

# Atlas funds

*Nurturing your investments*

Atlas Stock Market Fund

Annual  

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Report  

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2005

Managed By  
Atlas Asset Management Limited  
(Formerly: Atlas Asset Management Company Limited)





## Atlas Asset Management Limited

### **Vision**

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

### **Mission Statement**

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

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# Atlas Stock Market Fund

## ORGANISATION

### MANAGEMENT COMPANY

ATLAS ASSET MANAGEMENT LIMITED

### BOARD OF DIRECTORS OF MANAGEMENT COMPANY

Chairman	Mr. Yusuf H. Shirazi
Vice Chairman & Chief Executive Officer	Mr. M. Habib-ur-Rahman
Directors	Mr. Jawaid Iqbal Ahmed
	Mr. Peter A. Smyth - (Alternate Mr. Michael Ferrer)
	Mr. Saquib H. Shirazi
	Mr. Sherali Mundrawala
	Mr. Tariq Amin
Company Secretary	Mr. Ather H. Medina (upto May 02, 2005)
	Ms. S. Lilly Ishaque (w.e.f. May 03, 2005)

### AUDIT COMMITTEE

Chairman	Mr. Sherali Mundrawala
Members	Mr. Jawaid Iqbal Ahmed
	Mr. Tariq Amin

### GROUP EXECUTIVE COMMITTEE

President	Mr. Aamir H. Shirazi
Members	Mr. Frahim Ali Khan
	Mr. Iftikhar H. Shirazi
	Mr. Jawaid Iqbal Ahmed
	Mr. Saquib H. Shirazi

### GROUP HUMAN RESOURCE COMMITTEE

Chairman	Mr. Yusuf H. Shirazi
Members	Mr. Aamir H. Shirazi
	Mr. Bashir Makki

### GROUP SYSTEMS & TECHNOLOGY COMMITTEE

Chairman	Mr. Iftikhar H. Shirazi
Member	Mr. Zia Ullah Begg

### TRUSTEE

Central Depository Company of Pakistan Limited  
8th Floor, Karachi Stock Exchange Building,  
Stock Exchange Road, Karachi-74000

### INTERNAL AUDITORS

Anjum Asim Shahid Rahman  
Chartered Accountants

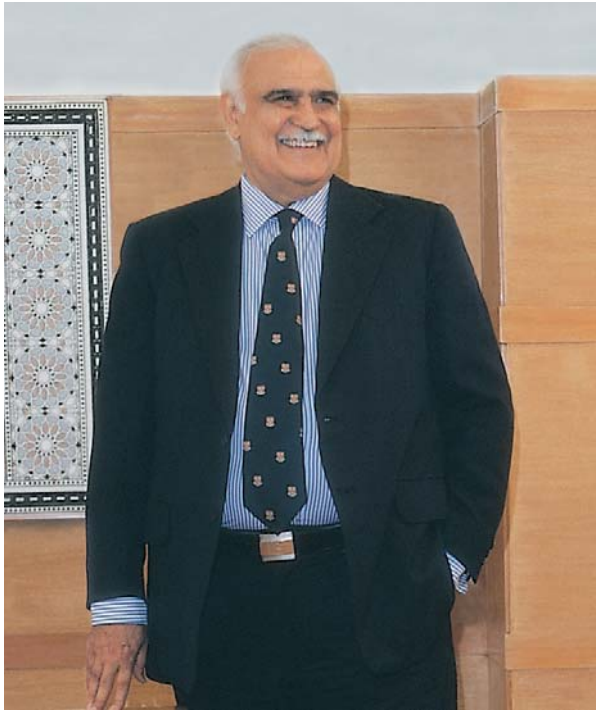
### AUDITORS

Hameed Chaudhri & Co.  
Chartered Accountants

## ORGANISATION

<b>LEGAL ADVISORS</b>	Mohsin Tayebaly & Co.
<b>BANKERS</b>	Bank Alfalah Limited KASB Bank Limited Muslim Commercial Bank Limited Soneri Bank Limited
<b>REGISTERED OFFICE</b>	Ground Floor, Federation House, Sharae Firdousi, Clifton, Karachi-75600 Telephone: (92-21) 111-MUTUAL (6-888-25) Fax: (92-21) 5379280 E-mail: info@atlasfunds.com.pk Website: www.atlasfunds.com.pk
<b>DISTRIBUTION OFFICES</b>	<b>Karachi</b>
Atlas Asset Management Limited	PPI Building, Near Sindh Secretariat Building, Sharae Kamal Ataturk, Karachi-74200 Telephone: (92-21) 8240195 Fax: (92-21) 2626478  3rd Floor, Ebrahim Estates, Sharae Faisal, Karachi-75350 Telephone: (92-21) 4310665, 4536369, 4539695 Fax: (92-21) 4538094
Atlas Investment Bank Limited	3rd Floor, Federation House, Sharae Firdousi, Clifton, Karachi-75600 Telephone: (92-21) 5866817-20, 5866919-20 Fax: (92-21) 5870543
	<b>Lahore</b>
Atlas Asset Management Limited	1-McLeod Road, Lahore Tel: (92-42) 7225015-17, 7233515-17 Fax: (92-42) 7233518, 7351119
Atlas Investment Bank Limited	2nd Floor, Ajmal House, 27-Egerton Road Lahore Tel: (92-42) 6366170-74 Fax: (92-42) 6366175
	<b>Islamabad</b>
Atlas Investment Bank Limited	30, Mezzanine Floor, Beverly Centre Blue Area, Islamabad Telephone: (92-51) 2824906, 2824909 Fax: (92-51) 2821377

# Atlas Stock Market Fund



## CHAIRMAN'S REVIEW

It is my pleasure to present to you the first Annual Report of Atlas Stock Market Fund for the period August 24, 2004 to June 30, 2005.

### The Economy

Sharply higher oil prices during the year, along with other factors, led to inflation, which exceeded the initial target of 5%. The inflation reduced the ability of the central bank to persist with its monetary policy. Consequently, there was substantial tightening on the monetary front with interest rates on 3, 6, and 12-month Treasury bills rising to 7.5147%, 7.9869%, and 8.4477% respectively, during the year. The 6 month KIBOR (Karachi Interbank Offered Rate), the benchmark rate used in pricing corporate borrowing also showed a large increase of 5.82% during the year.

A further cause for concern during the year was the depreciation in the value of the rupee vis-à-vis the US dollar during the earlier part of the year. However, this issue was aptly handled by the central bank by

providing exchange for oil imports, thus stabilizing the rupee. The total depreciation in the value of the rupee during the year was thus capped at 2.5%.

Despite these twin tribulations, the economy maintained its growth impetus, with real GDP growth of 8.4% during the year. The corporate sector also maintained strong growth in earnings and payouts with particularly good performance in the banking, oil & gas, fertilizer, cement, auto and textile sectors.

### Fund Operations

Atlas entered asset management on March 22, 2004 with its first fund, i.e., Atlas Income Fund, with a seed capital of Rs. 300 million. Within 3 months, the Fund declared a cash dividend of Rs. 18.75 per unit. The net assets of Atlas Income Fund now stand at Rs.1,154 million.

The Atlas Stock Market Fund was launched for public subscription from November 23, 2004 with a seed capital of Rs. 314 million. Immediately thereafter, the Karachi Stock Exchange entered a strongly bullish phase with the KSE-100 share index speeding up to a record level of 10,303 points by mid-March 2005. This Bull Run could not be sustained. The market witnessed a crash with the index declining over 35% due to the settlement crises in futures transactions. A mild recovery by year-end saw the index closing at 7,450 points, down 27.7% from the peak.

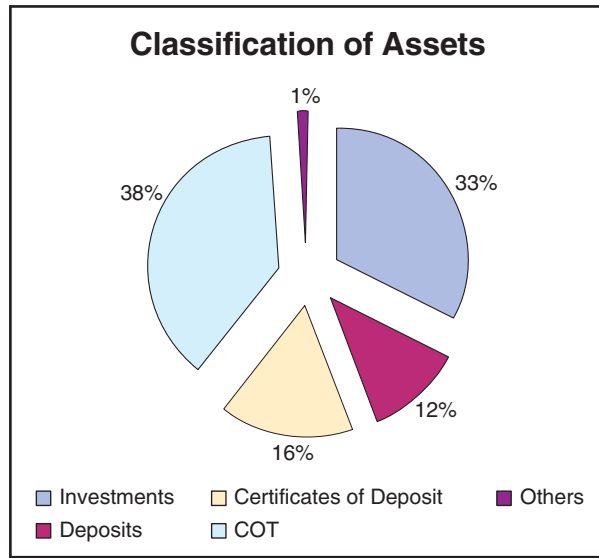
Your fund maintained a conservative approach in light of the bearish market conditions prevailing during the later part of the year, thus enabling it to limit the downside for its unit holders and out performing the KSE-100 index during the period from March 16, 2005 to June 30, 2005 when the market was in a declining phase.

The Net Assets of your fund grew to Rs.918 million, with 1.6 million units outstanding as at June 30, 2005. The NAV of the Fund on June 30, 2005 stood at Rs.562.64 per unit, with an annualized appreciation of 19% for the year, on seven months' actual

operations. After the proposed bonus issue at 12.50%, the ex-bonus NAV works out to Rs.500.14 per unit.

The third fund, the Atlas Fund of Funds was launched on December 13, 2004. Its Net Assets now stand at Rs.526 million.

The total value of the three Atlas Funds in a short period of 15 months stands at Rs.2.6 billion, a satisfactory performance from any standpoint.



The Board of Directors of the Management Company has declared a bonus of 12.50% on the face value of Rs.500 per unit, which works out to 12.49 bonus units for every 100 units held as on June 30, 2005. However, the unit holders have the option to en-cash the bonus units at the ex-bonus net asset value on June 30, 2005, which works out to Rs.500.14 per unit, which the Unit Holders may exercise on or before July 29, 2005. After this date the Unit Holders may redeem the Units at ruling price.

## Future Prospects

COT Financing, or Badla, as it is known in the local market terminology, is being phased out as per the requirements of the Securities and Exchange Commission of Pakistan. Margin Financing, and Futures transactions, the alternatives being developed

to replace COT, are more restrictive, with more complex regulatory environment. It will thus effect the smooth operation of the market, particularly during the first half of the coming year - until the COT issue finds a solution.

Thereafter, we are optimistic that a strong economy, and buoyant corporate earnings and payouts will lead to a continued growth, and your fund will endeavor to continue actively managing its investment portfolio to provide the best possible returns to the unit holders.

محبت مجھے اُن جوانوں سے ہے  
ستاروں پہ جو ڈالتے ہیں کمنڈ

(Those who dare, Succeed)

## Conclusion

I would like to thank the Securities & Exchange Commission of Pakistan, Board of Directors, the Group President, Mr. Aamir H. Shirazi and the Group Executive Committee for their help, support and guidance. I also thank ING - Institutional and Government Advisory Services, B.V. and ING IM AP Administration Limited for their continuing support. I also thank the financial institutions, and the unit holders for their help, support and the confidence reposed in your fund and the Chief Executive Officer, Mr. M. Habib-ur-Rahman, and his management team for their hard work, dedication, and sincerity of purpose.

Yusuf H. Shirazi

Chairman

Karachi: July 15, 2005

# Atlas Stock Market Fund

## DIRECTORS' REPORT

The Board of Directors of Atlas Asset Management Limited, the Management Company of Atlas Stock Market Fund (the Fund), take pleasure in presenting the First Annual Report of the Fund alongwith the Audited Accounts and Auditors' Report thereon for the period from August 24, 2004 to June 30, 2005.

### Earnings Per Unit

Earnings for the period August 24, 2004 to June 30, 2005 work out to Rs.63.16 per unit.

### Sale and Redemption of Units

The Fund was launched on August 24, 2004 with a seed capital of Rs. 305 million. Public subscription of units of the Fund was commenced on November 23, 2004. The Fund was listed on Lahore Stock Exchange on December 29, 2004. As of June 30, 2005 the Net Assets of the Fund stood at Rs. 918,413,126. The Management Company has approved a bonus of 12.50% on the face value of Rs. 500 per unit for the period August 24, 2004 to June 30, 2005. During the period 2,125,852 units of value of Rs. 1,114,432,128 were issued while 493,534 units of value of Rs. 295,169,611 were redeemed.

Unit holders' register as of June 30, 2005 presents a diversified investor base:

	No. of Accounts (%)	Units Held	Units Held %
Directors	0.25	3,161	0.19
Individuals	79.25	137,329	8.42
Corporates	0.75	59,543	3.65
Banks & Financial Institutions	4.75	446,328	27.34
Associated Companies	1.25	531,993	32.59
Trusts	13.75	453,964	27.81
<b>Total</b>	<b>100.00</b>	<b>1,632,318</b>	<b>100.00</b>

### Chairman's Review

The review included in the Annual Report deals inter alia with the performance of the Fund for the period August 24, 2004 to June 30, 2005 and future prospects. The directors endorse the contents of the review.

### Compliance with the Code of Corporate Governance

The Board of Directors states that:

- The financial statements, prepared by the Management Company of the Fund, present fairly its state of affairs, the result of its operations, cash flows and movement in Unit Holders' Fund.
- Proper books of account of the Fund 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 judgement. On June 30, 2005, the Management Company changed the accounting policy for spread transactions as recommended by the Institute of Chartered Accountants of Pakistan and these are now being recorded in accordance with IAS-39. The external auditors of the Fund have concurred with such change.



- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There is no doubt upon the Fund's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key financial data/ performance table is summarized in note 23 of the financial statements.
- i) The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.

### **Asset Management Rating of the Management Company**

Atlas Asset Management Limited (AAML), the Management Company of Atlas Stock Market Fund, has been assigned an asset manager rating of "AM3" by PACRA in October 2004.

While assigning this rating PACRA states that "the rating reflects the company's strong capacity to master the risks inherent in asset management. Although AAML has a relatively short operational history, the capacity emanates from the intrinsic capacity of the asset manager, an outcome of an experienced and well qualified management team, comprehensive investment management strategy, stable financial resources and association with a diversified group. This is further supported by the strong focus on corporate governance, along with high level of independence from the reference shareholder and complete autonomy in decision-making. AAML has put in place basic internal systems including effective asset allocation and risk management policies and processes and is setting up other supporting systems."

### **Board of Directors**

The Board comprises of one executive and six non-executive directors.

During the period from August 24, 2004 to June 30, 2005 four Board meetings were held and attended as follows:

<b>Name</b>	<b>Meetings Attended</b>
Mr. Yusuf H. Shirazi	4
Mr. M. Habib-ur-Rahman	3
Mr. Jawaid Iqbal Ahmed	4
Mr. Peter A. Smyth	2
Mr. Saquib H. Shirazi	4
Mr. Sherali Mundrawala	4
Mr. Tariq Amin	4

Directors, CEO, Company Secretary, CFO and their spouse and minor children have made no transactions in the Fund's Units during the period except as disclosed in note 18 to the financial statements - "Transactions with Connected Persons/ Related Parties".

### **Auditors**

The Audit Committee of the Board of Directors in its meeting held on July 15, 2005, recommended the re-appointment of M/s Hameed Chaudhri & Co. - Chartered Accountants, as auditors of Atlas Stock Market Fund for the Financial Year 2005-06. The Board approved the appointment.

### **Acknowledgement**

The Board of Directors of the Management Company thanks the SECP 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

**M. Habib-ur-Rahman**  
Vice Chairman & Chief Executive Officer

Karachi: July 15, 2005

# Atlas Stock Market Fund

## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM AUGUST 24, 2004 TO JUNE 30, 2005**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 43 of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

Atlas Asset Management Limited (AAML), the Management Company is not listed and hence, the Code is not applicable to it. However, Atlas Stock Market Fund (Fund) being listed at the Lahore Stock Exchange comes under the ambit of the Code. The Fund, being 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), Chief Financial Officer (CFO) and the Company Secretary of AAML and other necessary personnel to manage the affairs of Fund.

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of seven directors including three independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
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 vacancies occurred in the Board during the period from August 24, 2004 to June 30, 2005.
5. The Management Company has adopted a "Statement of Ethics and Business Practices", which has been distributed to and acknowledged by all the directors and employees of the Management Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of 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 notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board has approved the appointment of Chief Financial Officer and Company Secretary including their remuneration and terms and conditions of employment as determined by the CEO.
10. The Directors' report for the said period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The role and responsibilities of the Chairman and Chief Executive have been approved by the Board.

12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the units of the Fund other than those disclosed in note 18 to the financial statements "Transactions with Connected Persons/Related Parties".
14. The Management Company has complied with the corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
16. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee. The terms of reference of the Audit Committee have been prepared and advised to the Committee for compliance.
17. The meetings of the Audit Committee were held once every quarter, prior to approval of the interim and final results of the Fund and as required by the Code.
18. The Management Company has outsourced the internal audit function of the Fund to Anjum Asim Shahid Rahman, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are 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, 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 Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
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. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

**M. Habib-ur-Rahman**

Vice Chairman & Chief Executive Officer

Karachi: July 15, 2005

# Atlas Stock Market Fund

## **REPORT OF THE TRUSTEE**

Report of the Trustee pursuant to Rule 76(h) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

The Atlas Stock Market Fund, an open end fund was established under a trust deed executed between Atlas Asset Management Limited as the Asset Management Company and Central Depository Company of Pakistan Limited as the Trustee on May 29, 2004. The Scheme was authorised by Securities and Exchange Commission of Pakistan on May 18, 2004.

In our opinion, Atlas Asset Management Limited, the Management Company of Atlas Stock Market Fund has in all material respects managed Atlas Stock Market Fund during the period August 24, 2004 to June 30, 2005 in accordance with the provisions of the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Karachi: July 15, 2005

**Mohammad Hanif Jakhura**

Chief Executive Officer

Central Depository Company of Pakistan Limited

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared in respect of Atlas Stock Market Fund (the Fund), by the Board of Directors of Atlas Asset Management Limited (formerly Atlas Asset Management Company Limited), the Management Company of the Fund, to comply with the Listing Regulations No. 43 of the Lahore Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance 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 Fund's compliance with the provisions of the Code of Corporate Governance 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 a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and to develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement of internal control covers all controls and the effectiveness of such internal controls.

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 Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the period from November 23, 2004 to June 30, 2005.

Karachi: July 15, 2005

**Hameed Chaudhri & Co.**  
Chartered Accountants

# Atlas Stock Market Fund

## **AUDITORS' REPORT TO THE UNIT HOLDERS**

We have audited the annexed statement of assets and liabilities of the Atlas Stock Market Fund as at June 30, 2005 and the related income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement, together with the notes forming part thereof, for the period from August 24, 2004 to June 30, 2005 and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Management Company to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- (a) In our opinion, proper books of accounts have been kept by the Management Company in respect of the Atlas Stock Market Fund as required by the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- (b) In our opinion, the statement of assets and liabilities, the income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement together with the notes thereon have been drawn up in conformity with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 3.3 with which we concur;
- (c) As explained in note 3.3 to the financial statements, till June 29, 2005, the Fund accounted for transactions involving purchase of a security in the ready market and sale of the same security in the forward 'futures' market, as 'spread transactions' by deleting the cost of investments from the books and recording the receivable based on the forward sale price. The difference between these two amounts was taken to the Income Statement over the period of the forward transaction. However, under IAS-39, 'Financial Instruments - Recognition and Measurement', the securities purchased by the Fund are required to be carried on the Statement of Assets and Liabilities at their market value till the eventual disposal and the forward sale of securities in the futures market are required to be treated as separate 'derivative' transactions, and carried at their fair values. With effect from June 30, 2005, the Fund has changed its accounting policy to bring it in line with the requirements of IAS-39.
- (d) Except for the effect of the matter stated in paragraph (c) above, in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement, together with the notes forming part thereof, give the information required by the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 and approved accounting standards as applicable in Pakistan, in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at June 30, 2005 and of the transactions of the Fund for the period then ended.

Karachi: July 15, 2005

**Hameed Chaudhri & Co.**  
Chartered Accountants

**STATEMENT OF ASSETS AND LIABILITIES**

AS AT JUNE 30, 2005

	Note	(Rupees)
<b>ASSETS</b>		
Cash at banks	4	107,277,359
Due from brokers		3,273,752
Receivable from reverse repurchase agreements	5	359,291,941
Investments - Held for trading	6	303,121,245
Investments - Held to maturity	7	150,477,056
Advances and deposits	8	214,777
Interest, dividend and other receivables	9	6,650,567
<b>TOTAL ASSETS</b>		<b>930,306,697</b>
<b>LIABILITIES</b>		
Payable to Unit holders		4,463
Accrued and other liabilities	10	644,653
Payable to Atlas Asset Management Limited -Management Company	11	10,555,770
Payable to Central Depository Company of Pakistan Limited - Trustee	12	161,405
Payable to Securities and Exchange Commission of Pakistan	13	527,280
<b>TOTAL LIABILITIES</b>		<b>11,893,571</b>
<b>COMMITMENTS</b>	14	-
<b>NET ASSETS</b>		<b>918,413,126</b>
Unitholders' funds (as per statement attached)		918,413,126
Number of units in issue		1,632,318
Net Asset Value per unit		562.64

The annexed notes form an integral part of these financial statements.

For Atlas Asset Management Limited  
(Management Company)

**M. Habib-ur-Rahman**  
Vice Chairman &  
Chief Executive Officer

**Yusuf H. Shirazi**  
Chairman

**Sherali Mundrawala**  
Director

For Central Depository Company of Pakistan Limited  
(Trustee)

**Mohammad Hanif Jakhura**  
Chief Executive Officer

# Atlas Stock Market Fund

## INCOME STATEMENT

FOR THE PERIOD AUGUST 24, 2004 TO JUNE 30, 2005

	Note	(Rupees)
<b>INCOME</b>		
Interest income	15	44,854,335
Dividend income		6,526,250
Gain on sale of investments		98,530,167
Net unrealised loss on remeasurement of investments		(24,379,320)
Element of income and capital gains included in prices of units sold less those in units repurchased		3,946,493
		<b>129,477,925</b>
<b>EXPENDITURE</b>		
Remuneration - Management Company		15,792,656
Remuneration - Trustee		1,254,725
Annual fee - SECP		527,280
Settlement charges		340,323
Auditors' remuneration	16	181,000
Brokerage		5,195,797
Bank charges		36,542
Amortisation of formation cost	17	3,050,000
Other operating expenses		2,500
		<b>26,380,823</b>
<b>Net income for the period</b>		<b>103,097,102</b>
<b>Earnings per unit</b>		<b>63.16</b>

The annexed notes form an integral part of these financial statements.

For Atlas Asset Management Limited  
(Management Company)

**M. Habib-ur-Rahman**  
Vice Chairman &  
Chief Executive Officer

**Yusuf H. Shirazi**  
Chairman

**Sherali Mundrawala**  
Director

For Central Depository Company of Pakistan Limited  
(Trustee)

**Mohammad Hanif Jakhura**  
Chief Executive Officer



**DISTRIBUTION STATEMENT**

FOR THE PERIOD AUGUST 24, 2004 TO JUNE 30, 2005

	(Rupees)
Net income for the period	103,097,102
Final distribution - transfer to reserve for issue of bonus units @ Rs. 62.50 per unit i.e. 0.1249 bonus units of the value of Rs. 500.14 each	(102,019,875)
Unappropriated income carried forward	<u>1,077,227</u>

The annexed notes form an integral part of these financial statements.

For Atlas Asset Management Limited  
(Management Company)

**M. Habib-ur-Rahman**  
Vice Chairman &  
Chief Executive Officer

**Yusuf H. Shirazi**  
Chairman

**Sherali Mundrawala**  
Director

For Central Depository Company of Pakistan Limited  
(Trustee)

**Mohammad Hanif Jakhura**  
Chief Executive Officer

# Atlas Stock Market Fund

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE PERIOD AUGUST 24, 2004 TO JUNE 30, 2005

	No. of Units	(Rupees)
Units issued during the period	2,125,852	1,114,432,128
Units redeemed during the period	(493,534)	(295,169,611)
Units outstanding	1,632,318	819,262,517
Element of income and capital gains included in prices of units sold less those in units repurchased		(3,946,493)
Reserve for issue of 203,982.63 bonus units		102,019,875
Unappropriated income		1,077,227
		<u>918,413,126</u>

The annexed notes form an integral part of these financial statements.

For Atlas Asset Management Limited  
(Management Company)

**M. Habib-ur-Rahman**  
Vice Chairman &  
Chief Executive Officer

**Yusuf H. Shirazi**  
Chairman

**Sherali Mundrawala**  
Director

For Central Depository Company of Pakistan Limited  
(Trustee)

**Mohammad Hanif Jakhura**  
Chief Executive Officer

**CASH FLOW STATEMENT**

FOR THE PERIOD AUGUST 24, 2004 TO JUNE 30, 2005

	(Rupees)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net income from operations	103,097,102
<b>Adjustments</b>	
Net unrealised loss on remeasurement of held for trading investments	24,379,320
Gain on sale of investments	(98,530,167)
Element of income and capital gains included in prices of units sold less those in units repurchased	(3,946,493)
Remuneration - Management Company	15,792,656
Remuneration - Trustee	1,254,725
Amortisation of formation cost	3,050,000
Cash generated from operations before working capital changes	45,097,143
<b>(Increase) / Decrease in current assets</b>	
Due from brokers	(3,273,752)
Receivable from reverse repurchase agreements	(359,291,941)
Advance and deposits	(200,000)
Interest, dividend and other receivables	(7,127,623)
	(369,893,316)
<b>Increase / (Decrease) in current liabilities</b>	
Accrued and other liabilities	1,123,955
Payable to unitholders	4,463
Payable to Securities and Exchange Commission of Pakistan	527,280
	1,655,698
Remuneration paid to Trustee	(1,109,508)
Remuneration paid to Management Company	(5,700,000)
Taxes deducted at source	(14,777)
Formation and flotation costs paid	(3,050,000)
	(9,874,285)
Cash used in operating activities	(333,014,760)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of held for trading investments	(2,264,186,442)
Sale of held for trading investments	2,035,216,044
Purchase of held to maturity investments	(150,000,000)
Cash used in investing activities	(378,970,398)
	(711,985,158)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Receipts in respect of sale of units	1,114,432,128
Paid on redemption of units	(295,169,611)
Cash generated from financing activities	819,262,517
Cash at banks at the end of the period	107,277,359

For Atlas Asset Management Limited  
(Management Company)

**M. Habib-ur-Rahman**  
Vice Chairman &  
Chief Executive Officer

**Yusuf H. Shirazi**  
Chairman

**Sherali Mundrawala**  
Director

For Central Depository Company of Pakistan Limited  
(Trustee)

**Mohammad Hanif Jakhura**  
Chief Executive Officer

# Atlas Stock Market Fund

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE PERIOD AUGUST 24, 2004 TO JUNE 30, 2005

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

The Atlas Stock Market Fund (the Fund) is an open ended Fund constituted by a trust deed entered into on May 29, 2004 between Atlas Asset Management Limited (AAML) as the establisher and management company and Central Depository Company of Pakistan Limited (CDC) as trustee. AAML is licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as investment advisor and asset management company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules 2003).

Units of the Fund have been offered for public subscription on a continuous basis from November 23, 2004, and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the Lahore Stock Exchange (Guarantee) Limited.

The objective of the Fund is to provide investors one window facility to invest in a diversified portfolio of equity securities offering consistent returns and growth. The Fund aims to deliver this objective mainly by investing in equity securities of companies that are paying regular dividend, have growth prospects or are actively traded. Any amounts which have not been invested in equity securities may be invested in corporate debt instruments or Government securities or placed in money market instruments, reverse repurchase agreements or spread transactions. The investment objectives and policy are more fully defined in the Fund's Offering Document. The Trust Deed and Offering Document were revised on June 21, 2005 with the approval of the SECP.

The investment activities and administration are managed by Atlas Asset Management Limited (formerly Atlas Asset Management Company Limited) situated at Ground Floor, Federation House, Sharae Firdousi, Clifton, Karachi.

### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Trust Deed, the NBFC Rules and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, NBFC Rules or directives issued by the SECP differ with the requirements of these standards, the requirements of Trust Deed, the NBFC rules and the said directives take precedence.

### **3. ACCOUNTING POLICIES**

#### **3.1 Basis of preparation**

These financial statements are presented in rupees rounded to the nearest rupee. The financial statements have been prepared under the historical cost convention, except that certain financial assets have been included at fair values in accordance with the recognition criteria specified in the relevant International Financial Reporting Standards applicable to these assets and the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

#### **3.2 Investments**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+3' purchases are recognized at the trade date. Trade date is the date on which the scheme commits to purchase or sell the assets.

The management determines the appropriate classification of its investments in accordance with the requirements of International Financial Reporting Standard (IAS- 39); 'Financial Instruments: Recognition and Measurement', at the time of purchases and re-evaluates this classification on a regular basis.

## **Held for trading**

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as 'held for trading'. These investments are marked to market and are carried on the Statement of Assets and Liabilities at fair value. Net gains and losses arising on changes in fair value of these investments are taken to the Income Statement.

## **Held to maturity**

Investments that are intended to be held till maturity are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any premium or discount on acquisition, over the period to maturity.

## **3.3 Derivatives**

Derivatives are marked to market in accordance with the requirements of IAS 39 and gains / (losses) arising on revaluation are taken to the Income Statement.

## **Transactions involving outright purchase of securities in the ready market and sale of the same security in the futures market**

The Fund enters into certain transactions involving purchase of a security in the ready market and sale of the same security in the futures market. During the current period, with effect from June 30, 2005, the management has decided to change its policy of accounting for these transactions in accordance with the requirements of IAS 39. Consequently, securities purchased by the Fund in the ready market are now carried on the Statement of Assets and Liabilities in accordance with the accounting policy of investments specified in note 3.2 above, till their eventual disposal, and the forward sale of securities in the futures market is accounted for separately as a 'derivative'. Previously, these transactions were accounted for by the Fund as 'spread transactions' by deleting the cost of investments from the books and recording the receivable based on the forward sale price. The difference between these two amounts was taken to the Income Statement over the period of the forward transaction.

The effect of above changes in the accounting policy has not been quantified as it was not practical to do so.

## **3.4 Securities under repurchases / resale agreements - Carry Over Transactions**

Securities sold subject to a simultaneous agreement to repurchase these securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and are measured in accordance with their original measurement principles. The proceeds of the sale are reported as liabilities and are carried at cost.

Securities purchased under agreements to resell (Reverse repurchase agreements) are reported not as purchases of the securities, but as receivables and are carried in the Statement of Assets and Liabilities at cost.

## **3.5 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 during business hours on that day. The offer price represents the net asset value per unit as of the close of the previous 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.

# Atlas Stock Market Fund

Units redeemed are recorded at the redemption price applicable to units for which the Distribution Company receives redemption application during business hours of that day. The redemption price shall be equal to Net Asset Value as of the close of the business day immediately preceding the day of the announcement, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

## 3.6 Revenue Recognition

- Interest income and profit on bank deposits is recognised in the Income Statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date.
- Interest earned on reverse repurchase agreements is recognised as interest income, over the life of each agreement using the effective interest method.
- Dividend income relating to exchange traded equity instruments is recognised in the Income Statement on the ex dividend date. Income distributions from other mutual funds are recognised in the income statement as dividend income when declared.
- Capital gains / (losses) arising on sale of securities are included in the Income Statement in the period in which they arise.

## 3.7 Taxation

The income of the scheme is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income of that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst its unit holders. Accordingly, no tax liability has been recorded for the current period.

## 3.8 Offsetting Financial Instruments

Financial assets and liabilities are off set and the net amount reported in the Statement of Assets and Liabilities when there is a legally enforceable right to off set the recognised amounts and there is an intention to settle on net basis, or realise the asset and settle the liability simultaneously.

## 3.9 Expenses

All expenses including remuneration of Management Company, Trustee and annual fee of SECP are recognised in the Income Statement on accrual basis.

## 3.10 Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank on current and short term deposit accounts.

## 3.11 Due from / to brokers

Amount due from / to brokers represent receivable for securities sold and payable for securities purchased that have been contracted for but not yet delivered by the end of the year.

## 3.12 Financial Asset and Financial Liabilities

Financial assets carried on the Statement of Assets and Liabilities include bank balances, due from brokers, receivable from reverse repurchase agreements, investments, income accrued and deposits.

Financial liabilities carried on the Statement of Assets and Liabilities include accrued and other liabilities, payable to Atlas Asset Management Limited (Management Company), payable to Central Depository Company of Pakistan Limited (Trustee) and payable to Securities and Exchange Commission of Pakistan (annual fee).

## Recognition

- The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

## Measurement

- Financial instruments are measured initially at fair value (transaction price) plus transaction costs that are directly attributable to the acquisition or issue of financial asset or liability.

The particular recognition method adopted for measurement of financial asset and liability after initial recognition is disclosed in the policy statement associated with each item.

### 3.13 Element of income and capital gains included in prices of units sold less those in units repurchased

The daily sale and repurchase price of units of the Fund is determined on the basis of Net Asset Value which includes elements of capital gain and revenue income (or losses as the case may be) that have accrued up to that date. To prevent the dilution of per unit income and distribution of income already paid out on redemption, as dividend, an equalisation account called "element of income and capital gains included in prices of units sold less those in units repurchased" is created. In respect of sale and repurchase of units of the Fund, the element of capital gains and revenue income (or losses) included in the sale / repurchase price of such units respectively is credited / charged to the Income Statement.

### 3.14 Net Asset Value per Unit

The Net Asset Value per unit is disclosed in the Statement of Assets and Liabilities and is calculated by dividing the net assets of the Fund by the number of units in issue at the end of the period/ year.

### 3.15 Earnings per Unit

Earnings per unit is calculated by dividing the net income of the Fund for the period/year by the number of units in issue at the end of the period/ year.

<b>4. CASH AT BANKS</b>		<b>June 30, 2005</b>
		<b>(Rupees)</b>

In PLS deposit accounts		107,277,359
		107,277,359

4.1 The rate of return on these deposit accounts ranges from 1.30% p.a. to 7.50% p.a.

## 5. RECEIVABLE FROM REVERSE REPURCHASE AGREEMENTS

Receivable from reverse repurchase agreements		359,291,941
		359,291,941

5.1 The market value of securities held in respect of reverse repurchase agreements aggregates to Rs. 362.146 million. These reverse repurchase agreements have rates of return ranging from 7.21% to 14.41 % per annum with maturities ranging from over night to fourteen working days.

# Atlas Stock Market Fund

## 6. INVESTMENTS - HELD FOR TRADING

Name of investee company	Number of shares / certificates				Market Value as at June 30, 2005	Percentage of investments to the net assets of the Fund
	Purchases during the period	Bonus / Right during the period	Sales during the period	As at June 30, 2005		
(Rupees)						
All the holding are in shares / certificates / units of Rs. 10/- each as otherwise stated.						
<b>Closed End Mutual Funds</b>						
PICIC Growth Fund	633,500	-	633,500	-	-	-
	633,500	-	633,500	-	-	-
<b>Investment Banks/Companies/Securities</b>						
Pakistan Industrial Credit and Investment Corporation Ltd.	225,000	-	225,000	-	-	-
	225,000	-	225,000	-	-	-
<b>Commercial Banks</b>						
Askari Commercial Bank Ltd.	390,800	30,000	160,800	260,000	20,280,000	2.21%
Bank Alfalah Ltd.	410,000	-	150,000	260,000	10,595,000	1.15%
Faysal Bank Ltd.	364,500	-	364,500	-	-	-
Muslim Commercial Bank Ltd.	300,000	-	300,000	-	-	-
National Bank of Pakistan	3,090,700	60,000	2,950,700	200,000	21,590,000	2.35%
PICIC Commercial Bank Ltd.	125,000	-	100,000	25,000	831,250	0.09%
The Bank of Punjab	1,625,000	25,000	1,500,000	150,000	12,562,500	1.37%
Union Bank Ltd.	5,000	-	-	5,000	197,500	0.02%
	6,311,000	115,000	5,526,000	900,000	66,056,250	7.19%
<b>Textile Spinning</b>						
Umer Fabrics Ltd.	101,000	-	101,000	-	-	-
	101,000	-	101,000	-	-	-
<b>Textile Composite</b>						
Azgard Nine Ltd.	104,500	-	13,000	91,500	2,928,000	0.32%
Kohinoor Textile Mills Ltd.	375,200	-	165,200	210,000	7,980,000	0.87%
Nishat (Chunian) Ltd.	36,500	-	2,500	34,000	3,233,400	0.35%
Nishat Mills Ltd.	1,045,000	-	945,000	100,000	7,600,000	0.83%
Suraj Cotton Mills Ltd.	120,000	-	20,000	100,000	5,000,000	0.54%
	1,681,200	-	1,145,700	535,500	26,741,400	2.91%
<b>Synthetic &amp; Rayon</b>						
Dewan Salman Fibres Ltd.	150,000	-	150,000	-	-	-
Ibrahim Fibres Ltd.	172,500	-	22,500	150,000	5,925,000	0.65%
	322,500	-	172,500	150,000	5,925,000	0.65%
<b>Cement</b>						
D G Khan Cement Co. Ltd.	655,000	-	555,000	100,000	5,575,000	0.61%
Lucky Cement Ltd.	965,000	-	940,000	25,000	1,137,500	0.12%
Maple Leaf Cement Factory Ltd.	50,000	-	-	50,000	1,090,000	0.12%
	1,670,000	-	1,495,000	175,000	7,802,500	0.85%
<b>Refinery</b>						
Attock Refinery Ltd.	9,100	-	9,100	-	-	-
National Refinery Ltd.	2,000	-	-	2,000	632,600	0.07%
	11,100	-	9,100	2,000	632,600	0.07%



## Annual Report 2005

Name of investee company	Number of shares / certificates				Market Value as at June 30, 2005  (Rupees)	Percentage of investments to the net assets of the Fund
	Purchases during the period	Bonus / Right during the period	Sales during the period	As at June 30, 2005		
<b>Power Generation &amp; Distribution</b>						
Kot Addu Power Co. Ltd.	150,000	-	25,000	125,000	4,718,750	0.51%
The Hub Power Co. Ltd.	3,073,500	-	2,873,500	200,000	5,280,000	0.57%
	3,223,500	-	2,898,500	325,000	9,998,750	1.09%
<b>Oil &amp; Gas Marketing Cos.</b>						
Pakistan State Oil Co. Ltd.	1,122,600	-	1,102,600	20,000	7,720,000	0.84%
Shell Pakistan Ltd.	10,800	-	-	10,800	5,982,120	0.65%
Sui Northern Gas Pipelines Ltd.	1,230,000	-	1,230,000	-	-	-
Sui Southern Gas Co. Ltd.	1,550,000	-	1,550,000	-	-	-
	3,913,400	-	3,882,600	30,800	13,702,120	1.49%
<b>Oil &amp; Gas Exploration</b>						
Oil & Gas Development Co. Ltd.	4,119,700	-	4,099,700	20,000	2,106,000	0.23%
Pakistan Oilfields Ltd.	866,000	-	741,000	125,000	35,175,000	3.83%
Pakistan Petroleum Ltd.	4,225,500	-	4,195,500	30,000	6,453,000	0.70%
	9,211,200	-	9,036,200	175,000	43,734,000	4.76%
<b>Auto Mobile Assembler</b>						
Indus Motor Co. Ltd.	161,600	-	11,600	150,000	13,500,000	1.47%
Millat Tractors Ltd.	95,000	-	45,000	50,000	10,400,000	1.13%
Pak Suzuki Motor Co. Ltd.	19,000	-	-	19,000	1,900,000	0.21%
	275,600	-	56,600	219,000	25,800,000	2.81%
<b>Technology &amp; Communication</b>						
Pakistan Telecommunication Co. Ltd.	5,255,500	-	4,980,500	275,000	18,136,250	1.97%
Telecard Ltd.	110,000	-	-	110,000	1,336,500	0.15%
World Call Communications Co. Ltd.	750,000	-	750,000	-	-	-
	6,115,500	-	5,730,500	385,000	19,472,750	2.12%
<b>Fertilizer</b>						
Engro Chemicals Pakistan Ltd.	209,500	-	180,000	29,500	3,399,875	1.12%
Fauji Fertilizer Bin Qasim Ltd.	2,139,500	-	1,799,500	340,000	9,146,000	1.00%
Fauji Fertilizer Co. Ltd.	518,500	54,000	400,000	172,500	20,932,875	2.28%
	2,867,500	54,000	2,379,500	542,000	33,478,750	3.65%
<b>Pharmaceuticals</b>						
Glaxosmithkline Pakistan Ltd.	30,500	-	-	30,500	5,366,475	0.58%
	30,500	-	-	30,500	5,366,475	0.58%
<b>Chemicals</b>						
ICI Pakistan Ltd.	300,000	-	-	300,000	23,250,000	2.53%
	300,000	-	-	300,000	23,250,000	2.53%
<b>Paper &amp; Board</b>						
Century Paper & Board Mills Ltd.	7,000	-	-	7,000	580,650	0.06%
Packages Ltd.	197,410	47,000	97,410	147,000	20,580,000	2.24%
	204,410	47,000	97,410	154,000	21,160,650	2.30%
					<b>303,121,245</b>	<b>33%</b>
Cost of held for trading investments as on June 30, 2005					<b>327,500,565</b>	

# Atlas Stock Market Fund

	June 30, 2005
	Rupees
<b>7. INVESTMENTS - HELD TO MATURITY</b>	
Investment in certificates of deposits	
-Atlas Investment Bank Limited (associated undertaking)	125,000,000
-Jehangir Siddiqui Investment Bank Limited	25,000,000
Income accrued	477,056
	<u>150,477,056</u>
7.1 These represent funds placed by the Fund with an associated undertaking and an investment bank, under mark-up arrangements. These placements are unsecured and carry mark-up ranging from 8.25 percent to 8.50 percent per annum payable at maturity. These placements are due to mature in July, 2005.	
<b>8. ADVANCES AND DEPOSITS</b>	
Taxes deducted at source	14,777
Security Deposit - Central Depository Company of Pakistan Limited	200,000
	<u>214,777</u>
<b>9. INTEREST, DIVIDEND AND OTHER RECEIVABLES</b>	
Income accrued on bank deposits	719,007
Income/ dividend accrued on reverse repurchase agreements	4,678,060
Dividend receivable	1,253,500
	<u>6,650,567</u>
<b>10. ACCRUED AND OTHER LIABILITIES</b>	
Auditors' remuneration payable	181,000
Sales load payable to distributors	453,338
Withholding tax payable	10,315
	<u>644,653</u>
<b>11. PAYABLE TO ATLAS ASSET MANAGEMENT LIMITED</b>	
<b>- Management Company</b>	
Management fee	11.1 10,092,656
Printing charges payable	5,575
Sales load payable	457,539
	<u>10,555,770</u>

11.1 In accordance with the provision of the NBFC Rules 2003, the Management Company of an open - ended fund is entitled to receive a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The Management Company has charged its remuneration at the rate of 3% per annum of the average annual net assets of the Fund for the reported period.

## Annual Report 2005

<b>12. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LTD. - TRUSTEE</b>	<b>June 30, 2005 (Rupees)</b>
Trustee fee	12.1      145,217
Settlement charges	16,188
	161,405

12.1 The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on average annual net assets of the Fund. The rate of the Trustee Fee was revised downward with effect from March 1, 2005.

### **13. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE**

Annual fee	13.1      527,280
	527,280

13.1 Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, a Unit Trust scheme is required to pay annual fee to the Commission (SECP), an amount equal to one tenth of one percent of the average annual net assets of the Fund.

### **14. COMMITMENTS**

Reverse repurchase agreements (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions has not been settled as at June 30, 2005.

443,505,555

These transactions have been settled subsequent to the period end.

### **15. INTEREST INCOME**

Interest income arises from:

Cash and cash equivalents	6,368,816
Income on receivables from reverse repurchase agreements	28,004,039
Income on held to maturity investment	477,056
Income on spread transactions	10,004,424
	44,854,335

For the period from  
August 24, 2004 to  
June 30, 2005  
(Rupees)

### **16. AUDITORS' REMUNERATION**

Annual audit fee	90,000
Half yearly review fee	45,000
Certification charges	35,000
Out of pocket expenses	11,000
	181,000

### **17. FORMATION COST**

Formation cost	3,050,000
Less: Amount amortised during the period	(3,050,000)
	-

17.1 The Management has decided to amortise the formation cost during the current period.

# Atlas Stock Market Fund

	For the period from August 24, 2004 to June 30, 2005 (Rupees)
<b>18. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES</b>	
<b>Atlas Asset Management Limited</b>	
Remuneration of the management company	15,792,656
Sales Load	1,949,456
<b>Atlas Fund of Funds</b>	
Purchase of units (15,600 units)	10,000,539
<b>Atlas Investment Bank Limited</b>	
Brokerage	73,866
Certificate of investment (placed and matured)	265,000,000
Investment in certificate of deposits	125,000,000
Clean placement (placed and matured)	340,000,000
Profit on certificate of investment	1,139,177
Profit on certificates of deposits	395,548
Profit on clean placement	406,574
Purchase of units (59,540 units)	30,000,419
<b>Atlas Honda Limited</b>	
Purchase of units (396,857 units)	99,999,583
Redemption of units (198,467 units)	116,160,750
<b>Atlas Honda Limited (Employees Provident Fund)</b>	
Purchase of units (60,474 units)	32,700,185
<b>Atlas Honda Limited (Non Management Staff Gratuity Fund)</b>	
Purchase of units (28,525 units)	14,536,127
<b>Honda Atlas Cars (Pakistan) Limited</b>	
Purchase of units (198,463 units)	99,999,552
<b>Shirazi Investments (Pvt.) Limited</b>	
Purchase of units (60,000 units)	30,000,000
<b>Shirazi Investments (Pvt.) Limited (Employees Provident Fund)</b>	
Purchase of units (4,451 units)	2,299,704
<b>Directors and Officers</b>	
Purchase of units (5,873 units)	3,096,005
Redemption of units (2,253 units)	1,329,848

**19. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION**

19.1 The Fund's MROR sensitivity related to financial assets and financial liabilities as at June 30, 2005 can be determined from the following:

	Exposed to MROR risk			Not exposed to MROR risk	Total
	Upto three months	More than three months and upto one year	More than one year		
----- Amount in Rupees -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial Assets</b>					
Cash at banks	107,277,359	-	-	-	107,277,359
Due from brokers	-	-	-	3,273,752	3,273,752
Receivable from reverse repurchase agreements	359,291,941	-	-	-	359,291,941
Investments - Held for trading	-	-	-	303,121,245	303,121,245
Investment - Held to maturity	150,477,056	-	-	-	150,477,056
Advance and deposits	-	-	-	200,000	200,000
Interest, dividend and other receivables	-	-	-	6,650,567	6,650,567
	<u>617,046,356</u>	<u>-</u>	<u>-</u>	<u>313,245,564</u>	<u>930,291,920</u>
<b>Financial Liabilities</b>					
Payable to unitholders	-	-	-	4,463	4,463
Accrued and other liabilities	-	-	-	334,338	334,338
Payable to Atlas Asset Management Ltd. - Management Company	-	-	-	10,555,770	10,555,770
Payable to Central Depository Company of Pakistan Ltd. - Trustee	-	-	-	161,405	161,405
Payable to Securities and Exchange Commission of Pakistan - Annual fee	-	-	-	527,280	527,280
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,583,256</u>	<u>11,583,256</u>
<b>On-balance sheet gap</b>	<u>617,046,356</u>	<u>-</u>	<u>-</u>	<u>301,662,308</u>	<u>918,708,664</u>
<b>Off-balance sheet financial instruments</b>					
Reverse repurchase agreements (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30, 2005	<u>443,505,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,505,555</u>

19.2 The rates of return on financial assets are as follows:

	Percentage range
Cash at banks	1.3 - 7.50
Receivable from reverse repurchase agreements	7.21 - 14.41

# Atlas Stock Market Fund

## 20. MATURITIES OF ASSETS AND LIABILITIES

	June 30, 2005			Total
	Upto three months	More than three months and upto one year	More than one year	
----- Amount in Rupees -----				
<b>Assets</b>				
Cash at banks	107,277,359	-	-	107,277,359
Due from brokers	3,273,752	-	-	3,273,752
Receivable from reverse repurchase agreements	359,291,941	-	-	359,291,941
Investments - Held for trading	303,121,245	-	-	303,121,245
Investment - Held to maturity	150,477,056	-	-	150,477,056
Advances and deposits	-	14,777	200,000	214,777
Interest, dividend and other receivables	6,650,567	-	-	6,650,567
	<u>930,091,920</u>	<u>14,777</u>	<u>200,000</u>	<u>930,306,697</u>
<b>Liabilities</b>				
Payable to unitholders	4463	-	-	4,463
Accrued and other liabilities	644,653	-	-	644,653
Payable to Atlas Asset Management Ltd. - Management company	10,555,770	-	-	10,555,770
Payable to Central Depository Company of Pakistan Ltd. - Trustee	161,405	-	-	161,405
Payable to Securities and Exchange Commission of Pakistan - Annual fee	527,280	-	-	527,280
	<u>11,893,571</u>	<u>-</u>	<u>-</u>	<u>11,893,571</u>
<b>Net Assets</b>	<u>918,198,349</u>	<u>14,777</u>	<u>200,000</u>	<u>918,413,126</u>

## 21. FINANCIAL RISK MANAGEMENT POLICIES

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and market in which it invests. The most important types of financial risks are market risk, credit risk and liquidity risk.

### 21.1 Market Risk

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market interest rates or market price of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, supply and demand of securities and liquidity in the market. There is a possibility of default of participants and of failure of the financial markets / stock exchanges, the depositories, the settlement or the clearing system etc.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

### 21.2 Credit Risk

Credit risk arising from the inability of the counterparties to fulfil their obligations in respect of financial instrument contracts, is generally limited to the principal amount and accrued income thereon. The Fund's policy is to enter into financial instrument contracts by following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Financial assets subject to credit risk amount to Rs. 930.292 million. The Fund's policy is to enter into financial instruments contracts by following internal guidelines duly approved by the Investment Committee such as approving counterparties, approving credit and obtaining adequate collateral.

### 21.3 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Management Company manages liquidity risk by following internal guidelines such as monitoring maturities of financial assets and financial liabilities and investing in highly liquid financial assets.

## 21.4 Market Rate of Return (MROR) Risk

MROR risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities and off-balance sheet financial instruments that mature or reprice in a given period. The Management Company manages these mismatches through risk management strategies where significant changes in gap positions can be adjusted.

The Fund is not materially exposed to MROR risk as there are no interest bearing financial liabilities giving rise to mismatches of financial assets and financial liabilities.

## 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

## 23. PERFORMANCE TABLE

	2005* Rupees
Net assets	918,413,126
Net income	103,097,102
Net Asset value per unit	562.64
Earnings per unit	63.16
Distribution (Bonus)	62.50
Highest offer price	676.57
Lowest offer price	503.86
Highest repurchase price per unit	663.30
Lowest repurchase price per unit	503.82

\* For the period August 24, 2004 to June 30, 2005.

## 24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on July 15, 2005.

For Atlas Asset Management Limited  
(Management Company)

**M. Habib-ur-Rahman**  
Vice Chairman &  
Chief Executive Officer

**Yusuf H. Shirazi**  
Chairman

**Sherali Mundrawala**  
Director

For Central Depository Company of Pakistan Limited  
(Trustee)

**Mohammad Hanif Jakhura**  
Chief Executive Officer