

Atlas  
**funds**  
*Nurturing your investments*

Atlas Islamic 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.

# 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. M. Ashraf Janjua Mr. Ali H. Shirazi 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

## Shariah Advisor

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Dr. Fazlur Rahman

## 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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Al Baraka Islamic Bank  
Bank Islami Pakistan Limited  
Dawood Islamic Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Meezan 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 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. Dossabhoj**  
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 Third Annual Report of Atlas Islamic 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 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 decline in the 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%, while service sector experienced slower growth of 3.6% against target of 6.1% during the year under review.

### THE STOCK MARKET

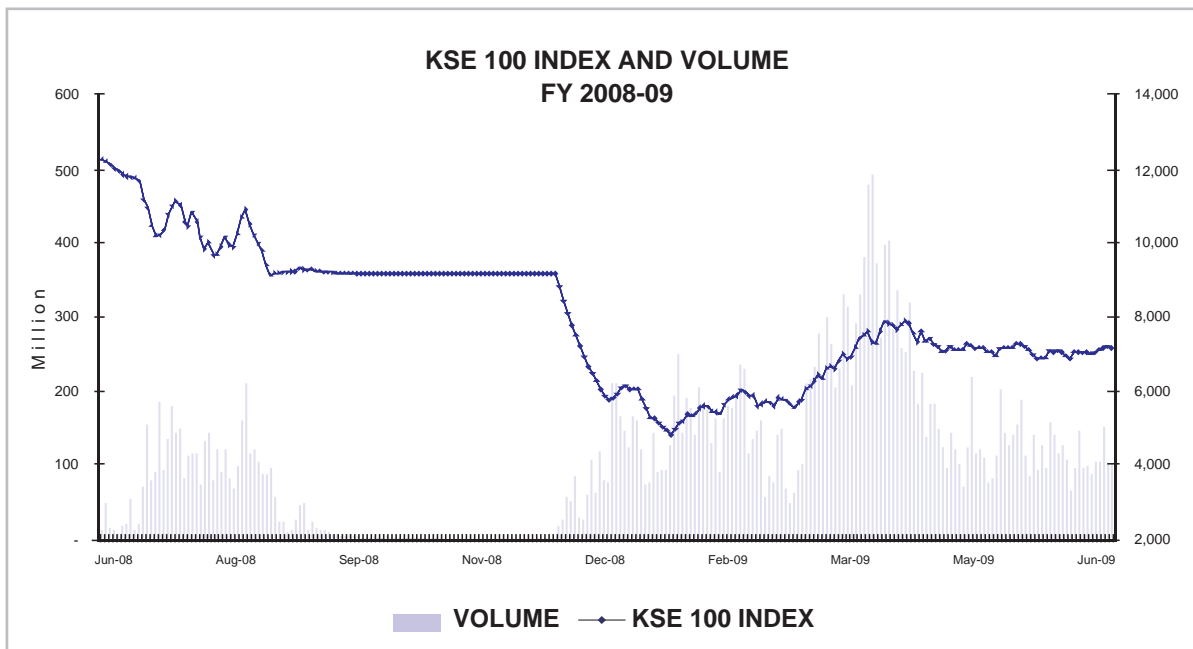
The KSE -100 index performance during the outgoing FY 2008-09 mirrored the internal and external challenges faced by the country that curtailed the growth momentum of the economy. The KSE -100 index shed 41.7 % from 12,289 points on 30 June 2008 to 7,162 points on 30 June 2009. It is pertinent to mention that Pakistan market had registered 6-year consecutive gains before financial year 2008. The KSE -100 index has yielded an average annual return of 27% in the last 10 years, which can be compared favorably with other asset classes.

The stock markets across the globe witnessed heavy selling pressures during the period under review, and the local stock market was no exception. The temporary measures such as imposition of floor price mechanism failed to achieve the desired result. This brought equity market to a virtual halt, as buyers remained hesitant to buy securities at floor prices. Subsequent to the removal of floor on 15 December 2008, the KSE -100 index witness sharp fall to hit a low of 4,815 points on 26 January 2009.

During the second half of FY 2008-09, the investor's confidence started to gradually revive with visible signs of economic recovery as Pakistan entered into a US \$7.6 billion, 23 months IMF macro-stabilization program in November 2008. Further, the equity market offered attractive valuations with book value of less than one, P/E of 5.0x and double digit dividend yield generated renewed interest. The KSE -100 index after touching the low of 4,815 points on 26 January 2009 managed to close the financial year at 7,162 points level, a return of 48.7% within very short time period. The shrinking average daily volumes by 56% to 106mn

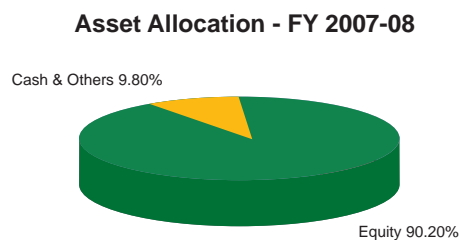
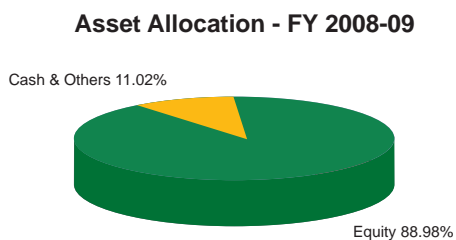


shares/day in FY09 from 241mn shares/day in FY08 now look to rebound strongly in the new fiscal year. The introduction of leveraged product and renewed confidence in investors will help increase volume.



## FUND OPERATIONS

During the year under review, the Net Asset Value per unit of the Fund decreased from the ex - bonus NAV of Rs.500.83 as on 30 June 2008 to Rs. 387.22 as of 30 June 2009, outperforming its benchmark DJIMPK- Index by 13.1% which declined by 35.8% during the same period from 18,097 as on 30 June 2008 to 11,624 as on 30 June 2009. Due to decline in equity prices, the net capital loss for the period under review stood at Rs.75 million. The dividend income and income from bank balances for the period under review stood at Rs.25 million and Rs.6.9 million respectively.



The second half of FY 2008-09 witnessed sharp recovery in equity prices after initial decline and the Net Asset Value per unit of the Fund appreciated by 56.1% from Rs.248.20 as on 31 December 2008 to Rs.387.22 as on 30 June 2009, thus outperforming the benchmark by a hefty margin of 13.4%. The benchmark DJIMPK Index has increased by 42.65% only during the same period.

As the Fund's Net Asset Value declined during the year under review, there is no distribution for the year. The management is hopeful that the Fund will return to profitable track with the recovery of the economy and capital market and the investors will earn good return.

The Fund's portfolio is well diversified and liquid with major investments in Oil & Gas Exploration, Fertilizer, and Oil & Gas Marketing Sectors. As the economy is on the recovery path, we expect further upside in share prices, thus yielding attractive return to investors with medium to long term time horizon. The Net Assets of the Fund stood at Rs.417.78 million with 1.079 million units outstanding as of 30 June 2009.

## 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, for FY 2007-08. The normal star ranking is based on performance during the trailing twelve months period. Long term rating is currently not applicable, as the Fund has not yet completed the required trailing period of 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 & contraction in domestic and external demand. Hence, focus should now shift towards supporting real economic growth via further relaxation of monetary policy. The budget for FY 2009-10 having a neutral effect on most sectors carries an overall positive tone for fertilizer, oil & gas exploration, oil & gas marketing, auto, and cement sectors. Furthermore, the hefty allocation of Rs.646 billion for PSDP including Rs.154.7 billion for power generation capacity enhancement would help put economy on growth trajectory.

Pakistan's equity market is trading at relatively attractive regional earning multiples and as economy moves toward sustainable growth, it has strong potential to yield attractive returns. Your Fund is committed to prudent investment procedures and will continue to provide consistent long term returns to the investors.

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: 26 August 2009

**Yusuf H. Shirazi**  
Chairman

## Directors' Report

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

### LOSS PER UNIT

Loss per unit for the year ended 30 June 2009 works out to Rs.113.28 per unit (2008: Earnings per unit: Rs.7.95).

### FUND OPERATIONS AND DISTRIBUTION

As at 30 June 2009, the Net Assets of the Fund stood at Rs.417.78 million as compared to Net Assets of Rs.597.79 million as at 30 June 2008. Due to the losses during the year arising on account of market situation explained below, there is no distribution for the year (2008: 1.8% bonus, i.e. Rs. 9.00 per unit on the face value of Rs.500 per unit).

Due to placement of floor price for transaction in shares, in the prevalent bearish situation, by the Karachi, Lahore and Islamabad stock exchanges with effect from 28 August 2008, based on 27 August 2008 floor prices, the turnover in the ready market came to a virtual halt. In the event of redemptions, the Fund was not in a position to sell the investments at the price at which these were quoted at the stock exchanges and pay to the outgoing unit holders. It was not in the interest of unit holders continuing with their investment, if the transactions in units would have continued. The Mutual Funds Association of Pakistan consulted the Securities and Exchange Commission of Pakistan (SECP) and it was agreed that the right course of action under the circumstances was to suspend the pricing, issuance and redemption of units of open ended mutual funds having investment exposure in equity and that SECP would issue a directive.

For this reason and as explained in note 1.2 to the financial statements, the Fund remained suspended in terms of pricing, issuance and redemption of units as per the requirements of Circular 23 of 2008 dated 7 October 2008 issued by the SECP, from 7 October 2008 to 16 December 2008. The suspension was further continued by the Management Company, with the approval of the Board of Directors, up till 5 January 2009, and in compliance with the requirements of the NBFC Regulations, 2008, the Trust Deed, and the Offering Document of the Fund. The rationale behind the continuation of suspension beyond 16 December 2008 till 5 January 2009 was that despite the lifting of floor by the stock exchanges, active trading had not commenced. The Management Company, therefore, decided to wait for resumption of active trading of equity securities in the stock market to enable price discovery. The Fund recommenced transactions in sales and redemption of units from 6 January 2009. The decision to extend suspension until active trading returned to the bourses was exercised by the majority of the mutual funds having investment exposure in equity. The Management Company is hopeful that with recovery in the economy and the capital market, the Fund will once again become profitable and the investors will earn good returns.

### SALE AND REDEMPTION OF UNITS

During the year, 49,036 units of the value of Rs.20.09 million were issued, while 163,728 units of the value of Rs. 65.61 million were redeemed. As at 30 June 2009, the total number of units outstanding was 1,078,902 valued at Rs.417.78 million (2008: 1,172,525 units valued at Rs.597.79 million).

The pattern of unit holdings of the Fund, as required under NBFC Regulations, 2008, is presented in note 18 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" normal rating to the Fund, for FY 2007-08. Long term rating is currently not applicable, as the Fund has not yet completed the required trailing period of thirty six months.

## 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. The Board has co-opted for Mr. Arshad P. Rana as Director in place of Mr. Michael Ferrer, with the approval of the 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 22 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 15 to the financial statements – "Transactions with Connected Persons / Related Parties."

## 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 Islamic Fund for the financial year ending 30 June 2010. The Board approved the appointment.

## ACKNOWLEDGMENT

The Board of Directors of the Management Company thanks the Securities and Exchange Commission of Pakistan for their valuable support, assistance and guidance. The Board also thanks the employees of the Management Company and the Trustee, for their dedication and hard work, and the Unit Holders, for their confidence in the Management Company.

For and on behalf of the Board

Karachi: 26 August 2009

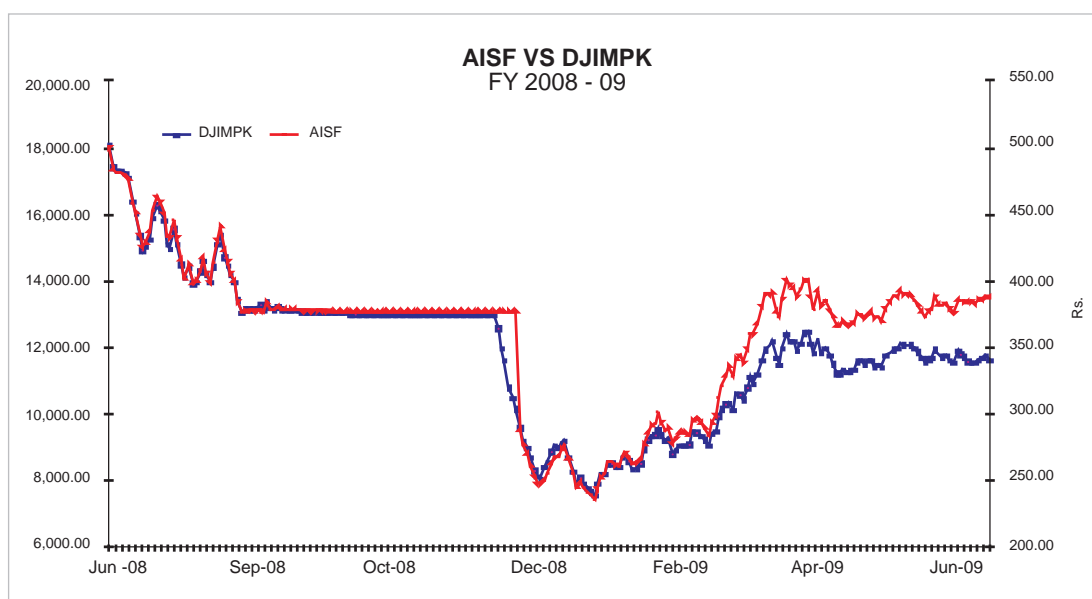
**M. Habib-ur-Rahman**  
Chief Executive Officer

## Fund Manager's Report

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

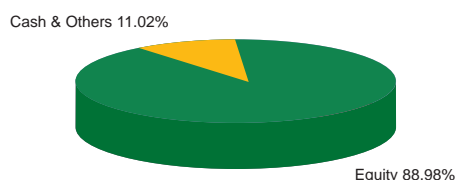
Dow Jones Islamic Market Pakistan Index (DJIMPK) serves as the performance benchmark of Atlas Islamic Fund.

The stock markets across the globe witnessed heavy selling pressures during the period under review, and the local stock market was no exception. The temporary measures that were taken by the Karachi Stock Exchange, which included imposition of floor price mechanism, failed to achieve the desired result. This brought equity market to a virtual halt, as buyers remained hesitant to buy securities at floor prices since same stocks were trading at a discount as high as 40-50 percent in the off market transactions. During the second half of FY 2008-09, the investor's confidence, which was badly shaken, started to gradually revive with visible signs of economic recovery as Pakistan entered into a US \$7.6 billion, 23 months IMF macro-stabilization program in November 2008. Apart from that, extremely attractive valuation, as equity market was trading at a book value of less than one, P/E of 5.0x and was offering double digit dividend yield generated renewed interest.

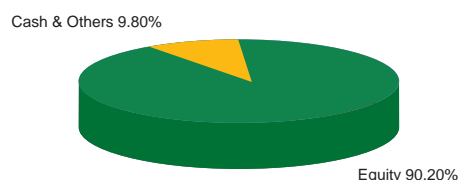


During the period under review, the Net Asset Value per unit of the AISF has decreased by 22.7% from the ex - bonus NAV of Rs. 500.83 as on 30 June 2008 to Rs. 387.22 as of 30 June 2009, outperforming its benchmark DJIMPK- Index by 13.1% which declined by 35.8% during the same period from 18,097 as on 30 June 2008 to 11,624 as on 30 June 2009. Due to decline in equity prices, the net capital loss for the period under review stood at Rs. 75 million. The dividend income and income from bank balances for the period under review stood at Rs. 25 million and Rs. 6.9 million respectively.

Asset Allocation - FY 2008-09



Asset Allocation - FY 2007-08



However, the second half of FY 2008-09 witnessed sharp recovery in equity prices after initial decline and the Net Asset Value per unit of AISF appreciated by 56.1% from Rs. 248.20 as on 31 December 2008 to Rs. 387.22 as on 30 June 2009, thus outperforming the benchmark by a hefty margin of 13.4%. The benchmark DJIMP Index has increased by 42.65% during the same period.

AISF portfolio is well diversified and liquid with major investments in Oil & Gas Exploration, Fertilizer and Oil & Gas Marketing Sectors. As the economy is on the recovery path, we expect further upside in share prices, thus yielding attractive return to investors with medium to long term time horizon. The Net Assets of the Fund stood at Rs.418 million with 1.078 million units outstanding as of 30 June 2009.

#### Suspension of Pricing, Issuance and Redemption of Units

The period under review was one of turmoil in the financial markets the world over. The Karachi Stock Exchange decided to place a lower ceiling on trading of share, not below 27 August 2008 floor price from 28 August 2008. After allowing the floor to run for over three months till 14 December 2008, SECP directed the stock exchanges to commence trading with the standard up-side and down-side 5% circuit breaker rule in place from 15 December 2008. While the floor was in place, the market volumes drastically reduced, leading to difficulty in discovery of fair valuation of equity securities. In view of the prevailing situation and the request made by the Mutual Funds Association of Pakistan (MUFAP), SECP directed that all asset management companies managing open ended schemes with direct exposure to equity securities suspend pricing, issuance and redemption of units and continue suspension till three business days after the floor was removed. While the normal trading rules were restored, due to 5% downside circuit breaker, the market volume kept at reduced level. As the prices kept their downward slide, the volume started gradually picking up. Your management decided, in the interest of all unit holders, to continue with the suspension till volume picks up. With effect from 6 January 2009 the management decided to remove the suspension.

#### Breakdown of Unit holding by size

Category	Year ended 30 June 2009		
	No. of Unit Holders	Unit holding Rupees	% of Total
Individuals	348	57,249,467	13.70%
Associated Companies/ Directors	4	50,597,277	12.11%
Insurance Companies	2	17,900,848	4.28%
Banks/ DFIs	6	152,957,373	36.61%
NBFCs	2	4,063,469	0.98%
Retirement Funds	19	122,864,809	29.41%
Others	3	12,142,213	2.91%
	<b>384</b>	<b>417,772,610</b>	<b>100.00%</b>

Due to losses during the year, there is no distribution.

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

Karachi: 26 August 2009

**Khalid Mahmood**  
Fund Manager



## Performance Table

### For the Year Ended 30 June 2009

	2009 Rupees	2008 Rupees	2007* Rupees
Net Assets (Rs. In " 000 ")	417,775	597,788	512,580
Number of units in issue	1,078,902	1,172,525	989,930
Net asset value per unit	387.22	509.83	517.79
Net (loss) / Income (Rs. In " 000 ")	(122,217)	9,319	17,489
Earnings per unit	(113.28)	7.95	17.67
Annual return of the fund (%)	(22.68)	1.40	3.56
Offer Price **	391.09	514.93	522.97
Redemption Price **	381.41	502.18	510.03
Distribution (Bonus)	Nil	9.00	15.00*
Distribution as % of par value of units	Nil	1.80	3.00*
Date of distribution	Nil	4-Jul-08	20-Jul-07
Highest offer price per unit	488.69	603.50	525.33
Lowest offer price per unit	238.43	464.43	508.46
Highest redemption price per unit (after applicable back-end load)	476.59	588.56	512.33
Lowest redemption price per unit (after applicable back-end load)	232.53	452.93	495.88

\* For the period from 17 October 2006 to 30 June 2007.

\*\* Relates to announced prices.

Date of Launch: 15 January 2007

**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 Islamic Fund

# 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 Islamic 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 15 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

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## 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 Islamic Fund (the Fund), an open-end scheme was established under a trust deed dated September 12, 2006, executed between Atlas Asset Management Limited, as the management company and Central Depository Company of Pakistan Limited, as the trustee.

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 and the constitutive documents of the Fund.

Karachi: 30 September 2009

**Muhammad Hanif**  
Chief Executive Officer  
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 Islamic 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

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## REVIEW REPORT OF THE SHARIAH ADVISOR

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

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

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

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

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

In light of the above scope, I hereby certify that all the provisions of the scheme and investments made by the Fund for the year ended 30 June 2009 are in compliance with the Shariah principles.

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

Karachi: 1 July 2009

**Dr. Fazlur Rahman**  
Shariah Adviser

# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Atlas Islamic 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



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# INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS OF THE FUND IN RESPECT OF FUND'S COMPLIANCE WITH THE SHARIAH RULES AND PRINCIPLES

We have performed an independent assurance engagement of Atlas Islamic Fund (the Fund) to ensure that the Fund has complied with the Shariah rules and principles prescribed by the Shariah Board / Advisor of the Fund during the year ended 30 June 2009, in accordance with clause 19.6 of the Trust Deed of the Fund.

## 2. Management's Responsibility for Shariah Compliance

It is the responsibility of the management of the Fund to ensure that the financial arrangements, contracts and transactions entered into by the Fund are, in substance and in their legal form, in compliance with the requirements of Shariah rules and principles. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

## 3. Our Responsibility

- 3.1. We planned and performed our evidence gathering procedures to obtain a basis for our conclusion in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) "Assurance Engagements other than the Audits or Reviews of Historical Financial information". This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Fund's compliance with the Shariah rules and principles as determined by the Shariah Board / Advisor.
- 3.2. The procedures selected by us for the engagement were dependent on our judgment, including the assessment of the risks of material non-compliance with the Shariah rules and principles. In making those risk assessments, we considered internal controls relevant to the Fund's compliance with the Shariah rules and principles in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.
- 3.3. Our responsibility is to express an opinion, based on the procedures performed on the Fund's financial arrangements, contracts and transactions having Shariah implications, on a test basis whether such financial arrangements, contracts and transaction, having Shariah implications are in line with the Shariah rules and principles as prescribed by Shariah Board / Advisor of the Fund.

## 4. Our Opinion

In our opinion, the Fund was, in all material respect, in compliance with the Shariah rules and principles as prescribed by Shariah Board / Advisor of the Fund during the year ended 30 June 2009.

Karachi: 26 August 2009

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

# STATEMENT OF ASSETS AND LIABILITIES

## AS AT 30 JUNE 2009

	Note	2009 ----- Rupees -----	2008 ----- Rupees -----
<b>Assets</b>			
Bank balances	7	41,947,829	50,611,746
Receivable against sale of securities		3,456,000	2,562,151
Investments	8	371,732,146	538,451,072
Dividends receivable		3,474,715	5,461,250
Income accrued on bank balances		387,023	268,297
Security deposits	9	2,600,000	2,600,000
<b>Total assets</b>		<b>423,597,713</b>	<b>599,954,516</b>
<b>Liabilities</b>			
Payable against purchase of securities		3,519,057	15,128
Payable to the management company	10	1,019,311	6,690
Payable to the trustee	11	70,453	101,789
Payable to SECP	12	389,445	852,843
Accrued and other liabilities	13	823,991	1,189,753
<b>Total liabilities</b>		<b>5,822,257</b>	<b>2,166,203</b>
<b>Net assets</b>		<b>417,775,456</b>	<b>597,788,313</b>
<b>Unit holders' fund</b>		<b>417,775,456</b>	<b>597,788,313</b>
<b>Number of units in issue</b>		<b>1,078,902</b>	<b>1,172,525</b>
<b>Net asset value per unit</b>		<b>387.22</b>	<b>509.83</b>

The annexed notes from 1 to 25 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 ----- Rupees -----
<b>Income</b>			
Dividend income		25,427,696	23,599,600
Income on bank balances		6,920,778	10,141,777
Net loss on investments at fair value through income statement (held-for-trading)			
Net (loss) / gain on sale of investments		(75,360,876)	39,768,620
Net unrealised loss on revaluation of investments		(76,910,486)	(45,204,223)
		<b>(152,271,362)</b>	<b>(5,435,603)</b>
Element of income and capital gain included in prices of units issued less those in units redeemed - net		11,841,158	1,560,916
		<b>(108,081,730)</b>	<b>29,866,690</b>
<b>Expenses</b>			
Remuneration of the management company	10.1	12,017,200	16,596,042
Remuneration of the trustee	11.1	825,552	1,205,692
SECP annual fee	12.1	389,445	602,843
(Reversal of provision) / provision for SECP monitoring fee		(250,000)	250,000
Remuneration of the Shariah Board		-	173,589
Brokerage and capital value tax		378,760	857,026
Auditors' remuneration	14	320,996	334,850
Printing charges		273,929	235,568
Settlement charges		36,630	42,586
Legal and professional charges		-	116,667
Annual listing fee		30,000	30,000
Annual rating fee		100,000	100,000
Bank charges		12,314	2,465
		<b>14,134,826</b>	<b>20,547,328</b>
<b>Net (loss) / income for the year</b>		<b>(122,216,556)</b>	<b>9,319,362</b>

The annexed notes from 1 to 25 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

	Note	2009 ----- Rupees -----	2008 -----
<b>Undistributed income brought forward</b> [includes unrealised loss on investments of Rs.42,320,423] (2008: unrealised gain of Rs.6,758,838)		11,399,765	17,489,342
Final distribution for the year ended 30 June 2008 at the rate of Rs.9 per unit declared on 4 July 2008 (2008: Rs.15 per unit declared on 20 July 2007)		(10,552,723)	(14,848,948)
Net (loss) / income for the year		(122,216,556)	9,319,362
Shariah non-compliant income set-aside for charity	13.1	(432,579)	(559,991)
<b>(Accumulated loss) / undistributed income carried forward</b> [includes unrealised loss on investments of Rs.91,781,405] (2008: unrealised loss of Rs.42,320,423)		<b>(121,802,093)</b>	<b>11,399,765</b>

The annexed notes from 1 to 25 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

Note	2009 ----- Rupees -----	2008 ----- Rupees -----
<b>Cash flows from operating activities</b>		
Net (loss) / income for the year	(122,216,556)	9,319,362
<b>Adjustments for:</b>		
Net loss / (gain) on sale of investments	75,360,876	(39,768,620)
Net unrealised loss on revaluation of investments	76,910,486	45,204,223
Element of income and capital gain included in prices of units issued less those in units redeemed - net	(11,841,158)	(1,560,916)
	<b>140,430,204</b>	<b>3,874,687</b>
<b>(Increase) / decrease in assets</b>		
Receivable against sale of securities	(893,849)	(2,562,151)
Dividend receivable	1,986,535	(4,362,500)
Income accrued on bank balances	(118,726)	2,004,719
Security deposits	-	(2,500,000)
	<b>973,960</b>	<b>(7,419,932)</b>
<b>Increase / (decrease) in liabilities</b>		
Payable against purchase of securities	3,503,929	(23,431,452)
Payable to the management company	1,012,621	(6,298,612)
Payable to the trustee	(31,336)	15,734
Payable to SECP	(463,398)	643,458
Accrued and other liabilities	(798,341)	329,737
	<b>3,223,475</b>	<b>(28,741,135)</b>
Investments made during the year	(254,379,797)	(796,867,824)
Investments sold during the year	268,827,361	508,874,399
<b>Net cash inflow / (used in) operating activities</b>	<b>36,858,647</b>	<b>(310,960,443)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	20,091,697	349,064,302
Payment on redemption of units	(65,614,261)	(271,054,783)
<b>Net cash (used in) / inflow from financing activities</b>	<b>(45,522,564)</b>	<b>78,009,519</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,663,917)</b>	<b>(232,950,924)</b>
Cash and cash equivalents at the beginning of the year	50,611,746	283,562,670
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b> <b>41,947,829</b>	<b>50,611,746</b>

The annexed notes from 1 to 25 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.509.83 (2008: 517.79) per unit]	<b>1,172,525</b>	<b>597,788,313</b>	<b>989,930</b>	<b>512,580,339</b>
Issue of units	49,036	20,091,697	646,883	349,064,302
Redemption of units	(163,729)	(65,614,261)	(493,821)	(271,054,783)
	<b>(114,693)</b>	<b>(45,522,564)</b>	<b>153,062</b>	<b>78,009,519</b>
Element of income and capital gain included in prices of units issued less those in units redeemed - net	-	(11,841,158)	-	(1,560,916)
Issue of bonus units	21,070	-	29,533	-
Net (loss) / income for the year	-	(122,216,556)	-	9,319,362
Shariah non-compliant income set-aside for charity	-	(432,579)	-	(559,991)
<b>Net assets as at the end of the year</b> [Rs.387.22 (2008: 509.83) per unit]	<b>1,078,902</b>	<b>417,775,456</b>	<b>1,172,525</b>	<b>597,788,313</b>

The annexed notes from 1 to 25 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 Islamic Fund (the Fund) is an open ended Fund constituted by a trust deed entered into on 12 September 2006 between Atlas Asset Management Limited (AAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the trustee. The Trust Deed was revised through the First Supplemental Trust Deed dated 29 October 2007 and the Second Supplemental Trust Deed dated 06 March 2008, with the approval of the SECP. Also, the Offering Document of the Fund was revised through the First and Second Supplements, dated 29 October 2007 and 06 March 2008 respectively, with the approval of the SECP. The investment activities and administration of the Fund are managed by AAML situated at Ground Floor, Federation House, Shahrae Firdousi, Clifton, Karachi.

**1.2** Units of the Fund are offered for public subscription on a continuous basis since 15 January 2007 (except as explained below), and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the Lahore Stock Exchange.

In accordance with of Circular No. 23 of 2008 dated 7 October 2008 issued by the Securities and Exchange Commission of Pakistan (SECP), the pricing, issuance, and redemption of units of the Fund remained suspended from 7 October 2008 to 16 December 2008, both days inclusive. With effect from 17 December 2008, the management company of the Fund, with the approval of its Board of Directors, suspended the issue and redemption of units of the Fund in accordance with the provisions contained in the Trust Deed, Offering Document of the Fund and Non Banking Finance Companies and Notified Entities Regulations, 2008. The Fund recommenced the pricing, issue and redemption of units with effect from 6 January 2009.

**1.3** According to the trust deed, the objective of the Fund is to provide one window facility to invest in diversified, professionally managed investment portfolio of Shariah Compliant securities, such as equities, debt securities and other Shariah Compliant instruments including Shariah Compliant securities available outside Pakistan. The activities of the Fund are undertaken in accordance with the criteria for Shariah compliance, called the Shariah Code (the Code), which has been laid down by the Shariah Advisor of the Fund. The investment objectives and policies are 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 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 or available-for-sale investment, as appropriate.

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

## 4.1 Investments (Continued...)

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.

### Investments at fair value through income statement

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

### Available-for-sale

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealised gain or loss recognised directly in the 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 value of listed shares are valued on the basis of closing market prices quoted on the respective stock exchange.

## 4.2 Derivatives

These are measured at their 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 balance sheet. The resultant gains and losses are included in the income currently.

## 4.3 Issue and redemption of units

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

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

## 4.4 Revenue recognition

Income on PLS accounts is recognised on an accrual basis.

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

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

## 4.5 Expenses

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

## 4.6 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.



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

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

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

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 net asset value announced on the date of issue and included in the sale proceeds of units. Upon redemption of units, the "element of income and capital gains in prices of units issued less those in units redeemed" account is debited with the amount representing net income and capital gains accounted for on the net asset value at the date of issue and included in the redemption price.

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

### 4.8 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.

### 4.9 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.

### 4.10 Offsetting of financial assets and liabilities

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

### 4.11 Distribution to unit holders

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

### 4.12 Net asset value per unit

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

### 4.13 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.

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

## 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)	01 January 2009
IAS - 23 Borrowing Costs (Revised)	01 January 2009
IAS - 27 Consolidated and Separate Financial Statements (Revised)	01 July 2009
IAS - 32 Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	01 January 2009
IAS - 39 Financial Instruments: Recognition and measurement - Amendments regarding Eligible Hedge items	01 July 2009
IFRS - 2 Share based payment - Amendments regarding Vesting Conditions and Cancellations	01 January 2009
IFRS - 3 Business Combinations (Revised)	01 July 2009
IFRS - 8 Operating Segments	01 January 2009
IFRIC - 15 Agreements for the Construction of Real Estate	01 January 2009
IFRIC - 16 Hedges of a Net Investment in Foreign Operation	01 October 2008
IFRIC - 17 Distributions on Non - Cash Assets to Owners	01 July 2009
IFRIC - 18 Transfers of Assets from Customers	01 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.

	Note	2009 ----- Rupees	2008 -----
<b>7. BANK BALANCES</b>			
In PLS saving accounts	7.1	<u>41,947,829</u>	<u>50,611,746</u>

7.1 These carry rates of return ranging between 5% to 11.50% (2008: 4.67% to 8.5%) per annum.



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

	Number of shares					Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Bonus/ right shares during the year	Disposed during the year	At the end of the year	Market value	Total investments	Net assets
(Ordinary shares have a face value of Rs. 10/- each unless stated otherwise)								
<b>Fertilizer</b>								
Dawood Hercules Chemicals Limited	10,000	-	1,000	-	11,000	1,413,610	0.38	0.34
Engro Chemical Pakistan Limited	279,527	130,000	122,010	114,000	417,537	53,624,277	14.43	12.84
Fauji Fertilizer Bin Qasim Limited	1,300,000	50,000	-	1,350,000	-	-	-	-
Fauji Fertilizer Company Limited	375,000	221,300	150,255	180,000	566,555	49,261,957	13.25	11.79
	1,964,527	401,300	273,265	1,644,000	995,092	104,299,844	28.06	24.97
<b>Pharmaceuticals</b>								
GlaxoSmithKline Pakistan Limited	31,250	-	-	31,250	-	-	-	-
<b>Chemicals</b>								
ICI Pakistan Limited	60,000	408,900	-	403,400	65,500	9,186,375	2.47	2.20
Sitara Chemical Industries Limited	40,000	3,000	-	-	43,000	6,708,000	1.81	1.61
	100,000	411,900	-	403,400	108,500	15,894,375	4.28	3.81
<b>Papers and Board</b>								
Packages Limited	139,640	21,000	-	160,640	-	-	-	-
<b>Miscellaneous</b>								
Tri-Pack Films Limited	-	63,800	-	18,800	45,000	4,495,050	1.21	1.08
<b>Market value of investments as at 30 June 2009</b>						<b>371,732,146</b>	<b>100.00</b>	<b>88.99</b>

8.2 The cost of held for trading investments as on 30 June 2009 is Rs.463,513,551 (2008: Rs.580,771,495).

8.3 The above investments include 200,000, 50,000, 100,000, 100,000 and 200,000 shares of Oil & Gas Development Company Limited, Pakistan Oilfields Limited, Pakistan Petroleum Limited, Engro Chemical Pakistan Limited and Fauji Fertilizer Company Limited respectively, pledged with NCCPL.

Note	2009	2008
	----- Rupees -----	----- Rupees -----

### 9. SECURITY DEPOSITS

National Clearing Company of Pakistan Limited (NCCPL)	2,500,000	2,500,000
Central Depository Company of Pakistan Limited	100,000	100,000
	<b>2,600,000</b>	<b>2,600,000</b>

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

Management Fee	10.1	1,019,311	-
Sales Load		-	6,690
		<b>1,019,311</b>	<b>6,690</b>

10.1 In accordance with the provisions of the NBFC Regulations, the management company is entitled to receive a remuneration during the first five years of the Fund, at the rate not exceeding 3% of the average annual net assets of the Fund and thereafter at the rate of 2% of such assets. The management company has charged its remuneration, at the average rate of 3% (2008: 2.75%) on the average net assets for the year.

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

	Note	2009 ----- Rupees -----	2008 -----
<b>11. PAYABLE TO THE TRUSTEE - Related Party</b>			
Trustee fee	11.1	67,953	99,289
Settlement charges		2,500	2,500
		<b>70,453</b>	<b>101,789</b>

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

On net assets:

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

### 12. PAYABLE TO SECP

Annual fee	12.1	389,445	602,843
Monitoring fee		-	250,000
		<b>389,445</b>	<b>852,843</b>

**12.1** 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
  - 0.095% of the average annual net assets of the Fund.

### 13. ACCRUED AND OTHER LIABILITIES

	Note	2009 ----- Rupees -----	2008 -----
Auditors' remuneration payable		245,000	290,000
Printing charges payable		225,000	200,000
Rating fee payable		100,000	100,000
NCCPL charges payable		2,500	2,500
Sales load payable		-	476
Charity payable	13.1	210,212	559,991
Zakat payable		387	2,398
Others		40,892	34,388
		<b>823,991</b>	<b>1,189,753</b>

**13.1** According to the Trust Deed of the Fund, where a portion of the Fund's income has been earned from Shariah non-compliant avenues, such portion of income of the Fund is to be purified directly by the management company of the Fund. The Shariah Advisor of the Fund, has certified an amount of Rs.432,579 (2008: Rs.559,991) against dividend income, as Shariah non-compliant income, which has accordingly been marked to charity, out of which Rs.222,366 has already been paid to charities approved by the Shariah Advisor in February 2009. The remaining Rs.210,212 will be paid subsequently.

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

	2009	2008
	----- Rupees -----	
<b>14. AUDITORS' REMUNERATION</b>		
Audit fee	90,000	90,000
Shariah audit fee	125,000	125,000
Half yearly review of financial statements	45,000	45,000
Tax services	-	44,850
Other services	10,000	20,000
Out of pocket expenses	50,996	10,000
	<b>320,996</b>	<b>334,850</b>
<b>15. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS</b>		
<b>Atlas Asset Management Limited (Management Company)</b>		
Remuneration	12,017,200	16,596,042
Remuneration paid	10,997,889	22,877,637
Sales load	49,539	205,972
<b>Central Depository Company of Pakistan Limited (Trustee)</b>		
Trustee fee	825,552	1,205,692
Settlement charges	20,522	29,656
<b>Atlas Fund of Funds (Fund under Common Management)</b>		
Sale 20,858 (2008: Nil) units	10,000,000	-
Bonus 323 (2008: 861) units	161,996	433,084
Redemption of 39,181 (2008: 11,734) units	17,742,801	6,474,587
Outstanding Nil (2008:18,000) units	-	9,176,742
<b>Atlas Insurance Limited (Group Company)</b>		
Bonus 1,797 (2008: 2,983) units	900,000	1,500,000
Redemption of 1,797 (2008: 2,983) units	900,000	1,509,577
Outstanding 100,000 (2008:100,000) units	38,722,000	50,983,000
<b>Atlas Honda Limited (Group Company)</b>		
Bonus Nil (2008: 2,983) units	-	1,500,000
Transfer of Nil (2008: 102,983) units	-	51,500,000
<b>Atlas Capital Markets (Private) Limited (Group Company)</b>		
Brokerage commission	117,075	100,282
Brokerage commission paid	120,235	101,912
Brokerage commission payable	-	3,160
<b>Key Management Personnel of management company</b>		
<b>Chief Executive Officer</b>		
Bonus 18 (2008: 30) units	9,269	15,000
Outstanding 1,048 (2008:1,030) units	405,938	525,040
<b>Directors</b>		
Bonus 523 (2008: 843) units	261,863	423,796
Outstanding 29,619 (2008:29,096) units	11,468,988	14,833,979

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

2009                      2008  
----- Rupees -----

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

### Executives

Sale 5,159 (2008: 142) units	1,836,187	70,000
Bonus 10 (2008: 2) units	4,607	808
Redemption of 4,028 (2008: 10) units	1,429,688	5,046
Outstanding 1,652 (2008:193) units	639,687	98,711

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

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

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 16.2 Market risk

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

#### (i) Profit rate risk

Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market profit rates. As of 30 June 2009, the Fund is exposed to such risk in respect of bank balances. The bank balances are subject to profit rates as declared by the respective bank on periodic basis. Management Company of the Fund estimates that 1% increase in the profit rate, with all other factors remaining constant, would increase the Fund's income by Rs. 419,478 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 instruments will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

#### (iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the investee company, change in business circumstances of the investee company, its business sector, industry and / or the economy in general. Management Company of the Fund estimates that a 10% increase in the overall equity prices in the market with all other factors remaining constant would increase the Fund's income by Rs. 37,173,215 and a 10% decrease would result in a

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

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

decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

### 16.3 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. However, for equity securities at fair value through income statement, the period in which those assets are assumed to mature is taken as the expected date on which these assets will be realised.

2009	Within 1 month	Less than 3 months	3 to 12 months	Total
----- Rupees -----				
<b>Assets</b>				
Bank balances	41,947,829	-	-	41,947,829
Receivables against sale of securities	3,456,000	-	-	3,456,000
Investments	371,732,146	-	-	371,732,146
Dividends receivables	3,474,715	-	-	3,474,715
Income accrued on bank balances	387,023	-	-	387,023
Security deposits	-	-	2,600,000	2,600,000
	<b>420,997,713</b>	<b>-</b>	<b>2,600,000</b>	<b>423,597,713</b>
<b>Liabilities</b>				
Payable against purchase of securities	3,519,057	-	-	3,519,057
Payable to the management company	-	1,019,311	-	1,019,311
Payable to the trustee	70,453	-	-	70,453
Payable to SECP	-	389,445	-	389,445
Accrued and other liabilities	2,887	455,212	365,892	823,991
	<b>3,592,397</b>	<b>1,863,968</b>	<b>365,892</b>	<b>5,822,257</b>
<b>Net assets / (liabilities)</b>	<b>417,405,316</b>	<b>(1,863,968)</b>	<b>2,234,108</b>	<b>417,775,456</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	Total
----- Rupees -----				
<b>Assets</b>				
Bank balances	50,611,746	-	-	50,611,746
Receivables against sale of securities	2,562,151	-	-	2,562,151
Investments	538,451,072	-	-	538,451,072
Dividends receivable	5,461,250	-	-	5,461,250
Income accrued on bank balances	268,297	-	-	268,297
Security deposits	-	-	2,600,000	2,600,000
	597,354,516	-	2,600,000	599,954,516
<b>Liabilities</b>				
Payable against purchase of securities	15,128	-	-	15,128
Payable to the management company	6,690	-	-	6,690
Payable to the trustee	101,789	-	-	101,789
Payable to SECP	-	852,843	-	852,843
Accrued and other liabilities	5,374	849,991	334,388	1,189,753
	128,981	1,702,834	334,388	2,166,203
<b>Net assets / (liabilities)</b>	<b>597,225,535</b>	<b>(1,702,834)</b>	<b>2,265,612</b>	<b>597,788,313</b>

### 16.4 Credit risk

Credit risk arises from the inability of the issuers of the instruments or the counter party to fulfil their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund's maximum exposure to credit risk as of 30 June 2009 amounts to Rs.51,865,567 (2008: Rs.61,503,444).

### 16.5 Capital management

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

## 17. 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.

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

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

### 18. 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	348	57,249,467	13.70%	377	80,529,322	13.47%
Associated Companies/ Directors	4	50,597,277	12.11%	5	75,518,760	12.63%
Insurance Companies	2	17,900,848	4.28%	2	23,152,780	3.88%
Banks/ DFIs	6	152,957,373	36.61%	8	207,769,943	34.76%
NBFCs	2	4,063,469	0.98%	4	6,530,226	1.09%
Retirement Funds	19	122,864,809	29.41%	21	178,081,866	29.79%
Others	3	12,142,213	2.91%	4	26,205,416	4.38%
	<b>384</b>	<b>417,775,456</b>	<b>100.00%</b>	<b>421</b>	<b>597,788,313</b>	<b>100.00%</b>

### 19. LIST OF TOP BROKERS BY PERCENT OF THE COMMISSION PAID

2009		2008	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Atlas Capital Markets (Private) Limited	17.47%	Al-Hoqani Securities & Investment Corporation Limited	10.44%
Invisor Securities (Private) Limited	11.53%	Al Falah Securities (Private) Limited	9.52%
IGI Finex Securities Limited	11.49%	Atlas Capital Market (Private) Limited	8.78%
Taurus Securities Limited	11.05%	Taurus Securities (Private) Limited	8.59%
Global Securities Pakistan Limited	10.51%	Invisor Securities (Private) Limited	8.06%
JS Global Capital Limited	5.94%	Al Habib Capital Markets (Private) Limited	7.66%
BMA Capital Management Limited	5.61%	JS Global Capital Limited	6.49%
Elixir Securities Pakistan (Private) Limited	6.20%	First Capital Equities Limited	5.23%
Invest Capital Investment Bank Limited	5.40%	Invest Capital & Securities (Private) Limited	4.74%
Al-Hoqani Securities & Investment Corporation Limited	3.48%	IGI Finex Securities Limited	4.71%

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

### 20. THE MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Mr. M. Habib-ur-Rahman	Chief Executive Officer	FCA	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

### 21. NAME AND QUALIFICATION OF FUND MANAGER

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

### 22. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

	Meeting held on				
	04 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

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

### 23. RATING OF THE FUND AND THE MANAGEMENT COMPANY

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

PACRA has assigned a "3 star" normal rating to the Fund, for FY 2007-08. Long term rating is currently not applicable, as the Fund has not yet completed the required trailing period of thirty six months.

### 24. GENERAL

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

**24.2** Certain prior year's figures have been reclassified for the purposes of comparison. However, there are no material reclassifications to report.

### 25. 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  
Tel: (92 - 51) 5566671, 5564123, 5856411  
Fax: (92 - 51) 5528148  
Cell: 0334 - 5167035  
Email: cms@atlasfunds.com.pk

## **Atlas Asset Management Limited**

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