

Atlas  
**funds**  
*Nurturing your investments*

Atlas Stock Market 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

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

The graphic features two overlapping circles. The left circle is light purple with a dark purple border and contains the text 'Mission Statement' in a large, bold, dark blue font. The right circle is larger, also light purple with a dark purple border, and contains a paragraph of text. The background is a light blue gradient with faint, larger-scale versions of the circles.

# Mission Statement

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

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# Organisation

## Management Company

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Atlas Asset Management Limited

## Board of Directors of the Management Company

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

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

## Board Committees

### Audit Committee

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

### Human Resource Committee

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

### Investment Committee

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

### Management Committee

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

## Group Executive Committee

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

## Group Systems & Technology Committee

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

## Trustee

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

## Chief Internal Auditor

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Mr. Saood Hasan

## Auditors

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Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

## Legal Advisers

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Mohsin Tayebaly & Co.

## Bankers

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Atlas Bank Limited  
Bank Alfalah Limited  
The Bank of Punjab

## 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.



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## 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 Fifth Annual Report of Atlas Stock Market 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 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 reserves, which fell to US \$6.4 billion on 25 November 2008, and the Pak Rupee witnessed large decline against major currencies. However, the second half of FY 2008-09 exhibited greater stability on the back of IMF support program, as foreign exchange reserves of the country stood at US \$11.525 billion in May 2009, while current account deficit during July '08 to April '09 stood at US \$8.547 billion, which was lower by 23.5% against the corresponding period last year on account of lower imports and higher remittances. The Pak Rupee also stabilized against US Dollar, after losing 19.1% in value during the first half of FY 2008-09.

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

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

### THE STOCK MARKET

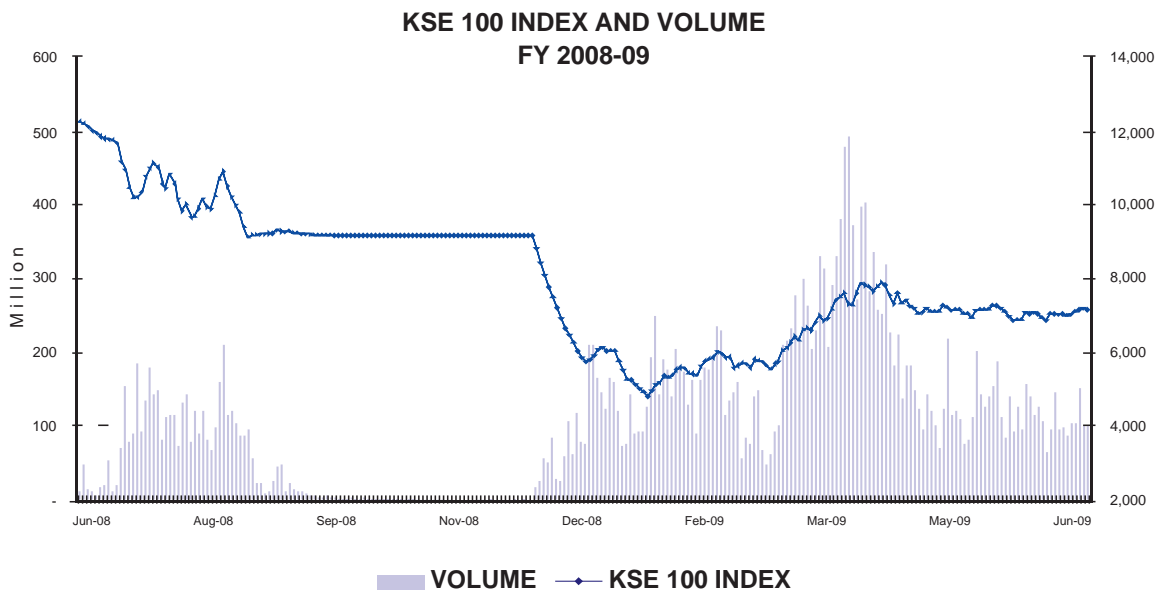
The KSE -100 index performance during the outgoing FY 2008-09 mirrored the internal and external challenges faced by the country that curtailed the growth momentum of the economy. The KSE -100 index shed 41.7 % from 12,289 points on 30 June 2008 to 7,162 points on 30 June 2009. It is pertinent to mention that Pakistan market had registered 6-year consecutive gains before FY 2008-09. 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 witnessed a 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



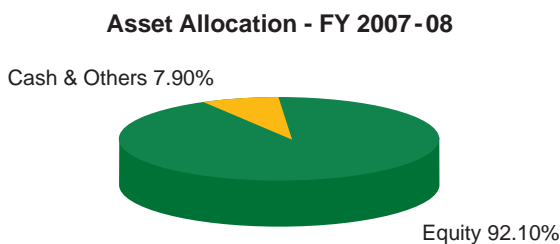
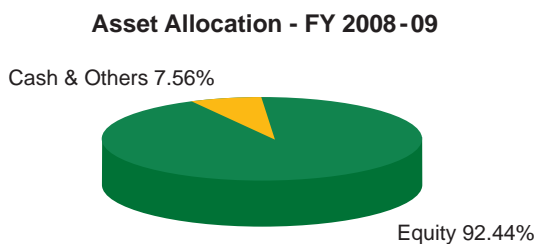
renewed interest. The KSE -100 index after touching a low of 4,815 points on 26 January 2009 managed to close the financial year at 7,162 points level, a return of 48.7% within a very short time period. The shrinking average daily volumes by 56% to 106mn shares/day in FY09 from 241mn shares/day in FY08 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

The Net Asset Value per unit of the Fund has decreased from Rs. 517.57 as on 30 June 2008 to Rs. 354.13 as on 30 June 2009. It outperformed the benchmark KSE-100 index by 10.1%. Due to decline in equity prices, the net capital loss for the period under review stood at Rs. 253.9 million. The dividend income and interest income for the period under review stood at Rs. 42.4 million and Rs. 9.3 million respectively.

The second half of the FY 2008-09 witnessed sharp recovery in equity prices after initial decline and the Net Asset Value per unit of the Fund appreciated by 50.2% from Rs.235.80 as on 31 December 2008 to Rs.354.13 as on 30 June 2009, thus outperforming the benchmark by a hefty margin of 28.1%. The benchmark KSE-100 index has increased by 22.12% 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 Net Assets of your Fund stood at Rs. 689 million, with 1.9 million units outstanding as on 30 June 2009. The ASMF's equity portfolio exposure was mainly in Oil & Gas Exploration & Production, Fertilizer, Oil Marketing and Banking 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.

## RATINGS UPDATE

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

PACRA has assigned a “3 Star” normal ranking to the Fund, and a long term “2 Star” ranking, for FY 2007-08. The normal star ranking is based on performance during the trailing twelve months period, whereas long-term star ranking is based on performance during the trailing thirty six months.

## FUTURE OUTLOOK

Improved fiscal discipline, contraction in the external current account deficit, market induced exchange rate adjustments, and retreat of international commodity prices led to an improvement in Pakistan’s key economic indicators from November 2008 onwards. These were manifested in restrained government borrowings from the SBP, moderation in import growth, buildup of foreign exchange reserves, and improved inflation outlook. 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. The Fund is committed to prudent investment procedures and will continue to provide consistent long term returns to the investors. We are hopeful that the Fund will return to profitable path with the recovery of the economy and capital market.

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 Stock Market Fund (the Fund), take pleasure in presenting the Fifth 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.167.35 per unit (2008: 33.05 per unit).

### FUND OPERATIONS AND DISTRIBUTION

As at 30 June 2009, the Net Assets of the Fund stood at Rs. 689.23 million as compared to Net Assets of Rs.1,320.64 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: 7.5% bonus, i.e. Rs.37.50 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 the 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, 147,812 units of the value of Rs.55.50 million were issued, while 731,654 units of the value of Rs. 275.33 million were redeemed. As at 30 June 2009, the total number of units outstanding was 1,946,267 valued at Rs. 689.23 million (2008: 2,379,248 units valued at Rs.1,320.64 million).

The pattern of unit holdings of the Fund, as required under the NBFC Regulations, 2008, is presented in note 19 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, and a '2 star' long term rating to the Fund, for FY 2007-08.

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

In July 2009, a casual vacancy occurred in the Board by the withdrawal of nominee director from ING, Mr. Michael Ferrer, consequent to the termination of the Co-operation Agreement between the Company and ING. 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 23 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 16 to the financial statements – "Transactions with Related Parties / Connected Persons."

## AUDITORS

The Audit Committee of the Board of Directors, in their meeting held on 24 August 2009, recommended the re-appointment of M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, Karachi, as auditors of Atlas Stock Market 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 reposing their confidence.

For and on behalf of the Board

Karachi: 26 August 2009

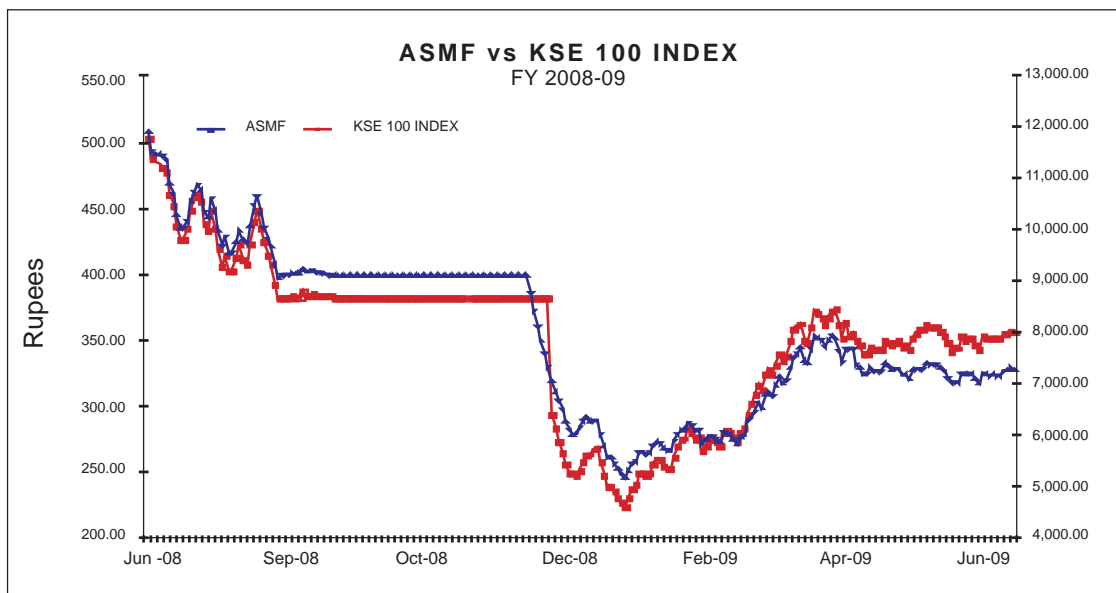
**M. Habib-ur-Rahman**  
Chief Executive Officer

## Fund Manager's Report

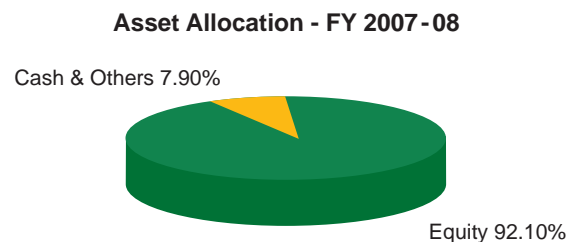
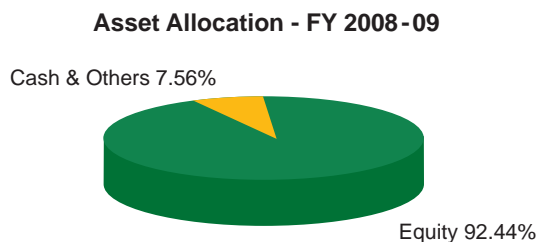
Atlas Stock Market Fund is an open-ended equity fund. The Fund aims to achieve appreciation in the value of amount invested along with modest income and to provide the investors with liquidity and the facility to join or leave the fund at their convenience. ASMF's investment strategy is based on the belief that fundamental economic and sector analysis drives long term out performance, and that active portfolio management can produce consistently superior results than those produced through passive management. The Fund emphasizes medium to long-term investment views and involves the application of relative value analysis to industry sectors.

The Karachi Stock Exchange 100 Index (KSE - 100 Index) serves as the performance benchmark of Atlas Stock Market 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, had 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, had 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 ASMF has decreased by 31.6% from Rs. 517.57 as on 30 June 2008 to Rs. 354.13 as of 30 June 2009, outperforming the benchmark KSE-100 index by 10.1% which has declined by 41.7% during the same period from 12,289 as on 30 June 2008 to 7,162 as on 30 June 2009. Due to decline in equity prices, the net capital loss for the period under review stood at Rs. 253.9 million. The dividend income and interest income for the period under review stood at Rs. 42.4 million and Rs. 9.3 million respectively.



However, the second half of financial year 2008-09 witnessed sharp recovery in equity prices after initial decline and the Net Asset Value per unit of ASMF appreciated by 50.2% from Rs. 235.80 as on 31 December 2008 to Rs. 354.13 as on 30 June 2009, thus outperforming the benchmark by a hefty margin of 28.1%. The benchmark KSE-100 index has increased by 22.12% only during the same period.

ASMF portfolio is well diversified and liquid with major investments in Oil & Gas Exploration, Banking, 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.689 million with 1.95 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 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 to 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. The management decided, in the interest of all unit holders, to continue with the suspension till volume picks up. On 5 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	323	90,382,051	13.11%
Associated Companies/ Directors	7	76,140,297	11.05%
Insurance Companies	4	5,216,082	0.76%
Banks/ DFIs	2	111,354,116	16.16%
NBFCs	1	3,833	-
Retirement Funds	65	302,283,066	43.86%
Others	3	103,848,069	15.06%
	<b>405</b>	<b>689,227,514</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

	<b>2009 Rupees</b>	<b>2008 Rupees</b>	<b>2007 Rupees</b>
Net assets (Rs. In "000)	689,228	1,320,643	1,522,066
Number of units in issue	1,946,267	2,379,248	2,187,372
Net Asset value per unit (Rs.)	354.13	555.07	695.84
Net (loss) / income (Rs. In "000")	(325,703)	(78,623)	334,451
(Loss) / earnings per unit	(167.35)	(33.05)	152.90
Annual return of the Fund (%)	(31.58)	(6.84)	29.39
Offer price*	361.21	566.17	709.77
Redemption price*	354.13	555.07	695.85
Distribution (Bonus)	-	37.50	100.00
Distribution as a % of par value of units	-	7.50	20.00
Date of distribution	-	4-Jul-08	20-Jul-07
Highest offer price	509.76	698.28	710.81
Lowest offer price	211.57	515.74	535.97
Highest repurchase price per unit	499.76	684.59	696.87
Lowest repurchase price per unit	207.42	505.63	525.46

\* Relates to announced prices.

Date of Launch : 23 November 2004

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

Atlas Stock Market Fund  
Atlas Stock Market 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 Stock Market 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 NBFII 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 16 to the financial statements "Transactions with Connected Persons / Related Parties".
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 Stock Market Fund (the Fund), an open-end scheme was established under a trust deed dated May 29, 2004, 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 Stock Market Fund (the Fund) to comply with the Listing Regulations of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2009.

Karachi: 26 August 2009

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

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Atlas Stock Market Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2009, and the related statements of income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

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

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

### Opinion

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

### Other matters

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

Karachi: 26 August 2009

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

**Arslan Khalid**  
Audit Engagement Partner

## STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2009

	Note	2009 ----- Rupees -----	2008 ----- Rupees -----
<b>Assets</b>			
Bank balances	7	48,608,409	86,196,845
Receivable against sale of securities		3,454,278	10,706,742
Investments	8	637,133,700	1,216,258,127
Dividends receivable		3,471,183	9,882,806
Interest accrued		147,611	344,487
Prepayments and other receivables		29,777	29,777
Security deposits	9	2,600,000	3,600,000
<b>Total assets</b>		<b>695,444,958</b>	1,327,018,784
<b>Liabilities</b>			
Payable to unit holders against redemption of units		67,843	335,464
Payable against purchase of securities		3,120,242	15,368
Payable to the management company	10	1,605,720	3,335,681
Payable to the trustee	11	117,087	200,799
Payable to SECP	12	734,087	1,811,496
Accrued and other liabilities	13	572,465	676,819
<b>Total liabilities</b>		<b>6,217,444</b>	6,375,627
<b>Net assets</b>		<b>689,227,514</b>	<b>1,320,643,157</b>
<b>Unit holders' fund</b>		<b>689,227,514</b>	<b>1,320,643,157</b>
<b>Number of units in issue</b>		<b>1,946,267</b>	<b>2,379,248</b>
<b>Net asset value per unit</b>		<b>354.13</b>	<b>555.07</b>

The annexed notes from 1 to 26 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		42,449,526	56,842,212
Interest income	14	9,282,365	20,790,127
Net loss on investments at fair value through income statement (held-for-trading)		(253,963,175)	68,601,005
Net (loss) / gain on sale of investments		(172,483,817)	(177,713,590)
Net unrealised loss on revaluation of investments		<b>(426,446,992)</b>	<b>(109,112,585)</b>
Element of income and capital gain included in prices of units issued less those in units redeemed - net		74,741,036	8,091,946
		<b>(299,974,065)</b>	<b>(23,388,300)</b>
<b>Expenses</b>			
Remuneration of the management company	10.1	21,885,086	46,844,834
Remuneration of the trustee	11.1	1,484,311	2,564,236
SECP annual fee	12.1	734,087	1,561,496
(Reversal of provision) / provision for SECP monitoring fee		(250,000)	250,000
Brokerage and capital value tax		974,739	2,981,446
Auditors' remuneration	15	375,000	412,950
Printing charges		280,973	242,600
Settlement charges		102,743	119,365
Legal and professional charges		-	116,666
Annual rating fee		100,000	100,000
Annual listing fee		30,000	30,000
Bank charges		12,334	11,249
		<b>25,729,273</b>	<b>55,234,842</b>
<b>Net loss for the year</b>		<b>(325,703,338)</b>	<b>(78,623,142)</b>

The annexed notes from 1 to 26 form an integral part of these financial statements.

For Atlas Asset Management Limited  
(Management Company)

M. Habib-ur-Rahman  
Chief Executive Officer

Yusuf H. Shirazi  
Chairman

Tariq Amin  
Director

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	----- Rupees -----	
Undistributed income brought forward [ includes unrealised loss on investments of Rs. 106,960,722 ] (2008: unrealised gain of Rs. 259,751,618)	120,295,271	417,655,567
Distribution at the rate of Rs. 37.50 per unit declared on 4 July 2008 (2008 : Rs. 100 per unit declared on 20 July 2007)		
- Bonus units	(78,081,245)	(189,995,327)
- Cash payout against distribution	(11,140,559)	(28,741,827)
	(89,221,804)	(218,737,154)
Net loss for the year	(325,703,338)	(78,623,142)
<b>(Accumulated loss)/Undistributed income carried forward</b> [ includes unrealised loss on investments of Rs.212,820,250 ] (2008: unrealised loss of Rs. 106,960,722)	(294,629,871)	120,295,271

The annexed notes from 1 to 26 form an integral part of these financial statements.

For Atlas Asset Management Limited  
(Management Company)

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

**Yusuf H. Shirazi**  
Chairman

**Tariq Amin**  
Director

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
Note	----- Rupees -----	----- Rupees -----
<b>Cash flows from operating activities</b>		
Net loss for the year	(325,703,338)	(78,623,142)
<b>Adjustments for:</b>		
Net loss / (gain) on sale of investments	253,963,175	(68,601,005)
Net unrealised loss on revaluation of investments	172,483,817	177,713,590
Element of income and capital gain included in prices of units issued less those in units redeemed - net	(74,741,036)	(8,091,946)
	<b>351,705,956</b>	<b>101,020,639</b>
<b>Decrease / (increase) in assets</b>		
Receivable against sale of securities	7,252,464	(8,855,802)
Receivable against continuous funding system	-	170,242,040
Dividends receivable	6,411,623	(5,610,306)
Interest accrued	196,876	915,973
Security deposits	1,000,000	(2,500,000)
	<b>14,860,963</b>	<b>154,191,905</b>
<b>(Decrease) / increase in liabilities</b>		
Payable to unit holders against redemption of units	(267,621)	(9,179,077)
Payable against purchase of securities	3,104,874	(9,580,518)
Payable to the management company	(1,729,961)	(30,469,800)
Payable to the trustee	(83,712)	(1,406)
Payable to SECP	(1,077,409)	302,697
Accrued and other liabilities	(104,354)	(82,859)
	<b>(158,183)</b>	<b>(49,010,963)</b>
	<b>40,705,398</b>	<b>127,578,439</b>
Investments made during the year	(676,667,548)	(2,426,816,835)
Investments sold during the year	829,344,983	2,251,157,546
<b>Net cash inflow / (used in) operating activities</b>	<b>193,382,833</b>	<b>(48,080,850)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	55,496,353	420,319,399
Payment on redemption of units	(275,327,063)	(506,284,923)
Cash payout against distribution	(11,140,559)	(28,741,827)
<b>Net cash outflow from financing activities</b>	<b>(230,971,269)</b>	<b>(114,707,351)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(37,588,436)</b>	<b>(162,788,201)</b>
Cash and cash equivalents at the beginning of the year	86,196,845	248,985,046
<b>Cash and cash equivalents at the end of the year</b>	<b>48,608,409</b>	<b>86,196,845</b>

The annexed notes from 1 to 26 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 at the beginning of the year</b> [Rs. 555.07 (2008: Rs. 695.84) per unit]	2,379,248	1,320,643,157	2,187,372	1,522,065,596
Issue of units	147,812	55,496,353	681,096	420,319,399
Redemption of units	(731,654)	(275,327,063)	(808,090)	(506,284,923)
	(583,842)	(219,830,710)	(126,994)	(85,965,524)
Element of income and capital gain included in prices of units issued less those in units redeemed - net	-	(74,741,036)	-	(8,091,946)
Issue of bonus units	150,861	-	318,870	-
Cash payout against distribution	-	(11,140,559)	-	(28,741,827)
Net loss for the year	-	(325,703,338)	-	(78,623,142)
<b>Net assets at the end of the year</b> [Rs. 354.13 (2008: Rs.555.07) per unit]	<b>1,946,267</b>	<b>689,227,514</b>	<b>2,379,248</b>	<b>1,320,643,157</b>

The annexed notes from 1 to 26 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 Stock Market Fund (the Fund) is an open ended mutual Fund constituted by a trust deed entered into on 29 May 2004 between Atlas Asset Management Limited (AAML) as the management company and Central Depository Company of Pakistan Limited (CDC) as the trustee. The Trust Deed and Offering Document were revised on 29 October 2007 and 06 March 2008 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 23 November 2004 (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 redemption of units with effect from 6 January 2009.

1.3 According to the trust deed, the objective of the Fund is to provide investors one window facility to invest in a diversified portfolio of equity securities offering consistent returns and growth. The Fund aims to deliver this objective mainly by investing in equity securities of companies that are paying regular dividend, have growth prospects or are actively traded. Any amounts which have not been invested in equity securities may be invested in corporate debt instruments or Government securities or placed in money market instruments, reverse repurchase agreements or future transactions. The investment objectives and policy are more fully defined in the Fund's Offering Document.

## 2. STATEMENT OF COMPLIANCE

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

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

## 3. BASIS OF MEASUREMENT

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Investments

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

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 values**

Fair value of listed shares is determined 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 statement of assets and liabilities. The resultant gains and losses are included in the income currently.

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

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

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

## **4.4 Issue and redemption of units**

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

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

## **4.5 Revenue recognition**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

### 4.6 Expenses

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

### 4.7 Provisions

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

### 4.8 Element of income 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 in net asset value 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 in 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.

### 4.9 Taxation

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

### 4.10 Financial instruments

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

### 4.11 Offsetting of financial assets and liabilities

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

### 4.12 Distribution to unit holders

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

### 4.13 Net asset value per unit

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

### 4.14 Cash and cash equivalents

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

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

## 5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

## 6. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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

<b>Standard or Interpretation</b>	<b>Effective date (accounting periods beginning on or after)</b>
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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
<b>7. BANK BALANCES</b>			
In PLS saving accounts	7.1	48,588,184	86,176,620
In current accounts		20,225	20,225
		<b>48,608,409</b>	<b>86,196,845</b>

7.1 These carry rates of return ranging between 5% and 12.5% (2008: 2.5% and 11.25%) per annum and include balance of Rs.21,822 (2008: Rs.5,031,848) with Atlas Bank Limited (a related party).

### 8. INVESTMENTS - at fair value through income statement

Listed equity securities - held-for-trading	8.1	<b>637,133,700</b>	<b>1,216,258,127</b>
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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

#### 8.1 Listed equity securities - held for trading

(Ordinary shares have a face value of Rs. 10/- each unless stated otherwise)

##### Investment Banks/Cos./Securities

Arif Habib Securities Limited	140,000	60,000	43,750	25,000	218,750	6,046,250	0.95	0.88
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##### Commercial Banks

Allied Bank Limited	133,900	-	-	133,900	-	-	-	-
Bank Alfalah Limited	705,199	400,000	563,317	1,004,500	664,016	7,005,369	1.10	1.02
Habib Bank Limited	45,000	225,000	8,480	197,100	81,380	7,003,563	1.10	1.02
Habib Metropolitan Bank Limited	29,000	-	-	29,000	-	-	-	-
MCB Bank Limited	160,000	493,200	16,500	354,700	315,000	48,834,450	7.66	7.08
National Bank of Pakistan	395,000	160,000	40,000	225,000	370,000	24,801,100	3.89	3.59
United Bank Limited	614,065	110,000	47,376	321,300	450,141	17,235,899	2.71	2.50
	2,082,164	1,388,200	675,673	2,265,500	1,880,537	104,880,381	16.46	15.21

##### Insurance

Adamjee Insurance Company Limited	110,037	304,000	21,003	155,000	280,040	23,520,560	3.69	3.41
EFU General Insurance Limited	-	45,000	-	45,000	-	-	-	-
New Jubilee Life Insurance Company Limited	100,000	-	-	100,000	-	-	-	-
	210,037	349,000	21,003	300,000	280,040	23,520,560	3.69	3.41

##### Textile Composite

Azgard Nine Limited	100,000	578,500	20,000	328,500	370,000	8,191,800	1.29	1.19
Nishat Mills Limited	100,000	100,000	87,500	112,500	175,000	6,618,500	1.04	0.96
	200,000	678,500	107,500	441,000	545,000	14,810,300	2.33	2.15

##### Jute

Thal Limited (Face value Rs. 5/- per share)	25,000	-	10,000	-	35,000	2,710,750	0.43	0.39
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##### Cement

D G Khan Cement Company Limited	325,000	175,000	-	400,000	100,000	2,965,000	0.47	0.43
Lucky Cement Limited	130,000	35,000	-	130,000	35,000	2,048,550	0.32	0.30
	455,000	210,000	-	530,000	135,000	5,013,550	0.79	0.73

##### Refinery

National Refinery Limited	65,000	80,000	-	90,000	55,000	12,101,100	1.90	1.76
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# 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>Power Generation and Distribution</b>								
Kot Addu Power Company Limited	-	750,000	-	-	750,000	31,695,000	4.97	4.60
The Hub Power Company Limited	100,000	1,866,500	-	766,500	1,200,000	32,508,000	5.10	4.72
	100,000	2,616,500	-	766,500	1,950,000	64,203,000	10.07	9.32
<b>Oil and Gas Marketing Companies</b>								
Attock Petroleum Limited	135,000	114,600	25,200	114,800	160,000	50,961,600	8.00	7.39
Pakistan State Oil Company Limited	155,000	270,000	-	205,000	220,000	47,003,000	7.38	6.82
	290,000	384,600	25,200	319,800	380,000	97,964,600	15.38	14.21
<b>Oil and Gas Exploration Companies</b>								
Oil & Gas Development Company Limited	1,084,000	308,000	-	532,000	860,000	67,630,400	10.61	9.81
Pakistan Oilfields Limited	160,000	329,800	60,000	104,800	445,000	64,925,500	10.19	9.42
Pakistan Petroleum Limited	555,000	70,000	42,500	477,500	190,000	36,012,600	5.65	5.23
	1,799,000	707,800	102,500	1,114,300	1,495,000	168,568,500	26.45	24.46
<b>Automobile Assemblers</b>								
Al- Ghazi Tractors Limited (Face Value Rs. 5/- per share)	78,500	13,200	-	91,700	-	-	-	-
Indus Motor Company Limited	35,576	-	-	35,576	-	-	-	-
Millat Tractors Limited	60,600	-	-	60,600	-	-	-	-
Pak Suzuki Motor Company Limited	36,750	-	-	36,750	-	-	-	-
	211,426	13,200	-	224,626	-	-	-	-
<b>Transport</b>								
Pakistan International Container Terminal Limited	-	30,000	-	30,000	-	-	-	-
Pakistan National Shipping Corporation	25,000	-	-	25,000	-	-	-	-
	25,000	30,000	-	55,000	-	-	-	-
<b>Technology and Communication</b>								
NetSol Technologies Limited	63,400	75,000	17,680	156,080	-	-	-	-
Pakistan Telecommunication Company Limited	775,000	320,000	-	100	1,094,900	18,876,075	2.96	2.74
	838,400	395,000	17,680	156,180	1,094,900	18,876,075	2.96	2.74
<b>Fertilizer</b>								
Dawood Hercules Chemicals Limited	31,480	5,000	3,148	-	39,628	5,092,594	0.80	0.74
Engro Chemical Pakistan Limited	429,757	414,900	72,000	569,957	346,700	44,526,681	6.99	6.46
Fauji Fertilizer Bin Qasim Limited	1,850,000	225,000	-	2,075,000	-	-	-	-
Fauji Fertilizer Company Limited	200,000	488,600	136,802	385,100	440,302	38,284,259	6.01	5.55
	2,511,237	1,133,500	211,950	3,030,057	826,630	87,903,534	13.80	12.75
<b>Pharmaceuticals</b>								
GlaxoSmithKline Pakistan Limited	90,796	700	-	91,496	-	-	-	-
<b>Chemicals</b>								
ICI Pakistan Limited	100,000	344,900	-	414,900	30,000	4,207,500	0.66	0.61
Sitara Chemical Industries Limited	81,100	19,300	-	17,200	83,200	12,979,200	2.04	1.88
	181,100	364,200	-	432,100	113,200	17,186,700	2.70	2.49
<b>Papers and Board</b>								
Packages Limited	200,000	40,000	-	155,000	85,000	13,348,400	2.09	1.94
<b>Miscellaneous</b>								
Tri-Pack Films Limited	-	5,000	-	5,000	-	-	-	-
<b>Market value of investments as at 30 June 2009</b>						<b>637,133,700</b>	<b>100</b>	<b>92.44</b>

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

8.2 The cost of held for trading investments is Rs. 849,953,950 (2008: Rs.1,323,218,849).

8.3 The above investments include 200,000, 500,000, 200,000, 200,000, 100,000 and 85,000 shares of National Bank of Pakistan, Oil & Gas Development Company Limited, Fauji Fertilizer Company Limited, United Bank Limited, Pakistan Petroleum Limited and Packages Limited respectively, pledged with NCCPL.

	Note	2009 ----- Rupees -----	2008 ----- Rupees -----
<b>9. SECURITY DEPOSITS</b>			
National Clearing Company of Pakistan Limited (NCCPL)		2,500,000	3,500,000
Central Depository Company of Pakistan Limited (CDC)		100,000	100,000
		<b>2,600,000</b>	<b>3,600,000</b>

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

Management Fee	10.1	1,605,720	3,322,730
Sales Load		-	12,951
		<b>1,605,720</b>	<b>3,335,681</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 rate of 3% per annum of the average annual net assets for the year (2008: 3%).

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

Trustee fee	11.1	112,153	192,949
Settlement charges		4,934	7,850
		<b>117,087</b>	<b>200,799</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.
- 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	734,087	1,561,496
Monitoring fee		-	250,000
		<b>734,087</b>	<b>1,811,496</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 net assets of the Fund.

From 21 November 2008 onwards

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

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

	Note	2009 ----- Rupees -----	2008 ----- Rupees -----
<b>13. ACCRUED AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		240,291	368,000
Brokerage payable		584	584
Sales load payable		1,543	5,465
NCCPL charges payable		3,196	2,150
Printing charges payable		222,000	200,000
Withholding tax payable		95,078	95,078
Zakat payable		9,773	5,542
		<b>572,465</b>	<b>676,819</b>
<b>14. INTEREST INCOME</b>			
PLS saving and term deposit accounts		9,210,858	20,044,257
Placements		71,507	-
Continuous funding system		-	745,870
		<b>9,282,365</b>	<b>20,790,127</b>
<b>15. AUDITORS' REMUNERATION</b>			
Audit fee		192,000	192,000
Half yearly review of financial statements		96,000	96,000
Tax services		-	44,950
Other services		40,000	70,000
Out of pocket expenses		47,000	10,000
		<b>375,000</b>	<b>412,950</b>
<b>16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS</b>			
<b>Atlas Asset Management Limited (Management Company)</b>			
Remuneration of the management company		21,885,086	46,844,834
Remuneration paid		23,602,096	76,786,049
Sales load		-	587,496
<b>Central Depository Company of Pakistan Limited (Trustee)</b>			
Trustee fee		1,484,311	2,564,236
Settlement charges		46,273	65,596
<b>Atlas Fund of Funds (Fund under common management)</b>			
Bonus 5,570 (2008: 11,047) units		2,882,616	6,582,271
Sale of 30,283 (2008: Nil) units		15,000,000	-
Redemption of 42,722 (2008: Nil) units		15,735,853	-
Outstanding 70,000 (2008:76,870) units		24,789,100	42,668,093

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

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

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

#### Atlas Bank Limited (Group Company)

Interest income	2,589,188	10,003,486
Bank Charges	125	2,533
Terms deposit receipts placed	100,000,000	-
Terms deposit receipts matured	100,000,000	-
Bonus 4,857 (2008: 9,633) units	2,513,733	5,739,951
Outstanding 71,890 (2008:67,033) units	25,458,296	37,207,947

#### Atlas Insurance Limited (Group Company)

Bonus 528 (2008: 4,514) units	273,225	2,689,462
Sale of Nil (2008: 77,391) units	-	49,000,000
Redemption of 528 (2008:101,514) units	273,225	68,213,509
Outstanding 7,286 (2008:7,286) units	2,580,187	4,044,233

#### Atlas Capital Markets (Private) Limited (Group Company)

Brokerage commission	225,015	144,650
Brokerage payable	5,000	6,660

#### Atlas Asset Management Company Limited - Staff Provident Fund (Retirement benefit fund of Management Company)

Bonus 181 (2008: 182) units	93,750	108,212
Sale of Nil (2008: 3,379) units	-	2,077,375
Redemption of 2,681 (2008: 2,142) units	949,202	1,414,666
Outstanding Nil (2008: 2,500) units	-	1,387,675

#### Key Management Personnel of Management Company

##### Chief Executive

Bonus 129 (2008: Nil) units	66,799	-
Sale of Nil (2008: 1,781) units	-	1,100,000
Outstanding 1,910 (2008: 1,781) units	676,524	988,757

##### Directors

Bonus 4,318 (2008: 6,966) units	2,235,125	4,150,444
Sale of Nil (2008: 10,125) units	-	6,050,000
Outstanding 63,922 (2008: 58,595) units	22,636,634	32,524,460

##### Executives

Bonus 42 (2008: 68) units	21,739	40,526
Sale of 2,343 (2008: 352) units	716,763	201,882
Redemption of 2,353 (2008:340) units	739,156	211,410
Outstanding 612 (2008: 485) units	216,763	268,969

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

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

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

## 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### **17.2 Market risk**

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

#### **(i) Interest rate risk**

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. As of 30 June 2009, the Fund is exposed to such risk in respect of bank balances. The bank balances are subject to interest rates as declared by the respective bank on periodic basis. Management company of the Fund estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Fund's income by Rs.486,084 and a 1% decrease would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

#### **(ii) Foreign currency risk**

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

#### **(iii) Equity price risk**

Equity price is risk of volatility in share prices resulting from their dependends 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.63,713,370 and a 10% 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.

### **17.3 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. The amounts in the table are the contractual undiscounted cash flows:

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

2009	Within 1 month	Less than 3 months	3 to 12 months	Total
----- Rupees -----				
<b>Assets</b>				
Bank balances	48,608,409	-	-	48,608,409
Receivable against sale of securities	3,454,278	-	-	3,454,278
Investments	637,133,700	-	-	637,133,700
Dividend receivables	3,471,183	-	-	3,471,183
Interest accrued	147,611	-	-	147,611
Prepayments and other receivables	-	-	29,777	29,777
Security deposits	-	-	2,600,000	2,600,000
	<b>692,815,181</b>	<b>-</b>	<b>2,629,777</b>	<b>695,444,958</b>
<b>Liabilities</b>				
Payable to unit holders against redemption of units	67,843	-	-	67,843
Payable against purchase of securities	3,120,242	-	-	3,120,242
Payable to the management company	-	1,605,720	-	1,605,720
Payable to the trustee	117,087	-	-	117,087
Payable to SECP	-	734,087	-	734,087
Accrued and other liabilities	12,969	240,291	319,205	572,465
	<b>3,318,141</b>	<b>2,580,098</b>	<b>319,205</b>	<b>6,217,444</b>
<b>Net assets / (liabilities)</b>	<b>689,497,040</b>	<b>(2,580,098)</b>	<b>2,310,572</b>	<b>689,227,514</b>
----- Rupees -----				
<b>2008</b>				
	Within 1 month	Less than 3 months	3 to 12 months	Total
<b>Assets</b>				
Bank balances	86,196,845	-	-	86,196,845
Receivable against sale of securities	10,706,742	-	-	10,706,742
Investments	1,216,258,127	-	-	1,216,258,127
Dividend receivables	9,882,806	-	-	9,882,806
Interest accrued	344,487	-	-	344,487
Prepayments and other receivables	-	-	29,777	29,777
Security deposits	-	-	3,600,000	3,600,000
	<b>1,323,389,007</b>	<b>-</b>	<b>3,629,777</b>	<b>1,327,018,784</b>
<b>Liabilities</b>				
Payable to unit holders against redemption of units	335,464	-	-	335,464
Payable against purchase of securities	15,368	-	-	15,368
Payable to the management company	-	3,335,681	-	3,335,681
Payable to the trustee	200,799	-	-	200,799
Payable to SECP	-	1,811,496	-	1,811,496
Accrued and other liabilities	13,741	568,000	295,078	676,819
	<b>565,372</b>	<b>5,715,177</b>	<b>295,078</b>	<b>6,375,627</b>
<b>Net assets / (liabilities)</b>	<b>1,322,823,635</b>	<b>(5,715,177)</b>	<b>3,334,699</b>	<b>1,320,643,157</b>

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

### 17.4 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. 58,281,481 (2008: Rs. 110,730,880).

### 17.5 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.

## 18. 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.

## 19. 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	323	90,382,051	13.11%	379	161,960,340	12.26%
Associated Companies/ Directors	7	76,140,297	11.05%	7	117,992,503	8.93%
Insurance Companies	4	5,216,082	0.76%	5	25,255,658	1.91%
Banks/ DFIs	2	111,354,116	16.16%	4	193,174,700	14.63%
NBFCs	1	3,833	-	2	1,803,056	0.14%
Retirement Funds	65	302,283,066	43.86%	88	668,495,257	50.62%
Others	3	103,848,069	15.06%	3	151,961,643	11.51%
	<b>405</b>	<b>689,227,514</b>	<b>100.00%</b>	<b>488</b>	<b>1,320,643,157</b>	<b>100.00%</b>

## 20. 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
JS Global Capital Limited	13.53%	Al-Habib Capital Markets (Private) Limited	9.88%
Taurus Securities Limited	12.69%	Al-Hoqani Securities & Investment Corporation (Private) Limited	4.72%
Atlas Capital Markets (Private) Limited	12.64%	Taurus Securities Limited	3.92%
Global Securities Pakistan Limited	9.29%	Alfalah Securities (Private) Limited	3.75%
BMA Capital Management Limited	6.61%	JS Global Capital Limited	3.39%
Invest Capital Investment Bank Limited	6.32%	Invisor Securities (Private) Limited	3.35%
IGI Finex Securities Limited	6.22%	IGI Finex Securities (Private) Limited	3.32%
Al-Habib Capital Markets Limited	4.92%	Global Securities Pakistan Limited	2.84%
Invisor Securities Limited	4.61%	Atlas Capital Markets (Private) Limited	1.59%
AKD Securities Limited	4.29%	Live Securities (Private) Limited	1.59%



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

## 21. 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

## 22. NAME AND QUALIFICATION OF FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Mr. Khalid Mahmood	Fund Manager - Equity Markets	MBA - Finance	Atlas Islamic Fund Atlas Fund of Funds

## 23. ATTENDANCE AT BOARD MEETINGS

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

Name of Director	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	-	-	P	P	P

(w.e.f. 11 September 2008)

\* 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

### 24. 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.

PACRA has assigned a "3 star" normal rating, and a "2 Star" long term rating to the Fund, for FY 2007-08.

### 25. GENERAL

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

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

### 26. DATE OF AUTHORISATION FOR ISSUE

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

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

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

**Yusuf H. Shirazi**  
Chairman

**Tariq Amin**  
Director

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## DISTRIBUTION NETWORK

### Atlas Asset Management Limited's Offices

#### Southern Region

##### Head Office

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

#### Northern Region

##### 1. Regional Office - Lahore

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

##### 2. Regional Office - Rawalpindi

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

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