

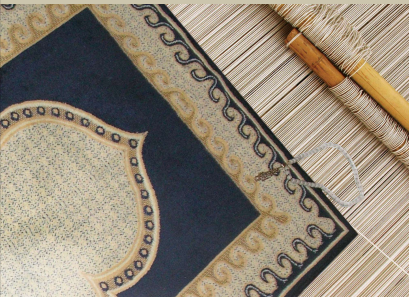


Atlas Islamic Income Fund

Atlas Islamic Stock Fund

ANNUAL REPORT

30 June 2012



Interlacing
Principles with High
Standards



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

It Takes Skill to
Master the Game



Managed By

Atlas Asset Management

Rated AM2- by PACRA

*Planting the
seed of investment!*



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, as well as between Atlas Islamic Income Fund and Atlas Islamic Stock Fund, and the Systematic Payout and Systematic Withdrawal Plan under the Atlas Islamic Income Fund.

Atlas Pensions is a comprehensive savings product established under the VPS Rules, 2005, with numerous advantages over existing occupational retirement schemes, in particular the provident fund. Inter alia, the VPS Schemes offer individualized asset allocation, portability, tax advantages (which can be availed up-front) and an in-built insurance wrap. Atlas Pensions offers two products: Atlas Pension Fund (APF) and Atlas Pension Islamic Fund (APIF), a Shariah Compliant pension fund.

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.





*Managing
to the Core*

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.



A close-up photograph of a yellow tulip flower, showing the texture of its petals. The flower is the central focus, with other tulips blurred in the background. A circular graphic overlay, consisting of several thin, concentric lines, is positioned around the flower. The text is overlaid on the flower's petals.

*Sustainable growth through strong
commitment*

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*It's all about
rewarding
your Investment*



Reaping
Better Tomorrows

Organisation

Management Company

Atlas Asset Management Limited

Board of Directors of the Management Company

Chairman	Mr. Yusuf H. Shirazi <i>(Non-Executive Director)</i>
Directors	Mr. Tariq Amin <i>(Independent Director)</i> Mr. M. Ashraf Janjua <i>(Independent Director)</i> Mr. Frahim Ali Khan <i>(Non-Executive Director)</i> Mr. Arshad P. Rana <i>(Non-Executive Director)</i> Mr. Ali H. Shirazi <i>(Non-Executive Director)</i>

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

Company Secretary Ms Lilly R. Dossabhoy

Board Committees

Audit Committee

Chairman	Mr. Tariq Amin
Members	Mr. M. Ashraf Janjua Mr. Frahim Ali Khan
Secretary	Ms Qurrat-ul-Ain Jafari

Human Resource & Remuneration Committee

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

Investment Committee

Chairman	Mr. M. Habib-ur-Rahman
Members	Mr. Ali H. Shirazi Mr. Muhammad Abdul Samad Mr. Khalid Mahmood Mr. Muhammad Umar Khan <i>(Secretary)</i>

Management Committee

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

Risk Management Committee

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

Chief Internal Auditor

Ms Qurrat-ul-Ain Jafari

Registered Office

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

The above information is as at 20 September 2012.

Board of Directors of the Management Company



Mr. Yusuf H. Shirazi
Chairman

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



Mr. 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 over 45 years of experience in General Management, Finance, Investment and Taxation. He graduated in Commerce from the Karachi University in 1965 and also obtained a degree in law from the same University.

He has also attended the Senior Managers' Program from Harvard University, USA, Financial Management from Stanford University, USA, and General Management Program from Insead University, France.

He joined the Atlas Group in 1967 and has served in different senior positions. Currently, his other directorships include Atlas Insurance Limited, Atlas Engineering Limited, Atlas Power Limited, Shirazi Trading Company (Pvt.) Limited, and Atlas Foundation. Earlier, he has also served on the Boards of Atlas Honda Limited and Atlas Battery Limited, and has been the CEO of Shirazi Investments (Pvt) Limited, Shirazi Trading Company (Pvt) Limited, and former Atlas Investment Bank Limited.

Board of Directors of the Management Company



Mr. Arshad P. Rana
Director

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

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



Mr. Ali H. Shirazi
Director

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



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

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

Management Committee



M. Habib-ur-Rahman
Chief Executive Officer



Muhammad Abdul Samad
Chief Investment Officer



Lilly R. Dossabhoy
Chief Financial Officer &
Company Secretary



Abbas Sajjad
Head of Marketing, Sales &
Investor Services

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 financial year ended 30 June 2012.

THE ECONOMY

The economy of Pakistan has been showing greater stability led by strong exports, higher remittance and decline in inflation. Despite global slowdown, Pakistan managed to maintain its exports during July-June 2012 period to last year's level. Remittances remained upbeat and reached the record level of US\$ 13.2 billion, an increase of 17.7%, as compared to last year. CPI inflation during July-June 2012 period averaged 11%, as compared to 13.7% during July-June 2011. The SBP lowered its policy rate by a cumulative 200 basis points (bps) during the financial year, i.e. 50 bps in July 2011 and 150 bps in October 2011 with an objective to support revival of private investment in the economy.

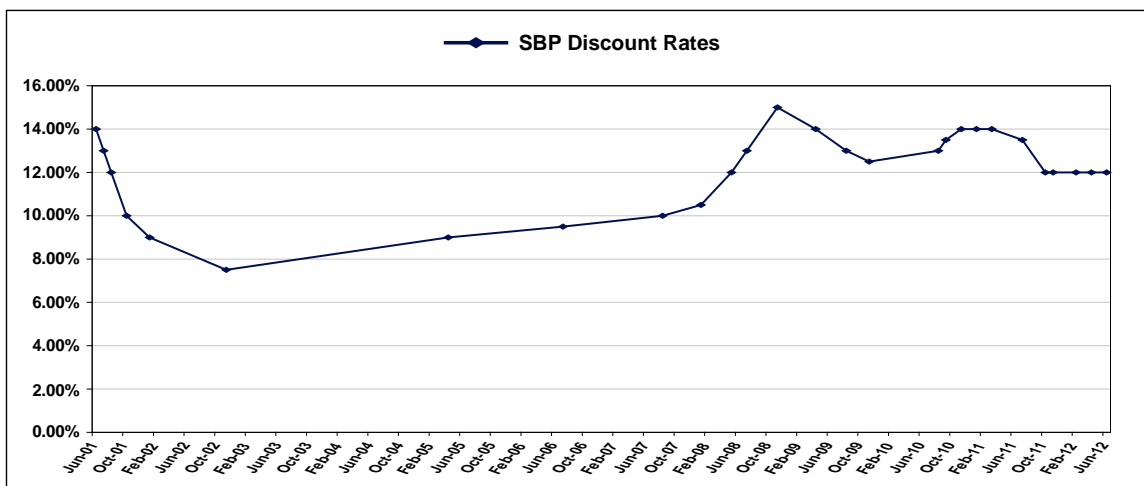
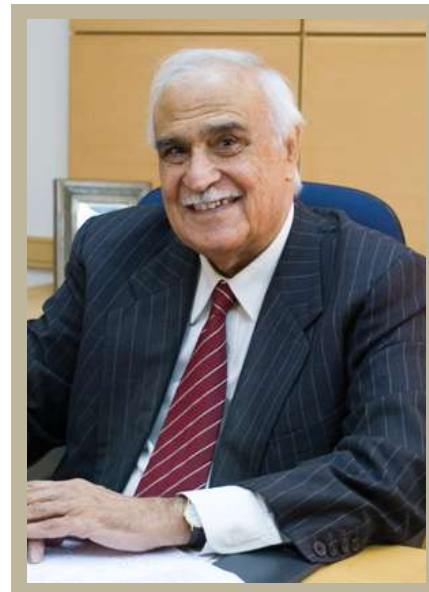
Exports during July-June 2012 were US\$ 23.6 billion, as compared to US\$ 24.8 billion last year. Imports grew by 11.1% and stood at US\$ 44.9 billion during July-June 2012. The current account deficit stood at US\$ 4.5 billion in the same period. It was largely as a result of increasing trade deficit. Remittances have increased to record US\$ 13.2 billion during the July-June 2012 period, as compared to US\$ 11.2 billion for the last year corresponding period. Pakistan's foreign exchange reserves stood at US\$ 15.3 billion at the end of June 2012 as compared to US\$ 18.2 billion at end of June 2011.

CPI was 11% during July-June, 2012, as compared to 13.7% for the previous corresponding year. This has been achieved despite sharp increase in international oil prices, supply disruptions due to natural calamities, and effect of upward adjustment in the administered prices of electricity and gas. Food and non-food inflation averaged 11% each against 18% and 10.7% respectively in the same period of last year. A growth of 14.1% was witnessed in the M2 (money supply) during July-June 2012 period, as compared to 15.9% growth during the previous corresponding period. In FY12, M2 witnessed deceleration as compared to corresponding period of last year, which was primarily due to decline in the Net Foreign Assets of the banking system.

GDP growth for the FY 2011-12 stood at 3.7%, as compared to a growth of 3% in the preceding year. The Agriculture sector recorded a growth of 3.1% against a target of 3.4% and previous year's growth rate of 2.4%. Large Scale Manufacturing (LSM) recorded a growth of 1.1% against 1% last year. Overall, the commodity producing sectors and especially the Agriculture sector have performed better. The Services sector recorded growth of 4% in FY 2011-12.

THE MONEY MARKET

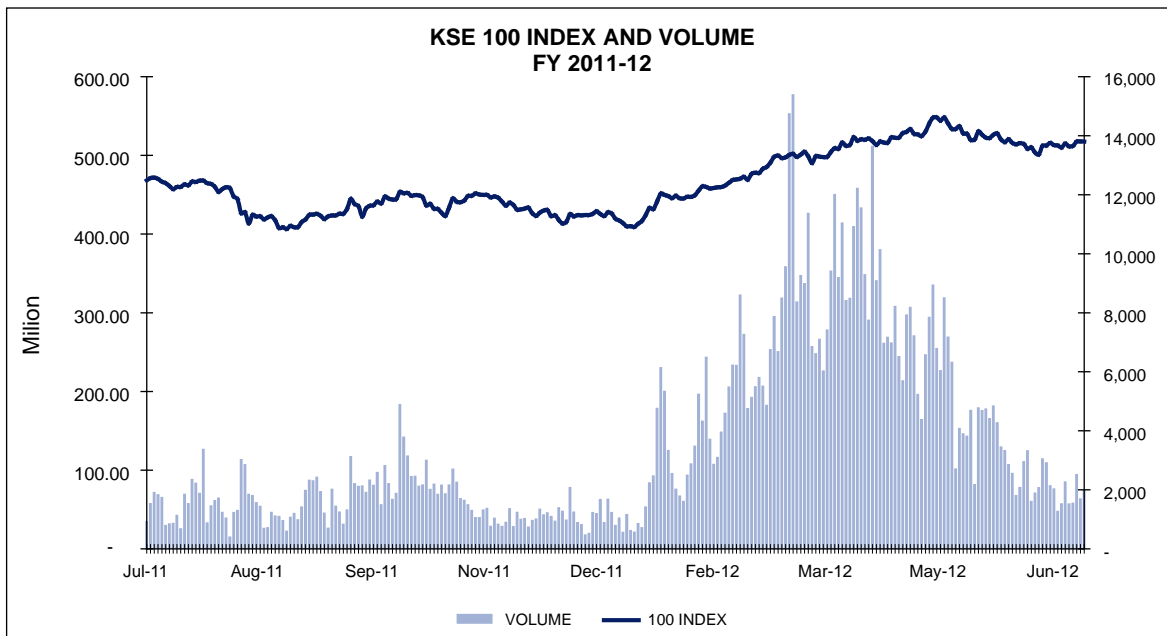
The Consumer Price Index (CPI) on average basis recorded as 11% during July-June 2011-12, as compared to 13.7% during the same period last year. The highest increase was in July 2011 at 12.4% and low was in December 2011 at 9.7%. During the outgoing year, food prices have remained the major driver of the inflation. Both supply and demand side factors are responsible for food price escalation. These included supply disruption on account of the natural calamities during the year as well as the increase in transportation cost due to high fuel prices; on the demand side, the price hike is the consequence of the inflationary gap measured as the difference between monetary expansion and growth of overall national productivity. Food and non-food inflation recorded an increase of 11% each during this period.



On monetary front, the growth in money supply (M2) has remained comparatively low at 14.1% as Net Foreign Assets declined due to reduction in foreign exchange reserves. The growth in money supply (M2) was driven by domestic sources on the back of increased budgetary borrowings. The SBP adopted an expansionary monetary policy during the FY 2011-12. It slashed the discount rate by 50 bps points to 13.5% from 14% on the back of an improved fiscal position. The decision continued to show progress, as the consumer price index (CPI) and government borrowings from the Central Bank remained lower than its level at the end of June 2011. The discount rate was further reduced by 150 bps points to 12% on 8 October 2011, in order to boost private sector credit and investment. Similarly, for a smooth functioning of a payment system and financial stability, SBP has injected substantial short term liquidity in the system.

THE STOCK MARKET

The KSE-100 index increased from 12,496.03 points as on 30 June 2011 to 13,801.41 points as on 30 June 2012, showing a growth of 10.45%. The first half of the outgoing financial year depicted a dull activity period, with a decline of 9.18% in KSE - 100 index and 60 million shares average daily trading volume. However, the second half of outgoing FY witnessed sharp recovery in equity prices mainly driven by anticipated announcement of various measures which were later implemented through a Presidential Ordinance. As a result the KSE - 100 index not only managed to recover its lost points but ended the year with a growth of 10.45%. The average daily trading volume also increased to 196 million shares during the second half of the FY.



Changes recommended by the Securities and Exchange Commission of Pakistan (SECP) to simplify and facilitate the implementation of capital gains tax (CGT) were promulgated through a Presidential Ordinance on 26 April 2012, which later on became a part of the Finance Act. The significant changes include 26-month investment window (until June, 2014) with non disclosure of source and nature of funds if invested for a minimum period of four months in the stock market; automated tax collection mechanism in which NCCPL will calculate and collect CGT, and issue a tax certificate at the end of the year to the investor; and the rate of capital gains tax that will be frozen until June 2014 at 10% for less than six months holding period and 8% for 6 to 12 months holding period.

During the period under review, the Cement sector has depicted strong earnings growth due to better cement prices and decline in fuel cost. The strong banking sector spreads and the lower provisioning helped banks to earn decent profits. Banking sector continues with investment in Government Securities and restricted credit disbursement, as a result of which the ADR showed decline while the IDR depicted increase. Oil & Gas Exploration & Production companies showed strong earning growth driven high oil prices and production growth. Fertilizer Sector reaped the benefit of high fertilizer prices during the first half of the outgoing FY. The second half saw some pressure due to aggressive fertilizer import, continued gas curtailment, inventory build up and resultant price cut.

The budgetary measures, though having a neutral effect on most listed sectors, carried an overall positive tone. Going forward, Cement, Exploration & Production and Banking sectors are expected to post strong earnings growth, where as Fertilizer sector is also expected to yield decent returns due to non implementation of additional Gas Infrastructure Development Cess (GIDC) that was previously proposed in the budget. Pakistan's equity market is currently trading at attractive multiples with next year PE of 6.2x and dividend yield of 8%, and has strong potential to yield attractive returns.

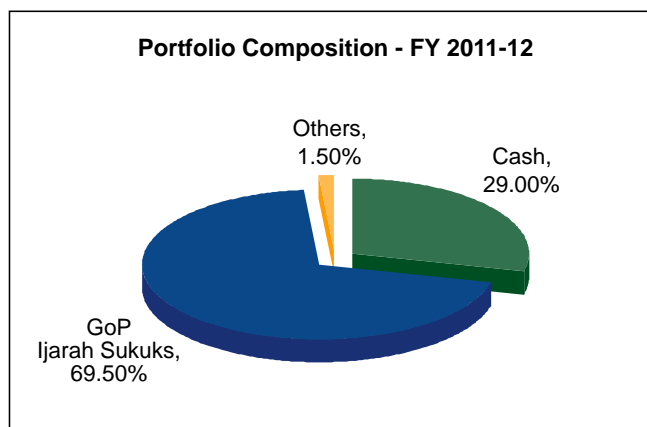
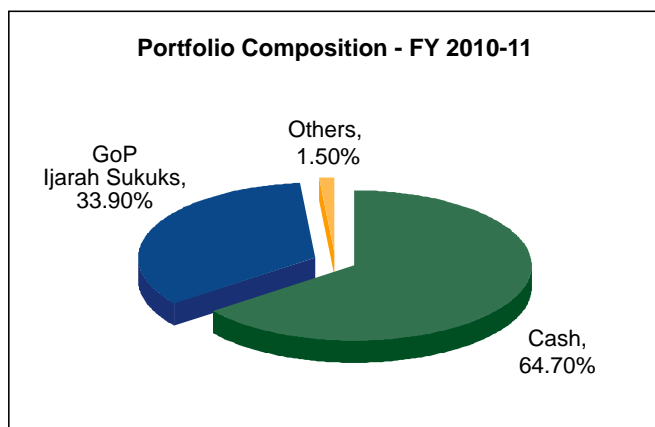
MUTUAL FUND INDUSTRY

Local mutual fund industry with Rs.380 billion in assets under management as on 30 June 2012 witnessed a growth of 52%. Money Market Funds were Rs.150 billion of the total assets under management. The Money Market Funds, for the third year in a row, led the industry, in terms of fresh inflows. Income fund category reached Rs.87 billion as compared to Rs.38 billion in June 2011. The Equity Funds' AUM has remained flat at Rs.52 billion. Other categories held the remainder of total mutual fund assets. The following amendments related to mutual fund industry were introduced in the Income Tax Ordinance, 2001 through Finance Bill 2012, which was later adopted by the National Assembly.

- The limit of investment eligible for tax credit is being enhanced from 15% to 20% of the taxable income. The existing limit on investment of Rs.500,000 in securities or insurance premium is also being increased to Rs.1,000,000/-. The retention period of securities is reduced from three to two years.
- Dividend received by banks from investment in securities is subject to tax at 10%, whereas capital gains tax on gain on disposal of securities held for less than one year is subject to capital gains tax at 35% and for more than one year is at 10%. To eliminate the tax arbitrage the dividend received by banks from money market funds and income funds are to be taxed progressively over a period of two years. For Tax Year 2013 @ 25% and for Tax Year 2014 and onwards @ 35%.
- Capital Gains Tax applicable on disposal of listed securities had a progressively increasing tax rate. A new Eighth Schedule has been introduced, wherein the tax rates for Tax Year 2013 & Tax Year 2014 have been frozen at the rates prescribed for Tax Year 2012. Capital gains on securities with less than 6 months holding period will be taxed at 10% (as against 12.5% & 15%), whilst capital gain on securities with holding period of more than 6 months and less than 12 months will be taxed at 8% as against 8.5% & 9% respectively.
- Retrospective exemption of federal excise duty (FED) on services rendered by Asset Management Companies enforced through amendment in Table-II of Third Schedule to the Federal Excise Act, 2005, effective from the 1 July 2012. However, from 1 July 2011, this has become a provincial subject and sales tax at 16% is being levied on asset management services.

FUND OPERATIONS - AIIF

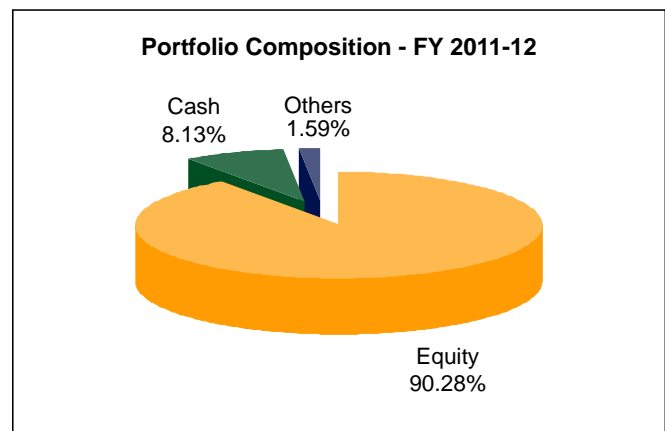
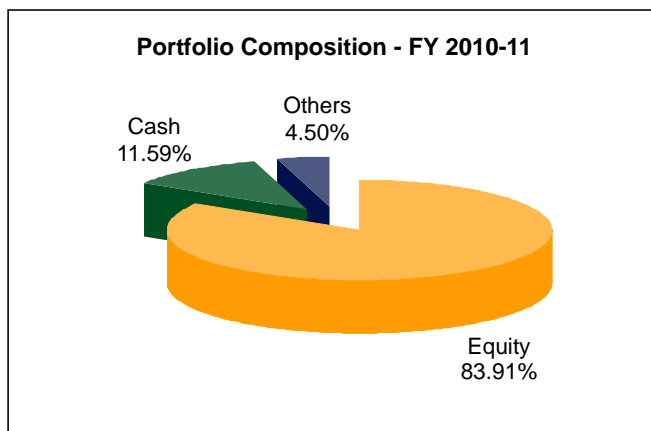
The Net Asset Value per unit of Atlas Islamic Income Fund has increased by 10.11% to Rs.501.98 as on 30 June 2012, which includes interim payouts of total Rs.47.50 per unit. The benchmark average six months' profit rate of three Islamic Banks stood at 7.70% for the period under review. The AIIF's total exposure in Government of Pakistan Ijarah Sukuks was 69.50%, deposit with high yielding Shariah compliant banks was 29% and remaining 1.50% in others. The Net Assets of your Fund stood at Rs.462 million, with 0.92 million units outstanding as of 30 June 2012.



The Investment Committee of Atlas Asset Management Limited, the Management Company of Atlas Islamic Income Fund, under the authority delegated by the Board of Directors, has approved an interim bonus distribution of Rs.12 per unit (2.40% on the face value of Rs.500 per unit). This is in addition to the aggregate interim bonus distribution of Rs.35.50 per unit (7.10% on the face value of Rs.500 per unit) already distributed. The total bonus distribution for the financial year is Rs.47.50 per unit.

FUND OPERATIONS - AISF

The Net Asset Value per unit of Atlas Islamic Stock Fund (AISF) has increased by 27.51% to Rs.387.74 as on 30 June 2012. The benchmark KMI-30 index has increased by 13.57% during the same period. The KMI-30 index has increased from 20,936 points as on 30 June 2011 to 23,776 points as on 30 June 2012. AISF's strategy will continue to focus on dividend plays and stocks which are trading at relatively cheap multiples with earning growth prospects. AISF's equity portfolio exposure was mainly in Oil & Gas, Construction, Electricity and Chemical sectors.



The Net Assets of the Fund stood at Rs.510.95 million, with 1.32 million units outstanding as of 30 June 2012. AISF's Net Capital Gain for the period under review stood at Rs.68.9 million. The Dividend Income and Income from Shariah Compliant Bank Deposits for the period under review stood at Rs.27.7 million and Rs.3.1 million respectively.

The Board of Directors has approved a final distribution of Rs.62.50 per unit (12.50% on the face value of Rs.500 per unit). This works out to 20.55% of the net asset value of units of the Fund at the beginning of the year.

RATINGS

ASSET MANAGER RATING

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

FUND STABILITY RATING - AIIF

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

STAR RANKING - AISF

PACRA has assigned a "4 Star" short term ranking to the Fund, and a long term "4 Star" ranking, for FY 2011. 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

The objective of achieving sustainable growth requires focus on structural reforms, which includes tax legislation, energy sector reforms, trade reforms, privatization of State Owned Enterprises, and human resource development. Energy sector reforms should focus on improving governance, resolution of circular debt issue, and reduction in distribution and transmission losses. The EU approval of duty waiver on textile along with softening international oil prices will bode well for the current account. While the external and fiscal pressures remain a concern, the real challenge lies in reviving private investment in the economy and limiting budgetary borrowings from the banking system. The US dollar has strengthened significantly in the recent past against almost all currencies, and the Pakistan rupee was no exception. The exchange rate is kept under close watch by the SBP, however, the economy would need substantial external inflows to preserve and build foreign exchange reserves.

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

گیسوئے تابدار کو اور بھی تابدار کر
(Let us brighten the future)

ACKNOWLEDGEMENT

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

Karachi: 05 September 2012

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 2012.

MANAGEMENT'S REVIEW

FY 2011-12 has been an important one for Atlas Asset Management Limited (The Company), recording a growth of 29% in aggregate AUM. Commencing from an AUM of Rs.6.15 billion on 1 July 2011, the year closed at an aggregate AUM of Rs.7.93 billion, the increase was spread over all the categories of mutual funds and voluntary pension schemes under the VPS Rules, 2005, ensuring long term AUM and growth.

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

RISK MANAGEMENT

The Risk Management (RM) function, which was implemented in the last quarter of FY 2010-11, became fully functional during the year under review, after requisite Board approval of the Risk Management Policy Manual on 7 July 2011. Risk Management is based on enterprise-wide risk management (ERM), implemented at all levels of management to enable identification of potential risks that the Company or the funds may be exposed to, and the steps that may be taken by the management to mitigate and manage those risks.

Portfolio Risk Management (PRM) and Operational Risk Management (ORM) are two broad sub-sets of ERM that are being applied generically to the Company and the funds under its management. PRM includes coverage of market risk, liquidity risk and credit risk. For every Fund managed by the Company, the risk profile is managed as per the NBFC Rules, 2003, the NBFC Regulations, 2008, and the Investment Mandates of each fund. For PRM, the RM Committee reports their findings to the Investment Committee, which advises further measures that may be necessary to mitigate any risks. For ORM, the RM Committee reports their findings to the Management Committee of the Company, enabling all the Heads of Department to give their input to the findings or recommendations and for necessary measures to mitigate any risks. During the year under review, the RM Committee held thirty one meetings.

For the purpose of ensuring compliance to all the various applicable laws, rules, and regulations, the designated Compliance Officer, in coordination with the Risk Management team, utilizes a system based Compliance System. The system monitors adherence to the various limits and restrictions prescribed in the NBFC Regulations and other applicable laws and statutes, as well as internal control limits as approved in the investment mandates of the Investment Committee, Board approvals, or other internal limits set by the management. Any breaches occurring are immediately notified to the concerned departments for necessary rectification thereof.

GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS)

During FY 2011-12, the Company took the initiative of taking another step forward towards transparency in investment processes and investment performance reporting by engaging professional consultants, M/s. Ernst & Young Ford Rhodes Sidat Hyder (EYFRSH) to carry out the assessment of the Company's policies and procedures regarding various areas of investment performance processes for achieving compliance with the Global Investment Performance Standards (GIPS). This is explained in detail in the Fund Manager's Report.

MARKETING & SALES

Whilst the Company's marketing activities continue to be focused on one to one meetings with prospective investors, it simultaneously continued its market presence during FY 2011-12 in terms of a press campaign for Atlas Pensions, event sponsorships towards charitable causes and product brochures to complement the sales meetings and to create public awareness. Following the success of the Perpetual Islamic Calendar in the previous FY 2010-11, in the current year, the Company focused on the Atlas Pensions for its Calendar 2012, highlighting the benefits of investing in a long term retirement scheme. To promote investors' awareness about mutual funds and voluntary pension schemes, the Company also had Kiosk activities and presentations at various prestigious multinational and local companies, highlighting the importance of savings to their employees and assisting them in answering their investment related queries, besides participating in activities at the MUFAP forum. The Company intends to continue such events on an on going basis.

INVESTOR SERVICES

Superior investor services and customer relationship has been a hallmark, and continues to be a key objective of the Company. During FY 2011-12, the Company had the privilege of launching on its website for a "Pensions Simulator", certified by professional consultants that calculates amount to be accumulated in pension schemes on retirement, under different allocation schemes, based on various assumptions. The simulator serves as a tool for prospective investors and pension fund industry players to generate financial forecasts on the basis of assumptions in the light of market conditions.

In addition to the above, the Company has also developed and uploaded on its website, a "Tax Savings Calculator" which facilitates calculation of tax savings in terms of rebate under sections 62 and 63 of the Income Tax Ordinance, 2001, on investment in mutual funds and voluntary pension schemes, based on certain assumed inputs by the user.

The above tools are in addition to the Online Account Statement facilities for mutual funds and voluntary pension schemes managed by the Company, which have been available on the Company's website for nearly three years. The online account statements facilitate the users to generate at any time suited to their convenience, statement of account for any period of activity desired by them. The Company intends to further promote superior client services by developing efficient ways of serving its valued investors.

HUMAN RESOURCE (HR) DEVELOPMENT

As defined in its mission statement, the Company believes that its success comes from its people. Embodied in the HR system is the Atlas Group's philosophy of 3 Rs., i.e. respect, recognition and reward for all employees, based on merit. The Company continues to invest in the development of all its employees in terms of technical skills, managerial skills, communication and presentation skills, behavioral and human aspects, and overall grooming of all team members. During the year, the first Company nominee to the prestigious Atlas - IBA DBM program successfully completed his Diploma in Business Management. Additionally, the Company provided a training platform to all its human resources for various seminars and workshops on a variety of subjects covering fund management, finance, audit, taxation, marketing, customer relations and services, IT, human resources etc. at forums like ICAP, ICMAP, IBA, ACCA, IBP, PIMS, PSTD, OCTARA, etc., and intends to continue the same in future.

INFORMATION TECHNOLOGY & SOFTWARE DEVELOPMENT

On the IT front, the Company continues to place significant emphasis on system based applications, as the business is heavily reliant on the smooth electronic data management. During the FY 2011-12, on the hardware side, up gradation and replacement of various IT equipment including servers, server racks, security enhancements, internet bandwidth enhancements and continued through the year.

Amongst the major IT achievements was the successful launch of the Atlas Group's IT Resource Centre / Disaster Recovery Site (DR Site), spearheaded by the holding company, Shirazi Investments (Pvt.) Limited, and participated by all the Atlas Group Companies, including Atlas Asset Management Limited. In the last quarter of FY 2011-12, the DR Site became live, where the Company's critical system applications are all available to ensure continuity of business activities from the alternate location of the DR Site, in case of any unforeseen event at the head office premises. The Company also achieved progress on its Business Continuity Plan (BCP), which by now has been completed for majority of the departments and is expected to be completed in FY 2012-13.

On the software applications side, the Company achieved progress in respect of automation of the monthly Fund Manager Report (FMR), development and implementation of the Stock Selection Methodology, Performance Calculations/ Graphs, linking of general ledger and automated modules, and continued emphasis on automation of various operational processes with the ultimate aim of a paperless environment, operational efficiency and transparency. Towards this end, the Company has also strengthened its software development team.

FINANCE & INTERNAL CONTROLS

The Company, over the years, has developed an internal control environment, incorporating therein, financial controls, regulatory compliance, and reporting to stakeholders. The core financial system used by the Company was further enhanced during the year, in coordination with the software consultants for various modules related to the accounting processes of funds. Additionally, in coordination with IT department, certain accounting processes used by the management company were automated during the year, whilst other processes are currently underway and at various stages of development / testing, during the FY 2012-13. The Company puts strong emphasis on timely and accurate financial reporting, and utilizes the available technology in this regard, for the purpose of reporting to the SECP, the investors, trustees, as well as management reporting. The Company's progress in terms of operations, financial position and positioning within peer group competing asset management companies is also closely monitored.

INTERNAL AUDIT

The Internal Audit function, headed by the Chief Internal Auditor (CIA), is a full time function which reviews the operational activities of all the departments. The internal audit function proceeds on the basis of an annual internal audit plan which is approved by the Board's Audit Committee at the commencement of each year, and covers regularly, the functions of each department. The internal audit function reports functionally to the Audit Committee, and issues the internal audit report on a quarterly basis, with recommendations for improvement to the management.

CORPORATE GOVERNANCE

The Company places great emphasis on corporate governance, ethics, and good business practices. The Board of directors and the management welcome the implementation of the Code of Corporate Governance, 2012 (CCG, 2012) by the SECP, and the initiatives taken therein by the SECP therein. Whilst the new Code makes it mandatory to have a Human Resource & Remuneration Committee, the Board of Directors of the Company had formed such committee earlier in January 2007, with the terms of reference approved by the Board.

In terms of progress on measures implemented in the CCG 2012 towards increased corporate governance, the Board of Directors have taken the following measures:

- Approval and implementation of the Code of Conduct for the Company and its employees, defining the obligations and responsibilities of all - the Board members, the employees, and the Company towards the various stakeholders, each other, and the society as a whole. This is also uploaded on the Company's website for ready reference and guidance of all employees. The Code replaces the Statement of Ethics and Business Practices which was earlier enforced in the Company at all levels.
- Approval of the Donations / CSR policy of the Company and the funds under its management, where applicable. During FY 2011-12, the Company formalized its donations policy in terms of an allocation of 1% of after tax comprehensive profit of the Company to the Atlas Foundation, a charitable project of the Atlas Group, towards promoting the cause of education in the society.
- The terms of reference of both, the Audit Committee and the Human Resource & Remuneration Committee have been suitably amended in the light of the requirements of the CCG, 2012.

CORPORATE SOCIAL RESPONSIBILITIES (CSR) & DONATIONS

The Company endorses the views of its Chairman, Mr. Yusuf H. Shirazi that the Company belongs to the society, and believes that what has come from the society should be shared with the society. The CSR activities of the Company are focused towards donations to the cause of education and medical care in the society, of which there is a dearth. In addition to the 1% allocation of after tax comprehensive profit to donations, the Company also participates from time to time in event sponsorships for charitable causes, hosted by approved charitable institutions, as also done in the FY 2011-12.

The Shariah Compliant Atlas Islamic Stock Fund and the Equity Sub Fund of the Atlas Pension Islamic Fund, as per their Constitutive documents, are required to purify their Shariah Non Compliant (Haram) income from the Fund. Such income, in accordance with the certification by the Shariah Advisor of these funds, is also donated to charitable institutions approved by the Shariah Advisor, on quarterly basis.

FUTURE OUTLOOK

The Company foresees a strong performance for overall growth of AUM in FY 2012-13, based on the performance of the current financial year, as well as the positive tax amendments through the Finance Act, 2012. The management is hopeful that these amendments will contribute to long term retail investment, thereby increasing overall AUM.

EARNINGS PER UNIT, NET ASSETS AND SALES/REDEMPTIONS SUMMARY

Earnings per unit, net assets, and summary of sales / redemption of units of the AIIF and AISF for the year ended 30 June 2012 are as follows:

	AIIF		AISF	
	2012	2011	2012	2011
Earnings per unit - Rupees	46.56	42.31	84.02	124.99
Net assets - Rupees million	462.31	379.80	510.95	318.78
Sales - Rupees million	215.29	250.86	482.83	156.89
Sales - in units	421,306	494,931	1,382,710	425,097
Redemptions - Rupees million	167.91	248.76	398.82	184.24
Redemptions - in units	330,177	491,027	1,113,247	534,177
Units outstanding at year end	920,985	738,995	1,317,773	779,243

INCOME DISTRIBUTION - AIIF

The Investment Committee of the Management Company of AIIF, under the authority delegated to them by the Board of Directors, approved an aggregate distribution of Rs.47.50 per unit (2011: Rs.47.75) for the FY 2011-12. The total payout for the year works out to 9.50% (2011: 9.55%) on the face value of Rs.500 per unit.

INCOME DISTRIBUTION - AISF

The Board of Directors of the Management Company of AISF, in their meeting held on 05 July 2012, approved a final bonus of Rs.62.50 per unit (2011: Rs.105 per unit), which works out to 20.55% on the opening ex-bonus NAV (2011: 36.90%).

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.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt about the Funds' ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- A summary of key financial data / performance since inception is annexed on pages 29 and 61 of the Annual Report, for AIIF and AISF respectively.
- 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.
- The pattern of unit holdings is appended on notes 20 and 19, to the respective financial statements of AIIF and AISF.

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY & COMMITTEES THEREOF

The Board of Directors of the Management Company comprises of one executive and six non-executive directors. There was no casual vacancy in the Board during the year.

During the year, five Board Meetings were held. The particulars of the dates of meetings, and the directors attending, as required under the NBFC Regulations, 2008, are appended as note 25 and note 23 to the financial statements of AIIF and AISF respectively.

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

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

Serial no.	Name of Director	Status	Meetings attended
1	Mr. Tariq Amin	Independent Director	4
2	Mr. M. Ashraf Janjua	Independent Director	3
3	Mr. Frahim Ali Khan	Non-Executive Director	4

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

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

Investment Committee (IC) - 52 meetings were held during the year and attended as follows:

Serial no.	Name of Director	Status	Meetings attended
1	Mr. Ali H. Shirazi	Non-Executive Director	34
2	Mr. M. Habib-ur-Rahman	Chief Executive Officer	51
3	Mr. M. Abdul Samad (executive management)	Chief Investment Officer - Member IC	45
4	Mr. Khalid Mahmood (executive management)	Fund Manager - Equity Markets - Member IC	52
5	Mr. M. Umar Khan (executive management)	Fund Manager - Fixed Income (Member IC w.e.f. 8 June 2012)	5

DIRECTORS' TRAINING PROGRAM REQUIREMENTS

Four members of the Board of the Management Company are exempt from the requirements of the Directors' Training Program on the basis of their education and experience on the Boards of listed companies, as per the proviso to Clause xi of the Code. Additionally, one Board member is currently undergoing a Directors' Certification Program from one of the institutes meeting the criteria specified by the SECP for conducting such programs.

TRANSACTIONS IN UNITS OF THE FUND

The Directors, CEO, executives and their spouses and minor children have made no transactions in the Funds' units during the year except as disclosed in notes 18 and 16 to the financial statements of AIIF and AISF respectively.

RATINGS UPDATE

ASSET MANAGER RATING

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

FUND STABILITY RATING - AIIF

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

STAR RANKING - AISF

PACRA has upgraded the short term rating of the Fund to "4 Star" from the previous "3 Star", and maintained the "4 Star" long term rating to the Fund, for FY 2010-11.

AUDITORS

The Audit Committee of the Board of Directors, in their meeting held on 03 September 2012, recommended the re-appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Karachi, being eligible, as auditors of Atlas Islamic Income Fund for the financial year ending 30 June 2013.

The external auditors of Atlas Islamic Stock Fund, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Karachi, have completed their five years' term permissible under the NBFC Regulations, 2008 and retire. The Audit Committee of the Board of Directors, in their meeting held on 03 September 2012, recommended the appointment of M/s. A. F. Ferguson & Co., Chartered Accountants, Karachi, as external auditors of Atlas Islamic Stock Fund for the financial year ending 30 June 2013.

The Board approved the appointments.

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: 05 September 2012

M. Habib-ur-Rahman
Chief Executive Officer

A close-up photograph of a calculator with a white circular graphic overlay containing text. The calculator is silver and black, with several buttons visible in the foreground. The background is blurred, showing a laptop screen and a person's shoulder.

Atlas Islamic Income Fund

Financial Statements

Corporate Information

Trustee

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

Shariah Advisor

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
Faysal Bank Limited - Barkat Islamic Banking



Fund Manager's Report

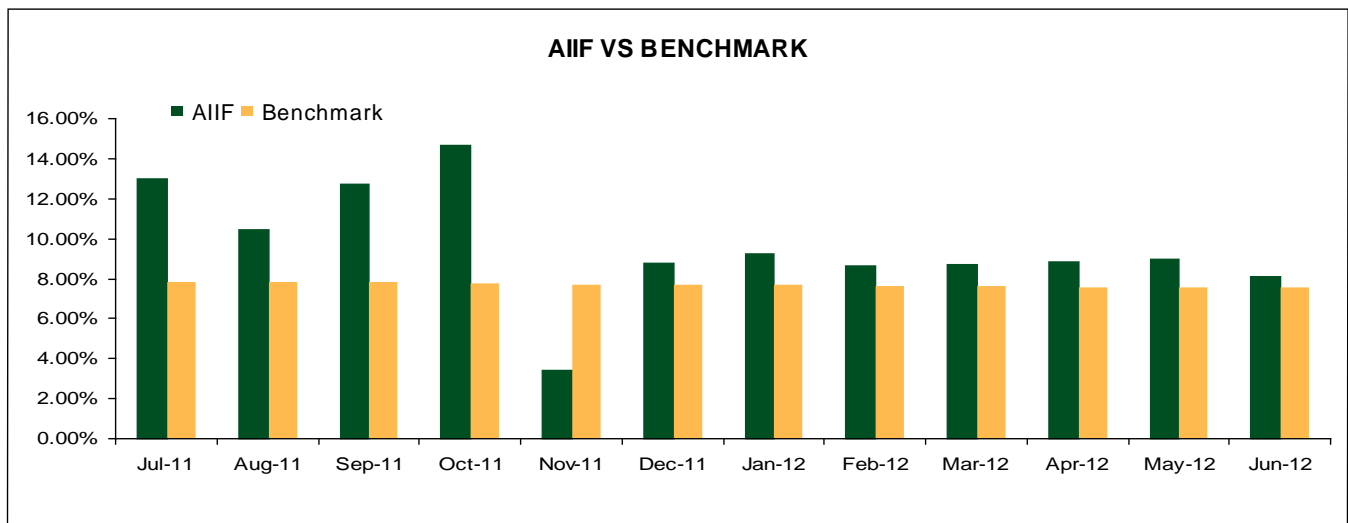
Atlas Islamic Income Fund is an open-ended Shariah Compliant Income Fund. The Fund's primary objective is to provide investors with a good and stable rate of current income consistent with long-term preservation of capital in a Shariah Compliant manner. A secondary objective is to take advantage of opportunities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

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

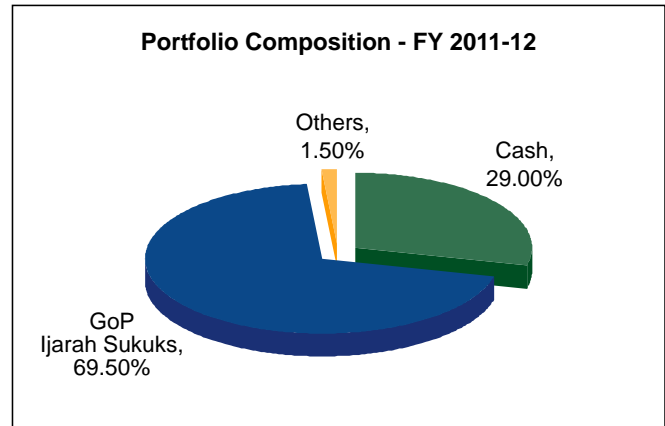
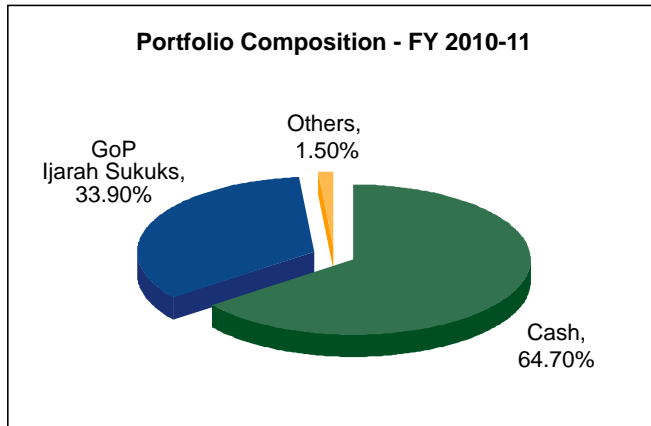
Atlas Islamic Income Fund's benchmark is average six months profit rate of three Islamic Banks.

The Consumer Price Index (CPI) on average basis recorded as 11% during July-June 2011-12, as compared to 13.7% during the same period last year. The highest increase was in July 2011 at 12.4% and low was in December 2011 at 9.7%. During the outgoing year, food prices have remained the major driver of the inflation. Both supply and demand side factors are responsible for food price escalation. These included supply disruption on account of the natural calamities during the year as well as the increase in transportation cost due to high fuel prices; on the demand side, the price hike is the consequence of the inflationary gap measured as the difference between monetary expansion and growth of overall national productivity. Food and non-food inflation recorded an increase of 11% each during this period.

On monetary front, the growth in money supply (M2) has remained comparatively low at 14.1% as Net Foreign Assets declined due to reduction in foreign exchange reserves. The growth in money supply (M2) was driven by domestic sources on the back of increased budgetary borrowings. The SBP adopted an expansionary monetary policy during the FY 2011-12. It slashed the discount rate by 50 bps points to 13.5% from 14% on the back of an improved fiscal position. The decision continued to show progress, as the consumer price index (CPI) and government borrowings from the Central Bank remained lower than its level at the end of June 2011. The discount rate was further reduced by 150 bps points to 12% on 08 October 2011, in order to boost private sector credit and investment. Similarly, for a smooth functioning of a payment system and financial stability, SBP has injected substantial short term liquidity in the system.



The Net Asset Value per unit of Atlas Islamic Income Fund has increased by 10.11% to Rs.501.98 as on 30 June 2012, which includes interim payouts of total Rs.47.50 per unit. The benchmark average six months profit rate of three Islamic Banks stood at 7.70% for the period under review. The AIIF's total exposure in Government of Pakistan Ijarah Sukuks was 69.50%, deposits with high yielding Shariah compliant banks was 29% and remaining 1.50% in others. The Net Assets of your Fund stood at Rs.462 million, with 0.92 million units outstanding as of 30 June 2012.



The Investment Committee of Atlas Asset Management Limited, the Management Company of Atlas Islamic Income Fund, under the authority delegated by the Board of Directors of Atlas Asset Management Limited has approved an interim bonus distribution of Rs.12.00 per unit (2.40% on the face value of Rs.500 per unit). This is in addition to the aggregate interim bonus distribution of Rs.35.50 per unit (7.1% on the face value of Rs.500 per unit) already distributed. The total bonus distribution for the financial year is Rs.47.50 per unit.

The Administrative Plans:

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

Administrative Plans	Proportionate investment in		Return (period ended)		
	AIIF	AISF	2009-10	2010-11	2011-12
Islamic Income Multiplier	85%	15%	11.6%	14.9%	12.7%
Islamic Balanced	50%	50%	17.2%	26.8%	18.8%
Islamic Growth	15%	85%	22.8%	38.7%	24.9%

Breakdown of Unit holding by size:

Type of investor	No. of Investors	Amount of Investment (Rs.)	% of Total
Individuals	178	76,980,550	16.65%
Associated Companies/ Directors	4	102,134,844	22.09%
Insurance Companies	1	347,057	0.07%
Banks/ DFIs	1	49,642,778	10.74%
Retirement Funds	3	101,793,153	22.02%
Others	3	131,416,405	28.43%
Total	190	462,314,787	100%

The scheme has maintained provision against WWF liability of Rs.2,371,168, if the same were not made the NAV per unit / return of the scheme would be higher by Rs.2.57/0.56%. For details please refer to Note 14.1 of the Financial Statements of the scheme.

The NAV before distribution on 27 June 2012, stood at Rs.513.64 per unit and after adjustment for distribution stood at Rs.501.72 per unit.

Global Investment Performance Standards (GIPS):

During the FY 2011-12, the Company has engaged Ernst & Young Ford Rhodes Sidat Hyder (EYFRSH) to carry out the assessment of the Company's policies and procedures for achieving compliance with the Global Investment Performance Standards (GIPS®). This entailed the assessment of the policies and procedures over various areas of investment performance process. The objective in implementing GIPS® are to establish them as the recognized standard for calculating and presenting investment performance around the world and for the GIPS® standard to become a firm "passport" to market investment management services globally. The implementation of GIPS® is expected to be completed by FY 2012 - 13.

In order to strengthen the Risk Management System, AAML has formed Risk Committee with an objective to provide an integrated process for overall risk management i.e. Operational Risk Management and Portfolio Risk Management. During the year under review, the Risk Committee held thirty-one meetings to review risk management.

During the year under review, the Investment Committee held fifty two meetings to review investment of the Fund.

Karachi: 05 September 2012

Muhammad Umar Khan
Fund Manager

Performance Since Inception

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

Date of Launch: 14 October 2008

* Period from 16 August 2008 to 30 June 2009.

** Relates to announced prices

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

Distribution History

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

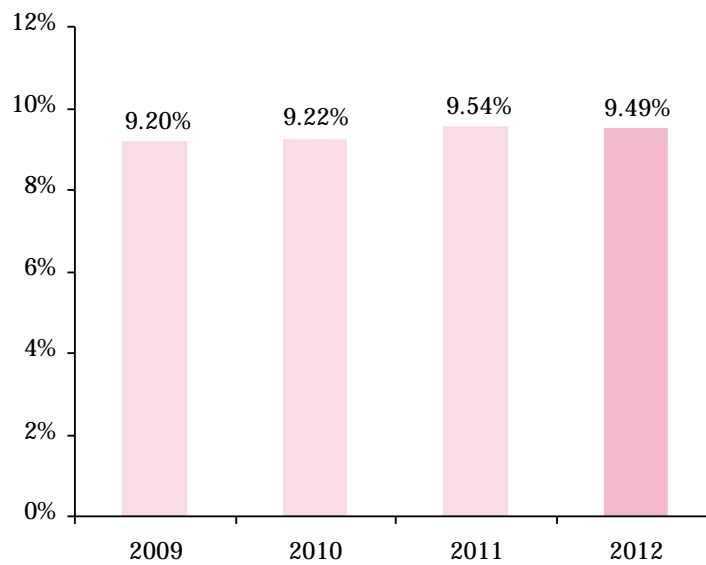
Note: The distribution % has been calculated on the opening Ex-NAV of units at the start of each financial year.

Performance Since Inception

Yearly Performance



Payout History - on opening Ex-NAV of units



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

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

Category	Name of Director
Independent Directors	Mr. Tariq Amin Mr. M. Ashraf Janjua
Non-Executive Directors	Mr. Yusuf H. Shirazi Mr. Fahim Ali Khan Mr. Ali H. Shirazi Mr. Arshad P. Rana
Executive Director (CEO)	Mr. M. Habib-ur-Rahman

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The Management Company has prepared a "Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of the remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, and the Board met at least once in every quarter during the period. Written notes of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. Four members of the Board of the Management Company are exempt from the requirements of the Directors' Training Program on the basis of their education and experience on the Boards of listed companies, as per the proviso to Clause xi of the Code. Additionally, one Board member is currently undergoing a Directors' Certification Program from one of the institutes meeting the criteria specified by the SECP for conducting such programs.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2012

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

Karachi: 05 September 2012

M. Habib-ur-Rahman
Chief Executive Officer

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Atlas Islamic Income Fund (the Fund) are of the opinion that Atlas Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 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 10, 2012

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

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

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

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2012.

Karachi: 05 September 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

REVIEW REPORT OF THE SHARIAH ADVISOR

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

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

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

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

In light of the above scope, I hereby certify that all the provisions of the scheme and investments made by Atlas Islamic Income Fund for the year ended 30 June 2012 are in compliance with the Shariah principles.

Karachi: 30 June 2012

Dr. Fazlur Rahman
Shariah Advisor

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the financial statements

We have audited the accompanying financial statements of Atlas Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2012, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Report on other legal and regulatory requirements

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

Karachi: 05 September 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Arslan Khalid
Audit Engagement Partner

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2012

	Note	2012 ----- Rupees -----	2011 -----
Assets			
Bank balances	7	134,968,907	247,572,064
Investment	8	324,132,500	129,610,750
Mark-up accrued	9	6,839,603	5,156,336
Deferred formation cost	10	207,620	415,240
Security deposit with Central Depository Company of Pakistan Limited		100,000	100,000
Total assets		466,248,630	382,854,390
Liabilities			
Payable to the management company	11	791,813	942,242
Payable to the Trustee	12	64,019	54,333
Payable to the SECP	13	323,111	247,011
Accrued and other liabilities	14	2,754,901	1,805,868
Total liabilities		3,933,844	3,049,454
Net assets		462,314,786	379,804,936
Unit holders' fund		462,314,786	379,804,936
Number of units in issue		920,985	738,995
Net asset value per unit		501.98	513.95

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

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 ----- Rupees -----	2011 -----
Income			
Mark-up income	15	50,132,712	37,141,876
Unrealised (loss) / gain on revaluation of investment designated at fair value through income statement		(1,244,500)	309,750
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net		1,715,866	215,192
		50,604,078	37,666,818
Expenses			
Remuneration of the management company	11.1	4,308,183	3,952,769
Sindh Sales Tax on Remuneration of the Management Company		689,309	-
Remuneration of the trustee	12	732,397	663,000
SECP annual fee	13	323,111	247,011
Annual listing fee		30,000	30,000
Annual rating fee		200,000	200,000
Auditors' remuneration	16	184,784	180,000
Printing charges		153,979	172,500
Securities transaction cost	17	17,500	32,742
Bank charges		3,658	3,983
Amortisation of deferred formation cost		207,620	207,620
Legal and professional charges		-	70,000
Provision for Workers' Welfare Fund	14.2	875,071	638,144
		7,725,612	6,397,769
Net income for the year		42,878,466	31,269,049

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

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	----- Rupees -----	
Net income for the year	42,878,466	31,269,049
Other comprehensive income	-	-
Total comprehensive income for the year	42,878,466	31,269,049

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

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

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	----- Rupees -----	
Undistributed income brought forward [includes unrealised gain on investments of Rs.309,750] (2011: Nil)	10,301,134	7,001,764
Final distribution at the rate of Rs.13.50 per unit declared on 7 July 2011 (2011: Rs.10 per unit declared on 8 July 2010)		
- Issue of bonus units	(8,641,358)	(6,793,124)
- Cash payout against final distribution	(1,335,074)	-
	(9,976,432)	(6,793,124)
Net income for the year	42,878,466	31,269,049
Interim distribution at the rate of Rs.12.50 per unit declared on 7 October 2011 (2011: Rs.11 per unit declared on 12 October 2010)		
- Issue of bonus units	(9,227,932)	(7,672,992)
- Cash payout against final distribution	(1,236,180)	-
	(10,464,112)	(7,672,992)
Interim distribution at the rate of Rs.11.50 per unit declared on 6 January 2012 (2011: Rs.11.25 per unit declared on 11 January 2011)		
- Issue of bonus units	(8,920,366)	(6,855,991)
- Cash payout against final distribution	(1,137,285)	-
	(10,057,651)	(6,855,991)
Interim distribution at the rate of Rs.11.50 per unit declared on 6 April 2012 (2011: Rs.12 per unit declared on 7 April 2011)		
- Issue of bonus units	(9,291,095)	(6,647,572)
- Cash payout against final distribution	(1,137,285)	-
	(10,428,380)	(6,647,572)
Interim distribution at the rate of Rs.12.00 per unit declared on 27 June 2012 (2011: Nil)		
- Issue of bonus units	(9,624,063)	-
- Cash payout against final distribution	(1,186,732)	-
	(10,810,795)	-
Undistributed income carried forward [includes unrealised loss on investments of Rs.934,750] (2011: includes unrealised gain on investments of Rs.309,750)	1,442,230	10,301,134

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

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

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Note	2012 ----- Rupees -----	2011 ----- Rupees -----
Cash flows from operating activities		
Net income for the year	42,878,466	31,269,049
Adjustment for:		
Markup income	(50,132,712)	(37,141,876)
Amortisation of deferred formation cost	207,620	207,620
Unrealised loss / (gain) on revaluation of investment designated at fair value through income statement	1,244,500	(309,750)
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net	(1,715,866)	(215,192)
	(50,396,458)	(37,459,198)
Increase / (decrease) in liabilities		
Payable to the management company	(150,429)	(277,068)
Payable to the trustee	9,686	(3,207)
Payable to the SECP	76,100	20,367
Accrued and other liabilities	949,033	692,045
	884,390	432,137
Markup received	48,449,445	37,625,846
Investments made during the year	(195,766,249)	(129,301,000)
Net cash used in operating activities	(153,950,406)	(97,433,167)
Cash flows from financing activities		
Proceeds from issue of units	215,291,775	250,856,549
Payment on redemption of units	(167,911,969)	(248,763,593)
Cash payout against distribution	(6,032,557)	-
Net cash inflow from financing activities	41,347,249	2,092,956
Net decrease in cash and cash equivalents	(112,603,157)	(95,340,211)
Cash and cash equivalents at the beginning of the year	247,572,064	342,912,275
Cash and cash equivalents at the end of the year	134,968,907	247,572,064

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

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED 30 JUNE 2012

	2012		2011	
	Units	Rupees	Units	Rupees
Net assets at the beginning of the year [Rs.513.95 (2011: Rs.510.31) per unit]	738,995	379,804,937	679,312	346,658,123
Issue of units	421,306	215,291,775	494,931	250,856,549
Redemption of units	(330,177)	(167,911,969)	(491,027)	(248,763,593)
	91,129	47,379,806	3,904	2,092,956
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net	-	(1,715,866)	-	(215,192)
Final distribution at the rate of Rs.13.50 per unit declared on 7 July 2011 (2011: Rs.10 per unit declared on 8 July 2010)				
- Issue of bonus units	17,267	-	13,578	-
- Cash payout against distribution	-	(1,335,074)	-	-
Net income for the year	-	42,878,466	-	31,269,049
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	42,878,466	-	31,269,049
Interim distribution at the rate of Rs.12.50 per unit declared on 7 October 2011 (2011: Rs.11 per unit declared on 12 October 2010)				
- Issue of bonus units	18,277	-	15,294	-
- Cash payout against distribution	-	(1,236,180)	-	-
Interim distribution at the rate of Rs.11.50 per unit declared on 6 January 2012 (2011: Rs.11.25 per unit declared on 11 January 2011)				
- Issue of bonus units	17,694	-	13,652	-
- Cash payout against distribution	-	(1,137,285)	-	-
Interim distribution at the rate of Rs.11.50 per unit declared on 6 April 2012 (2011: Rs.12 per unit declared on 7 April 2011)				
- Issue of bonus units	18,441	-	13,255	-
- Cash payout against distribution	-	(1,137,285)	-	-
Interim distribution at the rate of Rs.12.00 per unit declared on 27 June 2012 (2011: Nil)				
- Issue of bonus units	19,182	-	-	-
- Cash payout against distribution	-	(1,186,732)	-	-
Net assets at the end of the year [Rs.501.98 (2011: Rs.513.95) per unit]	920,985	462,314,786	738,995	379,804,936

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

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

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

During the year, following amendments and improvements to the accounting standards became effective:

IFRS 7 – Financial Instruments: Disclosures (Amendment)

IAS 24 – Related Party Disclosures (Revised)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

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

There are other amended standard and interpretations that are mandatory for the current accounting period but are considered not to be relevant for the Fund's operations and are, therefore, not detailed in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

Investments at fair value through income statement

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

Available-for-sale

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

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 year 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.

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.

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

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

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

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 Investment Committee of the management company, under the powers delegated to them 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.

4.16 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

The following revised standards 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 or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 July 2012 01 January 2013
IAS 1 - Presentation of Financial Statements – Presentation of items of comprehensive income	01 July 2012
IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014

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

There are certain other amended standards and interpretation that are mandatory for accounting periods beginning on or after 01 January 2012 but are considered not to be relevant for the Fund's operations and are, therefore, not detailed in these financial statements.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 ----- Rupees -----	2011 ----- Rupees -----
7. BANK BALANCES			
PLS saving accounts	7.1	<u>134,968,907</u>	<u>247,572,064</u>

7.1 The expected rate of return on these accounts ranges between 6% to 11% (2011: 5% to 11.80%) per annum.

8. INVESTMENTS - at fair value through income statement

Government Securities

Government of Pakistan (GOP) - Ijarah Sukuks	8.1	<u>324,132,500</u>	<u>129,610,750</u>
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8.1 Government of Pakistan - Ijarah Sukuks

Script	Face Value - Rupees				Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Disposed during the year	At the end of the year	Market value	Total investments	Net assets
Government of Pakistan Ijarah Sukuks	129,000,000	195,000,000	-	324,000,000	324,132,500	100.00	70.11
	<u>129,000,000</u>	<u>195,000,000</u>	<u>-</u>	<u>324,000,000</u>	<u>324,132,500</u>	<u>100.00</u>	<u>70.11</u>

8.2 The cost of investments amounts to Rs.325,067,250/- (2011: Rs.129,301,000/-).

8.3 The expected rate of markup ranges between 11.81% to 11.94% (2011:13.45% to 13.71%) per annum and will mature by 28 June 2015 (2011:16 May 2014).

	2012 ----- Rupees -----	2011 ----- Rupees -----
9. MARK-UP ACCRUED		
Bank balances	<u>1,322,738</u>	2,442,123
GOP - Ijarah Sukuks	<u>5,516,865</u>	<u>2,714,213</u>
	<u>6,839,603</u>	<u>5,156,336</u>

10. DEFERRED FORMATION COST

Deferred formation cost	<u>1,038,100</u>	1,038,100
Less: Accumulated amortisation	<u>(830,480)</u>	<u>(622,860)</u>
	<u>207,620</u>	<u>415,240</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
11. PAYABLE TO THE MANAGEMENT COMPANY - Related party			
Management fee	11.1	376,573	319,382
Payable in respect of formation cost		415,240	622,860
		791,813	942,242

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. The management company has charged its remuneration at the rate of 1.00% (2011: 1.20%) 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:

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	2012 Rupees	2011 Rupees
14. ACCRUED AND OTHER LIABILITIES			
Auditors' remuneration payable		167,500	153,171
Printing charges payable		128,400	122,500
Zakat payable		701	5,491
Withholding tax payable		25	3,860
Sindh Sales Tax payable on Remuneration of the Management Company	14.1	60,252	-
Provision for Workers' Welfare Fund	14.2	2,371,168	1,496,097
Other payable		26,855	24,749
		2,754,901	1,805,868

14.1 During the year, an amount of Rs.689,309/- (2011: nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011, out of which Rs.629,057/- has already been paid to the management company which acts as a collecting agent. The remaining amount of Rs.60,252/- will be paid in due course.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

14.2 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.

In the year 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.

During the year, 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.2,371,168 (2011: Rs.1,496,097) in these financial statements. Had the same not been made the net asset value per unit of the Fund would have been higher by Rs.2.57 per unit.

	2012	2011
	----- Rupees -----	
15. MARK-UP INCOME		
PLS saving accounts	23,456,452	31,047,486
Government of Pakistan Ijarah Sukuks	26,676,260	6,094,390
	50,132,712	37,141,876
16. AUDITORS' REMUNERATION		
Audit fee	82,500	75,000
Half yearly review of financial statements	27,500	25,000
Certification charges	33,000	20,000
Review of statement of compliance with Code of Corporate Governance	22,000	30,000
Out of pocket expenses	19,784	30,000
	184,784	180,000
17. SECURITIES TRANSACTION COST		
Represent brokerage and settlement charges.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	----- Rupees -----	
18. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS		
Atlas Asset Management Limited (Management Company)		
Remuneration of the management company	4,308,183	3,952,769
Remuneration paid	4,250,992	4,022,217
Sindh Sales Tax on Remuneration of the Management Company	689,309	-
Formation cost paid	207,620	207,620
Sale of Nil (2011: 15,757) units	-	8,000,000
Bonus of 1,630 (2011: 377) units	819,926	189,088
Redemption of 17,764 (2011: Nil) units	9,019,009	-
Outstanding Nil (2011: 16,134) units at the year end	-	8,292,273
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	732,397	663,000
Settlement charges	6,000	6,000
Atlas Fund of Funds (Fund under common management)		
Sale of 48,678 (2011: Nil) units	25,000,000	-
Bonus of 1,602 (2011: 6,152) units	807,846	3,084,901
Redemption of 50,280 (2011: 86,152) units	25,447,895	43,596,472
Atlas Foundation (Group Company)		
Bonus of 7,010 (2011: 4,602) units	3,525,869	2,307,926
Outstanding 62,076 (2011: 55,066) units at the year end	31,160,967	28,301,017
Atlas Honda Limited (Group Company)		
Bonus of 13,472 (2011: 8,845) units	6,775,595	4,435,096
Outstanding 119,291 (2011: 105,819) units at the year end	59,881,428	54,385,517
Shirazi Investments (Private) Limited Employees Provident Fund		
Bonus of 2,171 (2011: 1,425) units	1,091,905	714,728
Outstanding 19,224 (2011: 17,053) units at the year end	9,648,516	8,764,373
Key Management Personnel of Management Company		
Sale of 4,428 (2011: 4,691) units	2,247,691	2,381,413
Bonus of 448 (2011: 349) units	225,353	174,862
Redemption of 5,255 (2011: 3,769) units	2,671,322	1,966,875
Outstanding 3,884 (2011: 4,263) units at the year end	1,950,240	2,191,193

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 balances due from / to 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 2012

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 2012, 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.4,591,014 (2011: Rs.3,771,828) 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 2012.

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 year 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 2012

2012	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	----- Rupees -----				
Assets					
Bank balances	134,968,907	-	-	-	134,968,907
Investment	-	20,006,000	-	304,126,500	324,132,500
Markup accrued	1,322,738	3,377,747	2,139,118	-	6,839,603
Security deposit	-	-	-	100,000	100,000
	136,291,645	23,383,747	2,139,118	304,226,500	466,041,010
Liabilities					
Payable to the management company	376,573	207,620	-	207,620	791,813
Payable to the trustee	64,019	-	-	-	64,019
Payable to SECP	-	323,111	-	-	323,111
Accrued and other liabilities	87,833	167,500	2,499,568	-	2,754,901
	528,425	698,231	2,499,568	207,620	3,933,844
Net assets / (liabilities)	135,763,220	22,685,516	(360,450)	304,018,880	462,107,166

2011	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	----- Rupees -----				
Assets					
Bank balances	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

19.4 Credit risk

Credit risk arises from the inability of the issuers of the instruments or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The Fund's policy is to enter into financial contracts in accordance with the profit risk management policies and investment guidelines approved by the Investment Committee. As of 30 June 2012, 70.11% (2011: 34.13%) of Fund's Net Assets are invested in Government Securities and the Fund's maximum exposure to credit risk as of 30 June 2012 amounts to Rs.141,908,510 (2011: Rs.252,828,400).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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	
	2012	2011
AAA	70.74	34.60
AA	-	31.72
A	29.24	-
A-	-	33.65
Others	0.02	0.03
	100.00	100.00

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 financial assets and liabilities of the Fund, other than government securities, 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 2012, 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 safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

20. UNIT HOLDING PATTERN OF THE FUND

Category	2012			2011		
	Number of unit holders	Amount Rupees	% of total	Number of unit holders	Amount Rupees	% of total
Individuals	178	76,980,550	16.65%	181	62,381,685	16.42%
Associated Companies/ Directors	4	102,134,844	22.09%	5	101,058,969	26.61%
Insurance Companies	1	347,057	0.07%	3	4,209,573	1.11%
Banks / DFIs	1	49,642,778	10.74%	1	50,826,552	13.38%
Retirement Funds	3	101,793,153	22.02%	4	92,283,604	24.30%
Others	3	131,416,405	28.43%	2	69,044,554	18.18%
	190	462,314,787	100.00%	196	379,804,937	100.00%

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

2012		2011	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
KASB Securities Limited	60.87	KASB Securities Limited	24.71
JS Global Capital Limited	39.13	JS Global Capital Limited	36.37
		Elixir Securities Pakistan Limited	38.92
	100.00		100.00

22. RATING OF THE FUND AND THE MANAGEMENT COMPANY

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

PACRA has maintained a stability rating of "AA- (f)" (Double A Minus - fund rating) of the Fund.

23. 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	44 Years
Mr. Ali H. Shirazi	Director	Masters in Law	8.5 Years
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance)-UK, M. Com.	12 Years
Mr. Khalid Mehmood	Fund Manager - Equity Markets	MBA - Finance	8 Years
Mr. Muhammad Umar Khan	Fund Manager - Fixed Income	MSc - Finance - UK	4 Years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24. NAME AND QUALIFICATION OF FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Mr. Muhammad Umar Khan	Fund Manager - Fixed Income	MSc - Finance - UK	Atlas Income Fund Atlas Money Market Fund

25. 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				
	07 July 2011	20 Sep 2011	26 Oct 2011	23 Feb 2012	24 Apr 2012
Mr. Yusuf H. Shirazi	P	P	P	P	P
Mr. M. Habib-ur-Rahman	P	P	P	P	P
Mr. Tariq Amin	P	P	P	P	P
Mr. Frahim Ali Khan	L	P	P	P	P
Mr. Ali H. Shirazi	P	P	P	P	P
Mr. M. Ashraf Janjua	P	P	P	P	P
Mr. Arshad P. Rana	P	L	P	P	P

P Present

L Leave of absence

26. GENERAL

Figures have been rounded off to the nearest Rupee.

27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the management company on 5 September 2012.

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

Corporate Information

Trustee

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

Shariah Advisor

Dr. Fazlur Rahman

Auditors

FY 2011-12

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

FY 2012-13

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisers

Mohsin Tayebaly & Co.

Bankers

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

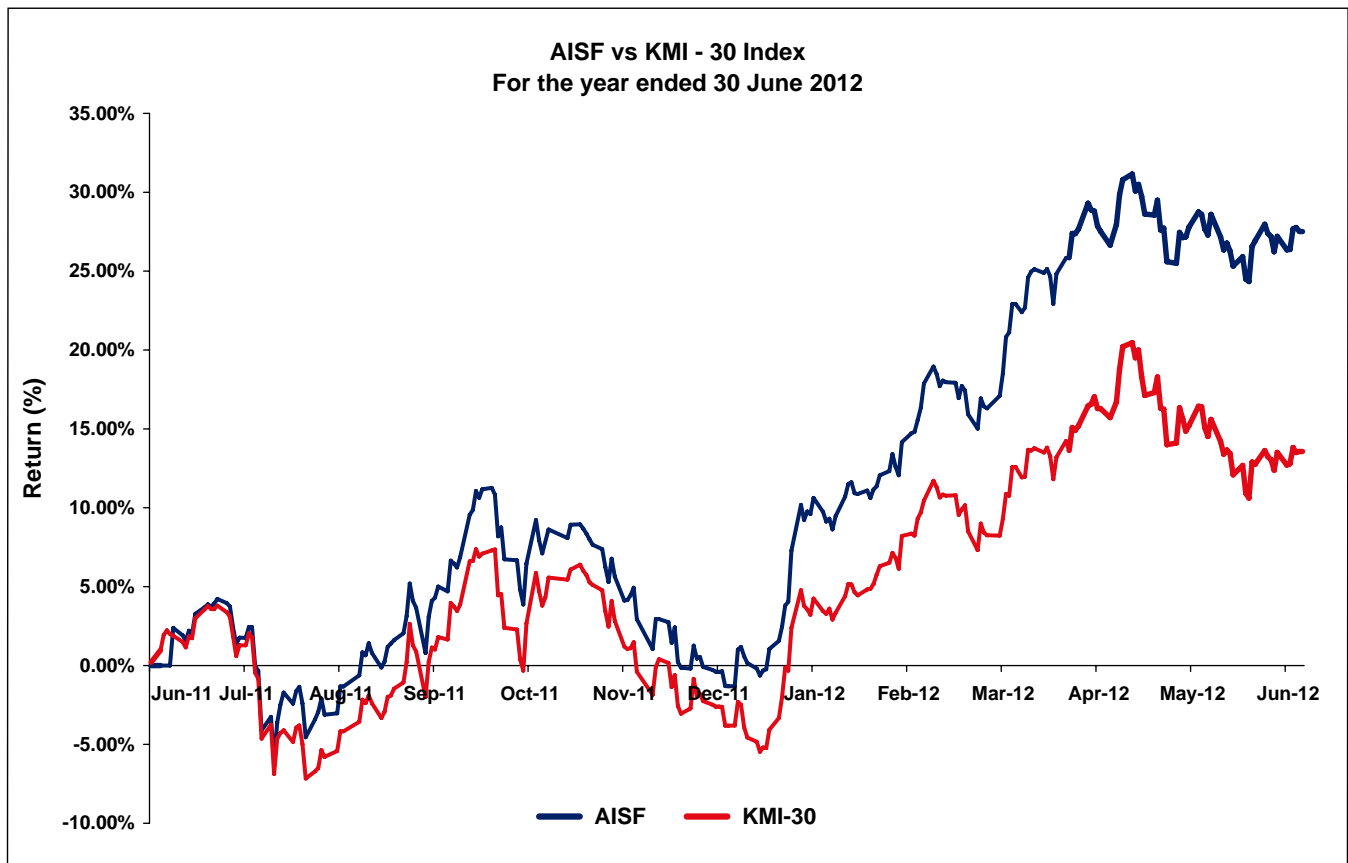


Fund Manager's Report

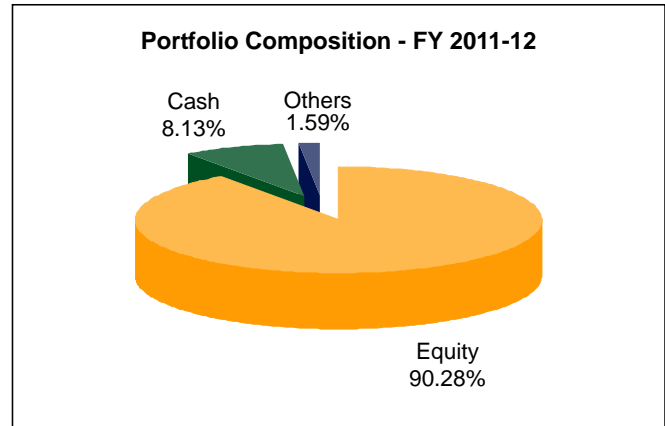
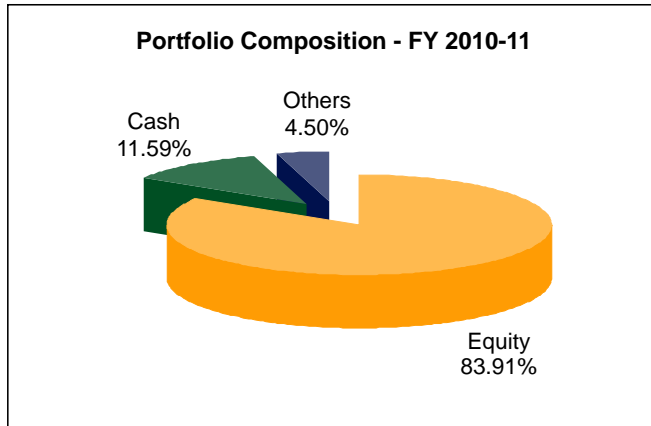
Atlas Islamic Stock Fund is an open-ended equity fund. The objective of the Fund is maximizing unit holders' returns on their Investments while at all times observing prudent Investment practices, the highest professional standards, all applicable laws, and the Shariah Code. The Fund's strategy revolves 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 20,936.20 points as on 30 June 2011 to 23,776.48 points as on 30 June 2012, showing a growth of 13.57%. The first half of the outgoing financial year depicted a dull activity period, with a decline of 3.81% in KMI - 30 index. However, the second half of outgoing financial year witnessed sharp recovery in equity prices mainly driven by anticipated announcement of various measures which were later implemented through a Presidential Ordinance. As a result the KMI-30 index not only managed to recover its lost points but ended the year with a growth of 13.57%.



The Net Asset Value per unit of Atlas Islamic Stock Fund has increased by 27.51% to Rs.387.74 as on 30 June 2012. The benchmark KMI-30 index increased by 13.57% during the same period. The KMI-30 index has increased from 20,936.20 points as on 30 June 2011 to 23,776.48 points as on 30 June 2012. AISF's strategy will continue to focus on dividend plays and stocks which are trading at relatively cheap multiples with earning growth prospects. AISF's equity portfolio exposure was mainly in Oil & Gas, Construction, Electricity and Chemical sectors.



The Net Assets of your Fund stood at Rs.510.95 million, with 1.32 million units outstanding as of 30 June 2012. AISF's Net Capital Gain for the period under review stood at Rs.68.91 million. The Dividend Income and Income from Shariah Compliant Bank Deposits for the period under review stood at Rs.27.76 million and Rs.3.1 million respectively.

The Administrative Plans:

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

Administrative Plans	Proportionate investment in		Return (period ended)		
	AIIF	AISF	2009-10	2010-11	2011-12
Islamic Income Multiplier	85%	15%	11.6%	14.9%	12.7%
Islamic Balanced	50%	50%	17.2%	26.8%	18.8%
Islamic Growth	15%	85%	22.8%	38.7%	24.9%

Breakdown of Unit holding by size:

Type of investor	No. of Investors	Amount of Investment (Rs.)	% of Total
Individuals	280	80,233,630	15.70%
Associated Companies/ Directors	7	214,411,589	41.96%
Insurance Companies	2	6,113,517	1.20%
Retirement Funds	10	205,847,512	40.29%
Others	3	4,346,873	0.85%
Total	302	510,953,121	100%

The scheme has maintained provision against WWF liability of Rs.6,575,447, if the same were not made the NAV per unit/return of the scheme would be higher by Rs.4.99/1.64%. For details please refer to Note 13.3 of the Financial Statements of the scheme.

The Board of Directors has approved a final distribution of Rs.62.50 per unit (12.50% on the face value of Rs.500 per unit). This works out 20.55% of the net asset value of units of the Fund at the beginning of the year.

The NAV before distribution stood at Rs.387.74 per unit and after adjustment for final dividend stood at Rs.325.24 per unit.

Global Investment Performance Standards (GIPS): During the FY 2011-12, Atlas Asset Management Limited (AAML) has engaged Ernst & Young Ford Rhodes Sidat Hyder (EYFRSH) to carry out the assessment of the AAML policies and procedures for achieving compliance with the Global Investment Performance Standards (GIPS®). This entailed the assessment of the policies and procedures over various areas of investment performance process. The objective in implementing GIPS® are to establish them as the recognized standard for calculating and presenting investment performance around the world and for the GIPS® standard to become a firm "passport" to market investment management services globally. The implementation of GIPS® is expected to be completed by FY 2012-13.

In order to strengthen the Risk Management System, AAML has formed Risk Committee with an objective to provide an integrated process for overall risk management i.e. Operational Risk Management and Portfolio Risk Management. During the year under review, the Risk Committee held thirty-one meetings to review risk management.

During the year under review the Investment Committee held fifty two meetings to review the investment of the Fund.

Karachi: 05 September 2012

Khalid Mehmood
Fund Manager

Performance Since Inception

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

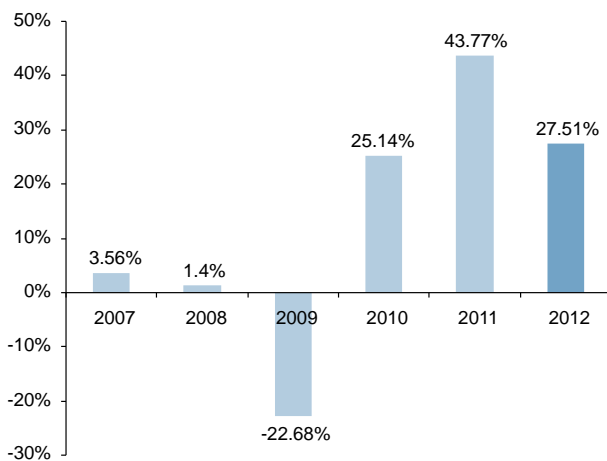
Date of Launch: 15 January 2007.

* Period from 17 October 2006 to 30 June 2007.

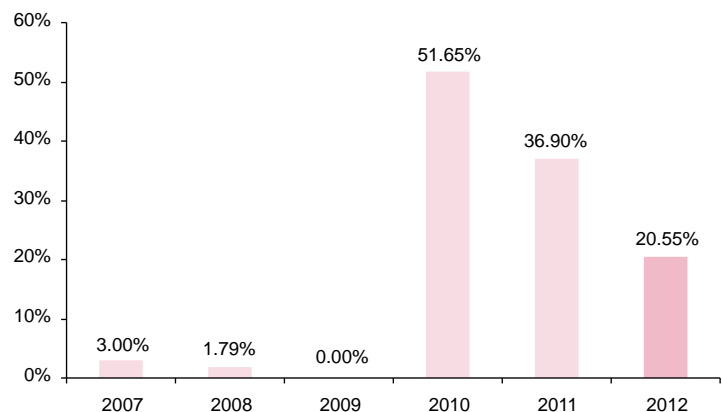
** Relates to announced prices.

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.

Yearly Performance



Payout History - on opening Ex-NAV of units



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

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

Category	Name of Director
Independent Directors	Mr. Tariq Amin Mr. M. Ashraf Janjua
Non-Executive Directors	Mr. Yusuf H. Shirazi Mr. Frahim Ali Khan Mr. Ali H. Shirazi Mr. Arshad P. Rana
Executive Director (CEO)	Mr. M. Habib-ur-Rahman

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The Management Company has prepared a "Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of the remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, and the Board met at least once in every quarter during the period. Written notes of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. Four members of the Board of the Management Company are exempt from the requirements of the Directors' Training Program on the basis of their education and experience on the Boards of listed companies, as per the proviso to Clause xi of the Code. Additionally, one Board member is currently undergoing a Directors' Certification Program from one of the institutes meeting the criteria specified by the SECP for conducting such programs.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2012

10. No new appointment of the Chief Financial Officer & Company Secretary and Chief Internal Auditor was made during the year. The terms of remuneration of the Chief Financial Officer & Company Secretary, and the Chief Internal Auditor have been approved by the Board.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
13. The Directors, CEO and Executives do not hold units other than those disclosed in note 16 to the financial statements "Transactions with Related Parties/Connected Persons", and as disclosed in the pattern of unit holdings in note 19 to the financial statements.
14. The Management Company has complied with the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee comprising of three members, all of whom are non-executive directors and the Chairman of the Committee is an independent director.
16. Meetings of the Audit Committee were held every quarter, prior to approval of the interim and annual results of the Fund, as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the committee is a non-executive director.
18. The Board has set up an effective internal audit function headed by a full time Chief Internal Auditor who is considered suitably qualified and experienced, and is conversant with the policies and procedures of the Fund.
19. The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund, and that the Firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the ICAP.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/financial results, and business decisions, which may materially affect the market price / net asset value, was determined and intimated to directors, employees and the stock exchange.
22. Material /price sensitive information has been disseminated among all market participants at once through the Stock Exchange.
23. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 05 September 2012

M. Habib-ur-Rahman
Chief Executive Officer

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Atlas Islamic Stock Fund (the Fund) are of the opinion that Atlas Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 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 10, 2012

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2012.

Karachi: 05 September 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

REVIEW REPORT OF THE SHARIAH ADVISOR

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

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

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

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

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

In light of the above scope, I hereby certify that all the provisions of the scheme and investments made by the Fund for the year ended 30 June 2012 are in compliance with the Shariah principles.

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

Karachi: 30 June 2012

Dr. Fazlur Rahman
Shariah Advisor

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the financial statements

We have audited the accompanying financial statements of Atlas Islamic Stock Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2012, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Report on other legal and regulatory requirements

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

Karachi: 05 September 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Arslan Khalid
Audit Engagement Partner

STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
Assets			
Bank balances	7	42,299,162	38,990,980
Receivable against sale of securities		4,626,080	10,291,261
Investments	8	469,632,380	282,234,914
Dividend receivable		450,000	1,950,000
Income accrued on bank balances		594,447	300,602
Security deposits	9	2,600,000	2,600,000
Total assets		520,202,069	336,367,757
Liabilities			
Payable against purchase of securities		687,969	11,529,973
Payable to the management company	10	830,285	804,606
Payable to the trustee	11	87,988	62,540
Payable to the SECP	12	392,080	255,407
Accrued and other liabilities	13	7,250,626	4,938,555
Total liabilities		9,248,948	17,591,081
Net assets		510,953,121	318,776,676
Unit holders' fund		510,953,121	318,776,676
Number of units in issue		1,317,773	779,243
Net asset value per unit		387.74	409.09

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 2012

	Note	2012 ----- Rupees -----	2011 -----
Income			
Dividend income		27,757,626	18,584,863
Income on bank balances		3,101,583	5,194,539
Net gain on investments at fair value through income statement (held-for-trading)			
Net gain on sale of investments		68,914,575	75,085,970
Net unrealised gain on revaluation of investments		26,836,674	8,065,032
		95,751,249	83,151,002
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net		2,070,613	3,687,463
		128,681,071	110,617,867
Expenses			
Remuneration of the management company	10.1	10,192,498	8,065,171
Sindh Sales Tax on remuneration of the management company	13.2	1,630,800	-
Remuneration of the trustee	11.1	837,431	700,070
SECP annual fee	12	392,080	255,407
Annual listing fee		30,000	30,000
Annual rating fee		100,000	100,000
Securities transaction cost	14	2,141,651	1,656,187
Auditors' remuneration	15	235,395	228,293
Printing charges		129,579	144,000
Legal and professional charges		-	35,000
Bank charges		14,912	20,246
Provision for Workers' Welfare Fund	13.3	2,259,535	1,987,670
		17,963,881	13,222,044
Net income for the year		110,717,190	97,395,823

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 2012

	2012	2011
	----- Rupees -----	
Net income for the year	110,717,190	97,395,823
Other comprehensive income	-	-
Total comprehensive income for the year	110,717,190	97,395,823

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 2012

	2012	2011
	----- Rupees -----	
Accumulated loss brought forward [includes unrealised gain on investments of Rs.7,526,893] (2011: unrealised loss of Rs.21,031,244)	(15,476,034)	(8,185,471)
Final distribution for the year ended 30 June 2011 at the rate of Rs.105 per unit declared on 07 July 2011 (2011: Rs.200 per unit declared on 8 July 2010)	(81,820,514)	(104,332,820)
Net income for the year	110,717,190	97,395,823
Shariah non-compliant income set-aside for charity	13.1 (481,838)	(353,566)
Undistributed income / (accumulated loss) carried forward [includes unrealised gain on investments of Rs.28,431,471] (2011: unrealised gain of Rs.7,526,893)	12,938,804	(15,476,034)

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 2012

Note	2012 ----- Rupees -----	2011 -----
Cash flows from operating activities		
Net income for the year	110,717,190	97,395,823
Adjustments for:		
Dividend income	(27,757,626)	(18,584,863)
Markup income	(3,101,583)	(5,194,539)
Net gain on sale of investments	(68,914,575)	(75,085,970)
Net unrealised gain on revaluation of investments	(26,836,674)	(8,065,032)
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net	(2,070,613)	(3,687,463)
	(128,681,071)	(110,617,867)
Decrease / (increase) in assets		
Receivable against sale of securities	5,665,181	(10,291,261)
Increase / (decrease) in liabilities		
Payable against purchase of securities	(10,842,004)	11,233,295
Payable to the management company	25,679	173,360
Payable to the trustee	25,448	-
Payable to the SECP	136,673	(108,787)
Accrued and other liabilities	1,830,232	1,539,544
	(8,823,972)	12,837,412
Dividend received	29,257,626	18,384,863
Markup income received	2,807,738	5,002,973
Investments made during the year	(976,058,702)	(844,648,996)
Investments sold during the year	884,412,486	885,137,223
Net cash (used in) / inflow from operating activities	(80,703,524)	53,200,170
Cash flows from financing activities		
Proceeds from issue of units	482,831,724	156,889,931
Payment on redemption of units	(398,820,018)	(184,241,216)
Net cash inflow from / (used in) financing activities	84,011,706	(27,351,285)
Net increase in cash and cash equivalents	3,308,182	25,848,885
Cash and cash equivalents at the beginning of the year	38,990,980	13,142,095
Cash and cash equivalents at the end of the year	42,299,162	38,990,980

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 2012

	2012		2011	
	Units	Rupees	Units	Rupees
Net assets as at the beginning of the year [Rs.409.09 (2011: Rs.484.55) per unit]	779,243	318,776,676	521,664	252,773,167
Issue of units	1,382,710	482,831,724	425,097	156,889,931
Redemption of units	(1,113,247)	(398,820,018)	(534,177)	(184,241,216)
	269,463	84,011,706	(109,080)	(27,351,285)
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net	-	(2,070,613)	-	(3,687,463)
Issue of bonus units	269,067	-	366,659	-
Net income for the year	-	110,717,190	-	97,395,823
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	110,717,190	-	97,395,823
Shariah non-compliant income set-aside for charity	-	(481,838)	-	(353,566)
Net assets as at the end of the year [Rs.387.74 (2011: Rs.409.09) per unit]	1,317,773	510,953,121	779,243	318,776,676

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 2012

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

During the year, following amendments and improvements to the accounting standards became effective:

IFRS 7 – Financial Instruments: Disclosures (Amendment)

IAS 24 – Related Party Disclosures (Revised)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

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

There are other amended standard and interpretations that are mandatory for the current accounting period but are considered not to be relevant for the Fund's operations and are, therefore, not detailed in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 / loss and capital gains / losses in prices of units issued less those in units redeemed" (the element) is created.

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

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

4.8 Taxation

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

4.9 Financial instruments

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

4.10 Offsetting of financial assets and liabilities

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

4.11 Distribution to unit holders

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

4.12 Net asset value per unit

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

4.13 Cash and cash equivalents

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

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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 2012

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

The following revised standards 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 or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 July 2012 01 January 2013
IAS 1 - Presentation of Financial Statements – Presentation of items of comprehensive income	01 July 2012
IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014

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

There are certain other amended standards and interpretation that are mandatory for accounting periods beginning on or after 01 January 2012 but are considered not to be relevant for the Fund's operations and are, therefore, not detailed in these financial statements.

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

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

Note	2012	2011
	----- Rupees -----	

7. BANK BALANCES

In PLS saving accounts	7.1	<u>42,299,162</u>	<u>38,990,980</u>
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7.1 These carry rates of return ranging between 6% and 11% (2011: 5% and 11.80%) per annum.

8. INVESTMENTS - at fair value through income statement

Listed equity securities - held-for-trading	8.1	<u>469,632,380</u>	<u>282,234,914</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	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

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	65,000	85,000	-	150,000	-	-	-	-
Attock Refinery Limited	25,000	150,000	-	175,000	-	-	-	-
National Refinery Limited	-	135,000	-	135,000	-	-	-	-
Oil & Gas Development Company Limited	-	200,000	-	100,000	100,000	16,044,000	3.42	3.14
Pakistan Oilfields Limited	100,000	249,180	-	154,180	195,000	71,553,300	15.24	14.00
Pakistan Petroleum Limited	145,000	387,456	10,000	137,456	405,000	76,257,450	16.24	14.92
Pakistan State Oil Company Limited	50,000	91,948	-	41,948	100,000	23,584,000	5.02	4.62
	385,000	1,298,584	10,000	893,584	800,000	187,438,750	39.92	36.68

CHEMICALS

Fauji Fertilizer Bin Qasim Limited	800,000	1,800,000	-	2,600,000	-	-	-	-
Fauji Fertilizer Company Limited	250,000	842,500	130,000	772,500	450,000	49,972,500	10.64	9.78
ICI Pakistan Limited	178,000	219,151	-	297,151	100,000	13,107,000	2.79	2.57
Lotte Pakistan PTA Limited	300,000	1,275,000	-	1,575,000	-	-	-	-
	1,528,000	4,136,651	130,000	5,244,651	550,000	63,079,500	13.43	12.35

CONSTRUCTION & MATERIALS (CEMENT)

D G Khan Cement Company Limited	300,000	3,208,519	-	2,508,519	1,000,000	39,380,000	8.39	7.71
Lucky Cement Limited	175,000	1,162,500	-	992,500	345,000	39,809,550	8.48	7.79
	475,000	4,371,019	-	3,501,019	1,345,000	79,189,550	16.87	15.50

GENERAL INDUSTRIALS

Thal Limited (Face value Rs.5/- each)	50,000	14,050	12,810	76,860	-	-	-	-
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ENGINEERING

Millat Tractors Limited	-	30,000	-	30,000	-	-	-	-
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AUTOMOBILE & PARTS

Indus Motor Company Limited	-	50,000	-	-	50,000	12,254,000	2.61	2.40
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PERSONAL GOODS (TEXTILE)

Nishat Mills Limited	-	925,000	-	925,000	-	-	-	-
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FIXED LINE TELECOMMUNICATION

Pakistan Telecommunication Company Limited	700,000	4,950,000	-	5,000,000	650,000	8,898,500	1.89	1.74
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ELECTRICITY

The Hub Power Company Limited	900,000	1,643,488	-	743,488	1,800,000	75,402,000	16.06	14.76
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COMMERCIAL BANKS

Meezan Bank Limited	294,686	1,719,831	125,000	639,860	1,499,657	43,370,080	9.23	8.49
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Market value of investments as at 30 June 2012

469,632,380 **100.00** **91.92**

8.2 The cost of held for trading investments as on 30 June 2012 is Rs.441,200,909 (2011: Rs.274,708,021).

8.3 The above investments include 45,000, 115,000, 75,000, 100,000 and 300,000 shares of Pakistan Oilfields Limited, Pakistan Petroleum Limited, Fauji Fertilizer Company Limited, Lucky Cement Limited and The Hub Power Company Limited respectively, pledged with NCCPL. The aggregate market value of shares pledged amounts to Rs.70,600,400 (2011: Rs.63,184,850).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 ----- Rupees -----	2011 ----- 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	829,914	803,863
Sales load		371	743
		830,285	804,606

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

11. PAYABLE TO THE TRUSTEE - Related Party

Trustee fee	11.1	82,988	57,540
Settlement charges		5,000	5,000
		87,988	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 2012

	Note	2012 ----- Rupees -----	2011 -----
13. ACCRUED AND OTHER LIABILITIES			
Auditors' remuneration payable		195,000	180,000
Printing charges payable		128,500	147,000
Rating fee payable		100,000	100,000
Charity payable	13.1	35,402	116,325
NCCPL charges payable		20,000	20,000
Withholding tax payable		956	7,476
Zakat payable		3,928	662
Sales load payable to distributors		1,114	2,228
Sindh Sales Tax payable on remuneration of the management company	13.2	132,786	-
Provision for Workers' Welfare Fund	13.3	6,575,447	4,315,912
Others		57,493	48,952
		7,250,626	4,938,555

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.481,838 (2011: Rs.353,566) against dividend income, as Shariah non-compliant income, which has accordingly, been marked to charity, out of which Rs.446,436 has already been paid to charities approved by the Shariah Advisor. The remaining Rs.35,402 will be paid in due course.

13.2 During the year, an amount of Rs.1,630,800 (2011: nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011, out of which Rs.1,498,014 has already been paid to the management company which acts as a collecting agent. The remaining amount of Rs.132,786 will be paid in due course.

13.3 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / Mutual Funds (CISs) / Pension Funds whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the 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.

In the year 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.

During the year 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.6,575,447 (2011: Rs.4,315,912) in these financial statements. Had the same not been made the net asset value per unit of the Fund would have been higher by Rs.4.99 per unit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

14. SECURITIES TRANSACTION COST

Represent brokerage, Federal Exise Duty, Capital Value Tax and settlement charges.

	2012	2011
Note	Rupees	
15. AUDITORS' REMUNERATION		
Audit fee	99,000	90,000
Half yearly review of financial statements	49,500	45,000
Certification charges	33,000	30,000
Review of statement of compliance with Code of Corporate Governance	33,000	30,000
Out of pocket expenses	20,895	33,293
	235,395	228,293

16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Atlas Asset Management Limited (Management Company)

Remuneration of the management company	10,192,498	8,065,171
Remuneration paid	10,166,447	7,892,554
Sindh Sales Tax on Remuneration of the Management Company	1,630,800	-
Sales load	371	743

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	837,431	700,070
Settlement charges	50,241	42,248

Atlas Fund of Funds (Fund under Common Management)

Sale 261,728 (2011: 19,904) units	88,000,000	8,000,000
Bonus 6,873 (2011: Nil) units	2,089,916	-
Redemption of 215,092 (2011: Nil) units	76,543,202	-
Outstanding 73,412 (2011: 19,904) units at the year end	28,464,956	8,142,512

Atlas Insurance Limited (Group Company)

Sale 643,035 (2011: 227,586) units	228,600,000	80,500,000
Bonus 52,341 (2011: 70,397) units	15,916,479	20,031,565
Redemption of 497,897 (2011: 246,555) units	183,833,160	86,449,088
Outstanding 349,065 (2011: 151,586) units at the year end	135,346,440	62,012,118

Atlas Battery Limited (Group Company)

Sale 45,160 (2011: Nil) units	15,000,000	-
Outstanding 45,160 (2011: Nil) units at the year end	17,510,462	-

Shirazi Investments (Private) Limited - Employees Provident Fund

(Retirement benefit plan of a Group Company)		
Sale 11,957 (2011: Nil) units	3,640,000	-
Outstanding 11,957 (2011: Nil) units at the year end	4,636,221	-

Key Management Personnel of management company

Sale 27,283 (2011: 9,505) units	8,575,915	3,588,174
Bonus 19,439 (2011: 23,203) units	5,911,381	6,602,388
Redemption 11,101 (2011: 9,421) units	3,632,183	3,620,540
Outstanding 91,921 (2011: 56,299) units at the year end	35,641,542	23,031,302

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 balances due from / to 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 2012

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 2012, 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.422,992 (2011: Rs.389,910) 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.46,963,238 (2011: Rs.28,223,491) 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 2012

2012	Within 1 month	1 to 3 months	3 to 12 months	Financial instruments with no fixed maturity	Total
----- Rupees -----					
Assets					
Bank balances	42,299,162	-	-	-	42,299,162
Receivables against sale of securities	4,626,080	-	-	-	4,626,080
Investments	-	-	-	469,632,380	469,632,380
Dividend receivable	450,000	-	-	-	450,000
Income accrued on bank balances	594,447	-	-	-	594,447
Security deposits	-	-	-	2,600,000	2,600,000
	47,969,689	-	-	472,232,380	520,202,069
Liabilities					
Payable against purchase of securities	687,969	-	-	-	687,969
Payable to the management company	830,285	-	-	-	830,285
Payable to the trustee	87,988	-	-	-	87,988
Payable to the SECP	-	392,080	-	-	392,080
Accrued and other liabilities	158,784	230,402	6,861,439	-	7,250,626
	1,765,026	622,482	6,861,439	-	9,248,948
Net assets / (liabilities)	46,204,663	(622,482)	(6,861,439)	472,232,380	510,953,121
----- Rupees -----					
2011	Within 1 month	1 to 3 months	3 to 12 months	Financial instruments with no fixed maturity	Total
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

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 2012 amounts to Rs.50,569,689 (2011:Rs.54,132,843).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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	
	2012	2011
AA	0.02	0.01
AA -	-	0.03
A	84.80	20.11
A-	-	52.44
Others	15.18	27.41
	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 in 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 05 July 2012, approved a distribution of Rs.62.50 (2011: Rs.105) per unit on the face value of Rs. 500 each i.e. 12.50% (2011: 21%) amounting to Rs.82,360,783 (2011: Rs.81,820,514).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19. UNIT HOLDING PATTERN OF THE FUND

Category	2012			2011		
	Number of unit holders	Amount Rupees	% of total	Number of unit holders	Amount Rupees	% of total
Individuals	280	80,233,630	15.70%	254	35,830,530	11.24%
Associated Companies/ Directors	7	214,411,590	41.96%	5	92,310,621	28.96%
Insurance Companies	2	6,113,517	1.20%	1	7,672,158	2.41%
Retirement Funds	10	205,847,512	40.29%	9	181,495,483	56.93%
Others	3	4,346,872	0.85%	2	1,467,884	0.46%
	302	510,953,121	100.00%	271	318,776,676	100.00%

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

2012		2011	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Optimus Capital Management (Private) Limited	9.09%	Invisor Securities (Private) Limited	12.71%
Invest Capital Markets (Private) Limited	7.81%	Taurus Securities Limited	10.22%
Taurus Securities Limited	6.56%	IGI Finex Securities Limited	7.91%
Topline Securities (Private) Limited	6.14%	Habib Metropolitan Financial Services Limited	6.20%
Al Habib Capital Market (Private) Limited	5.21%	First Capital Equities Limited	6.40%
Arif Habib Securities Limited	4.59%	Topline Securities (Private) Limited	6.31%
IGI Finex Securities Limited	4.56%	Next Capital Limited	4.76%
BMA Capital Management Limited	4.36%	JS Global Capital Limited	4.73%
Foundation Securities (Private) Limited	4.02%	Elixir Securities Pakistan (Private) Limited	4.53%
Al Falah Securities (Private) Limited	3.90%	Invest Capital Markets Limited	4.44%

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	44 Years
Mr. Ali H. Shirazi	Director	Masters in Law	8.5 Years
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance)-UK, M. Com.	12 Years
Mr. Khalid Mehmood	Fund Manager - Equity Markets	MBA - Finance	8 Years
Mr. Muhammad Umar Khan	Fund Manager - Fixed Income	MSc - Finance - UK	4 Years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

22. NAME AND QUALIFICATION OF FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Mr. Khalid Mehmood	Fund Manager - Equity Markets	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				
	07 July 2011	20 Sep 2011	26 Oct 2011	23 Feb 2012	24 Apr 2012
Mr. Yusuf H. Shirazi	P	P	P	P	P
Mr. M. Habib-ur-Rahman	P	P	P	P	P
Mr. Tariq Amin	P	P	P	P	P
Mr. Frahim Ali Khan	L	P	P	P	P
Mr. Ali H. Shirazi	P	P	P	P	P
Mr. M. Ashraf Janjua	P	P	P	P	P
Mr. Arshad P. Rana	P	L	P	P	P
P	Present				
L	Leave of absence				

24. RATING OF THE FUND AND THE MANAGEMENT COMPANY

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

PACRA has upgraded the short term rating of the Fund to "4 Star" from the previous "3 Star", and maintained the "4 Star" long term rating of the Fund, for FY 2010-11.

25. GENERAL

Figures have been rounded off to the nearest Rupee.

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the management company on 05 September 2012.

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

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

Head Office

Ground Floor, Federation House, Sharae Firdousi,
Clifton, Karachi-75600. Ph: (92-21) 35379501- 04
Fax: (92-21) 35379280 UAN: 111- MUTUAL (6-888-25)
Website: www.atlasfunds.com.pk

Lahore Office

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