

Atlas funds

Nurturing your investments

Atlas Income Fund

ANNUAL REPORT

June 30, 2006



Managed By

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.

CONTENTS

- 02 Company Profile
- 03 Organisation
- 04 Board of Directors of the Management Company
- 05 Management Committee
- 06 Chairman's Review
- 09 Atlas Asset Management Team
- 10 Directors' Report

FINANCIAL STATEMENTS

- 16 Statement of Compliance with the Code of Corporate Governance
- 18 Review Report of the Trustee
- 19 Review Report to the Unit Holders on Statement of Compliance with best practices of Code of Corporate Governance
- 20 Auditors' Report to the Unit Holders
- 21 Statement of Assets and Liabilities
- 22 Income Statement
- 23 Statement of Movement in Unit Holders' Fund
- 24 Distribution Statement
- 25 Cash Flow Statement
- 26 Notes to the Financial Statements
- 43 Distribution Network



COMPANY PROFILE

Atlas Asset Management Limited (AAML), sponsored by the Atlas Group of Companies was incorporated on August 20, 2002. It is registered with the Securities and Exchange Commission of Pakistan as an investment adviser for managing closed-end funds and as an asset management company for managing open-end funds, and is regulated under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

AAML has entered into a technical collaboration agreement with ING Institutional & Government Advisory Services B.V. ("ING"), a company incorporated in Netherlands to provide technical support and assistance to AAML in improving their capabilities in fund management, product development and other related business management operations, including training to its staff. ING has broad experience and expertise in providing advisory services in developing and emerging markets in the areas of banking, pension, insurance and asset management.

AAML is presently managing two open-end funds; namely Atlas Income Fund (AIF), whose investment strategy is to invest in debt and other fixed income instruments, thereby providing good income in a diversified less risky asset class and Atlas Stock Market Fund (ASMF), an equity fund investing primarily in equity securities, providing investors seeking equity exposure a strong focus on investment growth and a closed-end fund, Atlas Fund of Funds (ATFF), having the investment strategy of investing in other mutual funds, primarily closed-end funds that are quoted at substantial discount to their respective net asset value.

AAML manages assets on behalf of retirement funds, welfare organizations, insurance companies, multinationals, banks, NBFCs and individuals. The total assets under the management of AAML are Rs. 4.83 billion as on June 30, 2006.

The year under review witnessed the asset manager rating of AAML being upgraded by the Pakistan Credit Rating Agency Limited (PACRA) from "AM3" to "AM3+" which reflects the company's strong capacity to master the risks inherent in asset management. All the three funds, AIF, ASMF and ATFF were also rated during the year and were assigned a 4 Star Fund rating each by PACRA, which reflects a good performance relative to their respective peers.

AAML's strength and success lies in the strong trust and confidence reposed in its management by our esteemed investors and its wealth of experience in terms of high quality staff, specifically experienced and trained in management of mutual funds.

ORGANISATION

Management Company

Atlas Asset Management Limited

Board of Directors of the 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 (upto April 28, 2006) Mr. Sherali Mundrawala Mr. Tariq Amin Mr. Ali H. Shirazi (w.e.f. April 28, 2006)

Company Secretary Ms. Lilly R. Dossabhoy

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 Mr. Bashir Makki

Management Committee

Chairman	Mr. M. Habib-ur-Rahman
Members	Mr. Ali H. Shirazi Mr. Ather H. Medina Ms. Lilly R. Dossabhoy Ms. Mashmooma Z. Majeed

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

Internal Auditors

Anjum Asim Shahid Rahman (upto June 30, 2006)
Chartered Accountants
Mr. M. Saqib Saleem (w.e.f. July 1, 2006)
Chief Internal Auditor

Auditors

Hameed Chaudhri & Co.
Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.

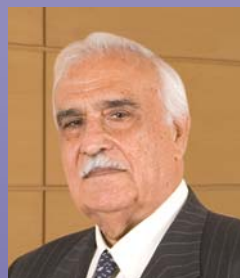
Bankers

Atlas Bank Limited
Bank Alfalah Limited
KASB Bank Limited
MCB Bank Limited
Saudi Pak Commercial Bank Limited

Registered Office

Ground Floor, Federation House, Sharae Firdousi,
Clifton, Karachi - 75600.
Tel: (92-21) 111- MUTUAL (111-6-888-25),
(92-21) 5379501-04
Fax: (92-21) 5379280
Email: info@atlasfunds.com.pk
Website: www.atlasfunds.com.pk

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY



Yusuf H. Shirazi
Chairman



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



Ali H. Shirazi
Executive Director



Peter A. Smyth
Director



Jawaid Iqbal Ahmed
Director



Sherali Mundrawala
Director



Tariq Amin
Director



Michael Ferrer
Alternate Director to
Peter A. Smyth

MANAGEMENT COMMITTEE



Ather H. Medina
Chief Investment Officer

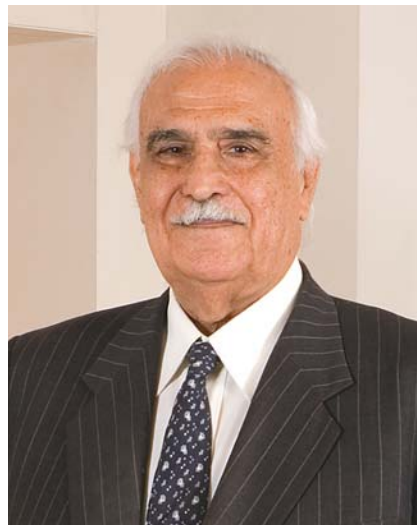
M. Habib-ur-Rahman
Vice Chairman & Chief Executive Officer

Ali H. Shirazi
Executive Director

Mashmooma Zehra Majeed
Head of Business Development

Lilly R. Dossabhoy
Company Secretary

CHAIRMAN'S REVIEW

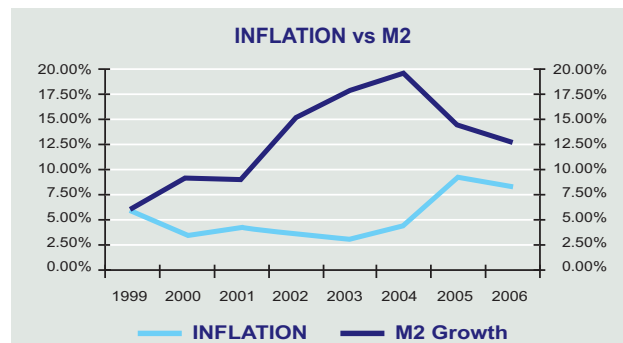


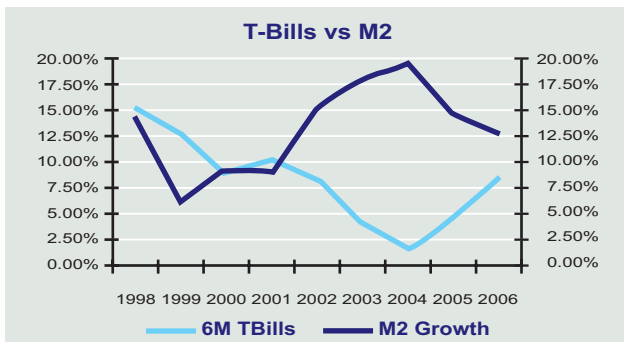
It is my pleasure to present to you the third Annual Report of Atlas Income Fund for the year ended June 30, 2006.

THE ECONOMY

The economy continued its growth trend during the year achieving over 6% GDP growth, despite receiving major shocks in the form of increase in oil prices and a massive earthquake. The net impact of these shocks has resulted in rising trade and fiscal deficits. For the period July 05 - May 06, the trade deficit has increased to US \$10.6 billion, up 93% from the corresponding period last year, while the provisional fiscal deficit has climbed up to Rs. 201 billion, up from Rs. 131 billion in FY 2004-05.

Consequently, inflationary pressures have been increasing and the central bank resorted to maintaining a tighter monetary policy. Accordingly, money supply growth slowed down to a four year low of 12.2% for July 05 - May 06 period, from 15.2% in the corresponding period last year. The private sector credit also slowed down to 20% as compared to 29.2% last year. However, at Rs. 343 billion, private sector credit off take has exceeded the full year target by Rs. 13 billion.





Nevertheless, a buoyant services sector, accompanied by a relevant growth in Large Scale Manufacturing though lower than the last year kept the real GDP growth chugging along at a reasonable growth of 6.6% for the year. LSM grew by 9.0% and the Services sector by 8.8% in a difficult situation. Consumer spending too remained strong with real spending rising 8.1% and investment spending maintaining its strong growth momentum at 10.3%.

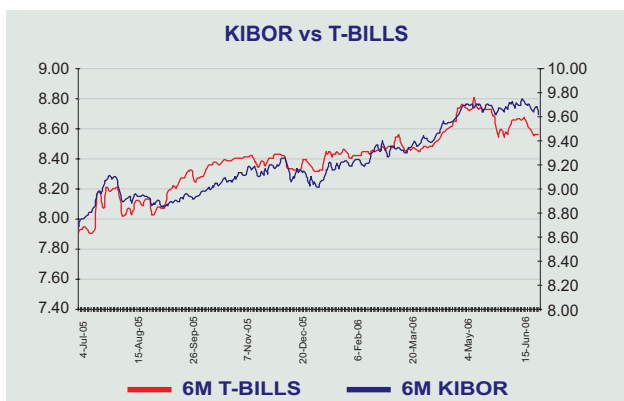
THE MONEY MARKET

In accordance with tightening monetary policy announced for the year, the State Bank of Pakistan continued to fight inflation through further hikes in interest rates, despite declines in both core and overall inflation. The SBP intervened frequently in the inter bank money market to ensure that short term inter bank money market rates remained close to the discount rate.

The cut off yields on 3 months, 6 months and 12 months T-Bills since July 2005 increased by 78 bps to 8.33%, by 51 bps to 8.49% and by 33 bps to 8.79% respectively. Rising interest rates were also reflected in the secondary market. In particular, the yields on the short term interest rates since July 2005 in the secondary market for 3 months, 6 months and 12 months T-Bills increased by 113 bps to 8.43%, by 111 bps to 8.70% and by 108 bps to 8.90% respectively, and the 6 months and 12 month KIBOR rose by 92 bps to 9.61% and by 76 bps to 10.06% respectively.

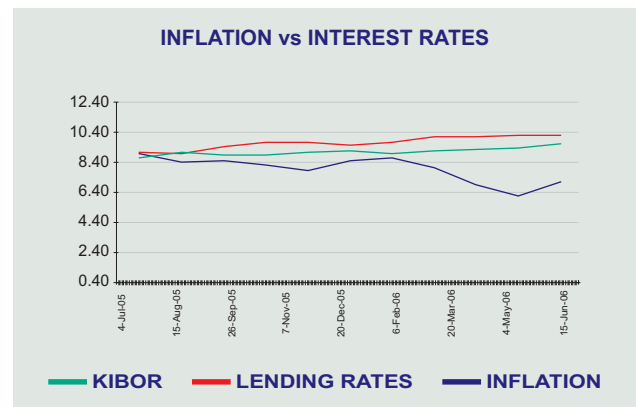
Declining market liquidity and rising credit-deposit ratio of the banking sector also contributed significantly to the 193 basis point increase in the weighted average lending rate during July-Mar 06 to 10.14%, and a consequent relative deceleration in non-government credit growth.

PIB auction resumed after a gap of two years with a total of Rs. 10.03 bn bonds of 3, 5 and 10 year maturities being sold against bids of Rs. 16 bn. Primary cut-off yields were 9.45% for 3-year, 9.67% for 5-year and 9.88% for 10-year government papers. With this auction being fairly successful, PIB auctions are likely to become a regular feature serving twin objectives of non-bank financing source for the government establishing long-term treasury yield curve.



The money supply during July-April of the year expanded by Rs. 294.9 bn or 9.94% as against an expansion of Rs. 332.4 bn or 13.37% in the corresponding period last year. The pace of the monetary expansion remained within the Credit Plan target for the year - 12.8% - primarily because of the moderate build up in the net domestic assets.

There was a significant abatement of price pressure over the course of the year. During the first ten months of the current fiscal year (July 2005 - April 2006), all important barometers of price pressure in the economy indicated a steady deceleration in inflation, which is estimated at 8.0% during the first ten months as against 12.8% in the same period, last year. Looking ahead, oil prices will be the key determinant of non-food inflation. At present, international oil prices are showing no signs of respite, thus this component is likely to remain under inflationary pressure. The base effect for the food items is expected to continue for the short term and it is expected that the current interest rate environment shall continue to prevail.



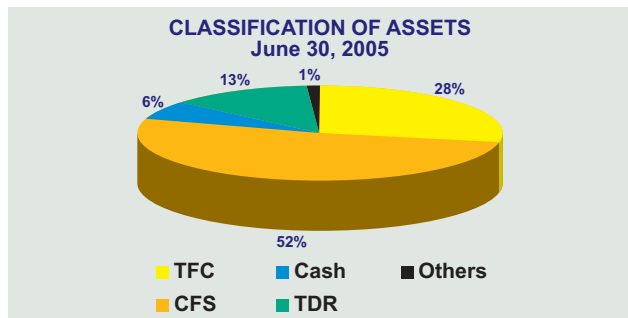
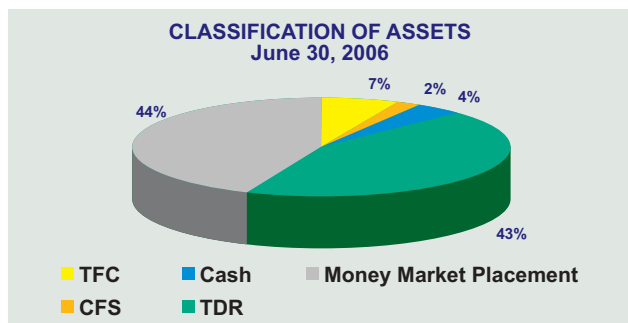
Notwithstanding the tight monetary policy, the SBP continued to strike a balance between promoting growth and controlling inflation on the one hand and maintaining a stable exchange rate environment on the other. Tight monetary policy is likely to continue until inflationary pressures are significantly eased off.

The Privatization Commission invited Expression of Interest and Statement of Qualification during the year for the acquisition of management rights of National Investment (Unit) Trust (NIUT). Towards the end of the year, the data room was opened to the short listed candidates to perform the due diligence for acquisition of one of the parts of NIUT. Since the completion of the due diligence process, no further communication has been made by the Privatisation Commission regarding the next step of the privatization process.

FUND OPERATIONS

The Net Assets of the Fund grew to Rs. 2.68 billion, with 4.8 million units outstanding as at June 30, 2006, before distribution. The NAV of the Fund as on June 30, 2006 stood at Rs. 557.79 per unit before distribution.

Keeping in consideration that the tightening monetary stance adopted by the State Bank of Pakistan due to the rising inflation rate was expected to keep the interest rates under severe pressure, the Fund maintained its strategy to remain invested in the short term instruments. However, the mix of investments were altered drastically as is evident by the asset allocation of the Fund depicted on the next page.



The investment in CFS was reduced from 52% in previous year to less than 2% in the current year. The amount invested was shifted towards short term money market placements which were offering better returns.

The Fund has been able to improve upon the performance achieved last year, showing an annualized appreciation of 11.46% in its Net Asset Value. The Fund has significantly improved on the performance achieved last year's return of 9.75% by showing an annualized return of 11.53% for June 30, 2006.

The Board of Directors of Management Company have decided to distribute bonus units @ 11.50% on the face value of the units of Rs. 500 each. This works out to 11.4933 bonus units for every 100 units, of the value of Rs. 500.29 each, held as at June 30, 2006. The unit holders have the option to en-cash the units on ex-bonus net asset value on June 30, 2006, which works out to Rs. 500.29 per unit, which the unit holders may exercise on or before August 3, 2006. After this date, the unit holders may redeem the units at ruling price.

RATINGS UPDATE

The Pakistan Credit Rating Agency Limited (PACRA) upgraded the rating of the management company from the initial rating of "AM 3" last year, to "AM 3+". According to PACRA, the "AM 3+" rating reflects the Company's strong capacity to manage the risks inherent in asset management, and the asset manager meets high investment management industry standards and benchmarks. PACRA acknowledged the strengthening of the intrinsic capacity of the Company by setting up of important supporting systems, the improvement in distribution network and opening of more branches, and hiring of experienced professionals during the year, all of which contributed to the Fund's performance as well.

The Fund was rated for the first time during FY 2005-06 and achieved "4 Star". The rating in PACRA's words, "reflects a good performance relative to its peers." The 4 Star rating is a composite measure of returns, risk associated with the returns measured by Sharpe Ratio and credit quality of the assets.

مشک آنتست که خود بویو دند که عطار گوید
(Performance speaks itself)

ING'S UPDATE

The Company's partner, ING, continues to play a significant role in the development of the Company and the training of its human resources. Mr. Peter A. Smyth, ING's representative on the Board of Directors of the Company continued to attend the board meetings, during the year. Mr. Michael Ferrer, Regional General Manager, and Mr. Tim Julien, Regional Director, from ING Investment Management visited AAML in respect of investment management. Mr. David Hatton, Director & CRO, ING Vysya Life Insurance Company (Pvt.) Ltd and CEO ING Pension Trust Hong Kong, visited in respect of the Voluntary Pension Schemes.

ING also donated EUR 100,000 to the President's Relief Fund to help those affected by the earthquake.

FUTURE OUTLOOK

Strong economic fundamentals, robust corporate earnings and government's privatization plans would remain the key triggers for the capital markets. However, rising international oil prices, surging inflation & interest rates and political uncertainty ahead of elections are the key challenges for the economy as well as the capital markets.

The tightening monetary stance of the central bank mandated by the rising level of inflation has put interest rates under pressure. The position is further aggravated by the rising trade deficit on the back of higher oil prices in the international markets, and huge increase in imports of used automobiles, sugar, cement and some eatables. With the yield curve showing less than 250 bps gap between three months and 10 years government securities, it is expected that the long term interest rates shall appreciate. Thus, faced with the prospect of potential capital loss when interest rates increase for long term government paper, the Fund will choose to maintain a short duration portfolio, a policy which is expected to continue in the short term. However, the traditional avenue for maintaining a short duration investment portfolio, i.e., equity leveraging, is increasingly not a viable option, as increased market volatility increases the risk perception of the market, while at the same time, a weaker demand for CFS funds are likely to lead to lower interest rates. With these constraints, the ability of fixed income funds to outperform the benchmark Karachi Inter-bank Offered Rate (KIBOR) will be a challenge to meet successfully.

It will be the Fund's endeavor to overcome these obstacles and continue to provide our valued unit holders with superior returns, through the optimal use of all available investment options, including spread transactions, placements with financial institutions, investing in high yield commercial paper with good rating, etc.

ACKNOWLEDGEMENT

I would like to thank the Securities and Exchange Commission of Pakistan, the 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 the Fund and the Chief Executive Mr. M. Habib-ur-Rahman and his management team for their hard work, dedication, and sincerity of purpose.

Karachi: July 19, 2006

Yusuf H. Shirazi
Chairman

THE ATLAS ASSET MANAGEMENT TEAM



Research and Investment Management Team



Sales, Business Development and Investor Services Team



Finance, IT and Risk Management & Compliance Team

DIRECTORS' REPORT

The Board of Directors of Atlas Asset Management Limited, the Management Company of Atlas Income Fund (Fund) take pleasure in presenting the Third Annual Report of the Fund along with the audited financial statements and the Auditors' Report thereon for the year ended June 30, 2006.

CHAIRMAN'S REVIEW

The review included in the Annual Report deals *inter alia* with the general performance of the economy, mutual fund industry and the Fund for the year ended June 30, 2006 and future prospects. The Directors endorse the contents of the review.

MANAGEMENT'S REVIEW

Atlas Asset Management Limited (the Company) was incorporated in August 2002 but formally commenced its operations from September 2003, when the seed capital for the first fund was raised, which was launched in March 2004, followed by two more funds within the same calendar year (i.e. in November & December 2004). Today, less than three years later, the Company has achieved commendable performance in a short span of time. The Company is presently managing Rs. 4.83 billion in assets under management in three funds on behalf of a diversified range of investors including retirement funds, welfare organizations, insurance companies, multinationals, banks, NBFCs, manufacturing companies and individuals.

The year under review, FY 2005-06, has been a remarkable one for the Company. Starting with a modest size of Rs. 2.60 billion under management, we have ended the current year with Rs. 4.83 billion, reflecting an increase of 85.77% over the preceding year. This increase can be attributed to both - the confidence reposed in the management of the Company by the investors and the good performance of the funds under management. The total return for the year for Atlas Income Fund comes to 11.53%, Atlas Stock Market Fund to 32.52%, and Atlas Fund of Funds to 19.39%.

The Company has, from the beginning, adopted a high standard of corporate governance, ethics and transparency in the management of the funds placed under its trust. In addition, the Company has maintained a strong commitment towards developing and adopting the best international industry practices and procedures. The current year witnessed further development in this regard, where, in assistance with its technical partner ING, the priority focus of the Company was to develop and implement systems and procedures for asset management business that are in line with international standards.

Highlights of the major departmental activities during the year under review are as follows:

FUND MANAGEMENT & RESEARCH

During the year under review, the Company's Fund Management and Research Department has worked diligently on developing and implementing a formalized and structured Equity Investment Process with support and guidance from ING Investment Management. This has been formally implemented from July 2006. Investment mandates of different Mutual Funds' differ in terms of the investment universe,

stock selection, style and risk appetite and thus the investment processes vary accordingly. Therefore, the basic objective of the structured Equity Investment Process is to create portfolios that adhere to the Fund specific investment mandates and achieve the Fund's investment performance objectives, while maintaining appropriate levels of risk. Additionally, the Research Department has worked hard to develop in-house research models for the companies in the Company's research universe in accordance with their schedule.

MARKETING

During the year, the Company continued its marketing activities by engaging in event sponsorship of seminars, social events and homecoming/ prize distribution ceremonies of major business schools, mail shots of brochures and leaflets, continuation of outdoor hoardings, magazine/ newspaper advertisements and event brochures to enhance the "Atlas Funds" brand and create public awareness. Additionally, in January 2006, the Company developed and circulated its annual calendar for the year 2006. The calendar was based on the "Management Style" theme, paying a tribute to the 'Father of Management' the Late Mr. Peter F. Drucker. The theme of the calendar was well appreciated in the corporate circle as well as by the retail investors. Also during the year, the Company developed its television commercial (TVC) on 35mm film. The TVC went on air in the last quarter of the year under review and created a positive response in terms of introducing the "Atlas Funds" brand to the masses and creating recognition and appreciation of the TVC's quality of production. In June 2006, the Company participated as a co-sponsor in the DAWN Asia Finance Conferences Series-II "Fund Managers-Pakistan's Capital Markets, which was an effort by the Dawn to give the investors the understanding of the overall economy, stock market, mutual fund industry and the different aspects of investments.

SALES & DISTRIBUTION

In an endeavour to diversify its investor base by reaching out to the retail customer and making "Atlas Funds" more accessible to the masses, the Company extended its distribution network outside of Karachi by establishing branch outlets in Hyderabad and Lahore. In addition, the Company continued selling its units through its distribution agreements with different Investment Finance Associates and its own branches located in Karachi, Hyderabad and Lahore. For the coming fiscal year, the Company has plans to expand its own distribution network in many other urban cities of Pakistan as well as to expand its branches within Karachi, as the management believes that a wide spread distribution network will give the Company much needed presence in populous urban centres and help "Atlas Funds" become a widely recognized brand. Moreover, a widespread distribution network will help the Company create awareness amongst investors about the benefits of investing in mutual funds and more specifically, "Atlas Funds".

INVESTOR SERVICES

Customer relations and services play a vital role in strengthening of a brand name. To be able to provide a high level of customer services, the Company is managing a comprehensive in-house Transfer Agency and Registrar functions for its funds that handles all transactions related to a mutual fund investors' accounts, including processing of dividends, capital gains, checking disbursement and maintaining a register of Unit/ Certificate Holders. The Company introduced a client services function to this

department during the year and the head of this department was sent to several special training programs to effectively and efficiently deal with investor queries and complaints. The Company intends to further promote superior client services by developing and implementing innovative and efficient ways to serve our valued investors.

HUMAN RESOURCE DEVELOPMENT

The Company fully realizes that its employees are its most valuable asset. The Company continues to invest in the development of all its employees and ensures that they are provided with a productive, friendly work environment, as the Company strongly believes that the success as a business depends on the employees; i.e. on their skills, energies, diverse perspectives, and commitment to delivering outstanding performance. It is the Company's policy to continuously enhance the knowledge and the skills of each employee with the objective to lead and improve the quality of the work culture and to develop people to be their best in order to meet the growing needs of the Company and the industry. Extensive emphasis was continued towards training of staff at all levels during the current FY 2005-06 and workshops and short courses at LUMS, ACCA Institute, ICAP, ICMAP, IBP, PIM, OCTARA etc. in Pakistan were selected for all staff levels throughout the year. Members of the Management team also received international training and attended seminars on specialised topics. The Chief Executive and the Company Secretary attended the 11th Asia Oceania Regional Meeting of International Mutual Funds Association held in Beijing, China. The Executive Director attended an ING course in Manila, Philippines on the 'Art of Asset Management', whilst the Chief Investment Officer visited ING Investment Management in Sydney, Australia, to expedite the implementation of the Equity Investment Process.

SOFTWARE DEVELOPMENT

The Company realizes that maintaining an up-to-date technology plays an extremely important role in the progress of any company. Therefore the Company had initiated the procurement of a completely automated web-based software system, Asset Connect. During the current year, the finance, investor services and information technology played a crucial role in the development and the implementation of the system that shall become fully operational shortly. This system not only automates and connects the functioning of the various departments within the Company, but will also allow investors access to their fund and personal account information via the Company's website.

RISK MANAGEMENT AND COMPLIANCE

ING is also playing an instrumental role in assisting the Company in establishing its risk management and compliance function in line with the international best practices of the mutual fund industry. ING is sharing its risk management, compliance and internal control procedures and manuals. The Company is also expecting a visit by ING's Regional Compliance Manager in due course. The risk management function is aimed to monitor Enterprise-wide Risk, which, in broad terms, covers market, credit and operational risk. The risk management function follows three fundamental principles i.e. developing corporate risk strategy, designing strong risk infrastructure on the basis of corporate risk strategy and creating a culture of effective oversight and governance.

INTERNAL CONTROLS

The Company maintains a strong control environment and ensures complete regulatory compliance, particularly relating to the investment management and investor services function. During the current FY 2005-06, the Company had outsourced the internal audit function to a firm of Chartered Accountants that reports functionally to the Audit Committee of the Board and administratively to the Chief Executive of the Company. With effect from July 1, 2006, the Audit Committee recommended to the Board to bring in-house, the internal audit function, which was approved by the Board. The internal control system is recurrently reviewed by the internal auditors and their recommendations are implemented wherever the management feels that it will further improve the Company's existing system of internal controls. The Audit Committee appointed by the Board of the Company, chaired by a non executive director, reviews and evaluates the internal control system on a regular basis to achieve maximum effectiveness for establishing appropriate policies and further improves the effectiveness and objectivity of internal controls system.

GOING FORWARD

Whilst the Company has made impressive strides in the last year, namely in terms of fund performance, growth in assets under management and strengthening of workforce, the coming year will pose new and greater challenges. Greater emphasis will be laid on the development of the Company's infrastructure in terms of systems enhancement, investment processes, expansion of distribution network and launching of new funds. This will ensure the Company provides better services to its investors and sets itself apart from the looming competition. The management of the Company is aware of the challenges posed by increasing competition and is taking all possible measures to meet these challenges and give "Atlas Funds" an edge over its peers in all aspects. To achieve such objectives, the management is continually reviewing and updating the business strategy and motivating the staff by enhancing their skills to manage the business objectives and performance.

INVESTMENT OBJECTIVE

Atlas Income Fund (AIF) maintains a diversified portfolio aiming to achieve a good rate of income with consistent concern for safety of principal and providing the investors with liquidity and the facility to join or leave the fund at their convenience.

AIF is distributing as stock dividend more than 90% of its net income for the year; therefore, the income of AIF will not be subject to income tax under Clause 99 of Part 1 of the 2nd Schedule to the Income Tax Ordinance, 2001.

EARNINGS PER UNIT

Earnings per unit for the year ended June 30, 2006 work out to Rs. 57.71 per unit (2005: Rs. 49.20 per unit).

FUND SIZE AND INCOME DISTRIBUTION

As at June 30, 2006 the Net Assets of the Fund stood at Rs. 2.67 billion as compared to Net Assets of Rs. 1.15 billion as at June 30, 2005 (re-stated). The Board of Directors of the Management Company of the Fund have approved a bonus of 11.50% (2005: 9.75%) on the face value of Rs. 500 per unit, which works out to Rs.57.50 per unit (2005: Rs.48.75 per unit).

SALE AND REDEMPTION OF UNITS

During the year, 5,157,592 units of the value of Rs. 2.79 billion were issued, while 2,667,102 units of the value of Rs. 1.45 billion were redeemed. As at June 30, 2006, the total number of units outstanding was 4,796,790 valued at Rs. 2.67 billion (2005: 2,101,528 units valued at Rs. 1.15 billion), reflecting a growth of 128.25% in terms of number of units and 131.82% in value.

A comparison of the Unit Holders register of June 2006 compared with June 2005 presents a diversified investors' base as follows:

Category	Year ended June 30, 2006			Year ended June 30, 2005		
	No. of Accounts	Units Held	Units Held %	No. of Accounts	Units Held	Units Held %
Directors	1.89	58,558	1.22	1.52	19,232	0.92
Individuals	51.88	581,645	12.12	55.30	59,485	2.83
Corporates	4.25	826,162	17.22	3.03	266,550	12.68
Banks and financial Institutions	36.32	2,272,033	47.37	8.34	493,200	23.47
Associated Companies	3.30	956,441	19.94	3.78	975,876	46.44
Trusts	2.36	101,951	2.13	26.51	269,062	12.80
Others	-	-	-	1.52	18,123	0.86
Total	100.00	4,796,790	100.00	100.00	2,101,528	100.00

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' Funds.
- Proper books of account of the Fund have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment, with the exception of certain changes in accounting policies made during the year, as explained in note 3.2 to the financial statements. The external auditors of the Fund have concurred with such changes.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.

- f) There is no doubt about the Fund's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key Financial data/ performance table is summarized in note 24 to 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.

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The Board comprises of two executive and five non-executive Directors. During the year, Mr. Saquib H. Shirazi resigned from the Board with effect from April 28, 2006. Mr. Ali H. Shirazi was co-opted in his place by the Board, to fill in the casual vacancy, for the remaining term of the directorship, with effect from April 28, 2006, with the approval of the Securities and Exchange Commission of Pakistan.

During the year, four Board Meetings were held and attended as follows:

Name	Meetings Attended
Mr. Yusuf H. Shirazi	4
Mr. M. Habib-ur-Rahman	4
Mr. Jawaid Iqbal Ahmed	3
Mr. Peter A Smyth	3 *
Mr. Saquib H. Shirazi	2 **
Mr. Sherali Mundrawala	4
Mr. Tariq Amin	4
Mr. Ali H. Shirazi	Nil ***

* 1 through telephonic conference

** upto April 28, 2006

*** appointed w.e.f. April 28, 2006

The Directors, CEO, CFO and Company Secretary and their spouses and minor children have made no transactions in the Fund's units during the year except as disclosed in note 19 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 19, 2006, recommended the re-appointment of M/s Hameed Chaudhri & Co. - Chartered Accountants, as auditors of Atlas Income Fund for the Financial Year 2006-07. The Board approved the appointment.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Karachi: July 19, 2006

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

FINANCIAL STATEMENTS



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2006.

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

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

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of seven directors including 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.
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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred in the Board during the year ended June 30, 2006, which was filled within thirty days thereof, and approved by the Securities and Exchange Commission of Pakistan as required under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
5. The Management Company has adopted a "Statement of Ethics and Business Practices", which has been distributed to and acknowledged by all the directors and employees of the Management Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of the remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the period. Written notes of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board has approved the appointment of the CFO and Company Secretary, remuneration and terms and conditions of employment as determined by the CEO.
10. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The role and responsibilities of the Chairman and the CEO have been approved by the Board.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
13. The Directors, CEO and Executives do not hold units other than those disclosed in note 19 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.
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 comprising of three members, all of whom are non-executive directors, including the Chairman of the Committee. Meetings of the Committee were held every quarter, prior to approval of the interim and annual results of the Fund, as required by the Code. The Board has approved the terms of reference of the Audit Committee.
17. During the year ended June 30, 2006, the Management Company had outsourced the internal audit function of the Fund to M/s. Anjum Asim Shahid Rahman, Chartered Accountants, Karachi, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund. With effect from July 1, 2006, the Board has approved bringing in-house, the internal audit function, and approved the appointment, terms and conditions of employment of the Chief Internal Auditor.
18. The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund, and that the Firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi: July 19, 2006

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

REVIEW 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 Income Fund, an open-end fund was established under a trust deed executed between Atlas Asset Management Limited as the Asset Management Company and Muslim Commercial Financial Services (Pvt.) Limited as the Trustee on February 20, 2003. The Scheme was authorized by the Securities and Exchange Commission of Pakistan (SECP) on March 21, 2003.

As per the Deed of Change of Trustee and First Supplemental Trust Deed dated June 11, 2005, Muslim Commercial Financial Services (Pvt.) Limited retired as the Trustee and Central Depository Company of Pakistan Limited was appointed as the Trustee of Atlas Income Fund.

In our opinion, Atlas Asset Management Limited, the Management Company of Atlas Income Fund has in all material respects managed Atlas Income Fund during the year ended June 30, 2006 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Karachi: July 19, 2006

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 best practices contained in the Code of Corporate Governance prepared in respect of Atlas Income Fund (the Fund), by the Board of Directors of Atlas Asset Management Limited, the Management Company of the Fund, to comply with the Listing Regulation 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 year ended June 30, 2006.

Karachi: July 19, 2006

Hameed Chaudhri & Co.
Chartered Accountants

AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the annexed statement of assets and liabilities of the Atlas Income Fund as at June 30, 2006 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 year then ended 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 Income 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 changes as stated in note 3.2 with which we concur;
- (c) 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, 2006 and of the transactions of the Fund for the year then ended.

Karachi: July 19, 2006

Hameed Chaudhri & Co.
Chartered Accountants

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
ASSETS			
Cash at banks	4	1,359,462,906	72,777,148
Receivable against carry over transactions	5	-	594,864,360
Receivable against continuous funding system	5	36,816,265	-
Placements	6	325,000,000	-
Investments	7	956,484,307	478,360,866
Advances and other receivables	8	3,942,215	6,970,685
Interest accrued	9	15,539,633	4,808,282
Security deposits		1,100,000	1,100,000
TOTAL ASSETS		2,698,345,326	1,158,881,341
LIABILITIES			
Payable to unit holders		-	5,888
Accrued and other liabilities	10	3,813,381	1,226,760
Payable to Atlas Asset Management Limited -Management Company	11	16,928,796	2,691,045
Payable to Trustee	12	333,330	186,187
Payable to Securities and Exchange Commission of Pakistan	13	1,665,390	616,935
TOTAL LIABILITIES		22,740,897	4,726,815
Commitments	15	-	-
NET ASSETS		2,675,604,429	1,154,154,526
			Restated
Unit holders' funds (as per statement attached)		2,675,604,429	1,154,154,526
			(No. of units)
Number of units in issue		4,796,790	2,101,528
			(Rupees per unit)
Net asset value per unit		557.79	Restated 549.20

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

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
INCOME			
Interest income	16	165,607,988	65,865,875
Income on future transactions		67,924,182	12,929,141
Unrealized Gain/(Loss) on:			
Revaluation of future transactions		-	656,170
Held for trading Investments		(85,321)	(529,982)
Loss on sale of investments		(1,297,346)	-
Underwriting commission		40,000	112,500
Element of income and capital gains included in prices of units sold less those in units repurchased		92,105,303	40,536,588
		324,294,806	119,570,292
EXPENDITURE			
Remuneration - Management Company		16,653,899	2,435,157
Remuneration - Trustee		2,665,195	1,786,959
Annual fee - SECP		1,665,390	616,935
Settlement charges		1,404,664	1,960,544
Financial charges	17	-	811,410
Auditors' remuneration	18	355,000	210,500
Brokerage, Commission and Capital Value Tax		24,432,655	8,310,582
Legal and professional charges		72,500	-
Annual listing fee		30,000	15,000
Annual rating fee		115,000	-
Bank charges		80,903	31,106
		47,475,206	16,178,193
Net income for the year		276,819,600	103,392,099
Earnings per unit		57.71	49.20

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

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	2006		2005	
	Units	Rupees	Units	Rupees
Net assets as at June 30, 2005	2,101,528	1,154,154,526	742,343	371,323,791
Amount received on issue of units	5,157,592	2,789,000,424	1,434,211	759,814,849
Re-investment of units	-	-	10,650	5,326,981
Amount paid on redemption of units	(2,667,102)	(1,452,264,818)	(85,676)	(45,166,606)
	2,490,490	1,336,735,606	1,359,185	719,975,224
Element of income and capital gains included in prices of units sold less those in units repurchased	-	(92,105,303)	-	(40,536,588)
Issue of bonus units for the year 2005	204,772	-	-	-
Net income for the year less distribution	-	276,819,600	-	103,392,099
Net assets at the end of the year	4,796,790	2,675,604,429	2,101,528	1,154,154,526
Net assets at the end of the year consist of:				
Capital account		2,397,820,467		1,050,740,687
Undistributed income carried forward		277,783,962		103,413,839
		2,675,604,429		1,154,154,526

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

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2006

	2006 Rupees	2005 Rupees
Undistributed Income brought forward as previously reported	665,741	21,740
Effect of change in accounting policy - Note 3.2 (b)	298,621	-
Effect of change in accounting policy - Note 3.2 (c)	102,449,477	13,918,939
Undistributed Income brought forward - as restated	103,413,839	13,940,679
Cash dividend @ Rs. 18.75 per unit paid for the year 2004	-	(13,918,939)
Issue of bonus units @ Rs. 48.75 per unit	(102,449,477)	-
Net Income for the year	276,819,600	103,392,099
Undistributed Income carried forward	<u>277,783,962</u>	<u>103,413,839</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

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		276,819,600	103,392,099
Adjustments for:			
Net unrealized loss on held for trading investments		85,321	529,982
Net realized loss on investments		1,297,346	-
Element of income and capital gains included in prices of units sold less those in units repurchased		(92,105,303)	(40,536,588)
Remuneration to Management Company		16,653,899	2,435,157
Remuneration to Trustee		2,665,195	1,786,959
		205,416,058	67,607,609
Changes in operating assets			
Receivable against carry over transactions		594,864,360	(335,013,745)
Receivable against continuous funding system		(36,816,265)	-
Advances and other receivables		3,028,470	(6,537,120)
Interest accrued		(19,744,176)	(3,947,992)
Security deposits		-	100,000
		541,332,389	(345,398,857)
Changes in operating liabilities			
Accrued and other liabilities		2,585,248	954,434
Payable to Management Company against sales load & others		19,009	250,063
Payable to unit holders		(5,888)	5,888
Payable to Securities and Exchange Commission of Pakistan		1,048,455	355,812
		3,646,824	1,566,197
Remuneration paid to Management Company		(2,435,157)	(2,580,143)
Remuneration paid to Trustee		(2,516,679)	(1,774,195)
Taxes deducted at source		-	(433,565)
		(4,951,836)	(4,787,903)
Cash generated from / (used in) operating activities		745,443,435	(281,012,954)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of loans and receivables investment		-	(91,433,506)
Principal redemption of loans and receivables investment		-	16,202,811
Placements		(325,000,000)	-
Purchase of held for trading investments		(227,494,937)	(141,810,828)
Sale of held for trading investments		376,938,797	-
Purchase of held to maturity investments		(775,000,000)	(150,000,000)
Sale of held to maturity investments		155,062,857	-
Cash used in investing activities		(795,493,283)	(367,041,523)
Cash flow before financing activities		(50,049,848)	(648,054,477)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts in respect of sale of units		2,789,000,424	759,814,849
Paid on redemption of units		(1,452,264,818)	(45,166,606)
Distribution paid		-	(8,591,958)
Cash generated from financing activities		1,336,735,606	706,056,285
Net increase in cash and cash equivalents		1,286,685,758	58,001,808
Cash and cash equivalents at the beginning of the year		72,777,148	14,775,340
Cash and cash equivalents at the end of the year	4	1,359,462,906	72,777,148

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

1. LEGAL STATUS AND NATURE OF BUSINESS

The Atlas Income Fund (the Fund) is an open ended Fund constituted by a trust deed entered into on February 20, 2003 between Atlas Asset Management Limited (AAML) as the establisher and the management company and Muslim Commercial Financial Services (Pvt.) Limited (MCFSL) as trustee. AAML is licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as investment adviser and asset management company under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003). MCFSL resigned on June 11, 2005 as trustee and Central Depository Company of Pakistan Limited (CDC) was appointed as the trustee with effect from that date. The Trust Deed was revised through the Deed of Change of Trustee and First Supplemental Trust Deed dated June 11, 2005 with the approval of the SECP.

Units of the Fund have been offered for public subscription on a continuous basis from March 22, 2004, and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on Lahore Stock Exchange (Guarantee) Limited.

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 debt securities, Government securities, money market instruments, repurchase transactions (REPO), reverse repurchase transactions including reverse repurchase agreements and spread transactions. The investment objectives and policy are more fully defined in the Fund's offering document. The offering document was revised on June 21, 2005 with the approval of the SECP.

The investment activities and administration are managed by Atlas Asset Management 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, 2003 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, 2003 or directives issued by the SECP differ with the requirements of these standards, the requirements of Trust Deed, the NBFC Rules, 2003 and the said directives take precedence.

3. SUMMARY OF SIGNIFICANT 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.

The accounting policies have been applied consistently by the Fund and are consistent with those used in previous year, except for changes resulting from the amendments. The comparative figures for 2005 have been adjusted or extended to conform to changes in presentation in the 2006 financial statements as required by the amended IFRS.

The changes to the Fund's accounting policies and their effect on the Financial Statements are described in Note 3.2.

3.2 Change in accounting policies

(a) Consequent to the amendments to International Accounting Standard (IAS 39): "Financial Instruments Recognition and Measurement" the Fund has changed its accounting policy pertaining to transaction cost directly attributable to the acquisition of held for trading investments. For investments which are measured at fair value through Profit and Loss account, transaction costs are now recognised in the income statement for the period. Previously, these were added to the acquisition cost of such investments. The change has been applied retrospectively and the comparative information has been restated in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors". The change in policy has no effect on income or net assets of the current or prior periods.

- (b) With effect from July 1, 2005, the Fund has reclassified its investments from "loans and receivables" category to "Held for trading" category, in accordance with the requirements of the revised IAS 39. As a consequence, the Fund's investments in Term Finance Certificates (TFCs) have now been valued on a "mark to market" basis using the rates quoted on the stock exchange, due to which a revaluation surplus of Rs. 213,301 has been recognised in the profit and loss account for the year ended June 30, 2006. The change has been applied retrospectively and the comparative information has been restated in accordance with the revised IAS 8. The net effect of the change amounts to Rs. 298,621.
- (c) The Fund, effective from current year, has not recognised the distribution, approved subsequent to year end as a liability, to comply with circular No. 06/2006 dated June 19, 2006 of the Institute of Chartered Accountants of Pakistan (ICAP). Such a change policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with recommended treatment of IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change, the undistributed income and Reserve for issue of bonus units would have been lower and higher by Rs. 102,449,477 respectively.

3.3 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 recognised 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 Standards (IAS- 39); 'Financial Instruments: Recognition and Measurement', at the time of purchases and re-evaluates this classification on a regular basis.

The Fund adopted the amended IAS 32 and IAS 39 and designated its investments held for trading into financial assets at fair value through profit or loss category. The category of financial assets and financial liabilities at fair value through profit and loss account comprises:

- Financial instruments held for trading i.e. any financial asset or liability held to generate short term profits or that is part of a portfolio of financial instruments that are managed together for that purpose.
- All derivatives other than hedging instruments.
- Any financial assets or liabilities that are designated by the entity at the time of initial recognition as measured at fair value through profit or loss.

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, except un-quoted investments are recognised at their respective purchase price. 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 amortized cost using the effective rate method. Amortized cost is calculated by taking into account any premium or discount on acquisition, over the period to maturity.

3.4 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, which are recorded in accordance with the requirement of IAS 39. The securities purchased by the Fund in the ready market are carried on the statement of Assets and Liabilities in accordance with the accounting policy of the investments specified in note 3.3 above, till their eventual disposal, and the forward sale of securities in the future market is accounted for separately as a 'derivative'.

3.5 Securities under repurchase / resale agreements

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 balance sheet at cost.

3.6 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.

3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the management company for the application received by the Distribution Company / Management Company during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the 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.

Units redeemed are recorded at the redemption price applicable to units for which the Distribution Company / Management Company receives redemption application during business hours of that day. The redemption price shall be equal to the NAV 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.

3.8 Revenue Recognition

- Interest income and profit on bank deposits is recognized 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 recognized as interest income, over the life of each agreement using the effective interest method.
- Income on debt securities is recognized on an accrual basis using the effective interest rate method.
- Capital gains / (losses) arising on sale of securities are included in the Income Statement in the period in which they arise.

3.9 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 realized or unrealized, is distributed amongst its unit holders. Accordingly, no tax liability has been provided for the current year.

3.10 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to off set the recognized amounts and there is an intention to settle on net basis, or to realize the asset and settle the liability simultaneously.

3.11 Expenses

All expenses including remuneration of the Management Company, trustee and annual fee of the SECP are recognised in the income statement on accrual basis.

3.12 Cash and Cash Equivalents

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

3.13 Financial Asset and Financial Liabilities

Financial assets carried on the Statement of Assets and Liabilities include bank balances, due from brokers, receivable against continuous funding system, 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.

Derecognition

- The Fund derecognises the financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments.

Measurement

- Financial instruments are measured initially at fair value i.e. transaction price that is directly attributable to the acquisition or issue of financial assets or liabilities.

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.

3.14 Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the Income Statement.

3.15 Provisions

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

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

The daily sale and repurchase price of the Fund's units is determined on the basis of Net Asset Value which includes elements of capital gains and revenue income (or losses as the case may be) that have accrued upto that date. To prevent the dilution of per unit income and distribution of income already paid out on redemption, as dividend, an equalization 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.

3.17 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 year.

3.18 Earnings per Unit

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

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
4. CASH AT BANKS			
In PLS deposit accounts	4.1 & 4.2	359,462,906	72,777,148
In Term Deposit accounts	4.3 & 4.4	1,000,000,000	-
		1,359,462,906	72,777,148

4.1. The rate of return on PLS deposits account ranges from 1.30% to 9.50% (2005: 1.30% to 7.50%) per annum.

4.2. PLS deposits account includes Rs 565,146 (2005: Nil) maintained with Atlas Bank Limited, a connected person. This also includes Rs.100,000,000 and Rs. 200,000,000 respectively placed in royal profit account with a bank at the rate of 11.50% per annum for the period from June 27, 2006 to July 5, 2006 and June 30, 2006 to July 5, 2006.

4.3. The rate of return on term deposit accounts ranges from 11% to 11.50% per annum.

4.4. This includes a deposit of Rs.200,000,000 held with Atlas Bank Limited, a connected person.

5. RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM / CARRY OVER TRANSACTIONS

Receivable against continuous funding system		36,816,265	-
Receivable against carry over transactions (COT)		-	594,864,360

5.1 The market value of securities held in respect of continuous funding system / carry over transactions is Rs.34.685 million (2005: (COT) Rs.597.9 million). The rates of return range from 13.39% to 15.95% (2005: (COT) 6.41% to 13.51%) per annum with maturities ranging from over night to thirty days.

6. PLACEMENT - UNSECURED

This represents amount placed with Non Banking Financial Institutions (Modarabas and leasing companies), carrying mark up ranging between 10.75% to 11.80% (2005: Nil) per annum, maturing between July 26, 2006 to September 20, 2006 (2005: Nil).

7. INVESTMENTS

Financial assets at fair value through profit or loss

Held for trading	7.1	153,983,853	140,982,225
Loans and receivables	7.2	-	168,828,155
Held to maturity	7.3	797,500,454	168,550,486
Pre IPO Subscription in TFCs - First International Investment Bank Limited		5,000,000	-
		956,484,307	478,360,866

7.1 Held for trading

Future transactions	7.1.1	-	140,982,225
Term Finance Certificates	7.1.2	153,983,853	-
		153,983,853	140,982,225

7.1.1 Future transactions

Name of the investee company	Number of shares				Market Value as at June 30, 2006	Percentage of investment in relation to net assets of the Fund
	As at July 1, 2005	Acquired during the year	Sold during the year	As at June 30, 2006		
					Rupees	%
COMMERCIAL BANKS						
Askari Commercial Bank Limited	-	489,000	489,000	-	-	-
Bank Alfalah Limited	-	100,000	100,000	-	-	-
The Bank of Punjab	-	1,285,000	1,285,000	-	-	-
Faysal Bank Limited	-	5,701,500	5,701,500	-	-	-
MCB Bank Limited	-	880,000	880,000	-	-	-
PICIC Commercial Bank Limited	-	755,000	755,000	-	-	-
National Bank of Pakistan	-	625,000	625,000	-	-	-
Union Bank Limited	-	211,000	211,000	-	-	-
TEXTILE COMPOSITE						
Nishat Mills Limited	-	1,292,500	1,292,500	-	-	-
CEMENT						
D G Khan Cement Limited	-	880,000	880,000	-	-	-
Lucky Cement Limited	-	3,343,000	3,343,000	-	-	-
POWER GENERATION & DISTRIBUTION						
The Hub Power Company Limited	2,786,500	8,458,500	11,245,000	-	-	-
OIL & GAS MARKETING COMPANIES						
Pakistan State Oil Company Limited	-	956,500	956,500	-	-	-
Sui Southern Gas Company Limited	-	387,000	387,000	-	-	-
OIL & GAS EXPLORATION COMPANIES						
Oil & Gas Development Company Limited	-	1,927,400	1,927,400	-	-	-
Pakistan Oilfields Limited	-	1,491,500	1,491,500	-	-	-
Pakistan Petroleum Limited	-	4,419,500	4,419,500	-	-	-
TECHNOLOGY & COMMUNICATION						
Pakistan Telecommunication Company Limited	927,500	7,593,400	8,520,900	-	-	-
Worldcall Communications Limited	625,000	-	625,000	-	-	-
FERTILIZER						
Engro Chemical Pakistan Limited	-	924,500	924,500	-	-	-
Fauji Fertilizer Company Limited	-	198,500	198,500	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	1,218,000	1,218,000	-	-	-
					-	-

7.1.2 Term Finance Certificates

Term Finance Certificates	Status	Number of Certificates					Market Value as at June 30, 2006	Percentage of investment in relation to net assets of the Fund
		As at July 1, 2005	Transferred	Acquired during the year	Sold during the year	As at June 30, 2006		
							Rupees	%
MODARABAS								
Al-Zamin Leasing Modaraba	Listed	-	2,000	2,000	2,000	2,000	10,000,000	0.37
Al-Zamin Leasing Modaraba-II	Listed	-	2,000	4,000	4,000	2,000	10,000,000	0.37
LEASING COMPANIES								
Grays Leasing Ltd.	Unlisted	-	3,000	-	-	3,000	7,500,000	0.28
Trust Leasing & Investment Bank Ltd.-II	Listed	-	629	-	-	629	2,201,500	0.08
INVESTMENT BANKS/COMPANIES								
Jahangir Siddiqui & Company Ltd.-II	Listed	-	2,000	2,000	2,000	2,000	9,994,000	0.37
Jahangir Siddiqui & Company Ltd.-III	Listed	-	-	4,000	2,000	2,000	9,998,000	0.37
COMMERCIAL BANKS								
Askari Commercial Bank Ltd.	Listed	-	3,000	3,000	6,000	-	-	-
Askari Commercial Bank Ltd.-II	Listed	-	-	2,000	2,000	-	-	-
Crescent Commercial Bank Ltd.	Unlisted	-	3,000	-	-	3,000	3,748,500	0.14
Prime Commercial Bank Ltd.	Listed	-	658	600	600	658	3,288,684	0.12
Soneri Bank Ltd.	Listed	-	2,000	3,000	5,000	-	-	-
United Bank Ltd.-II	Listed	-	2,000	2,000	2,000	2,000	8,799,624	0.33
Union Bank Ltd.-III	Listed	-	-	1,000	1,000	-	-	-
TEXTILE COMPOSITE								
Azgard Nine Ltd.	Listed	-	-	10,000	5,000	5,000	25,057,500	0.94
OIL & GAS EXPLORATION COMPANIES								
Chanda Oil & Gas Securitization Co. Ltd.	Listed	-	1,000	-	-	1,000	4,560,000	0.17
Naimat Basal Oil & Gas Securitization Co. Ltd.	Listed	-	1,000	-	-	1,000	4,131,520	0.15
Orient Petroleum Incorporated.	Unlisted	-	5,000	-	-	5,000	4,166,716	0.16
TECHNOLOGY & COMMUNICATION								
Pakistan Mobile Communications (Pvt.) Ltd.	Unlisted	-	5,000	-	-	5,000	25,000,000	0.93
Telecard Ltd.	Listed	-	4,000	-	-	4,000	19,992,000	0.75
MISCELLANEOUS								
Pakistan Services Ltd.	Listed	-	1,494	4,468	4,468	1,494	5,545,809	0.21
							153,983,853	5.74

(i) Cost of Term Finance Certificates as at June 30, 2006 is Rs.153,770,552 (2005: Rs.168,529,534).

(ii) On July 01, 2005, Term Finance Certificates have been transferred from loans and receivables - Note 3.2 (b).

7.1.2 Term Finance Certificates

Terms and conditions of Term Finance Certificates

Name of Investee Company	Tenor	Profit Payments / Principal	Repayment Period	Current Rate	Base Rate	Floor - Cap
MODARABAS						
Al-Zamin Leasing Modaraba	5 years	Annually	Dec 2006 - Dec 2008	8.00%	8.00%	-
Al-Zamin Leasing Modaraba-II	5 years	Annually	May 2008 - May 2010	9.50%	9.50%	-
LEASING COMPANIES						
Grays Leasing Ltd.	4 years	Semi annually	Jul 2004 - Jan 2008	9.00%	3.75% + 12mth T-Bills	5% - 9%
Trust Leasing & Investment Bank Ltd.-II	5 years	Semi annually	Jan 2005 - Jul 2009	10.00%	3.00% + 6 mth KIBOR	6% - 10%
INVESTMENT BANKS/COMPANIES						
Jahangir Siddiqui & Company Ltd.-II	5 years	Semi annually	Jun 2009 - Dec 2009	8.29%	8.29%	-
Jahangir Siddiqui & Company Ltd.-III	5 years	Semi annually	Mar 2006 - Sep 2010	10.66%	1.75% + 6 mth KIBOR	6% - 16%
COMMERCIAL BANKS						
Crescent Commercial Bank Ltd.	3 years	Semi annually	Apr 2005 - Oct 2006	7.00%	3.00% + 3 yrs PIBs	7% - 13%
Prime Commercial Bank Ltd.	8 years	Annually	Feb 2010 - Feb 2013	11.14%	1.90% + 6 mth KIBOR	-
United Bank Ltd.-II	8 years	Semi annually	Mar 2013 (at maturity)	9.49%	9.49%	-
TEXTILE COMPOSITE						
Azgard Nine Ltd.	7 years	Semi annually	March 2008 - Sep 2012	11.77%	2.40% + 6 mth KIBOR	-
OIL & GAS EXPLORATION COMPANIES						
Chanda Oil & Gas Securitization Co. Ltd.	7 years	Quarterly	Aug 2005 - Feb 2012	12.68%	3.25% + 3mth KIBOR	8.95% - 13%
Naimat Basal Oil & Gas Securitization Co. Ltd.	5 years	Monthly	Apr 2005 - Apr 2009	12.22%	2.50% + 6mth KIBOR	7.5% - 13%
Orient Petroleum Incorporated.	3 years	Semi annually	Jun 2004 - Dec 2006	10.00%	1% + SBP	8% - 13%
TECHNOLOGY & COMMUNICATION						
Pakistan Mobile Communications (Pvt.) Ltd.	5 years	Semi annually	Sep 2006 - Sep 2008	10.54%	2.25% + 6mth T-Bills	6.5% - 12%
Telecard Ltd.	6 years	Semi annually	Nov 2006 - May 2011	13.41%	3.75% + 6mth KIBOR	-
MISCELLANEOUS						
Pakistan Services Ltd.	5 years	Semi annually	Nov 2005 -Nov 2008	11.25%	2.25% + SBP	9.75% - 13.75%

7.2 Loans and receivables

Term Finance Certificates	Status	Number of Certificates					Outstanding principal value as at June 30, 2006	Percentage of net assets
		As at July 1, 2005	Acquired during the year	Sold during the year	Transferred	As at June 30, 2006		
Al-Zamin Leasing Modaraba	Listed	2,000	-	-	2,000	-	Rupees	%
Al-Zamin Leasing Modaraba-II	Listed	2,000	-	-	2,000	-	-	-
Askari Commercial Bank Ltd.	Listed	3,000	-	-	3,000	-	-	-
Chanda Oil & Gas Securitization Co. Ltd.	Listed	1,000	-	-	1,000	-	-	-
Crescent Commercial Bank Ltd.	Unlisted	3,000	-	-	3,000	-	-	-
Grays Leasing Ltd.	Unlisted	3,000	-	-	3,000	-	-	-
Jahangir Siddiqui & Company Ltd.-II	Listed	2,000	-	-	2,000	-	-	-
Naimat Basal Oil & Gas Securitization Co. Ltd.	Listed	1,000	-	-	1,000	-	-	-
Orient Petroleum Incorporated.	Unlisted	5,000	-	-	5,000	-	-	-
Pakistan Mobile Communications (Pvt.) Ltd.	Unlisted	5,000	-	-	5,000	-	-	-
Pakistan Services Ltd.	Listed	1,494	-	-	1,494	-	-	-
Prime Commercial Bank Ltd.	Listed	658	-	-	658	-	-	-
Soneri Bank Ltd.	Listed	2,000	-	-	2,000	-	-	-
Telecard Ltd.	Listed	4,000	-	-	4,000	-	-	-
Trust Leasing & Investment Bank Ltd.-II	Listed	629	-	-	629	-	-	-
United Bank Ltd.-II	Listed	2,000	-	-	2,000	-	-	-
							-	-

7.2.1 Cost of Term Finance Certificates as at June 30, 2005: Rs.168,529,534.

7.2.2 Term Finance Certificates have been transferred to held for trading investments on July 01, 2005, previously, these were classified as Loans and receivables (Note.3.2).

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
7.3 Investments - Held to maturity			
Term finance certificates	7.3.1	12,874,666	18,054,253
Certificate of deposits	7.3.2	101,764,384	150,496,233
Certificate of investments	7.3.3	600,000,000	-
Income accrued on certificate of investments		6,762,055	-
Musharika Agreements	7.3.4	75,000,000	-
Income accrued on musharika agreements		1,099,349	-
		797,500,454	168,550,486

7.3.1 Term Finance Certificates - Listed

Pharmagen Limited	12,657,143	17,720,000
Income accrued thereon	217,523	334,253
	12,874,666	18,054,253

- (i) Market value of 3,544 term finance certificates as at June 30, 2006: Rs. 12,910,286 (2005: Rs. 18,074,400) and percentage with Net Assets of the Fund: 0.48 % (2005: 1.56%). It carries mark up at the rate of 2.50% plus simple average of last three weighted average yields of 5 years PIBs with Floor rate at 8.50% per annum and Cap rate at 11.50% per annum, and is due to mature on October 17, 2008. There was no sale and purchase of term finance certificates during the year.
- (ii) These term finance certificates are valued at amortized cost. However, the Non Banking Finance Companies Rules, 2003 require that the listed TFCs be valued on the basis of closing price of the Stock Exchange on which the same are listed. Had these been valued on NBFC Rules, 2003 basis, the net assets and net income would have been higher by Rs. 253,143 (2005: Rs.354,400). No adjustment in this respect has been made in the financial statements, being immaterial.

7.3.2 Certificate of deposits

- Atlas Investment Bank Limited - connected person	-	100,000,000
- Others	100,000,000	50,000,000
- Income accrued	1,764,384	496,233
	101,764,384	150,496,233

These certificates represent amount placed with Investment Banks and carry mark-up rate 11.50% (2005: 8% to 8.15%) per annum payable at maturity. These certificates are due to mature on July 06, 2006.

7.3.3 These certificate of investments represent amount placed with Investment Banks and Leasing Companies and carry mark-up rates ranging from 10.70% to 14.90% (2005: NIL) per annum payable at maturity, and are due to mature between July 22, 2006 to September 16, 2006.

7.3.4 Musharika Agreements represent amount placed with Non Banking Financial Institutions (Modarabas and leasing companies) and carry mark-up rates ranging from 12.05% to 12.30% (2005: NIL) per annum payable at maturity, and are due to mature between August 08, 2006 to September 06, 2006.

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
8. ADVANCES AND OTHER RECEIVABLES			
Tax deducted at source		433,565	433,565
Prepaid annual listing fee		15,000	15,000
Dividend receivable from continuous funding system		3,493,650	-
Dividend receivable from carry over transactions		-	5,865,950
Other assets - revaluation of future contracts		-	656,170
		3,942,215	6,970,685
9. INTEREST ACCRUED			
Interest accrued on:			
Cash at banks	9.1	9,529,021	368,080
Continuous funding system		310,781	-
Carry over transactions		-	1,218,864
Placements		2,426,282	-
Held for trading investments		3,273,549	-
Loans and receivables		-	3,221,338
		15,539,633	4,808,282
9.1 This includes mark-up receivable amounting to Rs. 41,470 (2005 : Nil) on PLS deposits and Rs.1,265,753 (2005: Nil) on term deposit held with Atlas Bank Limited, a connected person.			
10. ACCRUED AND OTHER LIABILITIES			
Charges payable to National Clearing Company of Pakistan Limited		106,145	19,813
Brokerage Payable			
- Atlas Capital Markets (Pvt.) Limited - connected person		177,328	-
- Atlas Investment Bank Limited - connected person		-	3,866
- Others		3,064,096	737,353
Auditors' remuneration payable		355,000	210,500
Zakat payable		-	2,800
Sales load payable to distributors and sales agents		110,812	252,428
		3,813,381	1,226,760
11. PAYABLE TO ATLAS ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee payable	11.1	16,653,899	2,435,157
Sales load payable		274,897	255,738
Others		-	150
		16,928,796	2,691,045

11.1 In accordance with the provisions of the NBFC Rules, 2003, the Management Company of the 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 1% (2005: 0.39%) per annum of the average annual net assets for the reported year.

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
12. PAYABLE TO TRUSTEE			
Trustee fee payable to:			
Central Depository Company of Pakistan Limited	12.1	302,562	112,625
Muslim Commercial Financial Services (Private) Limited		-	41,421
Settlement charges payable to:			
Central Depository Company of Pakistan Limited		30,768	-
Muslim Commercial Financial Services (Private) Limited		-	32,141
		333,330	186,187
12.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the First Supplemental Trust Deed as per the tariff specified therein, based on the average annual net assets of the Fund.			
13. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	13.1	1,665,390	616,935
13.1 Under the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, a Unit Trust scheme is required to pay as annual fee to SECP, an amount equal to one tenth of one percent of the average annual net assets of the Fund.			
14. DISTRIBUTION			
The Board of Directors of the Management Company in their meeting held on July 19, 2006, approved a Bonus distribution for the year ended June 30, 2006 of Rs. 57.50 per certificate of the face value of Rs. 500 each i.e. 11.50%, amounting to Rs. 275,815,430. These financial statements do not reflect the appropriation of Bonus units, in accordance with the requirements of ICAP'S circular dated June 19, 2006.			
15. COMMITMENTS			
15.1 Reverse repurchase agreements (including contracts to be rolled over) entered into by the Fund in respect of which the purchase transactions had not been settled as at June 30, 2006.		24,596,550	584,379,580
These transactions have been settled subsequent to the year end.			
15.2 Future sale commitments of held for trading securities.		-	143,292,371
		2006 Rupees	2005 Rupees
16. INTEREST INCOME			
Interest income arises from:			
Cash at banks		21,697,392	987,437
Carry over transactions		10,193,305	53,603,502
Continuous funding system		74,832,787	-
Placements		26,331,755	-
Loans and receivables		-	10,778,703
Held for trading investments		16,600,624	-
Held to maturity investments		15,952,125	496,233
		165,607,988	65,865,875

17. FINANCIAL CHARGES

Financial charges include Rs.Nil (2005: Rs.13,350) on account of mark-up paid to Atlas Investment Bank Limited, a connected person.

	2006 Rupees	2005 Rupees
18. AUDITORS' REMUNERATION		
Annual audit fee	200,000	115,000
Half yearly review fee	100,000	57,500
Certification charges	40,000	25,000
Out of pocket expenses	15,000	13,000
	355,000	210,500
19. TRANSACTIONS WITH CONNECTED PERSONS/RELATED PARTIES		
Atlas Asset Management Limited (Management Company)		
Remuneration	16,653,899	2,435,157
Remuneration paid	2,435,157	3,917,305
Sales load and certificate charges	4,210,140	2,112,959
Atlas Asset Management Company Limited - Staff Provident Fund		
Sale of nil (2005: 439) units	-	229,906
Bonus of 43 (2005: nil) units	21,401	-
Allwin Engineering Industries Limited - Employees Provident Fund		
Sale of 20,501 (2005: nil) units	11,000,000	-
Atlas Bank Limited		
Term deposit receipt	200,000,000	-
Income accrued thereon	851,054	-
Bank charges	1,050	-
Atlas Battery Limited		
Sale of 49,061 (2005: nil) units	25,241,245	-
Redemption of 48,605 (2005: nil) units	25,018,709	-
Atlas Battery Limited - Employees Provident Fund		
Sale of nil (2005: 8,318) units	-	4,447,943
Redemption of 2,795 (2005: nil) units	1,479,577	-
Bonus of 811 (2005: nil) units	405,503	-
Atlas Capital Markets (Pvt.) Limited		
Brokerage	177,083	-
Atlas Foundation (Formerly Shirazi Foundation)		
Sale of 20,773 (2005: 35) units	11,500,000	17,441
Bonus of 99 (2005: nil) units	49,434	-

	2006 Rupees	2005 Rupees
Atlas Group of Companies - Management Staff Gratuity Fund		
Sale 9,021 (2005: 477) units	5,000,000	238,671
Bonus of 1,287 (2005: nil) units	643,805	-
Atlas Honda Limited		
Sale of 374,208 (2005: 183,196) units	202,902,714	99,999,629
Redemption of 513,514 (2005: nil) units	279,850,706	-
Bonus of 17,851 (2005: nil) units	8,930,805	-
Atlas Investment Bank Limited		
Brokerage	46,660	504,555
Sale of 53,818 (2005: nil) units	30,000,000	-
Redemption of 65,846 (2005: nil) units	36,507,206	-
Bonus of 5,846 (2005: nil) units	2,925,000	-
Dividend	-	1,068,750
Certificate of deposits placed	-	100,000,000
Certificate of deposits matured	100,000,000	-
Profit on certificate of deposits	328,767	328,767
Financial charges	-	13,350
Honda Atlas Cars (Pakistan) Limited		
Sale of nil (2005: 648,817) units	-	349,999,692
Bonus of 63,220 (2005: nil) units	31,629,829	-
Shirazi Investments (Private) Limited		
Sale of 97,718 (2005: 2,849) units	50,000,000	1,425,000
Redemption of 97,718 (2005: nil) units	50,086,593	-
Bonus of 8,073 (2005: nil) units	4,038,879	-
Key management personnel		
Directors		
Sale of 32,054 (2005: 462) units	17,546,680	231,327
Bonus of 2,762 (2005: nil) units	1,381,648	-
Executives		
Sale of 1,704 (2005: 835) units	909,996	450,279
Redemption of 1,667 (2005: 40) units	860,210	21,659
Bonus of 77 (2005: nil) units	38,756	-

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

19.2 The outstanding balances of connected persons are included in the respective notes to the financial statements.

20. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

20.1 The Fund's MROR sensitivity related to financial assets and financial liabilities as at June 30, 2006 can be determined from the following:

	Exposed to MROR risk					2006	2005
	Upto three months	More than three months and upto one year	More than one year and upto five years	More than five years	Not exposed to MROR risk	Total	Total
	Rupees						
On-balance sheet financial instruments							
Financial Assets							
Cash at banks	1,359,462,906	-	-	-	-	1,359,462,906	72,777,148
Receivable against carry over transactions	-	-	-	-	-	-	594,864,360
Receivable against continuous funding system	36,816,265	-	-	-	-	36,816,265	-
Placements	325,000,000	-	-	-	-	325,000,000	-
Investments	797,420,100	29,300,765	107,047,950	22,715,492	-	956,484,307	478,360,866
Advances and other receivables	-	-	-	-	3,927,215	3,927,215	6,955,685
Interest accrued	-	-	-	-	15,539,633	15,539,633	4,808,282
Security deposits	-	-	-	-	1,100,000	1,100,000	1,100,000
	<u>2,518,699,271</u>	<u>29,300,765</u>	<u>107,047,950</u>	<u>22,715,492</u>	<u>20,566,848</u>	<u>2,698,330,326</u>	<u>1,158,866,341</u>
Financial Liabilities							
Payable to unit holders	-	-	-	-	-	-	5,888
Accrued and other liabilities	-	-	-	-	3,813,381	3,813,381	1,226,760
Payable to Atlas Asset Management Limited -Management Company	-	-	-	-	16,928,796	16,928,796	2,691,045
Payable to Trustee	-	-	-	-	333,330	333,330	186,187
Payable to Securities and Exchange Commission of Pakistan	-	-	-	-	1,665,390	1,665,390	616,935
	-	-	-	-	22,740,897	22,740,897	4,726,815
On-balance sheet gap - June, 2006	<u>2,518,699,271</u>	<u>29,300,765</u>	<u>107,047,950</u>	<u>22,715,492</u>	<u>(2,174,049)</u>	<u>2,675,589,429</u>	<u>1,154,139,526</u>
On-balance sheet gap - June, 2005	<u>835,857,741</u>	<u>-</u>	<u>168,828,155</u>	<u>-</u>	<u>149,453,630</u>	<u>1,154,139,526</u>	
Off-balance sheet financial instruments							
Commitment - June, 2006	<u>24,596,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,596,550</u>	
Commitment - June, 2005	<u>584,379,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,292,371</u>	<u>-</u>	<u>727,671,951</u>

20.2 Effective interest rates

	2006 Percentage range	2005 Percentage range
Cash at banks	1.3 - 11.50	1.3 - 7.50
Receivable from continuous funding system / carry over transactions	13.39 - 15.95	6.41 - 13.51
Placements	10.75 - 11.80	-
Loans and receivables	-	6.59 - 12.85
Held for trading investments	7.00 - 13.44	10.89 - 11.00
Held to maturity investments	8.50 - 14.90	8.00 - 8.50

21. MATURITIES OF ASSETS AND LIABILITIES

					2006	2005
	Upto three months	More than three months and upto one year	More than one year and upto five years	More than five years	Total	Total
Rupees						
Assets						
Cash at banks	1,359,462,906	-	-	-	1,359,462,906	72,777,148
Receivable against carry over transactions	-	-	-	-	-	594,864,360
Receivable against continuous funding system	36,816,265	-	-	-	36,816,265	-
Placements	325,000,000	-	-	-	325,000,000	-
Investments	797,420,100	29,300,765	107,047,950	22,715,492	956,484,307	478,360,866
Advances and other receivables	3,934,715	7,500	-	-	3,942,215	6,970,685
Interest accrued	15,539,633	-	-	-	15,539,633	4,808,282
Security deposits	-	-	-	1,100,000	1,100,000	1,100,000
	2,538,173,619	29,308,265	107,047,950	23,815,492	2,698,345,326	1,158,881,341
Liabilities						
Payable to unit holders	-	-	-	-	-	5,888
Accrued and other liabilities	3,813,381	-	-	-	3,813,381	1,226,760
Payable to Atlas Asset Management Limited -Management Company	16,928,796	-	-	-	16,928,796	2,691,045
Payable to Trustee	333,330	-	-	-	333,330	186,187
Payable to Securities and Exchange Commission of Pakistan - annual fee	1,665,390	-	-	-	1,665,390	616,935
	22,740,897	-	-	-	22,740,897	4,726,815
Net Assets - June, 2006	2,515,432,722	29,308,265	107,047,950	23,815,492	2,675,604,429	1,154,154,526
Net Assets - June, 2005	984,076,427	29,363,992	140,714,107	-	-	1,154,154,526

22. FINANCIAL RISK MANAGEMENT POLICIES

22.1 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.

22.2 Credit Risk

Credit risk arising from the inability of the counterparties to fulfill 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.2,697.897 (2005: 1,158.134) million. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentrations of credit risk.

22.3 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.

22.4 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.

23. 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.

24. PERFORMANCE TABLE

	Note	2006	2005	2004*
Net assets (Rs. in " 000 ")		2,675,604	1,154,155	371,324
Net income (Rs. in " 000 ")		276,820	103,392	13,940
Number of units in issue		4,796,790	2,101,528	742,343
Net asset value (Rs.)		557.79	549.20	500.21
Net income (Rs.)		57.71	49.20	18.78
Distribution (Rs.) **	14	-	48.75	18.75
Distribution as % of par value of units	14	-	9.75	3.75
Highest issue price during the year (Rs.)		566.79	556.84	529.24
Lowest redemption price during the year (Rs.)		500.45	500.88	510.70

24.1 Figures for the year 2005 are restated.

* For the period from September 15, 2003 to June 30, 2004

** Bonus distribution in 2005

25. CORRESPONDING FIGURES

Prior year's figures have been reclassified, wherever necessary for the purpose of better presentation as follows:

Component	----- Reclassifications -----		Rupees
	From	To	
Interest accrued on carry over transactions	Advances and other receivables	Interest accrued	1,218,864
Dividend receivable from carry over transactions	Interest accrued	Advances and other receivables	5,865,950
Security deposits	Advances and other receivables	Security deposits	1,100,000
Settlement charges	Accrued and other liabilities	Payable to trustee	32,141

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on July 19, 2006.

For Atlas Asset Management Limited
(Management Company)

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

Yusuf H. Shirazi
Chairman

Sherali Mundrawala
Director

DISTRIBUTION NETWORK

Atlas Asset Management Limited

Registered Office: KARACHI

Ground Floor, Federation House
Sharae Firdousi, Clifton, Karachi
Ph: (92-21) 111-MUTUAL (111-6-888-25)
(92-21) 5379501-04
Fax: (92-21) 5379280
Contact Person: Syed Ahmed Zafar
Email: saz@atlasfunds.com.pk

UAN:

(City Code) 111-MUTUAL (111-6-888-25)

WEBSITE:

www.atlasfunds.com.pk

EMAIL: info@atlasfunds.com.pk

Sales Outlets: KARACHI

- 1- C/o Atlas Battery Limited
PPI Building, Near Sind Secretariat Building
Shahrae Kamal Ataturk
Karachi - 74200
Ph: (92-21) 8240195
Contact Person: Mr. Arbab Ahmed
Email: abd@atlasfunds.com.pk

- 2- C/o Shirazi Trading Company (Private) Limited
3rd Floor, Ebrahim Estates, Shahrae Faisal
Karachi - 75350
Ph: (92-21) 4310665, 4543109, 4536369, 4539695
Fax: (92-21) 4538094
Contact Person: Mr. Salman Tahir
Email: str@atlasfunds.com.pk

LAHORE:

C/o. Atlas Bank Limited
Building No. 56, Ground Floor
Shahrah-e-Quaid-e-Azam (The Mall), Lahore
Ph: (92-42) 111-6-888-25, 6284801-4 Dir: 6285155
Fax: (92-42) 6284805, Cell: 0300-8422570
Contact Person: Mr. Javaid Aslam
Email: jam@atlasfunds.com.pk

HYDERABAD

C/o. Mehmood Autos, 1st Floor
Plot No.B-1, 63 Auto Bhan Road
Latifabad, Unit # 2, Hyderabad
Ph: (92-22) 3818441-2, 2900103
Cell No. 0321-2063267
Contact Person: Mr. M. Abdullah Khan
Email: mak@atlasfunds.com.pk

Atlas Asset Management Limited

Ground Floor, Federation House, Sharaf Firdousi, Clifton, Karachi-75600 **Phone:** (city code)111-MUTUAL (111-6-888-25) **Fax:** (92-21) 5379280
Email: cs@atlasfunds.com.pk **Website:** www.atlasfunds.com.pk