



Atlas Islamic Income Fund

Atlas Islamic Stock Fund

ANNUAL REPORT

30 June 2011



Managed By

Atlas Asset Management

Rated AM2- by PACRA

Company Profile

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

AAML is a 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 six mutual funds, five of which are open-ended, Atlas Money Market Fund, Atlas Income Fund, Atlas Stock Market Fund, Atlas Islamic Income Fund and Atlas Islamic Stock Fund and the sixth 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.



Mission

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





Interlacing Principles with High Standards

Atlas Asset Management, which manages Atlas Meraj, aims at achieving excellence in Shariah compliant fund management. Catering to investment needs of corporations, retirement funds and individuals, Atlas Meraj product range comprises of Shariah compliant mutual funds and investment plans which allow investors a customized approach by percentage allocation of investment in mutual funds.

MUTUAL FUNDS

- Atlas Islamic Income Fund
- Atlas Islamic Stock Fund

INVESTMENT PLANS

- Islamic Income Multiplier Plan
- Islamic Balanced Plan
- Islamic Growth Plan



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UAN: 111-MUTUAL(6-888-25)

Disclaimer: All investments in mutual funds are subject to market risks. The NAV based prices of units and any dividends / returns thereon are dependent on forces affecting the capital markets. These may go up and down based on market conditions. Past performance is not necessarily indicative of future results. Please read the offering document of the fund to understand the investment policies and the risks involved.

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Organisation

Management Company

Atlas Asset Management Limited

Board of Directors of the Management Company

Chairman	Mr. Yusuf H. Shirazi
Directors	Mr. Tariq Amin Mr. M. Ashraf Janjua Mr. Frahim Ali Khan Mr. Arshad P. Rana Mr. Ali H. Shirazi

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

Company Secretary Ms Lilly R. Dossabhoy

Board Committees

Audit Committee

Chairman	Mr. Tariq Amin
Members	Mr. M. Ashraf Janjua Mr. Frahim Ali Khan
Secretary	Mr. Imtiaz Ahmed Khan

Human Resource Committee

Chairman	Mr. Frahim Ali Khan
Members	Mr. M. Habib-ur-Rahman Mr. Ali H. Shirazi
Secretary	Ms Maheen Fayyaz Khan

Investment Committee

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

Management Committee

Chairman	Mr. M. Habib-ur-Rahman
Members	Ms Lilly R. Dossabhoy Mr. Muhammad Abdul Samad Mr. Hassan Khan
Secretary	Mr. M. Irfan Dhedhi

Chief Internal Auditor

Ms Qurrat-ul-Ain Jafari

Registered Office

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Email: info@atlasfunds.com.pk
Website: www.atlasfunds.com.pk

The above information is as at 20 September 2011.



Mr. Yusuf H. Shirazi

Chairman

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



Mr. Tariq Amin

Director

Mr. Tariq Amin is the Chairman of Orkila Pakistan (Pvt.) Limited, a leading multinational company dealing in chemicals. He is also on the Boards of Pakistan Gum and Chemicals Limited and the Salim Habib Education Foundation. He has a vast experience in the financial and industrial sectors of Pakistan. He is a law graduate from the University of Karachi, also holds a Masters degree in English from the University of Karachi, and a Post Graduate Diploma in Development Administration from the University of Leeds.



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. Frahim Ali Khan

Director

Mr. Frahim Ali Khan has been associated with Atlas Group since 1967 and has over 40 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. Arshad P. Rana

Director

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

Mr. Rana has been the Chairman, Insurance Association of Pakistan (IAP), Lahore Regional Committee in 2002-2003 and Vice Chairman, Central Committee (IAP) in the year 2004-2005 prior becoming the Chairman, Insurance Association of Pakistan in 2005-2006.



Mr. Ali H. Shirazi

Director

Mr. Ali H. Shirazi graduated in Political Science from Yale University, U.S.A. in 2000 and thereafter completed his Masters in Law from Bristol University, U.K. in 2005. He is currently the President and Chief Executive Officer of Atlas Battery Limited. He has previously worked with the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California. He is an Atlas Group Director, and is responsible for Group's financial services. He is also on the Boards of Atlas Insurance Limited, Atlas Engineering Limited, Shirazi Trading Company (Pvt.) Limited and Techlogix International Limited.



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 has been a founding member and past 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.

Management Committee



M. Habib-ur-Rahman
Chief Executive Officer



Muhammad Abdul Samad
Chief Investment Officer



Lilly R. Dossabhoy
Chief Financial Officer &
Company Secretary



Hassan Khan
Head of Marketing & Sales

Chairman's Review

It is my pleasure to present to you the Annual Reports of Atlas Islamic Income Fund and Atlas Islamic Stock Fund for the year ended 30 June 2011.

THE ECONOMY

Pakistan's economy has performed reasonably well, despite considerable challenges that have emanated from unprecedented floods, unstable oil prices and energy shortages. The factors which have contributed to fast economic recovery after devastating floods include robust growth in exports and record remittances. Strong growth in exports and record remittances have helped offset the impact of the higher oil import bill, and sustained the build-up in foreign exchange reserves.

During the outgoing year, the current account witnessed a surplus of US\$ 542 million (0.3% of GDP) for the July-June FY11 period. The strength of the external sector has been depicted from record remittances and export growth of 28.7%. The foreign remittances have increased to record US\$ 11.2 billion during the July-June FY11 period, as compared to US\$ 8.9 billion for the last year corresponding period. During the period July-June FY11, the total exports stood at US\$ 24.8 billion, as compared to US\$ 19.3 billion last year. As a result of increase in exports, the trade deficit stood at US\$ 15.6 billion for the July-June FY11 period as against US\$ 15.4 billion for the last year corresponding period. The foreign exchange reserves currently stands at US\$ 17.8 billion (May 2011).

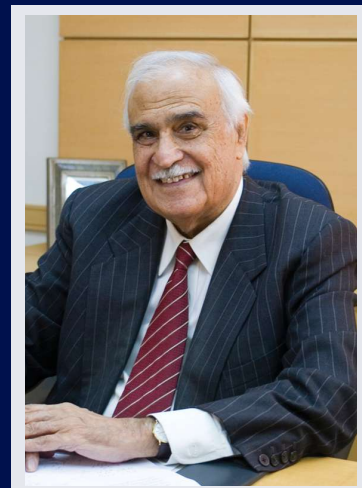
CPI inflation stood at 13.9% during July-June FY11 period, as compared to 11.7% for the previous corresponding year. The main factors behind high inflation were the supply disruptions due to flood witnessed earlier in the year, as well as spike in fuel and food prices. A growth of 15.89% was witnessed in the M2 (money supply) during July-June FY11 period, as compared to 12.46 % growth during the previous corresponding period. In FY11, M2 growth was attributable to rise in demand for private sector credit and government borrowings.

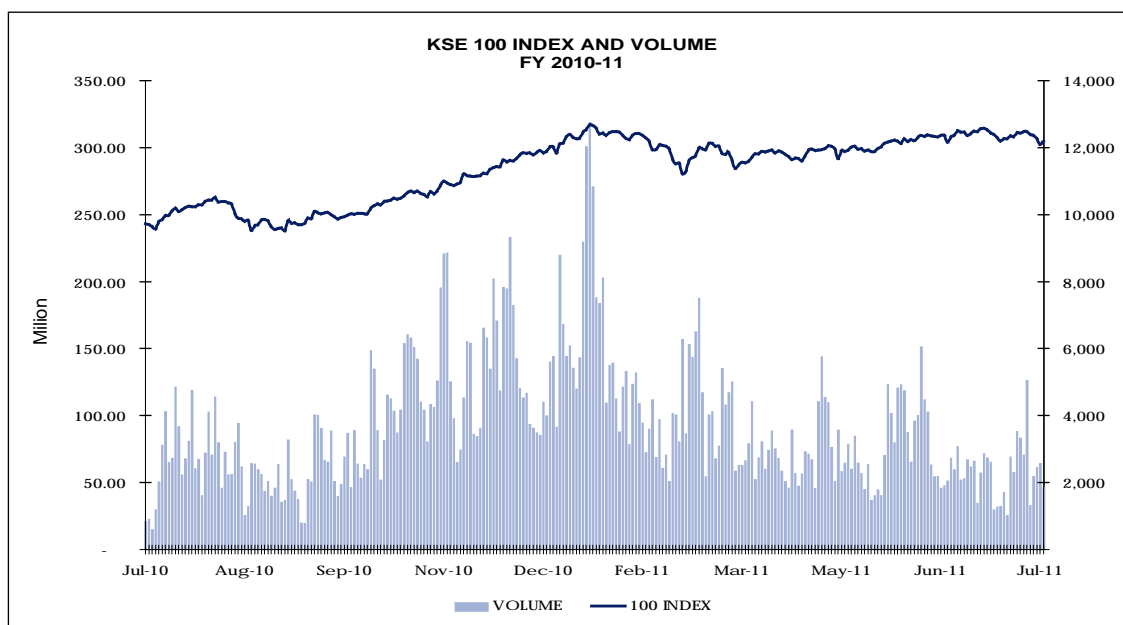
GDP growth rate for the period under review stood at 2.4% as compared to a growth of 3.8% in the preceding year. Prior to the floods, the GDP growth rate was projected at 4.5% for FY 2010-11. However, the devastating floods, the worst ever humanitarian crisis of Pakistan's history, have affected the growth momentum. As a result, the agriculture sector growth reduced to 1.2% as against the target of 3.8%, whereas services sector grew by 4.1% as against the target of 5.4%. The manufacturing sector growth was also adversely affected due to reduction in output of textiles and petroleum products.

THE STOCK MARKET

The KSE-100 index has increased from 9,721.91 points as on 30 June 2010 to 12,496.03 points as on 30 June 2011. The growth of 28.53% has been due to better corporate results and foreign buying activity in the local equity market. Top performing sectors were Oil & Gas, Fertilizer and Power. The foreign portfolio investment remained largely concentrated among index heavy weights in Oil & Gas sector. The foreign portfolio investors were net buyers of around US\$ 280 million. Foreign portfolio investors hold shares of worth US\$ 2.85 billion approximately, which is about 7.6% of the market capitalization and 31% of the free float.

During the period under review, the Oil & Gas sector has depicted a strong earnings growth due to high international crude oil prices and increased production levels. Despite gas curtailment, fertilizer companies were able to post higher earnings by passing on the impact of production losses in terms of higher fertilizer prices. Better purchasing power of farmers due to high commodity prices enhances the fertilizer companies' ability to pass on the rising cost. The average banking sector spreads remained stable, helping banks to earn higher interest margins. Banking sector has increased its exposure in T-bills and restricted its credit disbursement, with an objective to minimize NPLs losses and enhance its profitability. Power sector companies' shares have also performed well despite circular debt issue, which is affecting their liquidity position.





After the withdrawal of capital gain tax exemptions on sale of securities from July 2010, the average daily trading volumes have declined to 95 million shares a day for FY11 from 161 million shares for FY10. The much awaited Margin Trading System (MTS) was launched in March 2011 with expectation that volumes will increase, but it also failed to live up to the expectation.

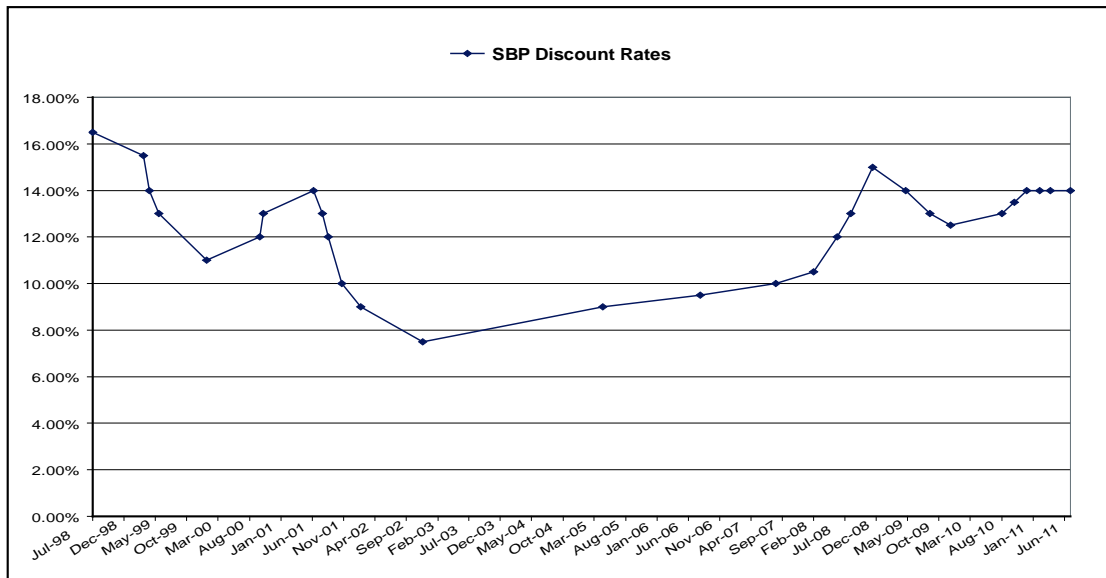
The budgetary measures though having a neutral effect on most listed sectors carried an overall positive tone. Going forward, oil and gas exploration and fertilizer sectors are expected to post attractive earnings, where as banking sector is trading on attractive valuation and is also expected to yield decent returns. Pakistan equity market is currently trading at attractive multiples with next year PE of 6.6x and dividend yield of 8% and has strong potential to yield attractive returns.

THE MONEY MARKET

For most of last fiscal year, inflation was coming down, but the shocks of flood and oil price have reversed the declining trends. It should be noted that the rising commodity and oil prices and resultant inflation has affected all countries both regionally and globally. However, in the second half of the year, the rising inflationary trend has been stemmed and inflation is now hovering around 14%. With fiscal consolidation and abatement of some pressures from international prices, the inflation outlook appears better than in the earlier part of the year.

Consumer Price Index (CPI) has escalated by 0.55% on MoM basis and 13.13% on YoY basis in June 2011. The cumulative increase in July to June 2010 - 11 is 13.92%, as against to 11.73% in the comparative period of last year. During the outgoing year, food prices have remained the major driver of the inflation, which was due to major supply disruptions owing to devastating floods as well as spike in imported food prices. Food inflation was recorded at 18.0% while non-food component increased by 10.5% in this period.

Inflationary pressures inevitably brought pressure on the interest rate, and with much of the credit flowing in the government sector, private credit, despite some growth over the previous year, remained weak. The credit to private sector during July to June, 2011 was Rs.121.33 billion compared to Rs.112.93 billion in the corresponding period last year. More than half of private sector credit went to the textile sector showing higher input prices, especially that of cotton. Sector wise breakup of private sector credit also shows that sugar and textile industries were the major driver to this increase.



The SBP has kept its tight monetary policy with gradual policy rate hikes. The SBP has raised the policy rate by 150 bases points (bps), staggered in three stages of 50 bps each, since July 2010. SBP raised the policy rate by 50 bps to 13% on 2 August 2010. Soon after this the economy experienced an exogenous shock in the form of massive floods, which engulfed almost one-fifth of the country. The inflation became a challenge in the aftermath of the floods, which compelled the SBP to raise the policy rate further by cumulative 100 bps to 14% on 30 November 2010. Since then, the need for further adjustment in policy rate was not felt simply because the inflation had started moderating and fiscal discipline had improved.

MUTUAL FUND INDUSTRY

The mutual fund industry has witnessed a growth of 24%. The total Assets under Management (AUM) has increased to Rs.248 billion as on 30 June 2011 as against Rs.200 billion as last year. The Money Market Funds for the second year in a row, led the industry in terms of fresh inflows, as the funds offered attractive returns. Thus, the Money Market Funds' AUM sharply increased from Rs.37 billion to Rs.84 billion. The Equity Funds' AUM, has increased to Rs.58 billion (including appreciation in value due to equity market performance) from Rs.44 billion last year. The investor's participation in equity funds remained on lower side despite robust performance by the equity market during last two years.

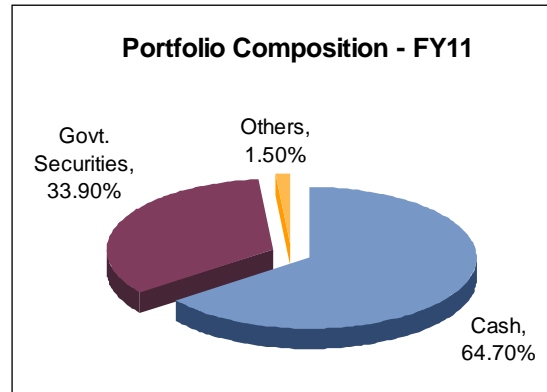
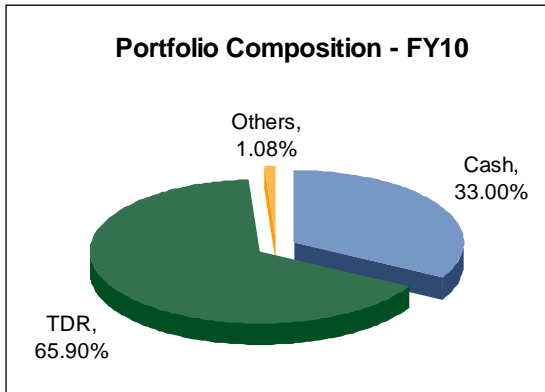
During the period under review, the Mutual Fund Association of Pakistan (MUFAP) developed its Medium Term Strategy / Five Years Plan July 2011 - to June 2016. The overall theme of the plan is to promote collective investment to build wealth, define and maintain high professional and ethical standards in all areas of operation of the mutual fund industry, to promote education of investors on investment and investment management industry, to bring about improvement in the legal, regulatory and fiscal environment in which its members operate, to promote tax deferred long term savings opportunities and ensuring fair tax treatment for the fund investor, and to work with the Securities and Exchange Commission of Pakistan to promote best business practices and code of conduct.

A joint public awareness campaign has also kicked off by participating AMCs initially with an objective to create awareness and promote money market funds. A dedicated website has been launched for this purpose, besides advertisement in print and electronic media. MUFAP has organized workshops on Global Investment Performance Standards (GIPS) in order to standardize industry wide ethical principles that provide investment firms with guidance for calculation and reporting investment results to prospective investors.

On the recommendation of MUFAP, the investment limit to avail tax credit in new issues and mutual funds has been enhanced by introducing amendment in the Income Tax Ordinance 2001 through Finance Act, 2011. The maximum ceiling for determining tax credit has been raised from 10% of the taxable income for the year or the monetary threshold of Rs.300,000 to 15% of the person's taxable income for the year or Rs.500,000, whichever is less. The mandatory retention period to avail tax credit has been enhanced to three years from prior requirement of one year, from the time of investment.

FUND OPERATIONS - AIIF

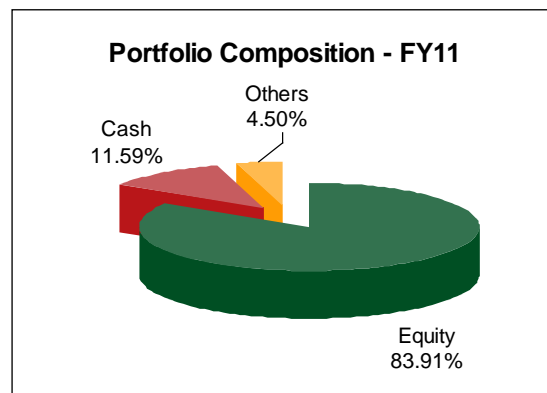
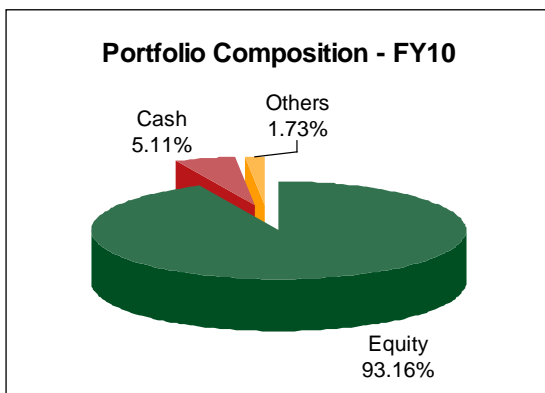
The Atlas Islamic Income Fund's Net Asset Value per unit has increased by 9.90% to Rs.513.95 as on 30 June 2011, which includes three interim payouts of total Rs.34.25 per unit. The benchmark average six months, profit rate of three Islamic Banks stood at 7.91% for the period under review. The Fund was mainly invested in Shariah compliant bank deposits with 64.7% exposure in high yielding bank deposits and remaining in Shariah compliant Govt. Securities. AIIF presents a good opportunity for investors to earn attractive returns while maintaining low risk. The Net Assets of the AIIF stood at Rs.380 million as of 30 June 2011.



The Board of Directors has approved a final distribution of Rs.13.50 per unit (2.70% on the face value of Rs.500 per unit). This is in addition to the three interim payouts of total Rs.34.25 per unit, already paid. Aggregate distribution for the year works out to Rs.47.75 per unit, i.e. 9.55%.

FUND OPERATIONS - AISF

The Net Asset Value per unit of the Atlas Islamic Stock Fund has increased by 43.77% from Rs.284.55 as on 30 June 2010 to Rs.409.09 as of 30 June 2011. The benchmark KMI - 30 index has increased by 43.66% during the same period. The increase in benchmark KMI - 30 index was due to better corporate results and foreign buying activity in the local equity market. The AISF's equity portfolio exposure was mainly in Oil & Gas, Chemicals, Electricity and Construction & Materials.



The Net Assets of the AISF stood at Rs.318 million, with 0.78 million units outstanding as of 30 June 2011. AISF's net Capital Gain for the period under review stood at Rs.75 million. Dividend Income and Interest Income for the period under review stood at Rs.18.5 million and Rs.5.1 million respectively.

The Board of Directors has approved a final distribution of Rs.105 per unit (21% on the face value of Rs.500 per unit).

RATINGS

ASSET MANAGER RATING

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the asset manager rating of Atlas Asset Management Limited (AAML) to "AM2-" (AM Two Minus), for FY 2009 - 10. The rating denotes the Company's very strong capacity to manage the risks inherent in asset management and meets high investment management industry standards and benchmarks.

FUND STABILITY RATING - AIIF

PACRA has assigned a stability rating of "AA- (f)" (Double A Minus - fund rating) to the Fund, for FY 2010 - 11. The Fund's rating denotes a very strong capacity to manage relative stability in returns and low exposure to risks.

STAR RANKING - AISF

PACRA has assigned a "3 Star" short term ranking to the Fund, and a long term "4 Star" ranking, for FY 2009 - 10. The short term ranking is based on performance during the trailing twelve months period, whereas long-term star ranking is based on performance during the trailing thirty six months.

FUTURE OUTLOOK

Pakistan's economic performance signifies the enormous potential and resilience as it was tested several times by one crisis after another. In order to achieve long term sustainable growth, stringent and sustainable fiscal measures are needed to reduce the stress on the economy. The recent measures taken in the Federal Budget FY 2011-12 will set directions to achieve these objectives. Withdrawal of tax exemptions focuses on bringing more people into the tax net, and stringent actions to curb tax leakages are steps in right direction. Overall, the Budget is embedded in a medium term macroeconomic strategy that will help create enabling environment for strong private sector investment and will push the economy on to a higher and sustainable growth path.

Both, AISF and AIIF committed to prudent investment procedures and will continue to provide consistent long term returns to the investors.

خیاباں خیاباں ارم دیکھتے ہیں

(We look forward to growth, growth and growth)

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: 20 September 2011

Yusuf H. Shirazi
Chairman

Directors' Report

The Board of Directors of Atlas Asset Management Limited, the Management Company of Atlas Islamic Income Fund (AIIF) and Atlas Islamic Stock Fund (AISF), take pleasure in presenting the Annual Reports of the AIIF and AISF along with the audited financial statements and Auditors' Reports thereon for the year ended 30 June 2011.

EARNINGS PER UNIT, NET ASSETS AND SALES/REDEMPTIONS SUMMARY

Earnings per unit, net assets, and summary of sales / redemption of units of the AIIF and AISF compared with the year ended 30 June 2010 are as follows:

	AIIF		AISF	
	2011	2010	2011	2010
Earnings per unit - Rupees	42.31	39.49	124.99	218.69
Net assets - Rupees million	379.80	346.66	318.78	252.77
Sales - Rupees million	280.86	385.68	156.89	76.58
Sales - in units	494,930	759,256	425,097	153,672
Redemptions - Rupees million	248.76	321.42	184.24	358.62
Redemptions - in units	491,027	631,039	534,177	710,910
Units outstanding at year end	738,995	679,312	779,243	521,664
Pattern of unit holdings as required under NBFC Regulations, 2008: disclosure in the financial statements	Note 21	Note 21	Note 19	Note 19

INCOME DISTRIBUTION - AIIF

The Board of Directors of the Management Company of the AIIF have approved a final bonus of 2.70% (2010: 2.00%) on the face value of Rs.500 per unit, which works out to Rs.13.50 per unit (2010: Rs.10.00 per unit). This is in addition to the first, second and third interim bonuses of 2.20%, 2.25% and 2.40% respectively, (2010: 2.50%, 2.50%, and 2.25% respectively), working out to Rs.11.00, Rs.11.25 and Rs.12.00 per unit (2010: Rs.12.50, 12.50, and Rs.11.25 per unit respectively), which were approved by the Board of Directors of the Management Company. The total payout for the year aggregates to 9.55% (2010: 9.25%).

INCOME DISTRIBUTION - AISF

The Board of Directors of the Management Company of the AISF have approved a final bonus of 21% (2010: 40%) on the face value of Rs.500 per unit, which works out to Rs.105 per unit (2010: Rs.200 per unit).

CHAIRMAN'S REVIEW

The review included in the Annual Reports of AIIF and AISF deals inter alia with the performance of these funds 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, for both, AIIF and AISF that:

- The financial statements prepared by the Management Company of these funds, present fairly their state of affairs, results of operations, comprehensive income for the year, cash flows, and movement in Unit Holders' Funds.
- Proper books of accounts of these funds have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements and any departure therefrom has been adequately disclosed.

- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There is no doubt about the Funds' 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 summarized is annexed.
- i) The statement as to the value of investments of provident fund is not applicable in the case of these Funds as these relate to retirement benefits to the employees of the Management Company, and are not chargeable to these Funds.

RATINGS UPDATE

• ASSET MANAGER RATING

The Pakistan Credit Rating Agency Limited - PACRA, has upgraded the asset manager rating of the Management Company to AM2 - (AM Two Minus) for the FY 2009-10, from the previous AM3 + (AM Three Plus). The rating denotes the Company's very strong capacity to manage the risks inherent in asset management and meets high investment management industry standards and benchmarks.

• FUND STABILITY RATING - AIIF

PACRA has assigned a stability rating of "AA - (f)" (Double A Minus - fund rating) to the Fund, for FY 2010-11. The Fund's rating denotes a very strong capacity to manage relative stability in returns and low exposure to risks.

• STAR RANKING - AISF

PACRA has assigned a "3 star" normal rating and a "4 Star" long term rating to the Fund, for FY 2009-10.

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The Board comprises of one executive and six non-executive directors. No casual vacancy in the office of the Board of Directors occurred during the year.

During the year, eight 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 26 and note 23 to the financial statements of AIIF and AISF respectively.

The Directors, CEO, CFO/Company Secretary and their spouses and minor children have made no transactions in the AIIF and AISF units during the year except as disclosed in note 18 and note 16 to the financial statements - "Transactions with Related Parties / Connected Persons", of AIIF and AISF respectively.

AUDITORS

The Audit Committee of the Board of Directors, in their meeting held on 20 September 2011, recommended the re-appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Karachi, as auditors of Atlas Islamic Income Fund and Atlas Islamic Stock Fund for the financial year ending 30 June 2012. The Board approved the appointment.

ACKNOWLEDGMENT

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

For and on behalf of the Board

Karachi: 20 September 2011

M. Habib-ur-Rahman
Chief Executive Officer

Atlas Funds; Performance Not by Chance

Asset Manager rating; "AM2-" by PACRA



“The rating denotes the company's very strong capacity to manage the risks inherent in asset management and meets high investment management industry standards and benchmarks. The rating reflects Atlas Asset Management Limited's qualified management team, well-structured investment processes, and diverse product base.”

PACRA PRESS RELEASE April 2011.

What better impetus for us than to keep performing towards higher levels of excellence.



Atlas Asset Management An Atlas Group Company

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Fax: (92-21) 35379280 Website: www.atlasfunds.com.pk

**Atlas
funds**

Nurturing your investments



Atlas Islamic Income Fund

Financial Statements



Trustee

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

Shariah Advisor

Dr. Fazlur Rahman

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisers

Mohsin Tayebaly & Co.

Bankers

Al-Baraka Bank (Pakistan) Limited
Bank Al Habib Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking
Bank Islami Pakistan Limited
Dubai Islamic Bank Limited
Faysal Bank Limited - Islamic Banking

Fund Manager's Report

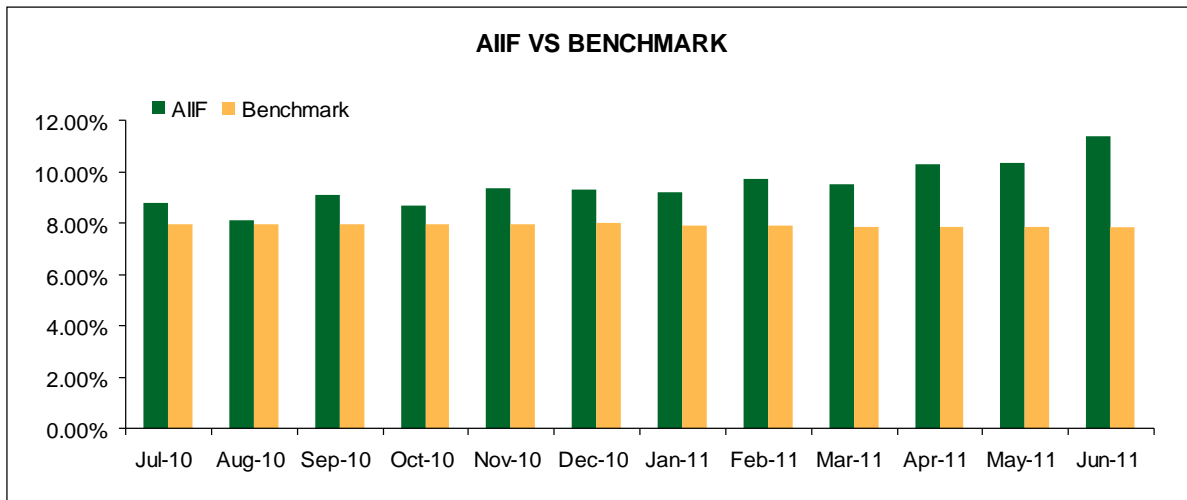
Atlas Islamic Income Fund is an Open-ended Shariah Compliant Income Fund. The Fund's primary objective is to provide investors with a good and stable rate of current income consistent with long-term preservation of capital in a Shariah Compliant manner. A secondary objective is to take advantage of opportunities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

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

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

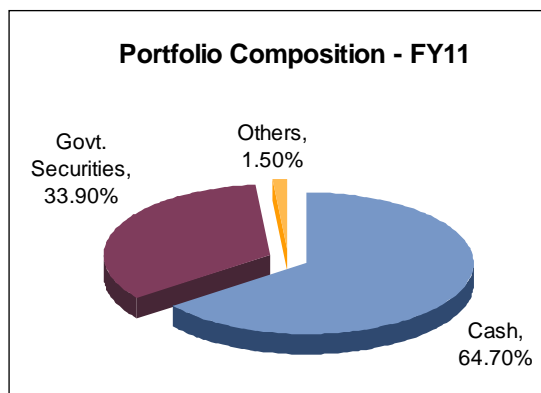
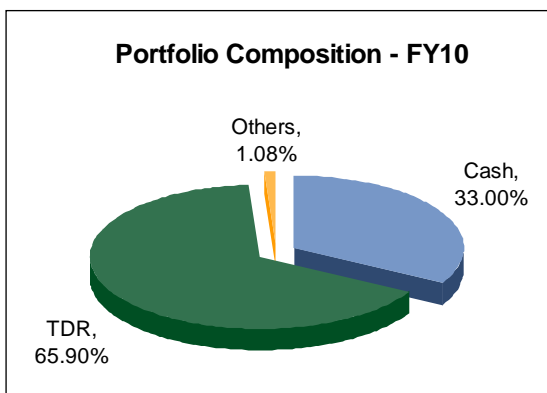
CPI inflation has moderated since January, 2011. The CPI inflation has escalated 13.1% on YoY basis in June 2011. The massive supply disruptions in the aftermath of devastating floods, food inflation became sole driver of overall CPI. For most of last fiscal year, inflation was coming down, but the shocks of floods and oil prices have reversed the declining trend. However, in the second half of the year, the rising inflationary trend has been stemmed and inflation is now hovering around 14% mark. With fiscal consolidation and abatement of some pressures from international prices, the inflation outlook looks better than in the earlier part of the year.

The SBP has raised the policy rate by 150 bps, staggered in three stages of 50 bps each, since July 2010. SBP raised the policy rate by 50 bps to 13% on August 2010. Soon after this the economy experienced an exogenous shock in the form of massive floods. The inflation became a challenge in the aftermath of the floods which compelled the SBP to raise the policy rate further by cumulative 100 bps points to 14% up to November 2010. Since then the need for further adjustment in policy rate was not felt simply because the inflation had started moderating and fiscal discipline was restored, with government borrowing from SBP significantly brought down.



The Atlas Islamic Income Fund's Net Asset Value per unit has increased by 9.90 % to Rs.513.95 as on 30 June 2011, which includes three interim payouts of total Rs.34.25 per unit. The benchmark average six months profit rate of three Islamic Banks stood at 7.91% for the period under review. Your Fund has continued to provide for Workers' Welfare Fund (WWF). As on 30 June 2011, the provision stood at Rs.2.02 per unit. The Collective Investment Schemes (CIS) and Asset Management Companies (AMCs), including your AMC, have obtained stay order from the Honorable High Court of Sindh against the demand raised by Commissioner of Income Tax on the ground that WWF is not applicable to collective investment schemes. The decision of Honorable High Court is pending.

The Fund was mainly invested in Shariah compliant bank deposits with 64.7% exposure in high yielding bank deposits and remaining in Shariah compliant Govt. Securities. AIIF presents a good opportunity for investors to earn attractive returns while maintaining low risk by taking advantage of low duration and better returns. The Net Assets of your Fund stood at Rs.380 million as of 30 June 2011.



The Administrative Plans:

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

Administrative Plans	Proportionate investment in		Return (period ended)		
	AIIF	AISF	2008-09	2009-10	2010-11
Islamic Income Multiplier	85%	15%	6.53%	11.61%	14.98%
Islamic Balanced	50%	50%	-5.50%	17.18%	26.83%
Islamic Growth	15%	85%	-17.53%	22.75%	38.69%

Breakdown of Unit holding by size:

Type of investor	No. of Investors	Amount of Investment (Rs.)	% of Total
Individuals	181	62,381,685	16.42%
Associated Companies/ Directors	5	101,058,969	26.61%
Insurance Companies	3	4,209,573	1.11%
Banks/ DFIs	1	50,826,552	13.38%
Retirement Funds	4	92,283,604	24.30%
Others	2	69,044,554	18.18%
Total	196	379,804,937	100%

The Board of Directors has approved a final distribution of Rs.13.50 per unit (2.70% on the face value of Rs.500 per unit). This is in addition to the three interim payouts of total Rs.34.25 per unit, already paid. Aggregate distribution for the year works out to Rs. 47.75 per unit, i.e. 9.55%.

The NAV before final bonus distribution stood at Rs.513.95 per unit and after adjustment for final bonus stood at Rs.500.45 per unit.

During the year under review, the Investment Committee held forty five meetings to review investment of the Fund.

Karachi: 20 September 2011

Muhammad Abdul Samad
Chief Investment Officer

Performance Table

For the year ended 30 June 2011

	2011	2010	2009*
Net assets (Rs. in " 000 ")	379,805	346,658	255,864
Number of units in issue	738,995	679,312	494,203
Net asset value per unit (Rs.)	513.95	510.31	517.73
Net income (Rs. in " 000 ")	31,269	26,824	15,215
Earning per unit (Rs.)	42.31	39.49	30.79
Annual return of the Fund (%)	9.57	8.94	11.69
Offer price **	519.09	515.41	522.91
Redemption price **	513.95	510.31	517.73
Interim distribution (Bonus)	11.00	12.50	-
Interim distribution as a % of par value of units	2.20	2.50	-
Date of distribution - Interim	12 October 2010	27 October 2009	-
Interim distribution (Bonus)	11.25	12.50	-
Interim distribution as a % of par value of units	2.25	2.50	-
Date of distribution - Interim	11 January 2011	21 January 2010	-
Interim distribution (Bonus)	12.00	11.25	30.00
Interim distribution as a % of par value of units	2.40	2.25	6.00
Date of distribution - Interim	7 April 2011	6 April 2010	24 April 2009
Final Distribution (Bonus)	13.50	10.00	16.00
Final Distribution as a % of par value of units	2.70	2.00	3.20
Date of distribution - Final	7 July 2011	8 July 2010	3 July 2009
Highest offer price per unit (Rs.)	519.09	521.78	543.87
Lowest offer price per unit (Rs.)	506.42	505.97	506.92
Highest repurchase price per unit (Rs.)	513.95	518.14	538.49
Lowest repurchase price per unit (Rs.)	501.41	500.96	506.92
Weighted average portfolio (No. of days)	311.01	10.96	13.44

* Period from 16 August 2008 to 30 June 2009.

** Relates to announced prices

Date of Launch: 14 October 2008

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2011

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

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

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of seven directors, including two independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy in the office of the Board of Directors 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 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. The Management Company has established adequate procedures and systems for related party transactions vis-à-vis the pricing method for related party transactions. All the related party transactions are placed before the Audit Committee and the Board of Directors for their review and approval.
10. No new appointment of the Chief Financial Officer & Company Secretary was made during the year. The Board has approved the appointment of the Chief Internal Auditor made during the year. The terms of remuneration of the Chief Financial Officer & Company Secretary, and the Chief Internal Auditor have been approved by the Board.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
13. The Directors, CEO and Executives do not hold units other than those disclosed in note 18 to the financial statements "Transactions with Related Parties/Connected Persons."
14. The Management Company has complied with the corporate and financial reporting requirements of the Code.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2011

15. The Directors of the Management Company are aware of their duties and responsibilities and had attended an orientation course in 2010.
16. 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.
17. 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.
18. 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.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 20 September 2011

M. Habib-ur-Rahman
Chief Executive Officer

TRUSTEE REPORT TO THE UNIT HOLDERS

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

Atlas Islamic Income Fund (the Fund), an open-end scheme was established under a trust deed dated May 07, 2008, 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, 2011 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: September 23, 2011

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of the Management Company of Atlas Islamic Income Fund (the Fund) to comply with the Listing Regulations of the Lahore Stock Exchange where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2011.

Karachi: 20 September 2011

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

REVIEW REPORT OF THE SHARIAH ADVISOR

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

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

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

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

In light of the above scope, I hereby certify that all the provisions of the scheme and investments made by Atlas Islamic Income Fund for the year ended 30 June 2011 are in compliance with the Shariah principles.

Karachi: 30 June 2011

Dr. Fazlur Rahman
Shariah Advisor

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Atlas Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2011, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of 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 2011 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: 20 September 2011

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Arslan Khalid
Audit Engagement Partner

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2011

	Note	2011 ----- Rupees -----	2010 -----
Assets			
Bank balances and term deposits	7	247,572,064	342,912,275
Investment	8	129,610,750	-
Mark-up accrued	9	5,156,336	5,640,305
Deferred formation cost	10	415,240	622,860
Security deposit with Central Depository Company of Pakistan Limited		100,000	100,000
Total assets		382,854,390	349,275,440
Liabilities			
Payable to the management company	11	942,242	1,219,310
Payable to the trustee	12	54,333	57,540
Payable to the SECP	13	247,011	226,644
Accrued and other liabilities	14	1,805,868	1,113,823
Total liabilities		3,049,454	2,617,317
Net assets		379,804,937	346,658,123
Unit holders' fund		379,804,937	346,658,123
Number of units in issue		738,995	679,312
Net asset value per unit		513.95	510.31

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

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 ----- Rupees -----	2010 -----
Income			
Mark-up income	15	37,141,876	33,079,159
Unrealised gain on revaluation of investment designated at fair value through income statement		309,750	-
Element of income and capital gains included in prices of units issued less those in units redeemed - net		215,192	285,919
		37,666,818	33,365,078
Expenses			
Remuneration of the management company	11	3,952,769	3,932,966
Remuneration of the trustee	12	663,000	700,070
SECP annual fee	13	247,011	226,644
Annual listing fee		30,000	20,000
Annual rating fee		200,000	200,000
Auditors' remuneration	16	180,000	206,506
Printing charges		172,500	120,741
Securities transaction cost	17	32,742	60,223
Amortisation of deferred formation cost		207,620	207,620
Legal and professional charges		70,000	-
Bank charges		3,983	8,113
Provision for Workers' Welfare Fund	14.1	638,144	857,953
		6,397,769	6,540,836
Net income for the year		31,269,049	26,824,242

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

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	----- Rupees -----	
Net income for the year	31,269,049	26,824,242
Other comprehensive income	-	-
Total comprehensive income for the year	<u>31,269,049</u>	<u>26,824,242</u>

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

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	----- Rupees -----	
Undistributed income brought forward	7,001,764	8,762,680
Final distribution at the rate of Rs.10.00 per unit declared on 8 July 2010 - bonus units (2010: Rs.16 per unit declared on 3 July 2009)	(6,793,124)	(7,907,248)
Net income for the year	31,269,049	26,824,242
Interim distribution at the rate of Rs.11.00 per unit declared on 12 October 2010 - bonus units (2010: Rs.12.50 per unit declared on 27 October 2009)	(7,672,992)	(7,233,017)
Interim distribution at the rate of Rs.11.25 per unit declared on 11 January 2011 - bonus units (2010: Rs.12.50 per unit declared on 21 January 2010)	(6,855,991)	(6,595,232)
Interim distribution at the rate of Rs.12.00 per unit declared on 7 April 2011 - bonus units (2010: Rs.11.25 per unit declared on 6 April 2010)	(6,647,572)	(6,849,661)
Undistributed income carried forward [includes unrealised gain on investments of Rs. 309,750] (2010: Nil)	10,301,134	7,001,764

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

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

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 ----- Rupees -----	2010 ----- Rupees -----
Cash flows from operating activities			
Net income for the year		31,269,049	26,824,242
Adjustment for:			
Markup income		(37,141,876)	(33,079,159)
Amortisation of deferred formation cost		207,620	207,620
Unrealised gain on revaluation of investment designated at fair value through income statement		(309,750)	-
Element of income and capital gains included in prices of units issued less those in units redeemed - net		(215,192)	(285,919)
		(37,459,198)	(33,157,458)
(Decrease)/increase in liabilities			
Payable to the management company		(277,068)	(26,405)
Payable to the trustee		(3,207)	-
Payable to the SECP		20,367	127,317
Accrued and other liabilities		692,045	784,055
		432,137	884,967
Markup received		37,625,845	30,341,034
Investments made during the year		(129,301,000)	-
Net cash (used in)/inflow from operating activities		(97,433,168)	24,892,785
Cash flows from financing activities			
Proceeds from issue of units		250,856,549	385,680,114
Payment on redemption of units		(248,763,593)	(321,424,510)
Net cash inflow from financing activities		2,092,956	64,255,604
Net (decrease)/increase in cash and cash equivalents		(95,340,211)	89,148,389
Cash and cash equivalents at the beginning of the year		342,912,275	253,763,886
Cash and cash equivalents at the end of the year	7	247,572,064	342,912,275

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

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED 30 JUNE 2011

	2011		2010	
	Units	Rupees	Units	Rupees
Net assets at the beginning of the year [Rs.510.31 (2010: Rs.517.73) per unit]	679,312	346,658,123	494,203	255,864,196
Issue of units	494,931	250,856,549	759,256	385,680,114
Redemption of units	(491,027)	(248,763,593)	(631,039)	(321,424,510)
	3,904	2,092,956	128,217	64,255,604
Element of income and capital gain included in prices of units issued less those in units redeemed - net	-	(215,192)	-	(285,919)
Final distribution at the rate of Rs.10.00 per unit declared on 8 July 2010 - bonus units (2010: Rs.16 per unit declared on 3 July 2009)	13,578	-	15,760	-
Net income for the year	-	31,269,049	-	26,824,242
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	31,269,049	-	26,824,242
Interim distribution at the rate of Rs.11.00 per unit declared on 12 October 2010 - bonus units (2010: Rs.12.50 per unit declared on 27 October 2009)	15,294	-	14,343	-
Interim distribution at the rate of Rs.11.25 per unit declared on 11 January 2011 - bonus units (2010: Rs.12.50 per unit declared on 21 January 2010)	13,652	-	13,116	-
Interim distribution at the rate of Rs.12.00 per unit declared on 7 April 2011 - bonus units (2010: Rs.11.25 per unit declared on 6 April 2010)	13,255	-	13,673	-
Net assets at the end of the year [Rs.513.95 (2010: Rs.510.31) per unit]	738,995	379,804,937	679,312	346,658,123

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

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention except for investments which are valued as stated in note 4.2 below.
- 3.2 These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New and amended standards and interpretations

The Fund has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 - Share Based Payment – Group Cash-settled Share based Payment Arrangements (Amendment)

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Improvements to various standards issued by IASB

Issued in 2009

IFRS 5 - Non - Current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash flows Presentation of Financial Statements

IAS 17 - Leases

IAS 36 - Impairment of Assets

IAS 39 - Financial Instruments: Recognition and Measurement

Issued in 2010

IFRS 3 - Business Combinations

IAS 27 - Consolidated and Separate Financial Statements

The adoption of above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

4.2 Investments

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

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

All regular way purchases / sales of investments are recognised on the trade date, i.e. the date on which the Fund commits to purchase / sell the investment. Regular way purchases / sales of investments require delivery of securities with 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 the preceding categories are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealised gain or loss recognised directly in the statement of comprehensive income until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income is taken to the income statement.

4.3 Term deposits

These are carried at cost.

4.4 Deferred formation cost

Formation cost refers to all the preliminary and floatation expenses of the Fund incurred upto the initial issue of units, to the extent allowable under the NBFC Regulations. These costs are being amortised over a period of five years commencing from August 2008, in accordance with the requirements of the NBFC Regulations. These expenses were paid off by the management company and are reimbursable to it by the Fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4.5 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.

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

4.6 Revenue recognition

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

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

4.7 Expenses

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

4.8 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.

4.9 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" (the element) is created.

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

During the year, the Fund has revised its methodology for computation of the element. As per the revised methodology, the element is computed to the extent it is represented by increase / decrease in net income / (loss) and capital gain / (losses) earned / incurred during the year. Previously, the element was computed on the basis of accumulated income / (loss) of the Fund. In the management company's opinion, the revised methodology relating to the element would result in the financial statements providing more relevant information about the effects of transactions.

Had the methodology not been revised, the net income for the year would have been lower by Rs. 6,149. However, there would have been no change in the net asset value of the Fund.

4.10 Taxation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4.11 Financial instruments

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

4.12 Offsetting of financial assets and liabilities

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

4.13 Impairment to financial assets

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the income statement.

4.14 Distribution to unit holders

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

4.15 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 end of the year / period.

4.16 Cash and cash equivalents

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

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

	Notes
Investments	4.2 & 8
Element of income / (loss) and capital gain / (loss) in prices of units issued less those in units redeemed - net	4.9
Provisions	4.8

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard, interpretation or amendment		Effective date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	01 July 2012
IFRS 7	Financial Instruments: Disclosures (Amendments)	01 February 2010
IAS 12	Income Tax (Amendment)	01 January 2012
IAS 19	Employee Benefits (Amendment)	01 January 2013
IAS 24	Related Party Disclosures (Revised)	01 January 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	01 January 2011

The Fund expects that the adoption of the above revisions, interpretations and amendments of the standards will not effect the Fund's financial statements in the period of initial application.

In addition to the above, amendments / improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 ----- Rupees -----	2010 ----- Rupees -----
7. BANK BALANCES			
PLS saving accounts	7.1	247,572,064	114,412,275
Term deposits		-	228,500,000
		247,572,064	342,912,275

7.1 The expected rate of return on these accounts ranges between 5% to 11.80% (2010: 5% to 10.75%) per annum.

8. INVESTMENTS - at fair value through income statement

Government Securities

Government of Pakistan Ijarah Sukuks	8.1	129,610,750	-
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8.1 Government of Pakistan - Ijarah Sukuks

Script	Face Value - Rupees			At the end of the year	Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Disposed during the year		Market value	Total investments	Net assets
Government of Pakistan Ijarah Sukuks	-	129,000,000	-	129,000,000	129,610,750	100.00	34.13
	-	129,000,000	-	129,000,000	129,610,750	100.00	34.13

8.2 The cost of investments amounts to Rs.129,301,000 (2010: Nil).

8.3 The expected rate of markup ranges between 13.45% and 13.71% (2010: Nil) per annum and will mature by 16 May 2014 (2010: Nil).

	Note	2011 ----- Rupees -----	2010 ----- Rupees -----
9. MARK-UP ACCRUED			
Bank balances and term deposits		2,442,123	5,640,305
GOP - Ijarah Sukuks		2,714,213	-
		5,156,336	5,640,305

10. DEFERRED FORMATION COST

Deferred formation cost		1,038,100	1,038,100
Less: Accumulated amortisation		(622,860)	(415,240)
		415,240	622,860

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 ----- Rupees -----	2010 ----- Rupees -----
11. PAYABLE TO THE MANAGEMENT COMPANY - Related party			
Management fee	11.1	319,382	388,830
Payable in respect of formation cost		622,860	830,480
		942,242	1,219,310

11.1 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. For the current year the management company has charged its remuneration at the rate of 1.20% (2010:1.5%) per annum of the average net assets for the year.

12. PAYABLE TO THE TRUSTEE - Related party

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

- From 01 July 2010 to 31 December 2010

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.

- From 01 January 2011 to 30 June 2011

On net assets:

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

13. PAYABLE TO THE SECP

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

	Note	2011 ----- Rupees -----	2010 ----- Rupees -----
14. ACCRUED AND OTHER LIABILITIES			
Auditors' remuneration payable		153,171	151,606
Printing charges payable		122,500	100,000
Brokerage payable		-	1,582
Zakat payable		5,491	1,616
Withholding tax payable		3,860	-
Provision for Workers' Welfare Fund	14.1	1,496,097	857,953
Other payable		24,749	1,066
		1,805,868	1,113,823

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

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

Subsequent to the year ended 30 June 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said Constitutional Petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs.1,496,097 in these financial statements.

	2011	2010
	----- Rupees -----	
15. MARK-UP INCOME		
PLS saving accounts and term deposits	31,047,486	33,079,159
Government of Pakistan Ijarah Sukuks	6,094,390	-
	37,141,876	33,079,159
16. AUDITORS' REMUNERATION		
Audit fee	75,000	75,000
Half yearly review of financial statements	25,000	25,000
Review of compliance with Code of Corporate Governance	20,000	20,000
Certification charges	30,000	30,000
Out of pocket expenses	30,000	56,506
	180,000	206,506
17. SECURITIES TRANSACTION COST		
Represent brokerage and settlement charges.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	----- Rupees -----	
18. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS		
Atlas Asset Management Limited (Management Company)		
Remuneration of the management company	3,952,769	3,932,966
Remuneration paid	4,022,217	3,751,751
Formation cost paid	207,620	207,620
Sale of 15,757 (2010: Nil) units	8,000,000	-
Bonus of 377 (2010: Nil) units	189,088	-
Outstanding 16,134 (2010: Nil) units	8,292,273	-
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	663,000	700,070
Settlement charges	6,000	6,000
Atlas Fund of Funds (Fund under common management)		
Bonus of 6,152 (2010: 8,470) units	3,084,901	4,255,497
Redemption of 86,152 (2010: 13,189) units	43,596,472	6,706,809
Outstanding Nil (2010: 80,000) units	-	40,824,800
Atlas Foundation (Group Company)		
Sale of Nil (2010: 14,225) units	-	7,300,000
Bonus of 4,602 (2010: 4,469) units	2,307,926	2,245,731
Outstanding 55,066 (2010: 50,463) units	28,301,017	25,751,940
Atlas Honda Limited		
Sale of Nil (2010: 96,974) units	-	49,156,323
Bonus of 8,845 (2010: 10,085) units	4,435,096	5,066,912
Redemption of Nil (2010: 107,059) units	-	54,225,836
Outstanding 105,819 (2010: 96,974) units	54,385,517	49,487,005
Atlas Insurance Limited		
Bonus of 4,140 (2010: 10,165) units	2,074,237	5,107,426
Redemption of 101,890 (2010: 10,165) units	51,280,977	5,110,048
Outstanding Nil (2010: 97,750) units	-	49,882,692
Key Management Personnel of Management Company		
Sale of 4,691 (2010: 6,876) units	2,381,413	3,490,604
Bonus of 349 (2010: 1,408) units	174,862	707,940
Redemption of 3,769 (2010: 20,421) units	1,966,875	10,310,192
Outstanding 4,263 (2010: 2,993) units	2,191,193	1,527,109

18.1 The transactions with related parties / connected persons are in the normal course of business at contracted rates and terms determined in accordance with market rates.

18.2 The outstanding balances 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 2011

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

19.2 Market risk

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

(i) Profit rate risk

Profit rate risk is the risk that the fund's income will fluctuate due to changes in the market profit rates. As of 30 June 2011, the Fund is exposed to such risk in respect of bank balances, term deposits and GOP Ijarah Sukuks. Management of the Fund estimates that 1% increase in the market profit rate, with all other factors remaining constant, would increase the Fund's income by Rs.3,771,828 (2010: Rs.3,429,123) and a 1% decrease would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

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

(iii) Equity price risk

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities as of 30 June 2011.

19.3 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, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	----- Rupees -----				
Assets					
Bank balances and term deposits	247,572,064	-	-	-	247,572,064
Investment	-	-	-	129,610,750	129,610,750
Markup accrued	2,442,123	1,481,330	1,232,883	-	5,156,336
Security deposit	-	-	-	100,000	100,000
	250,014,187	1,481,330	1,232,883	129,710,750	382,439,150
Liabilities					
Payable to the management company	319,382	207,620	-	415,240	942,242
Payable to the trustee	54,333	-	-	-	54,333
Payable to SECP	-	247,011	-	-	247,011
Accrued and other liabilities	34,100	153,171	1,618,597	-	1,805,868
	407,815	607,802	1,618,597	415,240	3,049,454
Net assets / (liabilities)	249,606,372	873,528	(385,714)	129,295,510	379,389,696
	----- Rupees -----				
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
2010					
Assets					
Bank balances and term deposits	342,912,275	-	-	-	342,912,275
Markup accrued	5,640,305	-	-	-	5,640,305
Security deposit	-	-	100,000	-	100,000
	348,552,580	-	100,000	-	348,652,580
Liabilities					
Payable to the management company	-	596,450	622,860	-	1,219,310
Payable to the trustee	57,540	-	-	-	57,540
Payable to SECP	-	226,644	-	-	226,644
Accrued and other liabilities	3,198	151,606	959,019	-	1,113,823
	60,738	974,700	1,581,879	-	2,617,317
Net assets / (liabilities)	348,491,842	(974,700)	(1,481,879)	-	346,035,263

19.4 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 profit risk management policies and investment guidelines approved by the Investment Committee. As of 30 June 2011, 33.89% of Fund's Net Assets are invested in Government Securities and the Fund's maximum exposure to credit risk as of 30 June 2011 amounts to Rs.252,828,400 (2010: Rs.348,652,580).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19.4.1 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2011	2010
AAA	34.60	-
AA+	-	37.91
AA	31.72	28.76
A	-	33.30
A-	33.65	-
Others	0.03	0.03
	100	100

19.5 Fair value of financial instruments

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

Fair value of government securities is determined by reference to the quotation obtained from the brokers.

The fair value of other financial assets and liabilities of the Fund approximates their carrying amount due to short term maturities of these instruments.

19.6 Fair value hierarchy

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

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

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

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

As at 30 June 2011, the Fund has investments at fair value through income statements measured using level 2 valuation technique.

19.7 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20. SUBSEQUENT EVENT - DISTRIBUTION TO UNITHOLDERS PER UNIT

The Board of Directors of the management company, in their meeting held on 07 July 2011 (2010: 08 July 2010), approved a distribution of Rs.13.50 per unit (2010: Rs.10) on the face value of Rs.500 each i.e. 2.70% (2010: 2%) amounting to Rs.9,976,432 (2010: Rs.6,793,124).

21. UNIT HOLDING PATTERN OF THE FUND

Category	2011			2010		
	Number of unit holders	Amount Rupees	% of total	Number of unit holders	Amount Rupees	% of total
Individuals	181	62,381,685	16.42%	138	36,023,869	10.39%
Associated Companies/ Directors	5	101,058,969	26.61%	5	167,143,199	48.22%
Insurance Companies	3	4,209,573	1.11%	4	11,718,295	3.38%
Banks/ DFIs	1	50,826,552	13.38%	-	-	-
Retirement Funds	4	92,283,604	24.30%	4	39,984,442	11.53%
Others	2	69,044,554	18.18%	3	91,788,318	26.48%
	196	379,804,937	100.00%	154	346,658,123	100.00%

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

2011		2010	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
KASB Securities Limited	24.71	Vector Capital (Private) Limited	80.38
JS Global Capital Limited	36.37	IGI Finex Securities Limited	19.62
Elixir Securities Pakistan Limited	38.92		
	100.00		100.00

23. RATING OF THE FUND AND THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the asset manager rating of the Management Company to AM2- (AM Two Minus) for the FY 2009-10, from the previous AM3 + (AM Three Plus).

PACRA has assigned a stability rating of "AA- (f)" (Double A Minus - fund rating) to the Fund, for FY 2010-11. The Fund's rating denotes a very strong capacity to manage relative stability in returns and low exposure to risks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24. 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	43 Years
Mr. Ali H. Shirazi	Director	Masters in Law	7.5 Years
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance)-UK	11 Years
Mr. Khalid Mehmood	Fund Manager - Equity Markets	MBA - Finance	7 Years

25. NAME AND QUALIFICATION OF FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance) -UK	Atlas Income Fund Atlas Money Market Fund

26. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

Name of Directors	Meeting held on							
	08 July 2010	28 Aug 2010	12 Oct 2010	27 Oct 2010	11 Jan 2011	22 Feb 2011	07 Apr 2011	26 Apr 2011
Mr. Yusuf H. Shirazi	P	P	P	P	P	P	P	P
Mr. M. Habib-ur-Rahman	P	P	P	P	P	P	P	P
Mr. Tariq Amin	P	P	P	P	P	P	P	P
Mr. Frahim Ali Khan	P	P	L	P	L	P	P	P
Mr. Ali H. Shirazi	P	P	P	P	P	P	P	P
Mr. M. Ashraf Janjua	P	P	P	P	P	P	P	P
Mr. Arshad P. Rana	L	P	P	P	L	L	P	P

P Present

L Leave of absence

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

27. GENERAL

27.1 Figures have been rounded off to the nearest Rupee.

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

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the management company on 20 September 2011.

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

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

Atlas Islamic Stock Fund

Financial Statements



Trustee

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

Shariah Advisor

Dr. Fazlur Rahman

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisers

Mohsin Tayebaly & Co.

Bankers

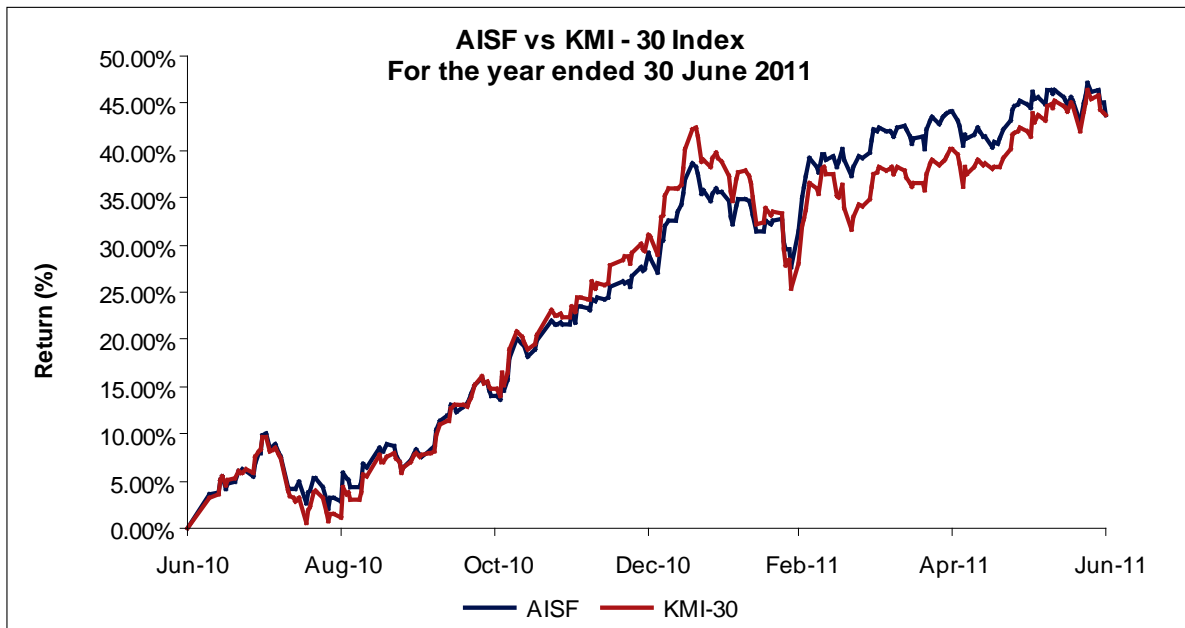
Al-Baraka Bank (Pakistan) Limited
Bank Alfalah Limited - Islamic Banking
Bank Islami Pakistan Limited
Dubai Islamic Bank Limited
Meezan Bank Limited

Fund Manager's Report

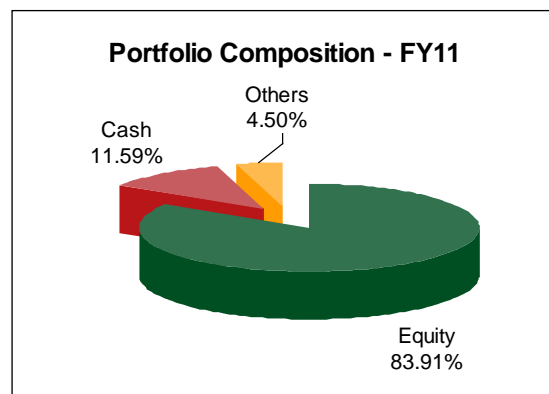
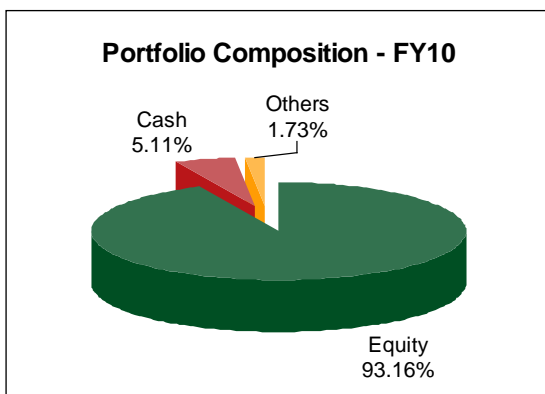
Atlas Islamic Stock Fund (AISF) is an open-ended equity fund. The objective of the Fund is to maximizing Unit Holders returns on their investments while at all times observing prudent Investment practices, the highest professional standards, all applicable laws, and the Shariah Code. The Fund's strategy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

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

The KMI- 30 index has increased from 14,573.54 points as on 30 June 2010 to 20,936.20 points as on 30 June 2011. The growth of 43.66% has been due to better corporate results and foreign buying activity in the local equity market. Top performing sectors were Oil & Gas, Fertilizer and Power. The foreign portfolio investment remained largely concentrated among index heavy weights in Oil & Gas sector. The foreign portfolio investors were net buyers of around US\$ 280 million. Foreign Portfolio Investors hold shares worth about US\$ 3 billion which is about 8% of the Market Capitalization and 33% of the free float.



The Net Asset Value per unit of your Fund has increased by 43.77% from Rs.284.55 as on 30 June 2010 to Rs.409.09 as of 30 June 2011. The benchmark KMI- 30 index has increased by 43.66% during the same period. AISF has also outperformed the funds in the peer group during the financial year 2010-11. The AISF equity portfolio exposure was mainly in Oil & Gas, Chemicals, Electricity and Construction & Materials.



The Net Assets of your Fund stood at Rs.318 million, with 0.78 million units outstanding as of 30 June 2011. AISF's Net Capital Gain for the period under review stood at Rs.75 million. The Dividend Income and Income from Shariah Compliant Bank Deposits for the period under review stood at Rs.18.6 million and Rs.5.2 million respectively. Your Fund has continued to provide for Workers' Welfare Fund (WWF). As on 30 June 2011, the provision stood at Rs.5.54 per unit. The Collective Investment Schemes (CIS) and Asset Management Companies (AMCs), including your AMC, have obtained stay order from the Honorable High Court of Sindh against the demand raised by Commissioner of Income Tax on the ground that WWF is not applicable to collective investment schemes. The decision of Honorable High Court is pending.

The Administrative Plans:

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

Administrative Plans	Proportionate investment in		Return (period ended)		
	AIIF	AISF	2008-09	2009-10	2010-11
Islamic Income Multiplier	85%	15%	6.53%	11.61%	14.98%
Islamic Balanced	50%	50%	-5.50%	17.18%	26.83%
Islamic Growth	15%	85%	-17.53%	22.75%	38.69%

Breakdown of Unit holding by size:

Type of investor	No. of Investors	Amount of Investment (Rs.)	% of Total
Individuals	254	35,830,530	11.24%
Associated Companies/ Directors	5	92,310,621	28.96%
Insurance Companies	1	7,672,158	2.41%
Retirement Funds	9	181,495,483	56.93%
Others	2	1,467,884	0.46%
Total	271	318,776,676	100.00%

The Board of Directors has approved a final distribution of Rs.105 per unit (21% on the face value of Rs.500 per unit).

The NAV before distribution stood at Rs.409.09 per unit and after adjustment for final dividend stood at Rs.304.09 per unit.

During the year under review, the Investment Committee held forty five meetings.

Karachi: 20 September 2011

Khalid Mehmood
Fund Manager

Performance Table

For the year ended 30 June 2011

	2011	2010	2009
Net Assets (Rs. In " 000 ")	318,777	252,773	417,775
Number of units in issue	779,243	521,664	1,078,902
Net asset value per unit (Rs.)	409.09	484.55	387.22
Net income / (loss) (Rs. In " 000 ")	97,396	114,084	(122,217)
Earnings per unit (Rs.)	124.99	218.69	(113.28)
Annual return of the fund (%)	43.77	25.14	(22.68)
Offer Price *	413.18	489.40	391.09
Redemption Price *	402.95	477.28	381.41
Distribution (Bonus)	105.00	200.00	Nil
Distribution as a % of par value of units	21.00	40.00	Nil
Date of distribution	7-Jul-11	8-Jul-10	Nil
Highest offer price per unit	423.05	562.83	488.69
Lowest offer price per unit	293.27	409.30	238.43
Highest redemption price per unit (after applicable back-end load)	412.58	548.90	476.59
Lowest redemption price per unit (after applicable back-end load)	286.01	399.17	232.53

Date of Launch: 15 January 2007

* Relates to announced prices.

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2011

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

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

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of seven directors, including two independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy in the office of the Board of Directors 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 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. The Management Company has established adequate procedures and systems for related party transactions vis-à-vis the pricing method for related party transactions. All the related party transactions are placed before the Audit Committee and the Board of Directors for their review and approval.
10. No new appointment of the Chief Financial Officer & Company Secretary was made during the year. The Board has approved the appointment of the Chief Internal Auditor made during the year. The terms of remuneration of the Chief Financial Officer & Company Secretary, and the Chief Internal Auditor have been approved by the Board.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
13. The Directors, CEO and Executives do not hold units other than those disclosed in note 16 to the financial statements "Transactions with Related Parties/Connected Persons."
14. The Management Company has complied with the corporate and financial reporting requirements of the Code.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2011

15. The Directors of the Management Company are aware of their duties and responsibilities and had attended an orientation course in 2010.
16. 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.
17. 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.
18. 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.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 20 September 2011

M. Habib-ur-Rahman
Chief Executive Officer

TRUSTEE REPORT TO THE UNIT HOLDERS

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

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

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 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: September 23, 2011

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of the Management Company of Atlas Islamic Stock Fund (the Fund) to comply with the Listing Regulations of the Lahore Stock Exchange where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2011.

Karachi: 20 September 2011

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

REVIEW REPORT OF THE SHARIAH ADVISOR

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

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

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

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

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

In light of the above scope, I hereby certify that all the provisions of the scheme and investments made by the Fund for the year ended 30 June 2011 are in compliance with the Shariah principles.

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

Karachi: 30 June 2011

Dr. Fazlur Rahman
Shariah Advisor

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Atlas Islamic Stock Fund (Formerly Atlas Islamic Fund) (the Fund), which comprise the statement of assets and liabilities as at 30 June 2011, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of 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 2011 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: 20 September 2011

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Arslan Khalid
Audit Engagement Partner

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
Assets			
Bank balances	7	38,990,980	13,142,095
Receivable against sale of securities		10,291,261	-
Investments	8	282,234,914	239,572,139
Dividend receivable		1,950,000	1,750,000
Income accrued on bank balances		300,602	109,036
Security deposits	9	2,600,000	2,600,000
Total assets		336,367,757	257,173,270
Liabilities			
Payable against purchase of securities		11,529,973	296,678
Payable to the management company	10	804,606	631,246
Payable to the trustee	11	62,540	62,540
Payable to the SECP	12	255,407	364,194
Accrued and other liabilities	13	4,938,555	3,045,445
Total liabilities		17,591,081	4,400,103
Net assets		318,776,676	252,773,167
Unit holders' fund		318,776,676	252,773,167
Number of units in issue		779,243	521,664
Net asset value per unit		409.09	484.55

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 2011

	Note	2011 ----- Rupees -----	2010 -----
Income			
Dividend income		18,584,863	24,195,312
Income on bank balances		5,194,539	4,194,856
Net gain on investments at fair value through income statement (held-for-trading)			
Net gain on sale of investments		75,085,970	119,314,635
Net unrealised gain / (loss) on revaluation of investments		8,065,032	(13,172,565)
		83,151,002	106,142,070
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		3,687,463	(3,417,781)
		110,617,867	131,114,457
Expenses			
Remuneration of the management company	10.1	8,065,171	11,500,861
Remuneration of the trustee	11.1	700,070	808,369
SECP annual fee	12	255,407	364,194
Annual listing fee		30,000	30,000
Annual rating fee		100,000	100,000
Securities transaction cost	14	1,656,187	1,468,830
Auditors' remuneration	15	228,293	230,205
Printing charges		144,000	143,333
Legal and professional charges		35,000	35,000
Bank charges		20,246	21,523
Provision for Workers' Welfare Fund	13.2	1,987,670	2,328,242
		13,222,044	17,030,557
Net income for the year		97,395,823	114,083,900

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 COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	----- Rupees -----	
Net income for the year	97,395,823	114,083,900
Other comprehensive income	-	-
Total comprehensive income for the year	97,395,823	114,083,900

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 2011

	Note	2011 ----- Rupees -----	2010 -----
Accumulated loss brought forward [includes unrealised loss on investments of Rs. 21,031,244] (2010: unrealised loss of Rs. 91,781,405)		(8,185,471)	(121,802,093)
Final distribution for the year ended 30 June 2010 at the rate of Rs.200 per unit declared on 08 July 2010 (2010 : Nil)		(104,332,820)	-
Net income for the year		97,395,823	114,083,900
Shariah non-compliant income set-aside for charity	13.1	(353,566)	(467,278)
Accumulated loss carried forward [includes unrealised gain on investments of Rs. 7,526,893] (2010: unrealised loss of Rs. 21,031,244)		(15,476,034)	(8,185,471)

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 2011

	Note	2011 ----- Rupees -----	2010 ----- Rupees -----
Cash flows from operating activities			
Net income for the year		97,395,823	114,083,900
Adjustments for:			
Dividend income		(18,584,863)	(24,195,312)
Markup income		(5,194,539)	(4,194,856)
Net gain on sale of investments		(75,085,970)	(119,314,635)
Net unrealised (gain) / loss on revaluation of investments		(8,065,032)	13,172,565
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		(3,687,463)	3,417,781
		(110,617,867)	(131,114,457)
Decrease / (increase) in assets			
Receivable against sale of securities		(10,291,261)	3,456,000
Increase / (decrease) in liabilities			
Payable against purchase of securities		11,233,295	(3,222,379)
Payable to the management company		173,360	(388,065)
Payable to the trustee		-	(7,913)
Payable to the SECP		(108,787)	(25,251)
Accrued and other liabilities		1,539,544	1,754,176
		12,837,412	(1,889,432)
Dividend received		18,384,863	25,920,027
Markup income received		5,002,973	4,472,843
Investments made during the year		(844,648,996)	(735,405,783)
Investments sold during the year		885,137,223	973,707,860
Net cash inflow from operating activities		53,200,170	253,230,958
Cash flows from financing activities			
Proceeds from issue of units		156,889,931	76,581,593
Payment on redemption of units		(184,241,216)	(358,618,285)
Net cash used in financing activities		(27,351,285)	(282,036,692)
Net increase / (decrease) in cash and cash equivalents		25,848,885	(28,805,734)
Cash and cash equivalents at the beginning of the year		13,142,095	41,947,829
Cash and cash equivalents at the end of the year	7	38,990,980	13,142,095

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 2011

	2011		2010	
	Units	Rupees	Units	Rupees
Net assets as at the beginning of the year [Rs. 484.55 (2010: 387.22) per unit]	521,664	252,773,167	1,078,902	417,775,456
Issue of units	425,097	156,889,931	153,672	76,581,593
Redemption of units	(534,177)	(184,241,216)	(710,910)	(358,618,285)
	(109,080)	(27,351,285)	(557,238)	(282,036,692)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	-	(3,687,463)	-	3,417,781
Issue of bonus units	366,659	-	-	-
Net income for the year	-	97,395,823	-	114,083,900
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	97,395,823	-	114,083,900
Shariah non-compliant income set-aside for charity	-	(353,566)	-	(467,278)
Net assets as at the end of the year [Rs.409.09 (2010: Rs.484.55) per unit]	779,243	318,776,676	521,664	252,773,167

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 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention except for investments which are valued as stated in note 4.2 below.
- 3.2 These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New and amended standards and interpretations

The Fund has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 - Share Based Payment – Group Cash-settled Share based Payment Arrangements (Amendment)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash flows Presentation of Financial Statements

IAS 17 - Leases

IAS 36 - Impairment of Assets

IAS 39 - Financial Instruments: Recognition and Measurement

Issued in 2010

IFRS 3 - Business Combinations

IAS 27 - Consolidated and Separate Financial Statements

The adoption of above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

4.2 Investments

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

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

All regular way purchases / sales of investments are recognised on the trade date, i.e. the date on which the Fund commits to purchase / sell the investment. 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 the preceding categories are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealised gain or loss recognised directly in the statement of comprehensive income until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income is taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4.3 Issue and redemption of units

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

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

4.4 Revenue recognition

Income on PLS accounts is recognised on an accrual basis.

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

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

4.5 Expenses

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

4.6 Provisions

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

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

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

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

During the year, the Fund has revised its methodology for computation of the element. As per the revised methodology, the element is computed to the extent it is represented by increase / decrease in net income / (loss) and capital gain / (losses) earned / incurred during the year. Previously, the element was computed on the basis of accumulated income / (loss) of the Fund. In the management company's opinion, the revised methodology relating to the element would result in the financial statements providing more relevant information about the effects of transactions.

Had the methodology not been revised, the net income for the year would have been lower by Rs.55,495,371. However, there would have been no change in the net asset value of the Fund.

4.8 Taxation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4.9 Financial instruments

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

4.10 Offsetting of financial assets and liabilities

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

4.11 Distribution to unit holders

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

4.12 Net asset value per unit

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

4.13 Cash and cash equivalents

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

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

	Notes
Investments	4.2 & 8
Element of income / (loss) and capital gain / (loss) in prices of units issued less those in units redeemed - net	4.7
Provisions	4.6

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard, interpretation or amendment		Effective date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	01 July 2012
IFRS 7	Financial Instruments: Disclosures (Amendments)	01 February 2010
IAS 12	Income Tax (Amendment)	01 January 2012
IAS 19	Employee Benefits (Amendment)	01 January 2013
IAS 24	Related Party Disclosures (Revised)	01 January 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	01 January 2011

The Fund expects that the adoption of the above revisions, interpretations and amendments of the standards will not effect the Fund's financial statements in the period of initial application.

In addition to the above, amendments / improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

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

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

	Note	2011 Rupees	2010 Rupees
7. BANK BALANCES			
In PLS saving accounts	7.1	38,990,980	13,142,095
7.1 These carry rates of return ranging between 5% and 11.80% (2010: 5% and 10.75%) per annum.			
8. INVESTMENTS - at fair value through income statement			
Listed equity securities - held-for-trading	8.1	282,234,914	239,572,139

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Number of shares				Rupees	Percentage of		
	At the beginning of the year	Acquired during the year	Bonus 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)								
OIL & GAS								
Attock Petroleum Limited	75,000	113,000	12,000	135,000	65,000	24,327,550	8.62	7.63
Attock Refinery Limited	-	125,000	-	100,000	25,000	3,068,250	1.09	0.96
National Refinery Limited	165,000	230,948	-	395,948	-	-	-	-
Pakistan Oilfields Limited	170,000	362,607	-	432,607	100,000	35,901,000	12.72	11.26
Pakistan Petroleum Limited	140,000	225,000	14,000	234,000	145,000	30,025,150	10.64	9.42
Pakistan State Oil Company Limited	135,000	224,892	-	309,892	50,000	13,229,000	4.68	4.15
	685,000	1,281,447	26,000	1,607,447	385,000	106,550,950	37.75	33.42
CHEMICALS								
Fauji Fertilizer Bin Qasim Limited	400,000	1,854,660	-	1,454,660	800,000	33,720,000	11.95	10.58
Fauji Fertilizer Company Limited	250,000	661,767	25,000	686,767	250,000	37,587,500	13.32	11.79
ICI Pakistan Limited	116,737	459,310	-	398,047	178,000	27,029,300	9.58	8.48
Lotte Pakistan PTA Limited	-	1,200,000	-	900,000	300,000	4,149,000	1.47	1.30
	766,737	4,175,737	25,000	3,439,474	1,528,000	102,485,800	36.32	32.15
CONSTRUCTION & MATERIALS								
Attock Cement Pakistan Limited	-	175,000	-	175,000	-	-	-	-
D G Khan Cement Company Limited	425,000	1,413,784	-	1,538,784	300,000	6,897,000	2.44	2.16
Lucky Cement Limited	225,000	581,000	-	631,000	175,000	12,397,000	4.39	3.89
	650,000	2,169,784	-	2,344,784	475,000	19,294,000	6.83	6.05
GENERAL INDUSTRIALS								
Packages Limited	-	75,000	-	75,000	-	-	-	-
Thal Limited (Face value Rs.5/- each)	-	75,000	-	25,000	50,000	5,052,000	1.79	1.58
Tri-Pack Films Limited	-	11,349	-	11,349	-	-	-	-
	-	161,349	-	111,349	50,000	5,052,000	1.79	1.58
INDUSTRIAL ENGINEERING								
Millat Tractors Limited	-	35,209	-	35,209	-	-	-	-
AUTOMOBILE & PARTS								
Indus Motor Company Limited	-	30,449	-	30,449	-	-	-	-
PERSONAL GOODS								
Nishat Mills Limited	-	675,000	-	675,000	-	-	-	-
FIXED LINE TELECOMMUNICATION								
Pakistan Telecommunication Company Limited	900,000	1,000,000	-	1,200,000	700,000	9,954,000	3.53	3.12
ELECTRICITY								
Kot Addu Power Company Limited	-	600,000	-	600,000	-	-	-	-
The Hub Power Company Limited	-	1,400,000	-	500,000	900,000	33,750,000	11.96	10.59
	-	2,000,000	-	1,100,000	900,000	33,750,000	11.96	10.59
BANKS								
Meezan Bank Limited	-	550,971	41,250	297,535	294,686	5,148,164	1.82	1.62
Market value of investments as at 30 June 2011						282,234,914	100.00	88.54

8.2 The cost of held for trading investments as on 30 June 2011 is Rs.274,708,021 (2010: Rs.260,603,383).

8.3 The above investments include 45,000, 45,000, 75,000, 100,000 and 300,000 shares of Pakistan Oilfields Limited, Pakistan Petroleum Limited, Fauji Fertilizer Company Limited, ICI Pakistan Limited and The Hub Power Company Limited respectively, pledged with NCCPL. The aggregate market value of shares pledged amounts to Rs. 63,184,850 (2010: Rs. 71,731,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
9. SECURITY DEPOSITS			
National Clearing Company of Pakistan Limited (NCCPL)		2,500,000	2,500,000
Central Depository Company of Pakistan Limited (CDC)		100,000	100,000
		2,600,000	2,600,000

10. PAYABLE TO THE MANAGEMENT COMPANY - Related Party

Management fee	10.1	803,863	631,246
Sales load		743	-
		804,606	631,246

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. For the current year the management company has charged its remuneration at the average rate of 3% (2010: 3%) on the average net assets for the year.

11. PAYABLE TO THE TRUSTEE - Related Party

Trustee fee	11.1	57,540	57,540
Settlement charges		5,000	5,000
		62,540	62,540

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

On net assets:

- up to Rs.1,000 million

Rs.0.7 million or 0.20% per annum of Net Asset Value whichever is higher

- On an amount exceeding Rs.1,000 million

Rs.2.0 million plus 0.10% per annum of Net Asset Value exceeding Rs.1,000 million

12. PAYABLE TO THE SECP

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 ----- Rupees -----	2010 -----
13. ACCRUED AND OTHER LIABILITIES			
Auditors' remuneration payable		180,000	173,891
Printing charges payable		147,000	175,000
Rating fee payable		100,000	100,000
Charity payable	13.1	116,325	204,483
NCCPL charges payable		20,000	20,000
Withholding tax payable		7,476	-
Zakat payable		662	2,937
Sales load payable to Distributors		2,228	-
Provision for Workers' Welfare Fund	13.2	4,315,912	2,328,242
Others		48,952	40,892
		4,938,555	3,045,445

13.1 According to the Trust Deed of the Fund, where a portion of the Fund's income has been earned from Shariah non-compliant avenues, such portion of income of the Fund is to be purified directly by the management company of the Fund. The Shariah Advisor of the Fund, has certified an amount of Rs.353,566 (2010: Rs.467,278) against dividend income, as Shariah non-compliant income, which has accordingly, been marked to charity, out of which Rs.237,241 has already been paid to charities approved by the Shariah Advisor. The remaining Rs.116,325 will be paid in due course.

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

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

Subsequent to the year ended 30 June 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said Constitutional Petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 4,315,912 in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	----- Rupees -----	
14. SECURITIES TRANSACTION COST		
Represent brokerage, Federal Exise Duty and settlement charges.		
15. AUDITORS' REMUNERATION		
Audit fee	90,000	90,000
Half yearly review of financial statements	45,000	45,000
Certification charges	30,000	30,000
Review of compliance with Code of Corporate Governance	30,000	30,000
Out of pocket expenses	33,293	35,205
	228,293	230,205
16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS		
Atlas Asset Management Limited (Management Company)		
Remuneration	8,065,171	11,500,861
Remuneration paid	7,892,554	11,888,926
Sales load	743	-
Central Depository Company of Pakistan Limited (Trustee)		
Trustee fee	700,070	808,369
Settlement charges	42,248	42,383
Atlas Fund of Funds (Fund under Common Management)		
Sale 19,904 (2010: Nil) units	8,000,000	-
Outstanding 19,904 (2010: Nil) units	8,142,512	-
Atlas Insurance Limited (Group Company)		
Sale 227,586 (2010: 100,158) units	80,500,000	49,500,000
Bonus 70,397 (2010: Nil) units	20,031,565	-
Redemption of 246,555 (2010: 100,000) units	86,449,088	49,422,000
Outstanding 151,586 (2010:100,158) units	62,012,118	48,531,474
Key Management Personnel of management company		
Sale 9,505 (2010: 5,180) units	3,588,174	2,441,802
Bonus 23,203 (2010: Nil) units	6,602,388	-
Redemption 9,421 (2010: 7,729) units	3,620,540	3,790,787
Outstanding 56,299 (2010: 33,134) units	23,031,302	16,055,033
16.1 The transactions with related parties / connected persons are in the normal course of business at contracted rates and terms determined in accordance with market 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 2011

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 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 profit rates, foreign exchange rates and equity prices.

(i) Profit rate risk

Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market profit rates. As of 30 June 2011, the Fund is exposed to such risk in respect of bank balances. The bank balances are subject to profit rates as declared by the respective bank on periodic basis. Management company of the Fund estimates that 1% increase in the profit rate, with all other factors remaining constant, would increase the Fund's income by Rs.389,910 (2010: Rs.131,421) and a 1% decrease would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

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

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the investee company, change in business circumstances of the investee company, its business sector, industry and / or the economy in general. Management company of the Fund estimates that a 10% increase in the overall equity prices in the market with all other factors remaining constant would increase the Fund's income by Rs.28,223,491 (2010: Rs.23,957,214) 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 following table summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	Within 1 month	1 to 3 months	3 to 12 months	Financial instruments without maturity	Total
----- Rupees -----					
Assets					
Bank balances	38,990,980	-	-	-	38,990,980
Receivables against sale of securities	10,291,261	-	-	-	10,291,261
Investments	-	-	-	282,234,914	282,234,914
Dividend receivable	1,950,000	-	-	-	1,950,000
Income accrued on bank balances	300,602	-	-	-	300,602
Security deposits	-	-	-	2,600,000	2,600,000
	51,532,843	-	-	284,834,914	336,367,757
Liabilities					
Payable against purchase of securities	11,529,973	-	-	-	11,529,973
Payable to the management company	804,606	-	-	-	804,606
Payable to the trustee	62,540	-	-	-	62,540
Payable to the SECP	-	255,407	-	-	255,407
Accrued and other liabilities	30,366	296,325	4,611,864	-	4,938,555
	12,427,485	551,732	4,611,864	-	17,591,081
Net assets / (liabilities)	39,105,358	(551,732)	(4,611,864)	284,834,914	318,776,676

2010	Within 1 month	1 to 3 months	3 to 12 months	Financial instruments without maturity	Total
----- Rupees -----					
Assets					
Bank balances	13,142,095	-	-	-	13,142,095
Investments	-	-	-	239,572,139	239,572,139
Dividend receivable	1,750,000	-	-	-	1,750,000
Income accrued on bank balances	109,036	-	-	-	109,036
Security deposits	-	-	-	2,600,000	2,600,000
	15,001,131	-	-	242,172,139	257,173,270
Liabilities					
Payable against purchase of securities	296,678	-	-	-	296,678
Payable to the management company	-	631,246	-	-	631,246
Payable to the trustee	62,540	-	-	-	62,540
Payable to the SECP	-	364,194	-	-	364,194
Accrued and other liabilities	22,937	378,374	2,644,134	-	3,045,445
	382,155	1,373,814	2,644,134	-	4,400,103
Net assets / (liabilities)	14,618,976	(1,373,814)	(2,644,134)	242,172,139	252,773,167

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 2011 amounts to Rs.54,132,843 (2010: Rs.17,601,131).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

17.4.1 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2011	2010
AA	0.01	-
AA -	0.03	0.08
A	20.11	75.16
A-	52.44	-
BBB+	-	0.03
Others	27.41	24.73
	100	100

17.5 Fair value of financial instruments

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

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.

17.6 Fair value hierarchy

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

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

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

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

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

17.7 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. SUBSEQUENT EVENT - DISTRIBUTION

The Board of Directors of the management company, in their meeting held on 07 July 2011, approved a distribution of Rs.105 (2010: Rs.200) per unit on the face value of Rs. 500 each i.e. 21% (2010: 40%) amounting to Rs.81,820,514 (2010: Rs.104,332,820).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19. UNIT HOLDING PATTERN OF THE FUND

Category	2011			2010		
	Number of unit holders	Rupees	% of total	Number of unit holders	Rupees	% of total
Individuals	254	35,830,530	11.24%	270	39,106,219	15.47%
Associated Companies/ Directors	5	92,310,621	28.96%	4	63,943,496	25.30%
Insurance Companies	1	7,672,158	2.41%	2	11,322,784	4.48%
Banks/ DFIs	-	-	-	1	10,159,500	4.02%
NBFCs	-	-	-	1	5,079,750	2.01%
Retirement Funds	9	181,495,483	56.93%	12	122,140,388	48.32%
Others	2	1,467,884	0.46%	2	1,021,030	0.40%
	271	318,776,676	100.00%	292	252,773,167	100.00%

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

2011		2010	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Invisor Securities (Private) Limited	12.71%	Taurus Securities Limited	13.57%
Taurus Securities Limited	10.22%	Invisor Securities (Private) Limited	11.43%
IGI Finex Securities Limited	7.91%	JS Global Capital Limited	9.42%
Habib Metropolitan Financial Services Limited	6.20%	Aziz Fida Husein & Co. (Private) Limited	8.73%
First Capital Equities Limited	6.40%	Global Securities Pakistan Limited	7.78%
Topline Securities (Private) Limited	6.31%	IGI Finex Securities Limited	7.28%
Next Capital Limited	4.76%	Invest Capital Markets Limited	6.10%
JS Global Capital Limited	4.73%	Summit Capital (Private) Limited	5.35%
Elixir Securities Pakistan (Private) Limited	4.53%	Topline Securities (Private) Limited	4.91%
Invest Capital Markets Limited	4.44%	Al- Hoqani Securities & Investment Corporation Limited	4.40%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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	43 Years
Mr. Ali H. Shirazi	Director	Masters in Law	7.5 Years
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance)-UK	11 Years
Mr. Khalid Mehmood	Fund Manager - Equity Markets	MBA - Finance	7 Years

22. NAME AND QUALIFICATION OF FUND MANAGER

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

23. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

Name of Directors	Meeting held on							
	08 July 2010	20 Aug 2010	12 Oct 2010	27 Oct 2010	11 Jan 2011	22 Feb 2011	07 Apr 2011	26 Apr 2011
Mr. Yusuf H. Shirazi	P	P	P	P	P	P	P	P
Mr. M. Habib-ur-Rahman	P	P	P	P	P	P	P	P
Mr. Tariq Amin	P	P	P	P	P	P	P	P
Mr. Frahim Ali Khan	P	P	L	P	L	P	P	P
Mr. Ali H. Shirazi	P	P	P	P	P	P	P	P
Mr. M. Ashraf Janjua	P	P	P	P	P	P	P	P
Mr. Arshad P. Rana	L	P	P	P	L	L	P	P

P Present

L Leave of absence

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24. RATING OF THE FUND AND THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the asset manager rating of the Management Company to AM2- (AM Two Minus) for the FY 2009-10, from the previous AM3 + (AM Three Plus).

PACRA has assigned a "3 star" normal rating, and a "4 Star" long term rating to the Fund, for FY 2009-10.

25. GENERAL

25.1 Figures have been rounded off to the nearest Rupee.

25.2 Certain prior year's figures have been reclassified / rearranged 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 20 September 2011.

**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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