

Atlas funds

Nurturing your investments

Atlas Income Fund

QUARTERLY REPORT

30 September 2010

(UN-AUDITED)



Management Company

Atlas Asset Management

Rated AM3+ by PACRA



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 Income Fund

ORGANISATION

Management Company

Atlas Asset Management Limited

Board of Directors of the Management Company

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

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

Company Secretary Ms. Lilly R. Dossabhoy

Board Committees

Audit Committee

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

Human Resource Committee

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

Investment Committee

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

Management Committee

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

Group Executive Committee

President Mr. Aamir H. Shirazi
 Members Mr. Jawaid Iqbal Ahmed
 Mr. Frahim Ali Khan
 Mr. Iftikhar H. Shirazi
 Mr. Saquib H. Shirazi
 Mr. Bashir Makki
 Mr. M. Naem Khan

Group Systems & Technology Committee

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

Trustee

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

Chief Internal Auditor

Mr. Saood Hasan

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
 Chartered Accountants

Legal Advisers

Mohsin Tayebaly & Co.

Bankers

Atlas Bank Limited
 Bank Alfalah Limited
 Faysal Bank Limited
 KASB Bank Limited
 The Bank of Punjab

Registered Office

Ground Floor, Federation House, Sharae Firdousi
 Clifton, Karachi - 75600

Tel: (92-21) 111-MUTUAL (6-888-25)
 (92-21) 35379501-04

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Email: info@atlasfunds.com.pk

Website: www.atlasfunds.com.pk

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CHAIRMAN'S REVIEW

It is my pleasure to present the un-audited financial statements of Atlas Income Fund for the three months period ended 30 September 2010 of the FY 2010-11.

The Economy

Prior to the floods, economy was picking up, but inflation was a cause of concern. The GDP growth rate was projected at 4.25% with an annual inflation rate of 11.50% for FY 2010-11. However, the devastating floods, the worst ever humanitarian crisis of Pakistan's history, have resulted in new challenges in terms of overall economic development and damages to infrastructure. Some 1,600 people have died and over 15 million people have been affected as the flood inundated large parts of the country. The projected GDP growth for FY 2010-11 has been revised downward, but is expected to rebound sharply in FY 2011-12, led by strong performance in agriculture and manufacturing sector. The State Bank of Pakistan (SBP) has also increased the policy rate by 50 basis points to 13.5% with effect from 30 September 2010 which was the second hike within last two months. The objective is to curb persistent inflationary pressure felt by the entire economy. The foreign exchange reserves have picked up to about US \$ 17 billion as a result of steady narrowing of the current account deficit and all time high remittances which stood at US \$ 2.6 billion during the July 2010 - Sept 2010 period.

Fund Operations

The Net Asset Value per unit of your Fund has decreased by 0.67% to Rs. 499.65 as on 30 September 2010, this decrease was due to volatility in TFC/ Sukuk prices. AIF portfolio comprises of Treasury bills, good quality Term Finance Certificates/ Sukuks, Money Market short term placements and Bank Deposits. AIF's TFC / Sukuk portfolio exposure is mainly with banking, fertilizer and telecom sector. The Net Assets of the Fund stood at Rs. 1.09 billion with 2.19 million units outstanding as of 30 September 2010.

The SBP has increased the policy discount rate twice to the current 13.50%. It is estimated that average CPI inflation for FY 2010 - 11 may fall between 13.50% and 14.50%. This is after taking into account the impact of floods on the prices of food items, likely increase in electricity prices, induction of the reformed GST and slowdown in private demand. AIF presents a good investment opportunity for investors to earn attractive returns.

Rating

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of "AM3+" to the Company, for FY 2008-09. The rating reflects the Company's experienced and qualified management team, sound quality of support systems and processes, and a strong emphasis on risk management framework.

PACRA has assigned a stability rating of "A+ (f)" (Single A Plus - fund rating) to the Fund, for FY 2008 - 09. The Fund's rating denotes a strong capacity to manage relative stability in returns and low exposure to risks. Currently, the annual rating review of the Fund is in process.

Future Prospects

The recent catastrophic floods have increased challenges for macroeconomic stability and growth prospects. Controlling inflation would require a supportive and sustained financial and fiscal effort over the next couple of years. Key tasks would be to efficiently manage available financial resources, resolution of the energy sector subsidies and circular debt to restore economic growth, broadening of the tax base to enhance revenues, re-prioritizing development expenditures, relief measures for those affected by the floods, and containment of government borrowing from SBP to restrict inflation. The pace of the economic recovery and its sustainability will largely depend upon following prudent macroeconomic policies and its timely implementation. The Fund is well positioned to capitalize future opportunities and will continue to provide consistent returns to the investors.

شائین کا جہاں اور

(We look forward to beyond horizon)

Acknowledgement

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

Karachi: 27 October 2010

Yusuf H. Shirazi
Chairman

Atlas Income Fund

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED)
AS AT 30 SEPTEMBER 2010

	Note	30 September 2010 Un-audited	30 June 2010 Audited
		Rupees -----	
Assets			
Bank balances and term deposits	4	322,654,278	317,903,999
Investments	5	772,474,594	950,084,510
Interest accrued		24,388,528	34,260,715
Prepayment		29,918	-
Security deposits		100,000	100,000
Total assets		1,119,647,318	1,302,349,224
Liabilities			
Payable to the management company		6,117,787	1,728,497
Payable to the trustee		172,356	210,228
Payable to SECP		219,467	1,354,338
Accrued and other liabilities	6	19,454,524	16,769,661
Total liabilities		25,964,134	20,062,724
Net assets		1,093,683,184	1,282,286,500
Unit holders' fund		1,093,683,184	1,282,286,500
Number of units in issue		2,188,881	2,509,323
Net asset value per unit		499.65	511.01

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

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CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2010

		2010	2009
		----- Rupees -----	
Income			
Interest income	7	34,865,008	62,542,123
Net loss on investments designated at fair value through income statement			
Net gain on sale of investments		275,445	-
Net unrealised loss on revaluation of investments		(36,759,060)	(5,003,616)
		(36,483,615)	(5,003,616)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		(1,051,239)	(1,102,629)
		(2,669,846)	56,435,878
Expenses			
Remuneration of the management company		4,389,290	7,355,253
Remuneration of the trustee		544,671	742,405
SECP annual fee		219,467	367,762
Annual rating fee		55,452	25,000
Annual listing fee		10,082	7,500
Securities transaction cost		144,341	40,361
Auditors' remuneration		163,836	166,356
Printing charges		50,411	65,504
Legal and professional charges		35,000	-
Bank charges		25,429	58,739
		5,637,979	8,828,880
Net (loss)/income for the period		(8,307,825)	47,606,998

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

Atlas Income Fund

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2010

	2010	2009
	----- Rupees -----	
Net (loss) / income for the period	(8,307,825)	47,606,998
Other comprehensive income	-	-
Total comprehensive (loss) / income for the period	<u>(8,307,825)</u>	<u>47,606,998</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

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CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2010

	2010	2009
	----- Rupees -----	
Undistributed income brought forward	27,765,782	46,458,167
Final distribution at the rate of Rs. 8.00 per unit declared on 8 July 2010 (2009: Rs. 12.50 per unit declared on 3 July 2009)		
- Bonus units	(14,330,629)	(29,902,475)
- Cash payout against final distribution	(5,743,956)	(12,646,216)
	(20,074,585)	(42,548,691)
Net (loss)/income for the period	(8,307,825)	47,606,998
Undistributed (loss)/income carried forward	(616,628)	51,516,474

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

Atlas Income Fund

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2010

	Note	2010 ----- Rupees -----	2009 ----- Rupees -----
Cash flows from operating activities			
Net (loss) / income for the period		(8,307,825)	47,606,998
Adjustments for:			
Net (gain) on sale of investments		(275,445)	-
Net unrealised loss on revaluation of investments		36,759,060	5,003,616
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		1,051,239	1,102,629
		37,534,854	6,106,245
Decrease/ (Increase) in assets			
Interest accrued		9,077,584	230,424
Prepayment		(29,918)	7,500
		9,047,666	237,924
Increase/ (Decrease) in liabilities			
Payable to the management company		4,389,290	266,480
Payable to the trustee		(37,872)	6,904
Payable to SECP		(1,134,871)	(2,013,220)
Accrued and other liabilities		2,684,863	300,556
		5,901,410	(1,439,280)
		44,176,105	52,511,887
Investments made during the period		(422,588,929)	(202,120,000)
Investments sold / redeemed / matured during the period		564,509,833	107,873,142
Net cash inflow from / (used in) operating activities		186,097,009	(41,734,971)
Cash flows from financing activities			
Proceeds from issue of units		130,032	368,841,047
Payment on redemption of units		(175,732,806)	(295,957,782)
Cash payout against distribution		(5,743,956)	(12,646,216)
Net cash (used in) / inflow from financing activities		(181,346,730)	60,237,049
Net increase in cash and cash equivalents		4,750,279	18,502,078
Cash and cash equivalents at the beginning of the period		317,903,999	529,923,443
Cash and cash equivalents at the end of the period	4	322,654,278	548,425,521

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

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CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2010

	30 September 2010		30 September 2009	
	Units	Rupees	Units	Rupees
Net assets as at the beginning of the period [Rs. 511.01 (2009: Rs. 513.61) per unit]	2,509,323	1,282,286,500	3,403,895	1,748,264,886
Issue of units	260	130,032	726,982	368,841,047
Redemption of units	(349,191)	(175,732,806)	(578,878)	(295,957,782)
	(348,932)	(175,602,774)	148,104	72,883,265
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	1,051,239	-	1,102,629
Final distribution at the rate of Rs. 8.00 per unit declared on 8 July 2010 (2009: Rs.12.50 per unit declared on 3 July 2009)				
Issue of bonus units	28,490	-	59,672	-
Cash payout against distribution	-	(5,743,956)	-	(12,646,216)
Net (loss) / income for the period	-	(8,307,825)	-	47,606,998
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	-	(8,307,825)	-	47,606,998
Net assets as at the end of the period [Rs.499.65 (2009: Rs.514.22) per unit]	2,188,881	1,093,683,184	3,611,672	1,857,211,562

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

Atlas Income Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Atlas Income Fund (the Fund) is an open ended mutual fund constituted by a Trust Deed entered into on 20 February 2003 between Atlas Asset Management Limited (AAML) as the establisher and the management company and MCB Financial Services Limited (MCBFSL) as the trustee. MCBFSL resigned on 11 June 2005 as trustee and Central Depository Company of Pakistan Limited (CDC) was appointed as the trustee with effect from that date. The Trust Deed has been revised through the Deed of Change of Trustee and First Supplemental Trust Deed dated 11 June 2005, Second Supplemental Trust Deed dated 29 October 2007 and Third Supplemental Trust Deed dated 23 June 2010 with the approval of the SECP. Also, the Offering Document of the Fund has been revised through the First, Second, Third and Fourth Supplements, dated 21 June 2005, 29 October 2007, 29 February 2008 and 23 June 2010 respectively, with the approval of the SECP. The investment activities and administration of the Fund are managed by Atlas Asset Management Limited situated at Ground Floor, Federation House, Sharae Firdousi, Clifton, Karachi.
- 1.2 Units of the Fund have been offered for public subscription on a continuous basis from 22 March 2004, and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on Lahore Stock Exchange.
- 1.3 According to the trust deed, the objective of the Fund is to provide investors one window facility to invest in diversified portfolio offering good returns and consistent growth. The Fund aims to deliver this objective mainly by investing in Government securities, cash in bank accounts, Certificate of Investments (COI), money market placements, deposits, Certificates of deposits (COD), Certificates of Musharikas (COM), TDRs, commercial paper, spread transactions and any other instruments that may be allowed by the Securities and Exchange Commission of Pakistan. The investment objectives and policies are more fully defined in the Fund's offering document.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements have been prepared in accordance with International Accounting Standard - 34 " Interim Financial Reporting" as applicable in Pakistan.
- 2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended 30 June 2010.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended 30 June 2010.

	30 September 2010 Un-audited	30 June 2010 Audited
Note	-----	-----
	Rupees	

4. BANK BALANCES AND TERM DEPOSITS

PLS saving accounts	4.1	322,654,278	317,903,999
Term deposit accounts		-	-
		<u>322,654,278</u>	<u>317,903,999</u>

- 4.1 These carry rate of return ranging from 5% to 11.25% (30 June 2010 : 5% to 11.25%) per annum.

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	Note	30 September 2010 Un-audited ----- Rupees -----	30 June 2010 Audited -----
5. INVESTMENTS	5.1		
Designated at fair value through income statement			
Term finance certificates - listed	5.2	442,489,895	748,682,291
Term finance certificates - unlisted	5.3	137,798,909	153,849,604
Sukuk certificates - unlisted	5.4	15,225,000	18,976,968
Government Securities - T-bills	5.5	147,572,731	-
		743,086,535	921,508,863
Held to maturity			
Term finance certificates - listed	5.6	4,282,997	4,265,188
Musharika finance facility	5.7	25,105,062	24,310,459
		29,388,059	28,575,647
		772,474,594	950,084,510

5.1 Total cost of investments amounts to Rs.888,123,733 (30 June 2010 : Rs.1,070,776,791).

Note	Number of certificates			At the end of the period	Rupees	Percentage of	
	At the beginning of the period	Acquired during the period	Disposed/ Matured during the period		Carrying Value	Total investments	Net assets

5.2 Term finance certificates - listed

Leasing Companies

Orix Leasing Pakistan Limited	4,000	-	-	4,000	13,332,286	1.73	1.22
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Investment Banks/Cos./Securities

Escorts Investment Bank Limited	5,000	-	-	5,000	12,439,815	1.61	1.14
IGI Investment Bank Limited	1,000	-	-	1,000	1,243,208	0.16	0.11
Jahangir Siddiqui & Company Limited - III	2,000	-	2,000	-	-	-	-
	8,000	-	2,000	6,000	13,683,023	1.77	1.25

Commercial Banks

Allied Bank Limited	18,196	-	18,196	-	-	-	-
Askari Bank Limited - I	2,400	-	-	2,400	11,731,290	1.52	1.07
Askari Bank Limited - II	6,775	-	-	6,775	32,757,573	4.24	3.00
Bank Al Habib Limited - II	11,192	-	-	11,192	56,233,710	7.28	5.14
NIB Bank Limited	1,399	-	-	1,399	6,620,485	0.86	0.61
Soneri Bank Limited	5,074	-	5,074	-	-	-	-
Standard Chartered Bank (Pakistan) Limited - III	12,000	-	-	12,000	57,046,260	7.38	5.22
United Bank Limited - II	2,000	-	-	2,000	8,857,028	1.15	0.81
United Bank Limited - III	5,500	-	-	5,500	27,341,893	3.54	2.50
United Bank Limited - IV	8,000	-	-	8,000	37,774,228	4.89	3.45
	72,536	-	23,270	49,266	238,362,468	30.86	21.79

Textile Composite

Azgard Nine Limited	5.8	5,000	-	-	5,000	12,758,100	1.65	1.17
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Technology and Communication

Pakistan Mobile Communications

Limited	40,000	-	-	40,000	156,694,200	20.28	14.33
Telecard Limited	4,000	-	-	4,000	7,659,818	0.99	0.70
	44,000	-	-	44,000	164,354,018	21.28	15.03

Atlas Income Fund

Note	Number of certificates			At the end of the period	Rupees	Percentage of	
	At the beginning of the period	Acquired during the period	Disposed/ Matured during the period		Carrying Value	Total investments	Net assets
5.2 Term finance certificates - listed (Continued...)							
Fertilizer							
Engro Fertilizers Limited - II	23,681	-	23,681	-	-	-	-
Pak Arab Fertilizers Limited	9,173	-	9,173	-	-	-	-
	32,854	-	32,854	-	-	-	-
				108,266	442,489,895	57.28	40.46

5.3 Term finance certificates - unlisted

Cement

Gharibwal Cement Limited 5.8 5,000 - - 5,000 2,886,578 0.37 0.26

Oil & Gas Exploration Companies

Pak Hy Oil Limited 5.8 5,000 - - 5,000 - - -

Technology and Communication

Pakistan Mobile Communications

Limited - II 20,000 - - 20,000 49,889,200 6.46 4.56

Fertilizer

Engro Fertilizers Limited (Formerly Engro Chemical Pakistan Limited)

10,000 - - 10,000 47,806,100 6.19 4.37

Agritech Limited - I (Formerly Pak American Fertilizers Limited - I)

5.8 2,000 - - 2,000 6,628,027 0.86 0.61

Agritech Limited - II (Formerly Pak American Fertilizers Limited - II)

5.8 8,000 - - 8,000 28,999,004 3.75 2.65

20,000 - - 20,000 83,433,131 10.80 7.63

Miscellaneous

Bunny's Limited 424 - - 424 1,590,000 0.21 0.15

50,424 137,798,909 17.84 12.60

5.4 Sukuk certificates - unlisted

Fertilizer

Agritech Limited - I (Formerly Pak American Fertilizers Limited - I)

5.8 4,060 - - 4,060 15,225,000 1.97 1.39

30 September 2010 30 June 2010

Un-audited Audited

Note ----- Rupees -----

5.5 Government Securities

Market Treasury Bills 5.5.1 147,572,731 -

5.5.1 Market Treasury Bills

Tenure	Face value (Rupees)			Rupees		Percentage of	
	Acquired during the period	Matured during the period	At the end of the period	Amortized cost	Market Value	Total Investments	Net Assets
3 months - T Bills	225,000,000	75,000,000	150,000,000	147,588,929	147,572,731	19.10	13.49
6 months - T Bills	75,000,000	75,000,000	-	-	-	-	-
12 months - T Bills	125,000,000	125,000,000	-	-	-	-	-
	425,000,000	275,000,000	150,000,000	147,588,929	147,572,731	19.10	13.49

5.5.2 The cost of investments as on 30 September 2010 is Rs.145,837,500 (30 June 2010: nil).

5.5.2 These Market Treasury Bills carry purchase yields ranging from 12.10% to 12.70% (30 June 2010: nil) per annum and will mature between 21 October 2010 and 16 December 2010 (30 June 2010: nil).

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Number of certificates				Rupees	Percentage of	
At the beginning of the period	Acquired during the period	Disposed/ Matured during the period	At the end of the period	Carrying Value	Total investments	Net assets

5.6 Term finance certificates - listed

Leasing Companies

Orix Leasing Pakistan Limited	1,285	-	-	1,285	4,282,997	0.55	0.39
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30 September 2010	30 June 2010
Un-audited	Audited
----- Rupees -----	

Note

5.7 Musharika Finance Facility

Musharika Financing - Secured	5.7.1	24,250,000	24,250,000
Income accrued		855,062	60,459
		<u>25,105,062</u>	<u>24,310,459</u>

5.7.1 This represents financing under Musharika Agreement with a Modaraba, carrying markup rate of 13% (30 June 2010: 13%) per annum. These are secured by way of pledge of Term Finance Certificates and Sukuks, having a market value of Rs.38.53 million (30 June 2010: Rs. 40.10 million) determined on the basis of prices quoted by Mutual Funds Association of Pakistan. The musharika has been fully settled on 18 October 2010.

5.8 These securities have been classified as non-performing in accordance with the SECP's Circular 1 of 2009 and accordingly a provision of Rs.62.8 million (30 June 2010: Rs.20.42 million) against such securities has been made in accordance with the minimum provisioning requirements of the said Circular. Further an aggregate provision of Rs.9.66 million (30 June 2010: Rs.8.54 million), inclusive of market discount on valuation of the TFCs, as permitted under SECP's Circular 3 of 2010 dated January 20, 2010 has also been made against the above referred securities in accordance with the provisioning policy for non-performing exposures as approved by the Board of Directors of the Management Company pursuant to the requirements of SECP's Circular 13 of 2009 dated 4 May 2009, for making additional provision over and above the provision required under SECP Circular no. 1 of 2009 dated 6 January 2009. The carrying values stated above as of 30 September 2010 have been arrived at after taking into account provisions as under:

Non-compliant investment	Type of Investment	Value before provision	Provision held	Net carrying value	Percentage of	
					Net assets	Gross assets
				Rupees	%	%
Ghanibwal Cement Limited	Term finance certificate	18,735,000	15,848,422	2,886,578	0.26	0.26
Pak Hy Oils Limited	Term finance certificate	18,750,000	18,750,000	-	-	-
Azgard Nine Limited	Term finance certificate	18,118,912	5,360,812	12,758,100	1.17	1.14
Agri-tech Limited- I (Formerly Pak American Fertilizers Limited - I)	Term finance certificate	7,494,000	865,973	6,628,027	0.61	0.59
Agri-tech Limited- II (Formerly Pak American Fertilizers Limited - II)	Term finance certificate	29,976,000	976,996	28,999,004	2.65	2.59
Agri-tech Limited - (Formerly Pak American Fertilizers Limited)	Sukuk certificate	15,225,000	-	15,225,000	1.39	1.36
		<u>108,298,912</u>	<u>41,802,203</u>	<u>66,496,709</u>	<u>6.08</u>	<u>5.94</u>

5.8.1 The impact of above provision made against non-performing securities is included in net unrealised loss on revaluation of investments as shown in the condensed interim income statement.

Atlas Income Fund

	Note	30 September	30 June
		2010	2010
		Un-audited	Audited
		----- Rupees -----	
6. ACCRUED AND OTHER LIABILITIES			
Auditors' remuneration payable		163,836	455,564
Brokerage payable		200,326	32,621
Markup received on securities held as collateral		12,267,016	9,617,005
Printing charges payable		250,411	200,000
Annual rating fee payable		55,452	-
Payable to unitholders against redemption of units		16,234	16,234
Withholding tax payable		72,024	-
Provision for Workers' Welfare Fund	6.1	6,429,225	6,429,225
Others		-	19,012
		<u>19,454,524</u>	<u>16,769,661</u>

6.1 The Finance Act, 2008 introduced an amendment to the Workers Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. Management company of the Fund, based on a legal advice obtained through Mutual Funds Association of Pakistan (MUFAP) was of a firm view that Collective Investment Schemes (CIS) were not establishments and therefore, the WWF Ordinance should not applicable to such schemes. The MUFAP had also filed a constitutional petition in the High Court of Sindh (the Court) on behalf of the members, challenging the applicability of WWF to the CIS. The said petition was dismissed by the Court vide its order dated 25 May 2010 on the main ground that the MUFAP (petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party, and the main ground could be examined when the aggrieved parties directly approached the Court for redressal.

Consequently, on 30 June 2010, a constitutional petition was filed in the High Court of Sindh by certain representative CIS and approved pension funds under the Voluntary Pension System Rules, 2005, through their trustees, M/s Central Depository Company of Pakistan Limited, and with the management company of the Fund as management company, which is pending adjudication.

In the meantime, clarification has been obtained by the MUFAP from the Ministry of Labour & Manpower, Workers' Welfare Fund, Govt. of Pakistan, which, through their letter nos. WWF (A - II).11(5)/2010 dated 8 July 2010 and 15 July 2010, has clarified that the WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and that mutual funds are a product being managed / sold by asset management companies which are liable to contribute towards the said WWF levy. The said clarifications and legal advices sought from legal advisors are presently under the consideration of the MUFAP. In the meantime, the management company of the Fund, as a matter of abundant caution, has made a provision for WWF in the condensed interim financial statements.

	Note	For the quarter ended	
		30 September	30 September
		2010	2009
		----- Rupees -----	
7. INTEREST INCOME			
PLS saving and term deposit accounts		7,113,802	17,529,402
Placements		670,171	6,231,704
Term finances	7.1	21,728,028	36,474,716
Musharaka/Certificate of investment		794,603	2,306,301
Government Securities-T-bills		4,558,404	-
		<u>34,865,008</u>	<u>62,542,123</u>

7.1 Mark-up on non performing securities amounting to Rs. 17.45 million (2009: Rs. 4.25 million) based on outstanding principal has not been recognised during the period in accordance with the SECP's Circular 1 of 2009.

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For the quarter ended
30 September 2010 30 September 2009
----- Rupees -----

8. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

8.1 Transactions for the period

Atlas Asset Management Limited (Management Company)		
Remuneration charged	4,389,290	7,355,253
Remuneration paid	-	7,088,773
Central Depository Company of Pakistan Limited (Trustee)		
Trustee fee	544,671	742,405
Settlement charges	1,612	2,340
Atlas Bank Limited (Group Company)		
Sale of nil (2009: 394,415) units	-	200,000,000
Bonus of nil (2009: 2,480) units	-	1,242,917
Term deposit receipt placed	-	350,000,000
Term deposit receipt matured	-	475,000,000
Interest income on bank balances and term deposits	6,081	8,019,632
Atlas Capital Markets (Private) Limited (Group Company)		
Brokerage	-	975
Atlas Foundation (Group Company)		
Redemption of 27,062 (2009: 987) units	13,600,000	500,000
Bonus of 2,537 (2009: 4,824) units	1,276,386	2,417,174
Atlas Honda Limited (Group Company)		
Redemption of nil (2009: 20,003) units	-	10,023,706
Bonus of 11,192 (2009: 20,003) units	5,629,487	10,023,706
Atlas Insurance Limited (Group Company)		
Sale of nil (2009: 15,665) units	-	8,000,000
Redemption of nil (2009: 14) units	-	6,810
Bonus of 258 (2009: 14) units	129,682	6,810
Shirazi Investments (Private) Limited - employees		
Provident Fund (Group Company)		
Redemption of 987 (2009: nil) units	500,000	-
Bonus of 203 (2009: nil) units	102,084	-
<u>Key Management Personnel of Management Company</u>		
Chief Executive		
Sale of nil (2009: 6,861) units	-	3,500,000
Bonus of 118 (2009: nil) units	59,190	-
Directors		
Sale of nil (2009: 980) units	-	500,000
Bonus of 110 (2009: 133) units	55,493	66,493
	30 September 2010	30 June 2010
	Un-audited	Audited
	----- Rupees -----	

8.2 Outstanding balances as at period/year end

Atlas Asset Management Limited (Management Company)		
Remuneration payable to the management company	6,117,787	1,728,497
Central Depository Company of Pakistan Limited (Trustee)		
Trustee fee payable	172,356	210,228
Atlas Bank Limited (Group Company)		
Balance in PLS saving account	21,065	309,892
Accrued interest on bank balance and term deposits	-	2,116,688

Atlas Income Fund

30 September 2010 Un-audited
 30 June 2010 Audited
 ----- Rupees -----

8.2 Outstanding balances as at period/year end (Continued...)

Atlas Foundation (Group Company) Units in issue 135,023 (30 June 2010: 159,548) - at net asset value	67,464,454	81,530,748
Atlas Honda Limited (Group Company) Units in issue 714,878 (30 June 2010: 703,686) - at net asset value	357,188,549	359,590,751
Atlas Insurance Limited (Group Company) Units in issue 16,468 (30 June 2010: 16,210) - at net asset value	8,228,253	8,283,586
Shirazi Investments (Private) Limited - employees Provident Fund (Group Company) Units in issue 11,976 (30 June 2010: 12,761) - at net asset value	5,983,845	6,520,767
<u>Key Management Personnel of Management Company</u>		
Chief Executive Units in issue 7,516 (30 June 2010: 7,399) - at net asset value	3,755,591	3,780,846
Directors Units in issue 7,047 (30 June 2010: 6,937) - at net asset value	3,521,017	3,544,695

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

9. GENERAL

9.1 Figures have been rounded off to the nearest Rupee.

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

10. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the management company on 27 October 2010.

For Atlas Asset Management Limited
 (Management Company)

M. Habib-ur-Rahman
 Chief Executive Officer

Yusuf H. Shirazi
 Chairman

Tariq Amin
 Director

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