

Atlas funds

Nurturing your investments

Atlas Income Fund

ANNUAL REPORT

June 30, 2008



Managed By

Atlas Asset Management

Rated AM3+ by PACRA



MANAGING TO THE CORE!

Even the most seemingly diminutive of creatures, hold for us an education. They exhibit qualities of organisation that are indeed inspirational. Planning, teamwork and controlling are attributes of a successful and solid organisational structure. At Atlas Funds these elements form the core of our institution.



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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 recognise 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.



Creativity

The ability to creatively inspire innovation and the will to foster positive social and environmental change.

Company Profile

Atlas Asset Management Limited (AAML), an Atlas Group Company was incorporated on August 20, 2002 and is registered with the Securities and Exchange Commission of Pakistan as an asset management company for managing open-ended funds and closed-end funds, and as pension fund manager for managing voluntary pension funds. The mutual funds are regulated under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations). The voluntary pension funds are regulated under the Voluntary Pension System Rules, 2005. AAML manages assets on behalf of retirement funds, welfare organizations, insurance companies, multinational, NBFCs, and individuals. The assets under the management of AAML are over Rs. 6.86 billion as on June 30, 2008.

AAML has a technical collaboration agreement with ING, a global financial institution of Dutch origin, 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.

Atlas Funds are well designed and carefully managed mutual funds that facilitate the investment needs of corporations, retirement funds and individual investors. Atlas Funds family includes five mutual funds, four of which are open-ended, Atlas Income Fund, Atlas Stock Market Fund, Atlas Islamic Fund and Atlas Islamic Income Fund (launching shortly) and the fifth is a closed-end fund, Atlas Fund of Funds.

Atlas Pensions is a comprehensive savings product with numerous advantages over existing retirement schemes, in particular the provident fund. Inter alia, the scheme offers individualised asset allocation, portability, unprecedented tax advantages (which can be availed up-front) and an in-built insurance wrap. The title 'Atlas Pensions' represents two pension funds i.e. Atlas Pension Fund (APF) and Atlas Pension Islamic Fund (APIF), established under the Voluntary Pension System Rules, 2005 by Atlas Asset Management Limited (AAML).

AAML strives to be a market leader in providing quality fund management services with customer satisfaction as its aim. To achieve this vision, AAML is consistently committed to offering its investors the best possible returns on a diverse range of products, meeting not only the customer's current requirements but also exceeding their future expectations.

AAML aspires to help its client in realizing their long term financial potential. The combination of structure, experience, breadth, focus and people provide AAML a distinct advantage.



Diversity

Understanding the social, cultural and financial diversity in our country and coming up with innovative plans to cater distinctive needs.

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. Frahim Ali Khan (w.e.f. October 10, 2007) Mr. Jawaid Iqbal Ahmed (uptil October 9, 2007) Mr. Michael Ferrer (w.e.f. March 4, 2008) Mr. Peter A. Smyth (uptil March 3, 2008) Mr. Tariq Amin Mr. M.P. Bhandara (uptil June 15, 2008-expired) Mr. M. Ashraf Janjua (w.e.f. September 11, 2008)

Executive Director Mr. Ali H. Shirazi

Company Secretary Ms. Lilly R. Dossabhoy

Board Committees

Audit Committee

Chairman	Mr. Tariq Amin
Members	Mr. Michael Ferrer (w.e.f. March 4, 2008) Mr. Peter A. Smyth (uptil March 3, 2008) Mr. Frahim Ali Khan (w.e.f. October 10, 2007) Mr. Jawaid Iqbal Ahmed (uptil October 9, 2007)

Human Resource Committee

Chairman	Mr. Frahim Ali Khan (w.e.f. October 10, 2007) Mr. Tariq Amin (uptil October 9, 2007)
Members	Mr. M. Habib-ur-Rahman Mr. Ali H. Shirazi

Investment Committee

Chairman	Mr. M. Habib-ur-Rahman
Members	Mr. Frahim Ali Khan Mr. Timothy H. Julien Mr. Ali H. Shirazi Mr. Muhammad Abdul Samad Mr. Khurram Aftab Ahmed Mr. Khalid Mahmood

Management Committee

Chairman	Mr. M. Habib-ur-Rahman
Members	Mr. Ali H. Shirazi Ms. Lilly R. Dossabhoy Mr. Muhammad Abdul Samad Mr. Hassan Khan Mr. S. Zeeshan Ali
Secretary	Ms. Beena Gul Malik

Group Executive Committee

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

Group Systems & Technology Committee

Chairman	Mr. Iftikhar H. Shirazi
Members	Mr. Zia Ullah Begg Mr. S. Zeeshan Ali

Trustee

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

Chief Internal Auditor

Mr. Saood Hasan

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisers

Mohsin Tayebaly & Co.

Bankers

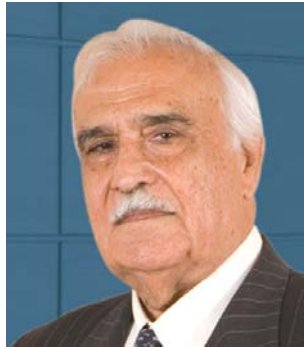
Atlas Bank Limited
Bank Alfalah Limited

Registered Office

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

The above information is as at September 12, 2008.

Board of Directors of the Management Company



Yusuf H. Shirazi



M. Habib-ur-Rahman



Frahim Ali Khan



Michael Ferrer

Mr. Yusuf H. Shirazi Chairman

Mr. Yusuf H. Shirazi is the Chairman of Atlas Group of Companies. He is the Founder Member of the Karachi and Lahore Stock Exchanges, International Chamber of Commerce & Industry, Management Association of Pakistan, Lahore University of Management Sciences (LUMS), GIK Institute of Science and Technology and Al-Shifa Trust. He has been President of Karachi Chamber of Commerce twice. Mr. Shirazi was on the Board of Harvard Business School Alumni Association, Boston, USA. He is the Founder President of Harvard Club of Pakistan and Harvard Business School Club of Pakistan. He has attended the Advanced Management Programme (AMP) from the Harvard Business School, USA.

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

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

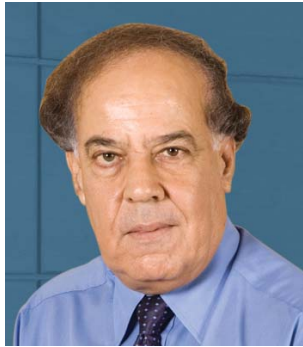
Mr. Frahim Ali Khan Director

Mr. Frahim Ali Khan has been associated with Atlas Group since 1967 and has 41 years of experience in General Management, Financial Management, Investment Banking, Taxation and Legal matters. He was the Chief Executive Officer of Atlas Investment Bank Limited, till the merger with Atlas Bank Limited. He has attended the Senior Managers' Programme from Harvard University, USA and Financial Management Programme from Stanford University, USA.

Mr. Michael Ferrer Director

Mr. Michael Ferrer is currently ING Investment Management (IIM) Asia Pacific's Regional General Manager for South Asia, as part of IIM Regional Office in Hong Kong. He is responsible for the overall management of the investment management operations in Thailand, Malaysia, Singapore, India and the Philippines. Mr. Ferrer has over 16 years experience in the financial field and has worked with the ING Group for over Eleven years. Mr. Ferrer holds a Bachelor of Economics degree from the University of Philippines.

Board of Directors of the Management Company



Tariq Amin

Mr. Tariq Amin Director

Mr. Tariq Amin is the Chairman of Orkila Pakistan (Pvt.) Ltd., a leading multinational company dealing in chemicals. He is also the Deputy Chairman of Barrett Hodgson Pakistan (Pvt.) Ltd. and has a vast experience in the financial and industrial sectors of Pakistan. He is a law graduate from the University of Karachi, and also holds a Masters degree in English from the University of Karachi, and a Postgraduate Diploma in Development Administration from the University of Leeds.

Mr. Ali H. Shirazi Executive Director

Mr. Ali H. Shirazi has graduated in Political Science from Yale University, and completed Masters in Law from Bristol University, UK. He has previously worked with the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California.



Ali H. Shirazi

Mr. M. Ashraf Janjua Director

Mr. M. Ashraf Janjua is a Senior Fellow with the rank of Professor (Economics), and the Dean of College of Business Management, Karachi. He holds a Masters degree in Economics from Government College Lahore – Punjab University, and a Masters degree in Development Economics from the Williams College, USA. He has also done one year's graduate work at the Stanford University, California, USA. He joined the State Bank of Pakistan (SBP) in 1966 and was the Deputy Governor (Policy) of the SBP from 1992 to 1995, and was also affiliated with the SBP as Chief Economic Advisor, from 1995 to 2004. He has been affiliated with the office of the Executive Director for Pakistan at the International Monetary Fund, Washington D.C., USA, from 1979 to 1983. Prior to his career with the SBP, he was affiliated with the Pakistan Institute of Development Economics (PIDE) as a Research Economist, and with the Pakistan Development Review (PDR), as Associate Editor. Amongst other research works, he is the author of History of State Bank of Pakistan – Volume III (1977-78), and Volume IV (1988-2003).



M. Ashraf Janjua



Teamwork

Giving unparalleled service, creating long-term, win-win relationships and focusing on executional excellence.

Management Committee



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



Ali H. Shirazi
Executive Director



Lilly R. Dossabhoy
Chief Financial Officer &
Company Secretary



Muhammad Abdul Samad
Chief Investment Officer



Hassan Khan
Head of Marketing & Sales



Syed Zeeshan Ali
Head of Information Technology



Beena Gul Malik
Manager Human Resources &
Secretary Management Committee

Chairman's Review

It is my pleasure to present to you the fifth Annual Report of Atlas Income Fund for the year ended June 30, 2008.

THE ECONOMY

Pakistan's economy has performed quite well despite sharp increase in international oil prices and inflation which have precipitated economic challenges. The global economic slow down emanated from U.S. sub prime mortgage market, which is having spill over effect on emerging market economies. Emerging economies will have to contend with the risks posed by elevated energy and food prices, and the tight global liquidity by taking adequate measures.

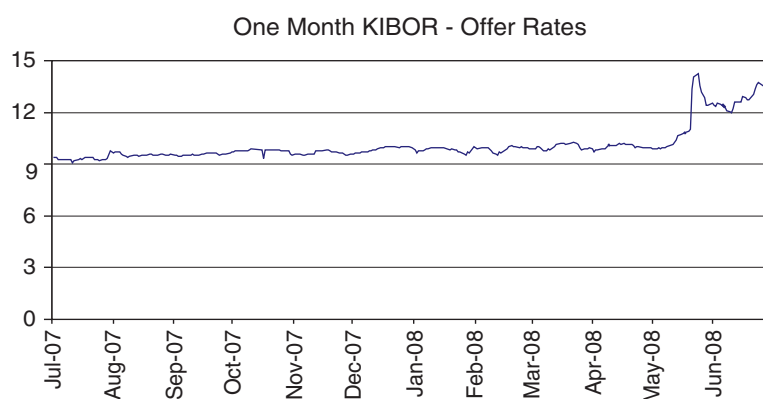
Despite these economic challenges, the real GDP growth was 5.8% for FY07-08, as compared to 6.8% for last year. Unlike last year's growth that was relatively broad based, this year's growth has been driven by service sector, which grew by 8.2% against the target of 7.1%. The industry and agriculture sectors, posted a growth of 5.4% and 1.5% respectively.

The inflation rate as measured by CPI stood at 10.3% during the first 10 months of the FY07-08 – higher than 7.9% in the corresponding period last year. The food inflation is estimated at 15%, and non-food at 6.8%, as compared to 10.2% and 6.2% respectively, during the same period last year.

The State Bank of Pakistan has taken policy measures to overcome the challenges faced by the economy, including rising twin deficits and inflationary pressures. The impact of these measures and liquidity management translate into a rise in interest rates, with varied magnitude, at different stages of the economy.

THE MONEY MARKET

During the year under review the SBP continued with the tight monetary policy stance that began in FY05, by raising the discount rate three times and by increasing cash reserve and statutory liquidity requirements. The SBP raised policy rate by 50 bps to 10% effective from August 1, 2007. The SBP took further monetary tightening measures, firstly in January 2008 and later in May 2008. In January 2008 monetary policy, it raised the discount rate by 50 bps to 10.5%, increased CRR on one year maturity by 100 bps to 8%, while leaving term deposits of over a year zero rated.

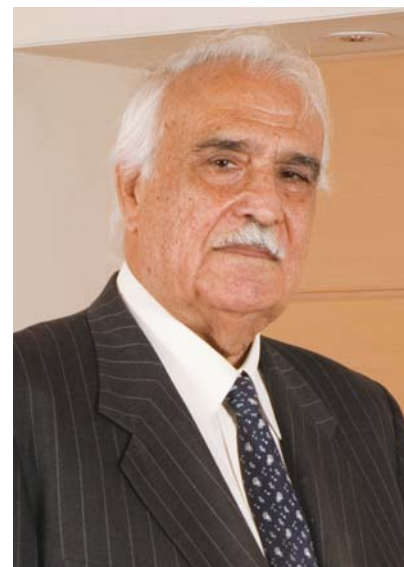


In May 2008, the SBP took interim monetary policy measures due to citing economic challenges at domestic and international front. The interim monetary policy measures include an increase of 150 bps in discount rate, and 100 bps in CRR and SLR to 9% and 19% respectively. The policy also introduced 35% margin requirement for opening of letter of credit for imports, and established floor of 5% on the rate of return on profit and loss sharing and saving accounts.

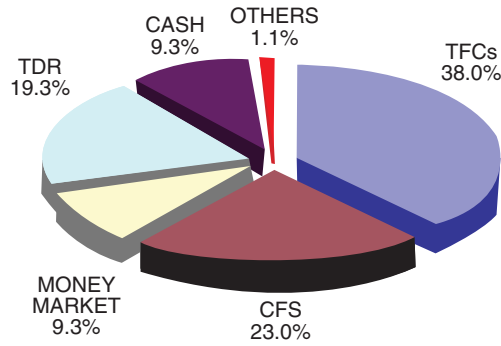
The money market experienced contraction of liquidity as money (M2) supply grew by 9% during the period July 07–May 08, as against the 14% for the corresponding period last year. Furthermore, contraction of liquidity from the market increased towards the end of FY07-08, on account of further interim monetary policy measures taken by the SBP to curb down inflation.

FUND OPERATIONS

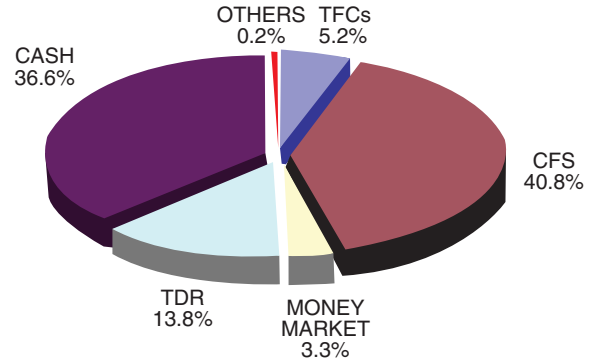
This rising interest rate scenario has had a positive impact on the yield of the Fund and enabled it to earn attractive returns during the period under review. The Net Asset Value per unit of the Fund rose from Rs. 501.47 per unit as on June 30, 2007 to Rs. 523.34 per unit as on June 30, 2008, which includes an interim payout of Rs. 25 per unit (4.8897 bonus units) thus, providing a total return of 9.46% to its investors. The fund's exposure in TFCs stood at 38% as on June 30, 2008. The TFC portfolio comprised of good quality floating rate TFCs. The exposure in CFS and Term Deposit Receipts stood at 23% and 19% respectively at the end of the outgoing financial year.



PORTFOLIO COMPOSITION As of June 30, 2008



PORTFOLIO COMPOSITION As of June 30, 2007



The Board of Directors has approved a final bonus of Rs. 22.50 per unit (4.50% on the face value of Rs. 500 per unit). An investor holding 100 units as at June 30, 2008 will get 4.4925 units on the ex-bonus price of Rs. 500.84 per unit, the proportionate bonus will apply to actual holdings. Unit holders who have opted for cash payment will receive cash payment accordingly. This is in addition to the Interim Bonus of Rs. 25 per unit (5% on the face value of Rs. 500 per unit), working out to 4.8897 units for every 100 units held by an investor on March 31, 2008, on the ex-bonus price of Rs. 511.28 of that date.

RATINGS UPDATE

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of "AM3+" to the Company. The 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 has assigned a "5 Star" rating to the Fund, and a normal "4 Star" rating. The rating is a composite measure of risk associated with the returns, along with the credit quality of the assets, reflects a superior / good performance relative to its peers, for the long term / normal ratings respectively. The long term star rating is based on performance during the trailing thirty six months period, whereas normal star rating is based on performance during the trailing twelve months.

FUTURE OUTLOOK

As global economy experiences slowdown in medium to short term, with continual rise in global oil and food prices, subsequently causing inflationary pressure and demand contraction, this will likely have its effect on Pakistan's economy. However, corrective measures, some of which have already been taken in FY08-09 budget, besides tight monetary policy instance will help in overcoming these short term economic challenges and achieving sustainable long term economic growth.

The further tightening in monetary policy is aimed at controlling twin deficits and inflation. The aggregate demand represented by strong import demand and rising fiscal deficit is putting inflationary pressure. Under the scenario, the central bank has to strike right balance between growth and inflation as further monetary tightening could hamper demand growth.

The Fund is well equipped to take advantage of changing environment with its focus to seek higher yield while keeping duration low. AIF portfolio comprises of high-quality floating rate term finance certificates, short term bank deposits and CFS transactions thus ensuring liquidity and healthy returns in the coming years.

کے کیا چھینے کا غنچے سے کوئی شوق شکر قند

(Entrepreneurial ability and management always leads to the desired results)

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 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 Officer, Mr. M. Habib-ur-Rahman and his management team for their hard work, dedication, and sincerity of purpose.

Flexibility

Bearing the tools to adjust to circumstances. Facing challenges with an open and progressive approach.



Directors' Report

The Board of Directors of Atlas Asset Management Limited, the Management Company of Atlas Income Fund (the Fund), take pleasure in presenting the Fifth Annual Report of the Fund along with the audited financial statements and Auditors' Report thereon for the year ended June 30, 2008.

EARNINGS PER UNIT

Earnings per unit for the year ended June 30, 2008 work out to Rs. 54.64 per unit (2007: 51.21 per unit).

FUND SIZE AND INCOME DISTRIBUTION

As at June 30, 2008, the Net Assets of the Fund stood at Rs. 4.15 billion as compared Net Assets of Rs. 3.85 billion as at June 30, 2007. The Board of Directors of the Management Company of the Fund have approved a final bonus of 4.5% (2006: 10%) on the face value of Rs. 500 per unit, which works out to Rs. 22.50 per unit (2006: Rs. 50 per unit). This is in addition to the interim bonus of 5% (2007: NIL) which was approved by the Board of Directors of the Management Company for the nine months ended March 31, 2008, which worked out to Rs. 25 per unit (2007: NIL).

SALE AND REDEMPTION OF UNITS

During the year, 22,873,621 units of the value of Rs. 11.87 billion were issued, while 23,000,571 units of the value of Rs. 11.94 billion were redeemed. As at June 30, 2008, the total number of units outstanding was 7,930,536 valued at Rs. 4.15 billion (2007: 6,988,480 units valued at Rs. 3.85 billion), reflecting a growth of 13.48% in terms of number of units and 7.69% in value.

The Unit holding pattern of the Fund, as required under the Non-Banking Finance Companies & Notified Entities Regulations, 2007, (the NBFC Regulations) is presented in note 24 to the financial statements.

CHAIRMAN'S REVIEW

The review included in the Annual Report deals inter alia with the performance of the Fund for the year and future prospects. The directors endorse the contents of the review.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Board of Directors states that:

- a) The financial statements, prepared by the Management Company of the Fund, present fairly its state of affairs, the results of its operations, cash flows and movement in Unit Holders' Funds.
- b) Proper books of account of the Fund have been maintained.
- c) Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgement, with the exception of certain changes made in accounting policies made during the year relating to valuation of, as explained in note 4.1 to the financial statements. The external auditors of the Fund have concurred with such change.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements and any departure therefrom has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There is no doubt about the 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 is annexed.
- 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.

RATINGS UPDATE

The Pakistan Credit Rating Agency Limited - PACRA, has maintained an asset manager rating of "AM3+" assigned to the company.

PACRA has assigned a "5 Star" long term rating to the Fund, and a normal '4 star' rating.

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The Board comprises of two executive and five non-executive directors. During the year, there were three casual vacancies, and the Board co-opted for new Board members for the remaining term of service, as per the following details:

Serial No.	Outgoing Director	Date of resignation / Cessation of office	Co-opted Director	Date of appointment
1	Mr. Jawaid Iqbal Ahmed	09.10.2007	Mr. Frahim Ali Khan	10.10.2007
2	Mr. Peter A. Smyth	03.03.2008	Mr. Michael Ferrer	04.03.2008
3	Mr. M. P. Bhandara	15.06.2008 (by death)	Mr. M. Ashraf Janjua	11.09.2008

At the year end, the Board of Directors comprised of six Directors, due to a casual vacancy caused by the sad demise of Mr. M. P. Bhandara, on June 15, 2008. The Board records its appreciation for the services rendered by Mr. M. P. Bhandara during his tenure as a Director of the Company.

During the year, eight Board Meetings were held. The particulars of the dates of meetings, and the directors attending, as required under the NBFC & NE Regulations, 2007, are appended as note 29 to the financial statements.

The Directors, CEO, CFO / 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 20 to the financial statements – "Transactions with Related Parties / Connected Persons."

AUDITORS

The Audit Committee of the Board of Directors, in their meeting held on August 15, 2008, recommended the re-appointment of M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, Karachi, as auditors of Atlas Income Fund for the financial year ending June 30, 2009. The Board approved the appointment.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Karachi: August 18, 2008

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

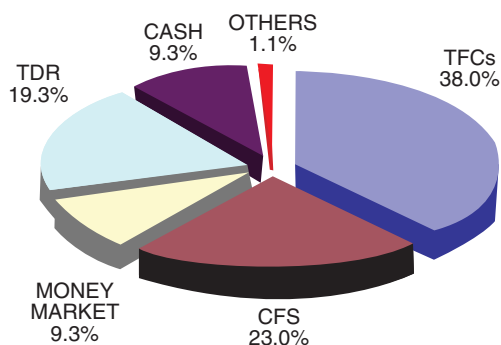
Fund Manager's Report

Atlas Income Fund is an open-ended income fund. The objective of the Fund is to achieve a good rate of current income along with capital preservation and to provide investors with liquidity and the facility to join or leave the fund at their convenience.

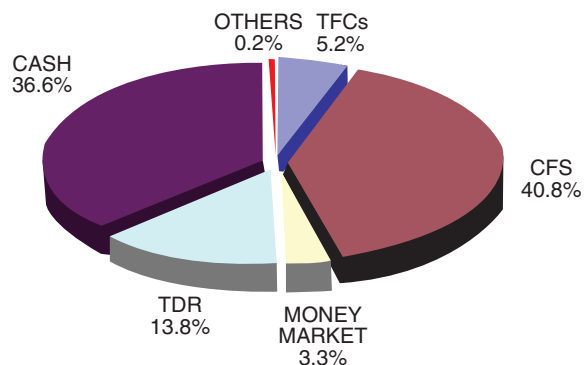
The Fund primarily invests in a diversified portfolio of long, medium and short term fixed income instruments. The Fund's strategy is based on the conviction that economic environment drives long term performance, and that active management of credit risk can produce consistently superior results. Fundamental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

The State Bank of Pakistan has continued its tight monetary policy stance during the FY08 to overcome the challenges faced by the economy, including rising twin deficits and inflationary pressures. The discount rate was raised by 50 bps during the first half of financial year 2007-08, followed by further increases of 50 bps in January 2008 and 150 bps in late May 2008, along with an increase in CRR and SLR requirements to the level of 9.0% and 19.0% respectively. The further tightening of monetary policy in May, 2008 resulted in sharp increase in KIBOR rates. The One Month KIBOR offer rate increased from 9.39% at the start of year to 13.64% as on June 30, 2008.

PORTFOLIO COMPOSITION
As of June 30 , 2008



PORTFOLIO COMPOSITION
As of June 30, 2007



This rising interest rate scenario has had a positive impact on the yield of the Fund and enabled it to earn higher returns during the period under review. The Net Asset Value per unit of the Fund rose from Rs. 501.47 per unit as on June 30, 2007 to Rs. 523.34 per unit as on June 30, 2008, after an interim payout of Rs. 25 per unit (4.8897 bonus units) thus, providing a total return of 9.46% to its investors, as against the benchmark of 10.1% based on average One Month KIBOR Offer rate. The Fund's exposure in TFCs stood at 38% as on June 30, 2008. The TFC portfolio comprised of good quality floating rate TFCs. The exposure in CFS and Term Deposit Receipts stood at 23% and 19% respectively at the end of the outgoing financial year.

Breakdown of Unit Holding by size is given below:

Category	Year ended June 30, 2008		
	No. of unit holders	Unit holding amount	% of Total
Individuals	235	559,716,077	13.50%
Associated Companies / Directors	9	1,420,075,386	34.21%
Insurance Companies	5	117,276,117	2.84%
Banks / DFIs	5	431,651,797	10.40%
NBFCs	2	121,836,329	2.93%
Retirement Funds	95	832,451,923	20.06%
Public Limited Companies	11	476,036,229	11.47%
Others	16	191,362,167	4.61%
Total	378	4,150,406,023	100.00%

The Board of Directors has approved a final bonus of Rs. 22.50 per unit (4.50% on the face value of Rs. 500 per unit). An investor holding 100 units as at June 30, 2008 will get 4.4925 units on the ex-bonus price of Rs. 500.84 per unit, the proportionate bonus will apply to actual holdings. Unit holders who have opted for cash payment will receive cash payment accordingly. This is in addition to the Interim Bonus of Rs. 25 per unit (5% on the face value of Rs. 500 per unit), working out to 4.8897 units for every 100 units held by an investor on March 31, 2008, on the ex-bonus price of Rs. 511.28 of that date.

During the year under review the Investment Committee held 54 meetings to review investment of the Fund.

Karachi: August 18, 2008

Khurram Aftab Ahmed
Fund Manager

Fund's Performance Table

	2008 Rupees	2007 Rupees	2006 Rupees
Net assets (Rs. in " 000 ")	4,150,406	3,853,940	2,675,604
Number of units in issue	7,930,536	6,988,480	4,796,790
Net asset value per unit (Rs.)	523.34	551.47	557.79
Net income (Rs. in " 000 ")	433,326	357,866	276,820
Earning per unit	54.64	51.21	57.71
Annual return of the Fund (%)	9.35	10.23	11.46
Offer price *	533.81	557.60	566.65
Redemption price *	523.34	546.67	555.54
Interim distribution (Bonus)	25.00	-	-
Interim distribution as % of par value of units	5.00	-	-
Date of distribution - Interim	3-Apr-08	-	-
Final Distribution (Bonus)	22.50	50.00	57.50
Final Distribution as % of par value of units	4.50	10.00	11.50
Date of distribution - Final	4-Jul-08	20-Jul-07	19-Jul-06
Highest offer price	547.01	557.60	566.79
Lowest offer price	513.92	513.33	511.77
Highest repurchase price per unit	536.28	546.67	555.54
Lowest repurchase price per unit	503.84	503.26	500.45
Weighted average portfolio (No. of days)	76.47	26.19	47.17

* Relates to announced prices

Date of Launch: March 22, 2004

Note: The past performance of the fund is not indicative of future performance and that the unit price and investment return may go down, as well as up.

Financial Statements

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2008

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

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of seven directors including 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Three casual vacancies in the Board occurred during the year, two of which were filled in within the required time frame, with the approval of the Securities and Exchange Commission of Pakistan (SECP), as required under the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003. The third vacancy was caused by the sad demise of Mr. M. P. Bhandara on 15 June 2008, and the legal formalities of filling in the casual vacancy were in process at the year end.
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. No new appointments of Chief Financial Officer, Company Secretary and Chief Internal Auditor were made during the year. The Board has approved the terms of remuneration of the Chief Financial Officer & Company Secretary and the Chief Internal Auditor.
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 financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
12. The Directors, CEO and Executives do not hold units other than those disclosed in note 20 to the financial statements "Transactions with Related Parties/Connected Persons".
13. The Management Company has complied with the corporate and financial reporting requirements of the Code.
14. Directors of the Management Company are aware of their responsibilities and had attended an orientation course in 2007. The Board was updated in respect of the changes in the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003 and the implementation of the Non-Banking Finance Companies & Notified Entities Regulations, 2007 (the NBFC Regulations), during the year.
15. 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.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2008

16. The Board has set up an effective internal audit function headed by a full time Chief Internal Auditor who is considered suitably qualified and experienced, and is conversant with the policies and procedures of the Fund.
17. 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.
18. 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.
19. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 18 August 2008

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

TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

Atlas Income Fund (Fund), an open-end scheme was established under a trust deed dated 20 February 2003, executed between Atlas Asset Management Limited, as the management company and Muslim Commercial Financial Services (Private) Limited (MCFSL), as the trustee.

As per the deed of change of trustee and first supplemental trust dated 11 June 2005, MCFSL retired as the trustee and Central Depository Company of Pakistan Limited was appointed as the trustee of Atlas Income Fund.

In our opinion, the management company has in all material respects managed the Fund during the year ended 30 June 2008 in accordance with the provisions of the following:

- (i) limitations imposed on the investment powers of the management company under the constitutive documents of the Fund;
- (ii) the pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and the constitutive documents of the Fund.

Karachi: 04 September 2008

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2008 prepared by the Board of Directors of the Management Company of the Atlas Income Fund (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 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 reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 on 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 does not appropriately reflect the status of the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2008.

Karachi: 18 August 2008

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Atlas Income Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2008, and the related statements of income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Fund for the year ended 30 June 2007 were audited by another firm of chartered accountants, whose report dated 25 September 2007 expressed an unqualified opinion on such financial statements.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2008 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, the NBFC Rules and the NBFC Regulations.

Karachi: 18 August 2008

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2008

	Note	2008 ----- Rupees -----	2007 -----
Assets			
Bank balances and term deposits	7	1,185,420,074	1,941,692,397
Receivable against sale of securities		2,686,000	-
Receivable against continuous funding system	8	953,463,170	1,574,121,985
Investments	9	1,963,965,908	328,511,171
Interest accrued	10	57,691,079	21,708,436
Prepayments and other receivables	11	861,620	15,000
Security deposits	12	1,100,000	1,100,000
Total assets		4,165,187,851	3,867,148,989
Liabilities			
Payable to unit holders against redemption of units		61,604	2,165
Payable against purchase of securities		2,185,074	-
Payable to the management company	13	-	5,236,223
Payable to the trustee	14	512,057	436,321
Payable to SECP	15	5,010,141	3,004,677
Accrued and other liabilities	16	7,012,952	4,529,769
Total liabilities		14,781,828	13,209,155
Net assets		4,150,406,023	3,853,939,834
Unit holders' fund		4,150,406,023	3,853,939,834
Number of units in issue		7,930,536	6,988,480
Net asset value per unit		523.34	551.47
Commitments	17		

The annexed notes from 1 to 31 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

Tariq Amin
Director

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 ----- Rupees -----	2007 -----
Income			
Interest income	18	521,105,606	345,466,226
Income from transactions in futures		13,042,505	14,124,749
Net gain on sale of investments		4,271,405	-
Underwriting income		-	112,500
Net unrealised loss on revaluation of investments		(15,712,150)	(162,450)
Element of income and capital gains included in prices of units sold less those in units redeemed - net		3,358,339	58,499,034
		526,065,705	418,040,059
Expenses			
Remuneration of the management company	13	44,232,065	5,236,223
Remuneration of the trustee	14.1	5,762,889	4,004,677
SECP annual and monitoring fee	15.1	5,010,141	3,004,677
NCCPL annual fee		300,380	-
Brokerage and capital value tax		23,158,993	21,662,047
Auditors' remuneration	19	664,850	511,500
Printing charges		222,630	-
Settlement charges		3,914,247	2,743,176
Legal and professional charges		66,667	59,500
Annual rating fee		100,000	100,000
Annual listing fee		30,000	30,000
Bank charges		44,497	80,450
Provision against impairment of term finance facility	9.5	9,232,179	22,741,619
		92,739,538	60,173,869
Net income for the year		433,326,167	357,866,190

The annexed notes from 1 to 31 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

Tariq Amin
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	2008 ----- Rupees -----	2007 -----
Undistributed income brought forward	359,834,722	277,783,962
Distribution at the rate of Rs. 50 per unit declared on 20 July 2007 (2007: Rs. 57.50 per unit declared on 19 July 2006) - bonus units	(349,423,976)	(275,815,430)
Interim Distribution at the rate of Rs. 25 per unit declared on 03 April 2008 (2007: Nil)		
- Bonus units	(190,302,576)	-
- Cash payout against interim distribution	(68,155,653)	-
	(258,458,229)	-
Net income for the year	433,326,167	357,866,190
Undistributed income carried forward	185,278,684	359,834,722

The annexed notes from 1 to 31 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

Tariq Amin
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	----- Rupees -----	
Cash flows from operating activities		
Net income for the year	433,326,167	357,866,190
Adjustments for:		
Net gain on sale of investments	(4,271,405)	-
Net unrealised loss on revaluation of investments	15,712,150	162,450
Provision against impairment of term finance facility	9,232,179	22,741,619
Element of income and capital gains included in prices of units sold less those in units redeemed - net	(3,358,339)	(58,499,034)
	17,314,585	(35,594,965)
(Increase) / decrease in assets		
Receivable against sale of securities	(2,686,000)	-
Receivable against continuous funding system	620,658,815	(1,537,305,720)
Prepayments and other receivables	(846,620)	3,493,650
Interest accrued	(39,948,094)	2,934,782
	577,178,101	(1,530,877,288)
(Decrease) / increase in liabilities		
Payable to unit holders against redemption of units	59,439	2,165
Payable against purchase of securities	2,185,074	-
Payable to the management company	(5,236,223)	(11,417,676)
Payable to the trustee	75,736	102,991
Payable to SECP	2,005,464	1,339,287
Accrued and other liabilities	2,483,183	441,491
	1,572,673	(9,531,742)
	1,029,391,526	(1,218,137,805)
Investments made during the year	(3,771,413,192)	(1,285,162,818)
Investments sold / redeemed / matured during the year	2,119,250,982	2,206,128,300
Tax refund received	-	433,565
	(622,770,684)	(296,738,758)
Cash flows from financing activities		
Proceeds from issue of units	11,873,804,056	5,920,486,617
Payment on redemption of units	(11,939,150,042)	(5,041,518,368)
Cash payout against interim distribution	(68,155,653)	-
	(133,501,639)	878,968,249
Net (decrease) / increase in cash and cash equivalents	(756,272,323)	582,229,491
Cash and cash equivalents at the beginning of the year	1,941,692,397	1,359,462,906
Cash and cash equivalents at the end of the year	1,185,420,074	1,941,692,397

The annexed notes from 1 to 31 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

Tariq Amin
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED 30 JUNE 2008

	2008		2007	
	Units	Rupees	Units	Rupees
Net assets as at the beginning of the year [Rs.551.47 (2007: Rs.557.79) per unit]	6,988,480	3,853,939,834	4,796,790	2,675,604,429
Issue of units	22,873,621	11,873,804,056	11,282,996	5,920,486,617
Redemption of units	(23,000,572)	(11,939,150,042)	(9,642,617)	(5,041,518,368)
	(126,951)	(65,345,986)	1,640,379	878,968,249
Element of income and capital gains included in prices of units sold less those in units redeemed - net	-	(3,358,339)	-	(58,499,034)
Issue of bonus units	696,799	-	551,311	-
Issue of interim bonus units	372,208	-	-	-
Net income for the year	-	433,326,167	-	357,866,190
Cash payout against interim distribution	-	(68,155,653)	-	-
Net assets as at the end of the year [Rs.523.34 (2007: Rs.551.47) per unit]	7,930,536	4,150,406,023	6,988,480	3,853,939,834

The annexed notes from 1 to 31 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

Tariq Amin
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Atlas Income Fund (the Fund) is an open ended mutual fund constituted by a Trust Deed entered into on 20 February 2003 between Atlas Asset Management Limited (AAML) as the establisher and the management company and Muslim Commercial Financial Services (Pvt.) Limited (MCFSL) as the trustee. MCFSL resigned on 11 June 2005 as trustee and Central Depository Company of Pakistan Limited (CDC) was appointed as the trustee with effect from that date. During the year, the Trust Deed was revised through the Second Supplemental Trust Deed dated 29 October 2007. The Offering Document was revised during the year through the 2nd and 3rd Supplemental Offering Documents dated 29 October 2007, and 29 February 2008 respectively, with the approval of the Securities and Exchange Commission of Pakistan (SECP). The investment activities and administration of the Fund are managed by Atlas Asset Management Limited situated at Ground Floor, Federation House, Sharae Firdousi, Clifton, Karachi.
- 1.2 Units of the Fund have been offered for public subscription on a continuous basis from 22 March 2004, and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on Lahore Stock Exchange.
- 1.3 According to the trust deed, the objective of the Fund is to provide investors one window facility to invest in diversified portfolio offering good returns and consistent growth. The Fund aims to deliver this objective mainly by investing in debt securities, Government securities, money market instruments, CFS transactions, reverse repurchase transactions and future transactions. The investment objectives and policy are more fully defined in the Fund's offering document.
- 1.4 During the year, the Fund has revised its pricing mechanism regarding the Offer and Redemption of units, from known pricing to forward pricing with effect from 19 September 2007. Under the forward pricing system, the Offer and Redemption Prices applicable to any sales and redemption received during any business day are calculated on the basis of Net Asset Value as at the close of that business day, plus the provision of sales load, any duties and charges, as applicable in the case of Offer Price, and as reduced by an appropriate provision of duties and charges in the case of Redemption Price. Uptill 18 September 2007, these were calculated on the basis of Net Asset Value of the close of the previous business day.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non Banking Finance Companies and Notified Entities Regulations 2007 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in notes 4.2 and 4.3 below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the year except for the changes described in note 4.1 below.

4.1 Changes in accounting policies

During the year, the Fund has changed its accounting policies in respect of valuation of debt securities held by the Fund, consequent upon the implementation of the NBFC Regulations as follows:

- 4.1.1 The unlisted Term Finance Certificates (TFCs) classified under "Investment at fair value through income statement" are now valued as per the rates provided by the Mutual Fund Association of Pakistan (MUFAP) and where rates from MUFAP are not available, on the basis of average of the rates quoted by brokerage houses. Previously, such TFCs were carried at cost. This change in accounting policy has been accounted for prospectively effective from 01 July 2007 as the effect on the prior period comparative information is immaterial.

Had there been no change in the above accounting policy, the net assets and net income of the Fund for the year would have been lower by Rs.6,000 each.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

4.1.2 The listed TFCs classified as held to maturity investment are now valued as per the rates provided by the MUFAP. Previously, such TFCs were carried at amortised cost using effective rate of interest. This change in accounting policy has been accounted for prospectively effective from 01 July 2007 as the effect on the prior period comparative information is immaterial.

Had there been no change in the above accounting policy, the net assets and net income of the Fund for the year would have been lower by Rs.105,000 each.

4.2 Investments

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

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

All regular way purchases / sales of investments are recognised on the trade date, i.e. the date on which the Fund commits to purchase / sell the investment. Regular way purchases / sales of investments require delivery of securities within two days after transaction date as per the stock exchange regulations.

Investments at fair value through income statement

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

Held-to-maturity

Investment securities with fixed maturities and fixed or determinable payments are classified as held-to-maturity investments when management has both the intention and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment except for in case of debt securities (listed but not regularly traded on a stock exchange) and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

Available-for-sale

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

Fair value of investments is determined as follows:

Debt securities

Debt securities, listed but not traded regularly on a stock exchange, are valued at the average rate notified by MUFAP.

Fair value of unlisted debt securities, other than government securities, is also determined by reference to the average rates notified by MUFAP and where such rates are not so notified, with reference to quotations obtained from the brokerage houses.

Fair value of government securities is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

4.3 Derivatives

These are measured at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of assets and liabilities. The resultant gains and losses are included in the income currently.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

4.4 Securities under repurchase / resale agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included as receivables in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Securities purchased under agreements to resell (Reverse repurchase agreements) are reported not as purchases of the securities, but as receivables and are carried in the statement of assets and liabilities at cost. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

4.5 Issue and redemption of units

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

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

4.6 Revenue recognition

Income on debt securities is recognised using effective interest method at the rate of return implicit in the instrument.

Interest income on bank balances, placements and deposits is recognised on an accrual basis.

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

4.7 Expenses

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

4.8 Provisions

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

4.9 Element of income and capital gains in prices of units sold less those in units redeemed

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

The "element of income and capital gains in prices of units sold less those in units redeemed" account is credited with the amount representing net income and capital gains accounted for in net asset value and included in the sale proceeds of units. Upon redemption of units, the "element of income and capital gains in prices of units sold less those in units redeemed" account is debited with the amount representing net income and capital gains accounted for in net asset value and included in the redemption price.

The net "element of income and capital gains in prices of units sold less those in units redeemed" during an accounting period is transferred to the income statement.

4.10 Taxation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

4.11 Financial instruments

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

4.12 Offsetting of financial assets and liabilities

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

4.13 Distribution to unit holders

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

4.14 Net asset value per unit

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

4.15 Cash and cash equivalents

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

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgements made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes in the financial statements.

6. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS- 1 Presentation of Financial Statements (Revised)	01 January 2009
IAS- 23 Borrowing Costs (Revised)	01 January 2009
IAS- 27 Consolidated and Separate Financial Statements (Revised)	01 January 2009
IFRS- 3 Business Combinations	01 January 2009
IFRS- 7 Financial Instruments : Disclosures	01 July 2008
IFRS- 8 Operating Segments	01 January 2009
IFRIC- 12 Service Concession Arrangements	01 January 2009
IFRIC- 13 Customer Loyalty Programs	01 July 2008
IFRIC- 14 The Limit on the Defined Benefit Asset, Minimum Funding Requirements and their Interactions	01 January 2008

The Fund expects that adoption of the above standards and interpretations are either not relevant to the Fund's operations or are not expected to have significant effect on the Fund's financial statements other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 ----- Rupees -----	2007 -----
7. BANK BALANCES AND TERM DEPOSITS			
PLS saving accounts	7.1	385,420,074	1,411,692,397
Term deposit accounts	7.2	800,000,000	530,000,000
		1,185,420,074	1,941,692,397

7.1 The rate of return on these accounts ranges from 1.3% to 11.25% (2007: 1.30% to 10%) per annum and includes Rs.12,850,535 (2007: Rs.1,206,334,754) maintained with Atlas Bank Limited (a related party).

7.2 The rate of return on these accounts ranges from 10.50% to 18.50% (2007: 10.20% to 10.55%) per annum and includes deposit of Rs.200 million (2007: nil) held with Atlas Bank Limited (a related party). These deposits will mature between July 2008 to March 2009.

8. RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM

The market value of securities held in respect of continuous funding system was Rs.910.47 million as of 30 June 2008 (2007: Rs.1,549.07 million). The rates of return range from 11.10% to 29.80% (2007: 9.68% to 12.13%) per annum with maturities ranging from overnight to twenty two working days.

	Note	2008 ----- Rupees -----	2007 -----
9. INVESTMENTS - at fair value through income statement			
At fair value through income statement			
Term finance certificates - listed	9.2	1,163,393,039	140,338,064
Term finance certificates - unlisted	9.3	205,003,996	18,750,000
		1,368,397,035	159,088,064
Held to maturity			
Term finance certificates - listed	9.4	6,527,116	6,425,000
Term finance facility	9.5	73,750,046	77,258,381
Certificates of investment and musharika	9.6	194,705,177	50,739,726
Commercial papers	9.7	116,826,534	-
		391,808,873	134,423,107
Advance against term finance certificate	9.8	203,760,000	35,000,000
		1,963,965,908	328,511,171

9.1 Total cost of investments amounts to Rs. 1,979,840,508 (2007: 328,673,621).

Note	Number of Certificates				Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Disposed during the year	At the end of the year	Market value	Total investments	Net assets

9.2 Term finance certificates - listed

Modarabas

Al-Zamin Leasing Modaraba	2,000	-	-	2,000	3,265,360	0.17	0.08
Al-Zamin Leasing Modaraba-II	2,000	-	-	2,000	6,539,560	0.33	0.16
	4,000	-	-	4,000	9,804,920	0.50	0.24

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Note	Number of Certificates				Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Disposed during the year	At the end of the year	Market value	Total investments	Net assets
Leasing Companies							
Orix Leasing Pakistan Ltd.	-	8,000	4,000	4,000	20,317,870	1.03	0.49
Trust Investment Bank Ltd.-II	629	-	-	629	939,160	0.05	0.02
	629	8,000	4,000	4,629	21,257,030	1.08	0.51
Investment Banks/Cos./Securities							
Escort Investment Bank Ltd.	5,000	5,000	5,000	5,000	25,719,708	1.31	0.62
IGI Investment Bank Ltd.	1,000	-	-	1,000	4,512,319	0.23	0.11
Jahangir Siddiqui & Company Ltd.-II	2,000	-	-	2,000	9,728,361	0.50	0.23
Jahangir Siddiqui & Company Ltd.-III	2,000	-	-	2,000	10,067,922	0.51	0.24
	10,000	5,000	5,000	10,000	50,028,310	2.55	1.20
Commercial Banks							
Allied Bank Ltd.	-	46,196	4,000	42,196	223,588,958	11.38	5.39
ABN AMRO (Pakistan) Ltd.	658	4,000	-	4,658	24,397,240	1.24	0.59
Askari Commercial Bank Ltd.-I (2,175 TFCs pledged out of 2,400 TFCs)	-	4,400	2,000	2,400	12,388,316	0.63	0.30
Askari Commercial Bank Ltd.-II	-	18,775	2,000	16,775	86,707,056	4.41	2.09
Bank Alfalah Ltd.-II	-	6,117	1,000	5,117	26,478,101	1.35	0.64
Bank Al Habib Ltd.-II	2,000	26,192	7,000	21,192	112,622,201	5.73	2.71
Faysal Bank Ltd.-I	-	6,400	5,000	1,400	7,188,262	0.37	0.17
NIB Bank Ltd.	-	21,399	-	21,399	108,321,738	5.52	2.61
Soneri Bank Ltd.	-	20,074	-	20,074	104,008,914	5.30	2.51
Standard Chartered Bank (Pakistan) Ltd - III	-	12,000	-	12,000	63,225,379	3.22	1.52
United Bank Ltd.-II	2,000	-	-	2,000	8,936,927	0.46	0.22
United Bank Ltd.-III	-	5,500	-	5,500	28,835,688	1.47	0.69
United Bank Ltd.-IV	-	8,000	-	8,000	39,780,000	2.03	0.96
	4,658	179,053	21,000	162,711	846,478,780	43.11	20.40
Textile Composite							
Azgard Nine Ltd.	5,000	-	-	5,000	25,844,130	1.32	0.62
Oil and Gas Exploration Companies							
Chanda Oil & Gas Securitization Co. Ltd.	1,000	-	1,000	-	-	-	-
Naimat Basal Oil & Gas Securitization Co. Ltd.	1,000	-	-	1,000	2,004,140	0.10	0.05
	2,000	-	1,000	1,000	2,004,140	0.10	0.05
Technology and Communication							
Telecard Ltd.	4,000	-	-	4,000	11,198,100	0.57	0.27
Fertilizer							
Engro Chemical Pakistan Ltd-II	-	28,281	-	28,281	142,903,588	7.28	3.44
Pak Arab Fertilizers Ltd.	-	9,173	-	9,173	45,787,030	2.33	1.10
	-	37,454	-	37,454	188,690,618	9.61	4.54
Miscellaneous							
Pakistan Services Ltd.	1,494	9,775	-	11,269	8,087,011	0.41	0.19
					1,163,393,039	59.25	28.02

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9.2.1 The terms and conditions of these term finance certificates are as follows:

Name of Investee company	Tenor	Profit payments/ Principal redemptions	Repayment period	Effective rate during the year	Rate of return	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						
Orix Leasing Pakistan Ltd.	5 years	Semi annually	Nov 2009 - May 2012	15.30%	1.50% + 6 mth KIBOR	-
Trust Investment Bank Ltd.-II	5 years	Semi annually	Jan 2005 - Jul 2009	10.00%	3.00% + 6 mth KIBOR	6% - 10%
INVESTMENT BANKS/COMPANIES						
Escort Investment Bank Ltd.	5 years	Semi annually	Sep 2009 - Mar 2012	12.83%	2.50% + 6 mth KIBOR	8% - 17%
IGI Investment Bank Ltd.	5 years	Semi annually	Jan 2008 - Jul 2011	12.27%	2.25% + 6 mth KIBOR	-
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	Sep 2008 - Sep 2010	12.09%	1.75% + 6 mth KIBOR	6% - 16%
COMMERCIAL BANKS						
Allied Bank Ltd.	8 years	Semi annually	June 2013 -Dec. 2014	14.96%	1.90% + 6 mth KIBOR	-
ABN Amro (Pakistan) Ltd.	8 years	Annually	Feb 2010 - Feb 2013	12.21%	1.90% + 6 mth KIBOR	-
Askari Commercial Bank Ltd.-I	8 years	Annually	Feb. 2013	11.84%	1.50% + 6 mth KIBOR	-
Askari Commercial Bank Ltd.-II	8 years	Annually	Oct. 2013	11.88%	1.50% + 6 mth KIBOR	-
Bank Alfalah Ltd.-II	8 years	Semi annually	Nov. 2011 - Nov. 2012	12.90%	1.50% + 6 mth KIBOR	-
Bank Al Habib Ltd.-II	8 years	Semi annually	Aug 2014 - Feb 2015	12.26%	1.95% + 6 mth KIBOR	-
Faysal Bank Ltd.-I	7 years	Semi annually	May 2013 - Nov 2014	11.88%	1.40% + 6 mth KIBOR	-
NIB Bank Ltd.	8 years	Semi annually	Sep. 2013 - Mar. 2016	11.41%	1.15% + 6 mth KIBOR	-
Soneri Bank Ltd.	8 years	Semi annually	Nov 2011 - May 2013	11.98%	1.60% + 6 mth KIBOR	-
Standard Chartered (Pakistan) Ltd.-III	7 years	Semi annually	Aug 2010 - Feb 2013	12.06%	2.00% + 6 mth KIBOR	-
United Bank Ltd.-II	8 years	Semi annually	Mar 2013 (at maturity)	9.49%	PIB + 1.35%	-
United Bank Ltd.-III	8 years	Semi annually	Mar 2012 - Sep. 2014	11.96%	1.70% + 6 mth KIBOR	-
United Bank Ltd.-IV	10 years	Semi annually	Feb 2018	11.11%	0.85% + 6 mth KIBOR (1 - 5 YEARS), 1.35% + 6 mth KIBOR (6- 10 YEARS)	-
TEXTILE COMPOSITE						
Azgard Nine Ltd.	7 years	Semi annually	Sep 2008 - Sep 2012	12.77%	2.40% + 6 mth KIBOR	-
OIL & GAS EXPLORATION COMPANIES						
Naimat Basal Oil & Gas Securitization Co. Ltd.	5 years	Monthly	May 2005 - Apr 2010	13.00%	2.50% + 6mth KIBOR	7.5% - 13%
TECHNOLOGY & COMMUNICATION						
Telecard Ltd.	6 years	Semi annually	Nov 2006 - May 2011	17.68%	3.75% + 6mth KIBOR	-
FERTILIZER						
Engro Chemical - II	8 years	Semi annually	May 2015 - Nov. 2015	14.81%	1.55% + 6mth KIBOR	-
Pak Arab Fertilizer Ltd.	5 years	Semi annually	Aug 2010 - Feb 2013	11.76%	1.50% + 6mth KIBOR	-
MISCELLANEOUS						
Pakistan Services Ltd.	5 years	Semi annually	Nov 2005 -Nov 2008	12.25%	2.25% + SBP	9.75% -13.75%

9.2.2 In accordance with Circular no. NBFC/ED/MISC/791 dated 23 October 2007 issued by the SECP for the implementation of the Financial Institutions Margining Systems, the Fund has opted to provide deposit to the National Clearing Company of Pakistan Limited (NCCPL), in the form of pledge of TFCs. These TFCs are pledged with NCCPL for such purpose. The total market value of TFCs pledged as of 30 June 2008 amounts to Rs.623 million (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Number of Certificates				Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Disposed during the year	At the end of the year	Carrying value	Total investments	Net assets
9.3 Term finance certificates - Unlisted							
Leasing Companies							
Grays Leasing Ltd.	3,000	-	3,000	-	-	-	-
Technology and Communication							
Pakistan Mobile Communications (Pvt.) Ltd.	5,000	-	-	5,000	5,025,000	0.26	0.12
Pakistan Mobile Communications (Pvt.) Ltd.-II	-	20,000	-	20,000	99,580,000	5.07	2.40
	5,000	20,000	-	25,000	104,605,000	5.33	2.52
Fertilizer							
Engro Chemicals Pakistan Ltd.	-	10,000	-	10,000	50,315,000	2.56	1.21
Pak American Fertilisers Ltd.	-	2,000	-	2,000	10,019,996	0.51	0.24
Pak American Fertilisers Ltd.-II	-	8,000	-	8,000	40,064,000	2.04	0.97
	-	20,000	-	20,000	100,398,996	5.11	2.42
					205,003,996	10.44	4.94

9.3.1 The terms and conditions of these term finance certificates are as follows:

Name of Investee company	Tenor	Profit payments/ Principal redemptions	Repayment period	Effective rate during the year	Rate of return
TECHNOLOGY & COMMUNICATION					
Pakistan Mobile Communications (Pvt.) Ltd.	3 years	Semi annually	April 2010 - Oct. 2010	11.30%	1.30% + 6mth KIBOR
Pakistan Mobile Communications (Pvt.) Ltd.-II	3 years	Semi annually	Oct. 2007 - Oct. 2010	14.72%	1.65% + 6mth KIBOR
FERTILIZER					
Engro Chemicals Pakistan Ltd.	10 years	Semi annually	Mar. 2013	11.61%	1.25% + 6mth KIBOR
Pak American Fertilizers Ltd.	7 years	Semi annually	May 2010 - Nov. 2014	15.19%	1.75% + 6mth KIBOR
Pak American Fertilizers Ltd.-II	7 years	Semi annually	Jul 2010 - Jan. 2015	11.79%	1.75% + 6mth KIBOR

	Number of Certificates				Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Disposed during the year	At the end of the year	Market value	Total investments	Net assets

9.4 Term finance certificates - listed

Leasing Companies

Orix Leasing Pakistan Ltd.	1,285	-	-	1,285	6,527,116	0.33	0.16
					6,527,116	0.33	0.16

9.4.1 The terms and conditions of the term finance certificate is as follows:

Name of Investee company	Tenor	Profit payments/ Principal redemptions	Repayment period	Effective rate during the year	Rate of return
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LEASING COMPANIES

Orix Leasing Pakistan Ltd.	5 years	Semi annually	Nov 2009 - May 2012	15.30%	1.50% + 6 mth KIBOR
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9.5 Term Finance Facility - Unsecured

Represents outstanding balance of term finance facility after restructuring approved in 2007, as Network Leasing Corporation Limited (NLCL) was unable to make timely payments of principal according to the repayment terms agreed previously. The strategic stake in NLCL has been acquired by new sponsors who have committed in principle to repay the amount due to the Fund based on revised terms and conditions. In accordance with the revised terms and conditions, the outstanding balance of Rs. 100 million has been converted into a term finance facility which is repayable to the Fund in 20 equal installments commencing from September 2008. The restructured facility carries mark-up at 1.5% per annum which is payable to the Fund on a quarterly basis till the principal amount is repaid.

Keeping in view the above mentioned facts, the management has recorded an impairment loss after comparing the expected recoverable amount of the term finance facility with its carrying amount.

9.6 Certificates of investment and musharika

These carry interest rates ranging from 10.65% to 16.00 % (2007: 10.80%) and will mature between July 2008 to October 2008.

9.7 Commercial papers

These carry interest rates ranging from 10.66% to 16.05 % and will mature between October 2008 to March 2009.

9.8 Advance against term finance certificate

This represents Pre-IPO placement in TFC of Pakistan Mobile Communication (Private) Limited carrying mark-up at the rate of 12.95% per annum.

	Note	2008 ----- Rupees -----	2007 -----
10. INTEREST ACCRUED			
Bank balances and term deposits	10.1	12,763,409	10,661,952
Continuous funding system		5,371,885	5,858,203
Term finances		39,555,785	5,188,281
		57,691,079	21,708,436

10.1 Includes interest accrued amounting to Rs.523,700 (2007: 7,620,969) on PLS saving accounts and Rs.1,438,357 (2007: Rs.nil) on term deposits held with Atlas Bank Limited (a related party).

11. PREPAYMENTS AND OTHER RECEIVABLES

Prepaid annual listing fee	15,000	15,000
Prepaid annual fee to NCCPL	699,620	-
Other receivable	147,000	-
	861,620	15,000

12. SECURITY DEPOSITS

National Clearing Company of Pakistan Limited (NCCPL)	12.1	1,000,000	1,000,000
Central Depository Company of Pakistan Limited (CDC)		100,000	100,000
		1,100,000	1,100,000

12.1 Includes amount deposited with NCCPL against CFS Financier Clearing Member account, amounting to Rs.1,000,000 (2007:Rs.1,000,000).

13. PAYABLE TO THE MANAGEMENT COMPANY

In accordance with the provisions of the NBFC Regulations, the management company is entitled to receive a remuneration during the first five years of the Fund, at the rate not exceeding 3% of the average annual net assets of the Fund and thereafter at the rate of 2% of such assets. The management company has charged its remuneration, aggregating to Rs.44,232,065, at the average rate of 0.93% per annum, (2007:0.17%) on the average annual net assets for the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 ----- Rupees -----	2007 -----
14. PAYABLE TO THE TRUSTEE			
Trustee fee	14.1	419,130	368,276
Settlement charges		92,927	68,045
		512,057	436,321
14.1 The trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:			
On net assets:			
-	up to Rs. 1 billion	Rupees 0.7 million or 0.20% per annum of the Net Asset Value, whichever is higher.	
-	exceeding Rs. 1 billion	Rupees 2.0 million plus 0.10% per annum of Net Asset Value exceeding Rs. 1 billion	
15. PAYABLE TO SECP			
Annual fee	15.1	4,760,141	3,004,677
Monitoring fee		250,000	-
		5,010,141	3,004,677
15.1 Represents annual fee payable to SECP in accordance with the NBFC regulations whereby the Fund is required to pay SECP an amount equal to one tenth of 1% of the average annual net assets of the Fund.			
16. ACCRUED AND OTHER LIABILITIES			
Auditors' remuneration payable		620,000	511,500
Brokerage payable	16.1	1,216,613	2,287,444
NCCPL charges payable		114,662	132,328
Payable to broker against dividend on CFS	16.2	4,710,798	758,016
Printing charges payable		182,875	-
Withholding tax payable		167,475	218,084
Zakat Payable		529	-
Others		-	622,397
		7,012,952	4,529,769
16.1 Includes Rs. 82,093 (2007: 200,188) payable to Atlas Capital Markets (Pvt) Limited (a related party).			
16.2 Includes Rs. 379,780 (2007: 69,515) payable to Atlas Capital Markets (Pvt) Limited (a related party).			
17. COMMITMENTS			
Commitments in respect of CFS transactions		308,779,913	280,705,095
18. INTEREST INCOME			
PLS saving and term deposit accounts		138,359,079	137,341,699
Continuous funding system		244,097,045	127,552,071
Placements		309,760	3,803,245
Term finances		126,217,996	76,029,485
Certificates of investment		10,419,149	739,726
Commercial papers		1,702,577	-
		521,105,606	345,466,226

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	----- Rupees -----	
19. AUDITORS' REMUNERATION		
Audit fee	360,000	300,000
Half yearly review of financial statements	180,000	150,000
Taxation services	44,850	-
Other services	70,000	45,000
Out of pocket expenses	10,000	16,500
	664,850	511,500
20. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS		
Atlas Asset Management Limited (Management Company)		
Remuneration charged	44,232,065	5,236,223
Remuneration paid	49,468,288	16,653,899
Sales load and certificate charges	7,146	64,053
Central Depository Company of Pakistan Limited (Trustee)		
Trustee fee	5,762,889	4,004,677
Settlement charges	1,369,454	759,017
Sale of 344,431 (2007: 27,584) units	180,163,948	15,000,000
Redemption of 237,889 (2007: nil) units	125,163,948	-
Bonus of 9,443 (2007: nil) units	4,801,080	-
Outstanding 143,569 (2007: 27,584) units	75,135,235	15,211,567
Atlas Bank Limited (Group Company)		
Sale of 867,083 (2007: 365,982) units	450,000,000	200,000,000
Redemption of 1,269,556 (2007: 60,003) units	666,094,767	32,755,878
Bonus of 36,491 (2007: 6,185) units	18,299,099	3,094,533
Outstanding nil (2007: 365,982) units	-	201,828,083
Term deposit receipt placed	500,000,000	950,000,000
Term deposit receipt matured	300,000,000	1,150,000,000
Interest income on cash at banks	45,798,642	36,023,705
Bank charges	6,648	2,030
Atlas Insurance Limited (Group Company)		
Sale of 164,580 (2007: 19,069) units	84,900,000	10,000,000
Redemption of 185,006 (2007: nil) units	96,449,326	-
Bonus of 1,901 (2007: nil) units	953,463	-
Outstanding 544 (2007: 19,069) units	285,134	10,516,130
Atlas Honda Limited (Group Company)		
Sale of 1,847,090 (2007: 1,364,206) units	980,000,000	701,059,662
Redemption of 1,575,927 (2007: nil) units	816,271,152	-
Bonus of 233,201 (2007: 7,096) units	117,829,406	3,550,104
Outstanding 1,937,407 (2007: 1,433,043) units	1,013,922,466	790,280,336
Atlas Battery Limited (Group Company)		
Sale of nil (2007: nil) units	-	-
Redemption of 560 (2007: nil) units	293,656	-
Bonus of 51 (2007: 52) units	25,455	26,255
Outstanding nil (2007: 509) units	-	280,752
Atlas Capital Markets (Pvt.) Limited (Group Company)		
Brokerage	1,773,368	1,639,560
Atlas Foundation (Group Company)		
Sale of 242,137 (2007: 53,118) units	124,600,000	28,550,000
Redemption of 159,091 (2007: nil) units	81,588,081	-
Bonus of 15,048 (2007: 2,515) units	7,617,753	1,258,434
Outstanding 175,614 (2007: 77,520) units	91,905,644	42,749,745

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 2007
----- Rupees -----

20. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Honda Atlas Cars (Pakistan) Limited (Group Company)

Redemption of nil (2007: 793,874) units	-	421,917,848
Bonus of nil (2007: 81,837) units	-	40,942,154

Shirazi Investments (Private) Limited (Group Company)

Sale of 2,257,454 (2007: 146,341) units	1,180,000,000	80,000,000
Redemption of 2,047,689 (2007: 101,371) units	1,064,115,346	51,574,765
Bonus of 26,011 (2007: 10,450) units	13,155,967	5,227,990
Outstanding 382,117 (2007: 146,341) units	199,977,073	80,702,435

Shirazi Trading Company (Private) Limited (Group Company)

Sale of 587,333 (2007: nil) units	305,000,000	-
Redemption of 588,553 (2007: nil) units	309,434,494	-
Bonus of 1,220 (2007: nil) units	623,835	-

Atlas Asset Management Company Limited - Staff Provident Fund of a Group Company

Bonus of 54 (2007: 55) units	26,857	27,702
Redemption of 591 (2007: nil) units	315,165	-
Outstanding nil (2007: 537) units	-	296,221

Atlas Group of Companies - Management Staff Gratuity Fund of a Group Company

Sale of 30,846 (2007: 29,802) units	16,000,000	16,000,000
Redemption of 39,335 (2007: 1,851) units	20,700,000	1,000,000
Bonus of 8,057 (2007: 2,703) units	4,066,533	1,352,048
Outstanding 53,736 (2007: 54,167) units	28,122,097	29,871,462

Allwin Engineering Industries Limited - Employees Provident Fund of a Group Company

Sale of nil (2007: 7,333) units	-	4,000,000
Bonus of 4,634 (2007: 2,356) units	2,339,529	1,178,819
Outstanding 34,824 (2007: 30,190) units	18,224,744	16,649,058

Key Management Personnel of Management Company

Chief Executive

Sale of nil (2007: nil) units	-	-
Redemption of nil (2007: 5127) units	-	2,740,010
Bonus of nil (2007: 529) units	-	264,434
Outstanding nil (2007: nil) units	-	-

Directors

Sale of 3,817 (2007: 3,332) units	2,000,000	1,800,000
Redemption of 3,859 (2007: 27,065) units	2,000,000	13,905,672
Bonus of 3,433 (2007: 4,943) units	1,734,404	2,472,891
Outstanding 24,540 (2007: 24,217) units	12,843,023	13,354,865

Executives

Sale of 384 (2007: 396) units	200,000	200,000
Redemption of 96 (2007: 1,410) units	50,000	729,588
Bonus of nil (2007: 105) units	-	52,289
Outstanding 289 (2007: nil) units	151,084	-

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

20.2 The outstanding balance of related parties / connected persons are included in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

21. FINANCIAL RISK MANAGEMENT POLICIES

21.1 Interest rate risk exposure

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The financial instruments which are subject to interest rate risk are repriced at intervals of less than one year in accordance with the terms of the instruments. The following table sets out the carrying amount, by maturity, of Fund's financial instruments that are exposed to interest rate risk:

	2008			2007		
	Within three months	Three months to one year	More than one year	Within three months	Three months to one year	More than one year
	----- Rupees -----					
Bank balances and term deposits	835,420,074	350,000,000	-	1,941,692,397	-	-
Investments	116,706,161	249,291,871	1,597,967,876	65,009,015	18,770,002	244,807,541
	952,126,235	599,291,871	1,597,967,876	2,006,701,412	18,770,002	244,807,541

Effective interest rates of the above financial instruments are disclosed in the respective notes to the financial statements.

21.2 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Fund manages market risk by monitoring exposure on securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the SECP.

21.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments and obligations. The management company manages liquidity risk by following internal guidelines of the Investment Committee and by investing in liquid financial assets.

21.4 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.4,164.47 million (2007: 3,867.13 million). The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse creditworthy counter parties, thereby mitigating any significant concentrations of credit risk.

21.5 Capital management

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

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

23. SUBSEQUENT EVENT - DISTRIBUTION TO UNIT HOLDERS PER UNIT

The Board of Directors of management company, in their meeting held on 04 July 2008, approved a distribution of Rs. 22.50 (2007: Rs.50) on the face value of Rs.500 each, i.e. 4.50% (2007: 10%), amounting to Rs. 178,437,067 (2007: Rs.349,423,976).

24. UNIT HOLDING PATTERN OF THE FUND

Category	2008			2007		
	Number	Rupees	% of total	Number	Rupees	% of total
Individuals	235	559,716,077	13.50%	193	293,910,820	7.63%
Associated Companies/ Directors	9	1,420,075,386	34.21%	12	1,224,906,109	31.78%
Insurance Companies	5	117,276,117	2.84%	2	11,792,390	0.31%
Banks/ DFIs	5	431,651,797	10.40%	5	995,928,203	25.84%
NBFCs	2	121,836,329	2.93%	2	5,126,517	0.13%
Retirement Funds	95	832,451,923	20.06%	85	550,195,325	14.28%
Public Limited Companies	11	476,036,229	11.47%	9	333,101,833	8.64%
Others	16	191,362,167	4.61%	14	438,978,637	11.39%
	378	4,150,406,023	100.00%	322	3,853,939,834	100.00%

25. LIST OF TOP BROKERS BY PERCENT OF THE COMMISSION PAID

2008		2007	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Alfalah Securities (Pvt.) Ltd.	12.19%	JS Global Capital Ltd.	13.15%
Al Habib Capital Markets (Pvt.) Ltd.	11.41%	Ismail Iqbal Securities Pvt Ltd.	11.31%
Arif Habib Ltd.	10.62%	Live Securities Pvt Ltd.	10.62%
Dawood Equities Ltd.	10.18%	Arif Habib Ltd.	10.02%
IGI Finex Securities Ltd.	9.54%	First Capital Equities Ltd.	8.83%
Al Hoqani Securities & Investment Corp (Pvt.) Ltd.	8.77%	Atlas Capital Markets (Pvt.) Limited	7.23%
Shehzad Chamdia Securities (Pvt.) Ltd.	7.88%	Alfalah Securities Pvt. Ltd.	6.74%
Atlas Capital Markets (Pvt.) Ltd.	7.80%	SC Securities Pvt. Ltd.	6.02%
Escort Investment Bank Ltd.	5.50%	First National Equities Ltd.	5.57%
JS Global Capital Ltd.	4.90%	Shehzad Chamdia Securities Pvt. Ltd.	4.88%

26. MANAGEMENT COMPANY / FUND RATING

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of "AM3+" to the management company.

PACRA has assigned a "5 star" long term rating to the Fund, and a normal "4 star" rating.

27. THE MEMBERS OF THE INVESTMENT COMMITTEE

Following are the members of the Investment Committee of the Fund:

Name	Designation	Qualification	Overall experience
Mr. M. Habib-ur-Rahman	Vice Chairman & CEO	FCA	40 Years
Mr. Frahim Ali Khan	Director	B. Com./LLB	41 Years
Mr. Ali H. Shirazi	Executive Director	Masters in Law	4.5 Years
Mr. Timothy H. Julien	Regional Director ING Investment Management Asia Pacific	Bachelor in Economics	25 Years
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance) - UK	8 Years
Mr. Khurram Aftab Ahmed	Fund Manager - Fixed Income	MBA - Finance	6 Years
Mr. Khalid Mehmood	Fund Manager - Equity Markets	MBA - Finance	4 Years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

28. NAME AND QUALIFICATION OF FUND MANAGER

<u>Name</u>	<u>Designation</u>	<u>Qualification</u>	<u>Other Funds managed by the Fund Manager</u>
Mr. Khurram Aftab Ahmed	Fund Manager - Fixed Income	MBA - Finance	-

29. ATTENDANCE AT BOARD MEETINGS

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

<u>Name of Directors</u>	<u>Meetings held on</u>							
	<u>20.7.2007</u>	<u>26.7.2007</u>	<u>25.9.2007</u>	<u>26.10.2007</u>	<u>11.2.2008</u>	<u>3.4.2008</u>	<u>28.4.2008</u>	<u>30.6.2008</u>
Mr. Yusuf H. Shirazi	P	P	P	P	P	P	P	P
Mr. M. Habib-ur-Rahman	P	P	P	P	P	P	P	P
Mr. Jawaid Iqbal Ahmed (Uptil 9 October 2007)	P	P	P	-	-	-	-	-
Mr. Frahim Ali Khan (w.e.f. 10 October 2007)	-	-	-	P	P	P	P	P
Mr. Peter A. Smyth * (uptil 3 March 2008)	P	P	L	P	L	-	-	-
Mr. Michael Ferrer * (w.e.f. 4 March 2008)	-	-	-	-	-	P	P	P
Mr. Tariq Amin	P	P	P	P	P	P	P	P
(Late) Mr. M. P. Bhandara (uptil 15 June 2008 - expired)	L	P	P	P	P	P	L	-
Mr. Ali H. Shirazi	P	P	P	P	P	P	P	P

* Attended through teleconference call.

P Present

L Leave of absence

30. GENERAL

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

30.2 Figures have been rounded off to the nearest Rupee.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the management company on 18 August 2008.

For Atlas Asset Management Limited
(Management Company)

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

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

Atlas Asset Management Limited

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