1.85
Bank Alfalah Limited - II	5,117	-	5,117	-	-	-	-
Bank Al Habib Limited - II	21,192	-	10,000	11,192	53,451,775	4.92	3.06
Faysal Bank Limited - I	1,400	-	1,400	-	-	-	-
NIB Bank Limited	21,399	-	20,000	1,399	6,463,606	0.59	0.37
Soneri Bank Limited	20,074	-	15,000	5,074	24,453,542	2.25	1.40
Standard Chartered Bank (Pakistan) Limited - III	12,000	-	-	12,000	59,257,885	5.45	3.39
The Royal Bank of Scotland (Formerly ABN AMRO (Pakistan) Limited)	4,658	-	4,658	-	-	-	-
United Bank Limited - II	2,000	-	-	2,000	8,435,550	0.78	0.48
United Bank Limited - III	5,500	-	-	5,500	26,542,309	2.44	1.52
United Bank Limited - IV	8,000	-	-	8,000	36,779,962	3.38	2.10
	162,711	-	90,175	72,536	347,191,991	31.93	19.86
<b>Textile Composite</b>							
Azgard Nine Limited	5,000	-	-	5,000	18,409,878	1.69	1.05
<b>Oil and Gas Exploration Companies</b>							
Naimat Basal Oil & Gas Securitization Company Limited	1,000	-	1,000	-	-	-	-
<b>Technology and Communication</b>							
Pakistan Mobile Communication Ltd.	-	40,000	-	40,000	192,042,600	17.66	10.98
Telecard Limited	4,000	-	-	4,000	8,986,437	0.83	0.52
	4,000	40,000	-	44,000	201,029,037	18.49	11.50
<b>Fertilizer</b>							
Engro Chemical Pakistan Limited-II	28,281	-	4,600	23,681	115,008,181	10.58	6.58
Pak Arab Fertilizers Limited	9,173	-	-	9,173	43,723,541	4.02	2.50
	37,454	-	4,600	32,854	158,731,722	14.60	9.08
<b>Miscellaneous</b>							
Pakistan Services Limited	11,269	-	11,269	-	-	-	-
					<b>786,133,055</b>	<b>72.30</b>	<b>44.97</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

9.3.1 The terms and conditions of these term finance certificates are as follows:

Name of investee company	Rating	Tenure	Profit payments/ Principal redemptions	Repayment period	Effective rate during the year	Rate of return	Floor & Cap
<b>Modarabas</b>							
Al-Zamin Leasing Modaraba-II	A	5 years	Annually	May 2008 - May-2010	9.50%	9.50%	-
<b>Leasing Companies</b>							
Orix Leasing Pakistan Limited	AA+	5 years	Semi annually	Nov 2009 - May 2012	15.26%	1.50% + 6 mth KIBOR	-
Trust Investment Bank Limited-II	A	5 years	Semi annually	Jan 2005 - Jul 2009	10.00%	3.00% + 6 mth KIBOR	6% - 10%
<b>Investment Banks/Companies</b>							
Escort Investment Bank Limited	A+	5 years	Semi annually	Sep 2009 - Mar 2012	14.93%	2.50% + 6 mth KIBOR	8% - 17%
IGI Investment Bank Limited	A+	5 years	Semi annually	Jan 2008 - Jul 2011	17.86%	2.25% + 6 mth KIBOR	-
Jahangir Siddiqui & Company Limited-II	AA+	5 years	Semi annually	Jun 2009 - Dec 2009	8.29%	8.29%	-
Jahangir Siddiqui & Company Limited-III	AA+	5 years	Semi annually	Sep 2008 - Sep 2010	14.50%	1.75% + 6 mth KIBOR	6% - 16%
<b>Commercial Banks</b>							
Allied Bank Limited	AA-	8 years	Semi annually	June 2013 -Dec. 2014	15.61%	1.90% + 6 mth KIBOR	-
Askari Commercial Bank Limited-I	AA-	8 years	Annually	Feb 2013	16.27%	1.50% + 6 mth KIBOR	-
Askari Commercial Bank Limited-II	AA-	8 years	Annually	Oct 2013	14.85%	1.50% + 6 mth KIBOR	-
Bank Al Habib Limited-II	AA-	8 years	Semi annually	Aug 2014 - Feb 2015	16.48%	1.95% + 6 mth KIBOR	-
NIB Bank Limited	A+	8 years	Semi annually	Sep 2013 - Mar 2016	13.69%	1.15% + 6 mth KIBOR	-
Soneri Bank Limited	A+	8 years	Semi annually	Nov 2011 - May 2013	14.94%	1.60% + 6 mth KIBOR	-
Standard Chartered Bank (Pakistan) Limited-III	AA	7 years	Semi annually	Aug 2010 - Feb 2013	16.93%	2.00% + 6 mth KIBOR	-
United Bank Limited-II	AA	8 years	Semi annually	Mar 2013	9.49%	9.49%	-
United Bank Limited-III	AA	8 years	Semi annually	Mar 2012 - Sep. 2014	14.21%	1.70% + 6 mth KIBOR	-
United Bank Limited-IV	AA	10 years	Semi annually	Feb 2018	15.13%	0.85% + 6 mth KIBOR (1 - 5 YEARS), 1.35% + 6 mth KIBOR (6- 10 YEARS)	-
<b>Textile Composite</b>							
Azgard Nine Limited	AA-	7 years	Semi annually	Sep 2008 - Sep 2012	14.88%	2.40% + 6 mth KIBOR	-
<b>Technology &amp; Communication</b>							
Pakistan Mobile Communication Limited	AA-	5 years	Semi annually	Oct. 2013	14.99%	1.65% + 6mth KIBOR	-
Telecard Limited	BBB	6 years	Semi annually	Nov 2006 - May 2011	17.50%	3.75% + 6mth KIBOR	-
<b>Fertilizer</b>							
Engro Chemical Pakistan Limited- II	AA	8 years	Semi annually	May 2015 - Nov. 2015	15.30%	1.55% + 6mth KIBOR	-
Pak Arab Fertilizer Limited	AA	5 years	Semi annually	Aug 2010 - Feb 2013	14.51%	1.50% + 6mth KIBOR	-

	Number of Certificates				Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Disposed/ during the year	At the end of the year	Carrying value	Total investments	Net assets
<b>9.4 Term finance certificates - Unlisted</b>							
<b>Cement</b>							
Gharibwal Cement Limited	-	5,000	-	5,000	22,226,281	2.04	1.27
<b>Oil &amp; Gas Exploration Companies</b>							
Pak Hy Oils Limited	-	5,000	-	5,000	18,750,000	1.72	1.07
<b>Technology and Communication</b>							
Pakistan Mobile Communications (Private) Limited	5,000	-	5,000	-	-	-	-
Pakistan Mobile Communications (Private) Limited-II	20,000	-	-	20,000	87,180,100	8.02	4.99
	25,000	-	5,000	20,000	87,180,100	8.02	4.99
<b>Fertilizer</b>							
Engro Chemical Pakistan Limited	10,000	-	-	10,000	43,833,350	4.03	2.51
Pak American Fertilizers Limited	2,000	-	-	2,000	9,737,824	0.90	0.56
Pak American Fertilizers Limited-II	8,000	-	-	8,000	34,741,098	3.20	1.98
	20,000	-	-	20,000	88,312,272	8.13	5.05
					<u>216,468,653</u>	<u>19.91</u>	<u>12.38</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

9.4.1 The terms and conditions of these term finance certificates are as follows:

Name of investee company	Rating	Tenure	Profit payments/ Principal redemptions	Repayment period	Effective rate during the year	Rate of return
<b>Cement</b>						
Gharibwal Cement Limited	BBB-	5 years	Semi annually	Jul 2010 - Jan 2013	18.27%	3.00% + 6mth KIBOR
<b>Oil &amp; Gas Exploration Companies</b>						
Pak Hy Oils Limited	Non rated	5 years	Semi annually	Jun 2011 - Dec 2013	17.93%	2.25% + 6mth KIBOR
<b>Technology &amp; Communication</b>						
Pakistan Mobile Communications (Private) Limited-II	AA-	3 years	Semi annually	April 2010 - Oct 2010	15.82%	1.30% + 6mth KIBOR
<b>Fertilizer</b>						
Engro Chemical Pakistan Limited- II	AA	10 years	Semi annually	March 2018	13.69%	1.25% + 6mth KIBOR
Pak American Fertilizers Limited	AA-	7 years	Semi annually	May 2010 - Nov 2014	15.50%	1.75% + 6mth KIBOR
Pak American Fertilizers Limited-II	AA-	7 years	Semi annually	Jul 2010 - Jan 2015	17.32%	1.75% + 6mth KIBOR

	Number of Certificates				Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Disposed during the year	At the end of the year	Carrying value	Total investments	Net assets
<b>9.5 Sukuk certificates - unlisted</b>							
<b>Fertilizer</b>							
Pak American Fertilizers Limited	-	4,060	-	4,060	<u>18,200,919</u>	<u>1.67</u>	<u>1.04</u>

9.5.1 The terms and conditions of the sukuk certificates are as follows:

Name of investee company	Rating	Tenure	Profit payments/ Principal redemptions	Repayment period	Effective rate during the year	Rate of return
<b>Fertilizer</b>						
Pak American Fertilizers Limited	AA-	7 years	Semi annually	Feb 2011 - Aug 2015	16.72%	2.00% + 6 mth KIBOR

	Number of Certificates				Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Disposed during the year	At the end of the year	Carrying value	Total investments	Net assets
<b>9.6 Term finance certificates - listed</b>							
<b>Leasing Companies</b>							
Orix Leasing Pakistan Limited	1,285	-	-	1,285	<u>5,305,475</u>	<u>0.49</u>	<u>0.30</u>

9.6.1 The terms and conditions of the term finance certificates are as follows:

Name of investee company	Rating	Tenure	Profit payments/ Principal redemptions	Repayment period	Effective rate during the year	Rate of return
<b>Leasing Companies</b>						
Orix Leasing Pakistan Limited	AA+	5 years	Semi annually	Nov 2009 - May 2012	15.26%	1.50% + 6 mth KIBOR

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 ----- Rupees -----	2008 ----- Rupees -----
<b>9.7 Musharika Finance Facility - secured</b>			
Musharika Finance Facility	9.7.1	61,000,000	50,000,000
Income accrued on Musharika		150,411	2,433,151
		<b>61,150,411</b>	<b>52,433,151</b>

**9.7.1** This represents financing under Musharika Agreement with a Modaraba, carrying markup rate of 15% (2008:10.70%) per annum. These are secured by way of pledge of Term Finance Certificates and Sukuks, having a market value of Rs.89.54 million (2008:Nil).

**9.8** During the year, the Fund accepted a proposal for upfront settlement of the term finance facility to Network Leasing Corporation Limited (NLCL). As per the terms of settlement, the Fund accepted to receive an aggregate present value sum of Rs.62,311,052 on 15 December 2008, in full and final settlement of the claim against the carrying value of term finance facility of Rs.73,750,046 as of that date. This resulted in an impairment loss of Rs. 11,438,994 on such facility.

### 10. INTEREST ACCRUED

Bank balances and term deposits	10.1	6,860,070	12,763,409
Continuous funding system		-	5,371,885
Placement		37,671	-
Term finance certificates		42,311,937	39,555,785
		<b>49,209,678</b>	<b>57,691,079</b>

**10.1** Includes interest accrued amounting to Rs.24,684 (2008: 523,700) on PLS saving accounts and Rs.1,747,603 (2008: Rs 1,438,357) on term deposits held with Atlas Bank Limited (a related party).

### 11. PREPAYMENTS AND OTHER RECEIVABLES

Prepaid annual listing fee		15,000	15,000
Prepaid annual fee to NCCPL		-	699,620
Other receivable		-	147,000
		<b>15,000</b>	<b>861,620</b>

### 12. SECURITY DEPOSITS

National Clearing Company of Pakistan Limited (NCCPL)		-	1,000,000
Central Depository Company of Pakistan Limited (CDC)		100,000	100,000
		<b>100,000</b>	<b>1,100,000</b>

### 13. PAYABLE TO THE MANAGEMENT COMPANY - Related Party

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 average rate of 1.29% (2008:0.93%) per annum, on the average net assets for the year.

### 14. PAYABLE TO THE TRUSTEE - Related Party

Trustee fee	14.1	235,923	419,130
Settlement charges		-	92,927
		<b>235,923</b>	<b>512,057</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

### 14. PAYABLE TO THE TRUSTEE - Related Party (Continued...)

**14.1** 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 billion Rupees 0.7 million or 0.20% per annum of Net Asset Value, whichever is higher.
- exceeding 1 billion rupees Rupees 2.0 million plus 0.10% per annum of Net Asset Value exceeding Rs. 1 billion.

	Note	2009 ----- Rupees -----	2008 ----- Rupees -----
<b>15. PAYABLE TO SECP</b>			
Annual fee	15.1	2,380,982	4,760,141
Monitoring fee		-	250,000
		<b>2,380,982</b>	<b>5,010,141</b>

**15.1** Represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP an amount on following basis:

Upto 20 November 2008

- 0.1% of the average annual net assets of the Fund.

From 21 November 2008 onwards

- 0.075% of the average annual net assets of the Fund.

### 16. ACCRUED AND OTHER LIABILITIES

Auditors' remuneration payable		445,700	620,000
Brokerage payable		17,505	1,216,613
NCCPL charges payable		-	114,662
Payable to brokers against dividend on CFS	16.1	4,636,614	4,710,798
Markup received on securities held as collateral		8,122,735	-
Printing charges payable		218,000	182,875
Withholding tax payable		-	167,475
Zakat Payable		-	529
Others		25,012	-
		<b>13,465,566</b>	<b>7,012,952</b>

**16.1** Includes Rs. 379,780 (2008: 379,780) payable to Atlas Capital Markets (Private) Limited (a related party).

### 17. COMMITMENTS

Commitments in respect of CFS transactions		-	<b>308,779,913</b>
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### 18. INTEREST INCOME

PLS saving and term deposit accounts		132,435,562	138,359,079
Continuous funding system		31,038,525	244,097,045
Placements		11,135,582	309,760
Term finances		200,591,283	126,217,996
Certificates of investment		17,520,986	10,419,149
Commercial papers		14,745,051	1,702,577
		<b>407,466,989</b>	<b>521,105,606</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 ----- Rupees -----	2008 ----- Rupees -----
<b>19. AUDITORS' REMUNERATION</b>			
Audit fee		360,000	360,000
Half yearly review of financial statements		180,000	180,000
Taxation services		23,950	44,850
Other services		70,000	70,000
Out of pocket expenses		92,110	10,000
		<b>726,060</b>	<b>664,850</b>
<b>20. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS</b>			
<b>Atlas Asset Management Limited (Management Company)</b>			
Remuneration charged		34,336,096	44,232,065
Remuneration paid		32,193,053	49,468,288
Sales load and certificate charges		346	7,146
<b>Central Depository Company of Pakistan Limited (Trustee)</b>			
Trustee fee		3,680,140	5,762,889
Settlement charges		201,417	1,369,454
Sale of nil (2008: 344,431) units		-	180,163,948
Redemption of 152,105 (2008: 237,889) units		77,678,294	125,163,948
Bonus of 8,536 (2008: 9,443) units		4,281,882	4,801,080
Outstanding nil (2008: 143,569) units		-	75,135,235
<b>Atlas Fund of Funds (Fund under common management)</b>			
Sale of 29,038 (2008: nil) units		15,000,000	-
Redemption of 30,273 (2008: nil) units		15,591,240	-
Bonus of 1,235 (2008: nil) units		622,992	-
<b>Atlas Bank Limited (Group Company)</b>			
Sale of 97,980 (2008: 867,083) units		50,000,000	450,000,000
Redemption of nil (2008: 1,269,556) units		-	666,094,767
Bonus of 1,456 (2008: 36,491) units		734,847	18,299,099
Outstanding 99,436 (2008: nil) units		51,071,183	-
Term deposit receipts placed		706,199,315	500,000,000
Term deposit receipts matured		731,199,315	300,000,000
Interest income on bank balances and term deposits		40,380,121	45,798,642
Bank charges		3,175	6,648
<b>Atlas Battery Limited (Group Company)</b>			
Sale of 39,382 (2008: nil) units		20,000,000	-
Redemption of 39,382 (2008: 560) units		20,287,492	293,656
Bonus of nil (2008: 51) units		-	25,455
<b>Atlas Capital Markets (Private) Limited (Group Company)</b>			
Brokerage		84,522	1,773,368
<b>Atlas Foundation (Group Company)</b>			
Sale of 38,755 (2008: 242,137) units		19,760,000	124,600,000
Redemption of 36,145 (2008: 159,091) units		18,310,000	81,588,081
Bonus of 15,150 (2008: 15,048) units		7,612,832	7,617,753
Outstanding 193,374 (2008: 175,614) units		99,318,776	91,905,644

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

### 20. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS (Continued...)

	2009	2008
	----- Rupees -----	
<b>Atlas Honda Limited (Group Company)</b>		
Sale of 97,652 (2008: 1,847,090) units	50,000,000	980,000,000
Redemption of 1,373,652 (2008: 1,575,927) units	680,000,000	816,271,152
Bonus of 140,489 (2008: 233,201) units	70,542,460	117,829,406
Outstanding 801,897 (2008: 1,937,407) units	411,862,068	1,013,922,466
<b>Atlas Insurance Limited (Group Company)</b>		
Sale of nil (2008: 164,580) units	-	84,900,000
Redemption of 47 (2008: 185,006) units	23,836	96,449,326
Bonus of 47 (2008: 1,901) units	23,836	953,463
Outstanding 545 (2008: 545) units	279,833	285,134
<b>Shirazi Investments (Private) Limited (Group Company)</b>		
Sale of 292,096 (2008: 2,257,454) units	150,000,000	1,180,000,000
Redemption of 691,379 (2008: 2,047,689) units	351,174,073	1,064,115,346
Bonus of 17,166 (2008: 26,011) units	8,597,631	13,155,967
Outstanding nil (2008: 382,117) units	-	199,977,073
<b>Key Management Personnel of Management Company</b>		
<b>Directors</b>		
Sale of 4,322 (2008: 3,817) units	2,200,000	2,000,000
Redemption of 25,405 (2008: 3,859) units	11,998,795	2,000,000
Bonus of 1,863 (2008: 3,433) units	935,513	1,734,404
Outstanding 5,319 (2008: 24,540) units	2,732,127	12,843,023
<b>Executives</b>		
Sale of 4,425 (2008: 384) units	2,218,061	200,000
Redemption of 4,777 (2008: 96) units	2,378,407	50,000
Bonus of 62 (2008: nil) units	31,453	-
Outstanding nil (2008: 289) units	-	151,084

**20.1** The transactions with related parties / connected persons are in the normal course of business at contracted rates.

**20.2** The outstanding balance of related parties / connected persons are included in the respective notes to the financial statements.

### 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

**21.1** 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 is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds.

#### **21.2 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 interest rates, foreign exchange rates and equity prices.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## (i) Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. As of 30 June 2009, the Fund is exposed to such risk in respect of bank balances, term deposits, placements and investments in debt securities. The term deposits and placement carry fixed interest rates and will mature by July 2009. The bank balances are subject to interest rates as declared by the respective bank on periodic basis. Majority of the debt securities are subject to floating interest rates. Management of the Fund estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Fund's income by Rs.17,104,701 and a 1% decrease would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

## (ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund 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 is not exposed to equity price risk as at date of the statement of assets and liabilities.

## 21.3 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

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.

2009	Within 1 month	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
----- Rupees -----						
<b>Assets</b>						
Bank balances and term deposits	529,923,443	-	-	-	-	529,923,443
Placement	100,000,000	-	-	-	-	100,000,000
Investments	3,102,661	10,921,094	97,635,506	691,941,519	283,657,733	1,087,258,513
Interest accrued	12,458,406	20,603,712	16,147,560	-	-	49,209,678
Prepayments and other receivables	2,500	5,000	7,500	-	-	15,000
Security deposit	-	-	-	-	100,000	100,000
	<b>645,487,010</b>	<b>31,529,806</b>	<b>113,790,566</b>	<b>691,941,519</b>	<b>283,757,733</b>	<b>1,766,506,634</b>
<b>Liabilities</b>						
Payable to unit holders against redemption of units	16,234	-	-	-	-	16,234
Payable to the management company	-	2,143,043	-	-	-	2,143,043
Payable to the trustee	235,923	-	-	-	-	235,923
Payable to SECP	-	2,380,982	-	-	-	2,380,982
Accrued and other liabilities	42,517	663,700	12,759,349	-	-	13,465,566
	<b>294,674</b>	<b>5,187,725</b>	<b>12,759,349</b>	<b>-</b>	<b>-</b>	<b>18,241,748</b>
<b>Net assets</b>	<b>645,192,336</b>	<b>26,342,081</b>	<b>101,031,217</b>	<b>691,941,519</b>	<b>283,757,733</b>	<b>1,748,264,886</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2008	Within 1 month	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
----- Rupees -----						
<b>Assets</b>						
Bank balances and term deposits	1,185,420,074	-	-	-	-	1,185,420,074
Receivable against sale of securities	2,686,000	-	-	-	-	2,686,000
Receivable against continuous funding system	953,463,170	-	-	-	-	953,463,170
Investments	53,380,401	63,325,761	249,291,871	724,782,066	873,185,809	1,963,965,908
Interest accrued	24,581,746	21,932,488	11,176,845	-	-	57,691,079
Prepayments and other receivables	266,103	238,207	357,310	-	-	861,620
Security deposits	-	-	-	-	1,100,000	1,100,000
	<b>2,219,797,494</b>	<b>85,496,456</b>	<b>260,826,026</b>	<b>724,782,066</b>	<b>874,285,809</b>	<b>4,165,187,851</b>
<b>Liabilities</b>						
Payable to unit holders against redemption of units	61,604	-	-	-	-	61,604
Payable against purchase of securities	2,185,074	-	-	-	-	2,185,074
Payable to the trustee	512,057	-	-	-	-	512,057
Payable to SECP	-	5,010,141	-	-	-	5,010,141
Accrued and other liabilities	1,499,279	802,875	4,710,798	-	-	7,012,952
	<b>4,258,014</b>	<b>5,813,016</b>	<b>4,710,798</b>	<b>-</b>	<b>-</b>	<b>14,781,828</b>
<b>Net assets</b>	<b>2,215,539,480</b>	<b>79,683,440</b>	<b>256,115,228</b>	<b>724,782,066</b>	<b>874,285,809</b>	<b>4,150,406,023</b>

### 21.4 Credit risk

**21.4.1** Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk:

	2009	2008
----- Rupees -----		
Bank balances and term deposits	529,923,443	1,185,420,074
Receivable against sale of securities	-	2,686,000
Receivable against continuous funding system	-	953,463,170
Placement	100,000,000	-
Investments in debt instruments	1,087,258,513	1,963,965,908
Interest accrued	49,209,678	57,691,079
Deposits and other receivable	100,000	1,247,000
	<b>1,766,491,634</b>	<b>4,164,473,231</b>

**21.4.2** Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyses the Fund's concentration of credit risk by industrial distribution:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	% of debt instruments	
	2009	2008
Modarabas	5.92	3.17
Leasing companies	2.04	5.17
Investment banks / companies / securities	3.75	9.79
Commercial banks	31.93	43.10
Insurance	-	1.48
Textile composite	1.69	4.65
Cement	2.04	-
Oil and gas exploration companies	1.72	0.10
Technology & communication	26.51	16.27
Fertilizer	24.40	15.86
Others	-	0.41
	<b>100.00</b>	<b>100.00</b>

### 21.5 Capital management

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

### 22. 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.

The estimated fair value of financial assets and liabilities is considered not significantly different from book value.

### 23. SUBSEQUENT EVENT - DISTRIBUTION TO UNITHOLDERS PER UNIT

The Board of Directors of the management company, in their meeting held on 3 July 2009 (2008: 4 July 2008), approved a distribution of Rs.12.50 (2008: Rs.22.50) per unit on the face value of Rs.500 each, i.e. 2.50% (2008: 4.50%), amounting to Rs. 42,548,688 (2008: Rs.178,437,067).

### 24. UNIT HOLDING PATTERN OF THE FUND

Category	2009			2008		
	Number of unit holders	Amount Rupees	% of total	Number of unit holders	Amount Rupees	% of total
Individuals	149	108,400,317	6.20%	235	559,716,077	13.50%
Associated Companies / Directors	8	671,726,416	38.42%	9	1,420,075,386	34.21%
Insurance Companies	4	4,523,477	0.26%	5	117,276,117	2.84%
Banks / DFIs	5	495,507,487	28.34%	5	431,651,797	10.40%
NBFCs	1	6,121	-	2	121,836,329	2.93%
Retirement Funds	61	373,228,799	21.35%	95	832,451,923	20.06%
Public Limited Companies	4	73,356,824	4.20%	11	476,036,229	11.47%
Others	9	21,515,445	1.23%	16	191,362,167	4.61%
	<b>241</b>	<b>1,748,264,886</b>	<b>100.00%</b>	<b>378</b>	<b>4,150,406,023</b>	<b>100.00%</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 25. LIST OF TOP TEN BROKERS BY PERCENT OF THE COMMISSION PAID

2009		2008	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Alfalah Securities (Private) Limited	35.48%	Alfalah Securities (Private) Limited	12.19%
Al Hoqani Securities & Investment Corp (Private) Limited	16.32%	Al Habib Capital Markets (Private) Limited	11.41%
IGI Finex Securities Limited	15.24%	Arif Habib Limited	10.62%
Global Securities Pakistan Limited	10.63%	Dawood Equities Limited	10.18%
Atlas Capital Markets (Private) Limited	6.77%	IGI Finex Securities Limited	9.54%
JS Global Capital Limited	4.46%	Al Hoqani Securities & Investment Corp (Private) Limited	8.77%
Invest Capital Investment Bank Limited	2.70%	Shehzad Chamdia Securities (Private) Limited	7.88%
Al Habib Capital Markets (Private) Limited	2.04%	Atlas Capital Markets (Private) Limited	7.80%
Taurus Securities Limited	1.57%	Escort Investment Bank Limited	5.50%
BMA Capital Management Limited	1.30%	JS Global Capital Limited	4.90%

### 26. MANAGEMENT COMPANY / FUND RATING

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of "AM3+" to the management company, for FY 2007-08.

PACRA has assigned a "3 Star" normal rating, and a "3 Star" long term rating to the Fund, for FY 2007-08.

### 27. 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	41 Years
Mr. Frahim Ali Khan	Director	B. Com./LLB	42 Years
Mr. Ali H. Shirazi	Executive Director	Masters in Law	5.5 years
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance)-UK	9 Years
Mr. Khurram Aftab Ahmed	Fund Manager - Fixed Income	MBA - Finance	7 Years
Mr. Khalid Mahmood	Fund Manager - Equity Markets	MBA - Finance	5 Years

### 28. NAME AND QUALIFICATION OF FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Mr. Khurram Aftab Ahmed	Fund Manager - Fixed Income	MBA - Finance	Atlas Islamic Income Fund

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## 29. ATTENDANCE AT BOARD MEETINGS

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				
	4 July 2008	18 Aug. 2008	25 Oct. 2008	23 Feb. 2009	24 April 2009
Mr. Yusuf H. Shirazi	P	P	L	P	P
Mr. M. Habib-ur-Rahman	P	P	P	P	P
Mr. Tariq Amin	P	P	P	P	P
Mr. Frahim Ali Khan	P	L	L	L	L
Mr. Ali H. Shirazi	P	P	P	P	P
Mr. Michael Vergara Ferrer*	P	P	L	L	L
Mr. M. Ashraf Janjua (w.e.f. 11 September 2008)	-	-	P	P	P

\* Attended through teleconference call.

P Present

L Leave of absence

## 30. GENERAL

**30.1** Figures have been rounded off to the nearest Rupee.

**30.2** Certain prior year's figures have been reclassified for the purpose of comparison. However, there were no material reclassifications to report.

## 31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the management company on 26 August 2009.

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

**M. Habib-ur-Rahman**  
Chief Executive Officer

**Yusuf H. Shirazi**  
Chairman

**Tariq Amin**  
Director



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## DISTRIBUTION NETWORK

### Atlas Asset Management Limited's Offices

#### Southern Region

##### Head Office

Ground Floor, Federation House  
Sharae Firdousi, Clifton, Karachi-75600  
Contact Person: Manager Investor Services  
UAN: (92-21) 111-MUTUAL (6-888-25)  
Tel: (92-21) 5379501-04  
Fax: (92-21) 5379280  
Email: apz@atlasfunds.com.pk

#### Northern Region

##### 1. Regional Office - Lahore

C/o Atlas Honda Limited  
1 - Mcleod Road, Lahore  
Contact Person: Malik Asjad Ali  
Tel: 042 - 7225015 - 17  
Fax: 042 - 7351119  
Cell: 0321 - 4181292  
Email: maa@atlasfunds.com.pk

##### 2. Regional Office - Rawalpindi

C/o Atlas Bank Limited  
Bank Road Branch  
60, Bank Road, Rawalpindi  
Contact Person: Chaudhri Mohsin Sarwar  
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## **Atlas Asset Management Limited**

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