

Atlas funds

Nurturing your investments

Atlas Islamic Fund

ANNUAL REPORT

June 30, 2007



Managed By

Atlas Asset Management

Rated AM3+ by PACRA



A Sweet Tale of Success..



Success is a story worth telling only when those who are inspired to make a difference achieve it. When they are committed and determined to accomplish objectives that once seemed impossible. Only then, their success becomes a sweet tale worth sharing.



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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 recognize that our success comes from our people. We are committed to the highest ethical and fiduciary standards and firmly believe that by placing the best interests of our clients first, we will also serve the best interest of our employees, our shareholders, and the communities in which we operate.



Aim for your dreams,
aspirations and
ambitions!

"We are what we repeatedly do. Excellence, then, is not an act, but a habit." Aristotle

Atlas Asset Management Limited (AAML), sponsored by the Atlas Group of Companies was incorporated on August 20, 2002 and is registered with the Securities and Exchange Commission of Pakistan (Commission) as an investment adviser for managing closed-end funds, as an asset management company for managing open-end funds and as a 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 voluntary pension fund is regulated under the Voluntary Non Rules, Pension System Rules, 2005.

AAML has entered into a technical collaboration agreement with ING, a company incorporated in Netherlands to provide technical support and assistance to AAML in improving their capabilities in fund management, product development and other related business management operations, including training to its staff.

AAML manages assets on behalf of retirement funds, welfare organizations, insurance companies, multinationals, banks, NBFCs and individuals. The total assets under the management of AAML are over Rs. 6.6 billion (as on June 30, 2007).

FY 2006-2007 AT A GLANCE

- AAML implemented a structured investment process for the funds under management with the support and guidance from ING from July 2006 onwards.
- AAML received registration to operate as a pension fund manager from the Commission to manage voluntary pension funds on January 8, 2007.
- Atlas Islamic Fund, AAML's third open-end and first Shariah Compliant Fund was launched on January 15, 2007.
- AAML established three more sales offices in Karachi and one in Rawalpindi bringing its own sales offices to eight.
- Atlas Income Fund, Atlas Stock Market Fund and Atlas Fund of Funds each were assigned "5 Star" Rating from The Pakistan Credit Rating Agency Limited (PACRA).
- AAML signed agreement with Standard Chartered Bank to act as distributor for Atlas Income Fund and Atlas Stock Market Fund on March 14, 2007.
- Mr. Tim Julien, Regional Director, ING was inducted as a member of AAML's Investment Committee.
- And Most Importantly!
Atlas Pension Fund, a voluntary pension fund under the Voluntary Pension System Rules, 2005 was launched on June 28, 2007.

Atlas Pension Fund (APF) is launched to serve as a primary saving vehicle for retirement savings (pension) of individuals, having an umbrella structure comprising of numerous Sub-Funds in the form of unit trust schemes under its wing, in which Contributions received from Participants shall be allocated Units proportionate to their respective preferences, (based on the Allocation Scheme selected by them) on a continuing basis. Under the APF, individually capitalized pension savings accounts will be established that are funded (based on defined contribution) and portable. The Participants not only have power over how much to invest in their pensions, and how to invest it, but their savings stay with them even if they change jobs.

AAML's strength and success lies in the confidence placed in its management by our esteemed investors and its wealth of experience in terms of high quality staff.

There is no point at which you can say, 'Well, I'm successful now. I might as well take a nap.' Carrie Fisher

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. Peter A. Smyth (Alternate Mr. Michael Ferrer) Mr. Tariq Amin Mr. M. P. Bhandara (w.e.f. October 30, 2006) Mr. Frahim Ali Khan (w.e.f. October 10, 2007) Mr. Jawaid Iqbal Ahmed (uptil October 9, 2007) Mr. Sherali Mundrawala (uptil October 29, 2006)
Executive Director	Mr. Ali H. Shirazi
Company Secretary	Ms. Lilly R. Dossabhoy

Board Committees

Audit Committee

Chairman	Mr. Tariq Amin Mr. Sherali Mundrawala (uptil October 29, 2006)
Members	Mr. Peter A. Smyth (w.e.f. November 10, 2006) Mr. Frahim Ali Khan (w.e.f. October 10, 2007) Mr. Jawaid Iqbal Ahmed (uptil October 9, 2007)

Human Resource Committee

(Constituted w.e.f. January 1, 2007)

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. Ather H. Medina Mr. Tim Julien (w.e.f. May 25, 2007)

Management Committee

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

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

Group Systems & Technology Committee

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

Trustee

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

Internal Auditor

Mr. Saood Hassan

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisers

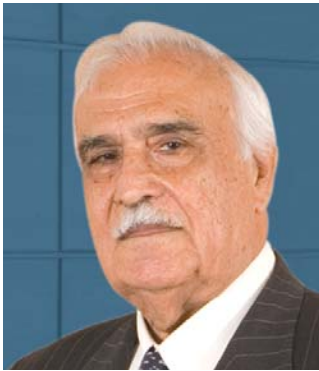
Mohsin Tayebaly & Co.

Bankers

Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited

Registered Office

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



Yusuf H. Shirazi



M. Habib-ur-Rahman



Frahim Ali Khan



Peter A. Smyth

Mr. Yusuf H. Shirazi
Chairman

Mr. Shirazi is the founder and 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, 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 Program (AMP) from the Harvard Business School, USA.

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

Mr. Rahman is a FCA from the Institute of Chartered Accountants in England & Wales and has attended management level program 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.

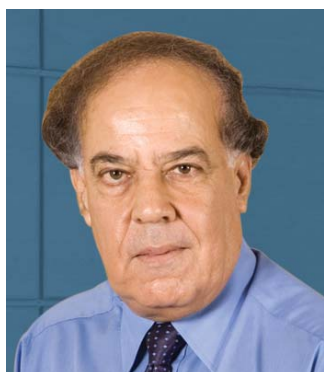
He has been SECP's nominee on the board of Karachi Stock Exchange in 2000, 2001 and 2003 and has also been a member of the Commission's Advisory Group on Capital Markets, and the Commission's Enquiry Committee on management of Exposure Rules by KSE/ LSE.

Mr. Frahim Ali Khan
Director

Mr. Khan has been associated with Atlas Group since 1967 and has 40 years 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' Program from Harvard University, USA and Financial Management program from Stanford University, USA.

Mr. Peter A. Smyth
Director

Mr. Smyth is currently the Regional General Manager for ING Insurance Asia/Pacific, based in Hong Kong, with specific responsibilities for the insurance, funds management and pension activities in Australia, India, Malaysia, New Zealand and Thailand. He has extensive senior level experience in the areas of Investments, Insurance, Financial Planning, Banking, Corporate



Tariq Amin



M.P. Bhandara



Ali H. Shirazi



Michael Ferrer

Governance, M &A, and Strategic Development. Mr. Smyth is a Fellow of the Institute of Actuaries (London) and holds a Bachelor of Arts in Actuarial Studies (Sydney).

Mr. Tariq Amin
Director

Mr. 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. M.P. Bhandara
Director

Mr. Bhandara has been working as a Chief Executive of Murree Brewery Group since 1961. Under his leadership, the Murree Brewery Company Limited branched in the manufacture of food products, fruit juices and glass containers. Its traditional activities extend to brewing of beers and distilling of fine liquors. He has graduated in Commerce from the Punjab University

and read PPE (Philosophy, Politics & Economics) at Brasenose College, Oxford. He has attended the Advanced Management Program (AMP) from the Harvard Business School, USA.

Mr. Ali H. Shirazi
Executive Director

Mr. Ali 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.

Mr. Michael Ferrer
Alternate Director appointed by Mr. Peter A. Smyth

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 over-all management of the investment management operations in Thailand, Malaysia, Singapore, India and the Philippines. Mr. Ferrer has over fifteen years experience in the financial field and has worked with the ING Group for over ten years. Mr. Ferrer holds a Bachelor of Economics degree for the University of Philippines.



Strive for the best
with **determination**
and commitment!



Mashmooma Zehra Majeed
Head of Business Development

Ali H. Shirazi
Executive Director

Hassan Khan
Head of Marketing & Sales

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

Lilly R. Dossabhoy
Chief Financial Officer &
Company Secretary

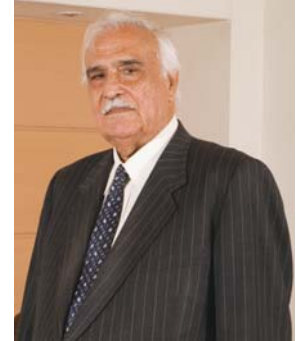
Ather H. Medina
Chief Investment Officer

Syed Zeeshan Ali
Head of Information Technology

it's all about
rewards!



It is my pleasure to present to you the first Annual Report of Atlas Islamic Fund for the period ended June 30, 2007.



THE ECONOMY

GDP growth for the year at 7.0% has been an improvement over the previous year's performance. The major contribution to this growth has been an improved performance from the Agriculture sector, especially the 7.6% growth in major crops - Cotton, Rice, Sugarcane, and Wheat, as compared to a negative growth of 4.1% in the previous year. In contrast, both the Manufacturing, and Service sectors witnessed lower growth than in the previous year, due in part to the growing base.

The fiscal deficit remained unchanged at 4.2% of GDP, as the rising trade deficit was deftly funded through non-budgetary measures. The trade deficit at US\$ 12.2 billion, further increased by 15.5% in July-May 2006-07 as compared to the same period in the previous year. Globally commodity prices have been the cause of the high deficit, as oil prices climbed back to average US\$ 63.89 in the last quarter FY 2007. Import of food products during Jul-Apr 2007 was up US\$ 811.7 million, at US\$ 2.36 billion. Petroleum imports were also up US\$ 642 million at US\$ 5.88 billion.

As a result, inflation at 7.4% as at May 2007 remained above target levels of 6.5% for the year, despite a tight monetary policy throughout the year. Money supply growth, which had been capped at 11.53% in the Jul-Apr 2006-07 period, shot up during the last two months of the fiscal year. The M2 growth was up 4.47% at 16.7% for the year, against 12.23% in the previous year. An unprecedented increase in Net Foreign Assets of the banking system, in large part due to a heavy inflow of foreign portfolio investment was witnessed, with total inflow into the Special Convertible Rupee Accounts (SCRAs) of US\$ 978 million during the year.

The resultant liquidity in the system, both from domestic sources as well as foreign investment, has been a boom for the capital market with a year forward multiples at record high levels. Additionally, there have been a record number of GDR issues by domestic entities, each generating extensive interest, with appreciable oversubscription.

THE STOCK MARKET

Continuing the upward drive which started in financial year 2001-02, the Karachi Stock Exchange benchmark index KSE-100, ended financial year 2006-07 at 13,772 levels, depicting an increase of 37.87% during the year. Negative sentiment was witnessed during the latter part of first half of financial year 2006-07 with the first half 2006-07 ending with a gain of 0.51%.

The second half of financial year 2006-07 depicted KSE - 100 index, up 37.17%. The renewed interest from the investors predominantly the foreign investors resulted in substantial increase in foreign inflow in the local stock market. Important occurrences during the year included raising of CFS cap, release of the Forensic report probing the March 2005 stock market crash, deferment of Capital Gains Tax, floatation of GDRs and, generally, the positive budgetary measures.

The KSE-100 index performance remained largely broad based and along with the large cap companies the performance of small cap companies were quite impressive. Banking sector, with early growth

in profits as a result of increase in credit offtake, continued to excel this year as well with tightening of monetary policy resulting in higher banking spreads. Mergers and acquisitions within the banking industry also kept investors' interest high in the sector. The first of the acquiring lot was Standard Chartered, taking an initial stake of 80.86% in Union Bank. Also SAMBA, a Saudi Arabian group, bought a 67% stake in Crescent Bank, ABN Amro purchased 93.4% interest in Prime Bank and NIB took over PICIC Bank with a 70% stake. The Oil & Gas Exploration and Production sector, had a dismal performance, coming in with negative returns. Notable among other sectors were the performance of Cement, Fertilizer and Insurance sectors.

During the period under review, MCB launched GDR which was listed on the London Stock Exchange, which was oversubscribed by almost five times. The Government launched OGDCL's GDR during December 2006 and UBL GDR in late June 2007. Also in the pipeline are GDRs of corporate entities such as Engro, Lucky Cement and Azgard-9, stated to be floated in the foreseeable future. This floatation would provide further foreign investment inflow into the market and also improve Pakistan's credibility internationally.

An improving macroeconomic picture, healthy growth in corporate earnings and foreign investor's interest in local stock market depicts positive outlook for local equities. The outcome of general election will hold key to continuity of policies which help in setting positive direction for the stock market. Based on the outcome of these factors, the local equities are expected to continue to perform well in coming years.

FUND OPERATIONS

The Fund held its Initial Public Offer from January 15 to 19, 2007 and was able to commence investing its capital from January 22, 2007. However, with equity markets already having moved up, the Fund felt it prudent to follow a conservative investment strategy. The Fund started picking values gradually with the objective to build quality portfolio keeping in view the investors medium to long term investment horizon.

Consequently, the Fund's equity investments stood 50% of the Net Assets as at June 30, 2007, with the remainder on deposit with Shariah compliant financial institutions, as approved by the Shariah Board. The Net Assets of the Fund stood at Rs. 512.6 million, with 0.98 million units outstanding as at June 30, 2007, prior to distribution. The NAV of the Fund on June 30, 2007 stood at Rs. 517.79 per unit.

The Board of Directors of the Management Company has declared a bonus of Rs. 15 per unit on the face value of the units of Rs. 500 each per unit, which comes to 2.983 bonus units for every 100 units as on June 30, 2007. Unit holders are allowed to exercise the option to en-cash the bonus units on ex-bonus net asset value on June 30, 2007, which works out to Rs. 502.79 per unit, Alternatively the unit holders may redeem the bonus units at the ruling redemption price.

RATINGS UPDATE

The Pakistan Credit Rating Agency Limited (PACRA), has assigned an 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.

The Fund, having commenced operations from January 2007, has not yet completed the minimum period for eligibility of rating.

AAML AS A PENSION FUND MANAGER

AAML has been registered as a Pension Fund Manager by the Securities and Exchange Commission of Pakistan (the Commission) on January 8, 2007, under the Voluntary Pension System Rules, 2005 (VPS). Under the VPS, Pakistani nationals of over eighteen years of age, whether salaried or self-employed, holding a valid National Tax Number or a valid National Identity Card will be eligible to participate in the pension fund. AAML launched Atlas Pension Fund on June 28, 2007 with the approval of SECP. A Shariah Compliant Pension Fund will be launched shortly.

FUTURE OUTLOOK

The federal budget for FY 2007-08 carried an overall positive tone. An important feature of the budget was an unprecedented proposed increase in the outlay for the Public Sector Development Program, which has been set at Rs. 520 billion for the year 2007-08 as against Rs. 435 billion in the year 2006-07, up 19.5%. Additionally, various other measures have been announced which will benefit specific sectors, including cement, fertilizer, automobiles, etc.

These budgetary measures coupled with continued strength in international oil prices and healthy banking sector spreads, are expected to keep corporate earnings growth in the double digits, with the three largest sectors, Commercial Banking, Oil & Gas Exploration & Production and Fertilizer expected to lead the market in profit growth.

One of the contributing factors in the recent surge in the equity market is foreign portfolio investment. Attractive multiples as compared to regional markets are the reason behind this growth in foreign liquidity. We expect foreign liquidity to continue to drive the market in the year 2007-08 too.

The Fund has availed the opportunity and gradually increased equity exposure with a focus to provide consistent return to their investors in coming year.

عک کریں گے اہل نظر تازہ بستیاں آباد

(Those with vision foresight will continue to build sounder & stronger)

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

Yusuf H. Shirazi
Chairman

Karachi: September 25, 2007.



A new tale is
set to begin!

The Board of Directors of Atlas Asset Management Limited, the Management Company of Atlas Islamic Fund (the Fund), take pleasure in presenting the First Annual Report of the Fund along with the audited financial statements and the Auditors' Report thereon for the period from October 17, 2006 to June 30, 2007.

EARNINGS PER UNIT

Earnings per unit for the period from October 17, 2006 to June 30, 2007 work out to Rs. 17.67 per unit.

FUND SIZE AND INCOME DISTRIBUTION

The Fund was launched for public subscription from January 15, 2007 with a seed capital of Rs. 258.6 million. The Fund was listed on the Lahore Stock Exchange Guarantee Limited on February 19, 2007. As at June 30, 2007, the Net Assets of the Fund stood at Rs. 512.6 million. The Board of Directors of the Management Company of the Fund has approved a bonus of 3% on the Face Value of Rs. 500 per unit, which works out to Rs. 15 per unit, for the period from October 17, 2006 to June 30, 2007.

SALE AND REDEMPTION OF UNITS

During the period 1,117,984 units of the value of Rs. 561.7 million were issued, while 128,054 units of the value of Rs. 65.4 million were redeemed. As at June 30, 2007 the total number of units outstanding was 989,930 valued at Rs. 512.6 million.

The Unit Holders register as at June 30, 2007 presents diversified investors' base as follows:

Category	Period ended June 30, 2007		
	No of Accounts %	Units Held	Units Held %
Directors	0.88	29,453	2.98
Individuals	90.05	113,879	11.50
Corporates	0.44	3,000	0.30
Banks and Financial			
Institutions	7.31	588,526	59.45
Associated Companies	0.66	228,872	23.12
Trusts	0.44	20,200	2.04
Others	0.22	6,000	0.61
Total	100.00	989,930	100.00

CHAIRMAN'S REVIEW

The review included in the Annual Report deals inter alia with the performance of the Fund for the period from October 17, 2006 to June 30, 2007 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 preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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 in note 21 of the financial statements.
- i) The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The Board comprises of two executive and five non-executive directors. In October 2006, the Board completed its term and a new Board of Directors was elected in the Annual General Meeting of the Management Company's shareholders on October 30, 2006, wherein Mr. M.P. Bhandara was elected in place of the retiring Director Mr. Sherali Mundrawala, and the remaining Directors were re-elected for a fresh term of three years, with the approval of the Securities and Exchange Commission of Pakistan.

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

Name	Meetings Attended
Mr. Yusuf H. Shirazi	4
Mr. M. Habib-ur- Rahman	4
Mr. Jawaid Iqbal Ahmed	3
Mr. Peter A. Smyth	2*

Mr. Sherali Mundrawala	1**
Mr. Tariq Amin	4
Mr. M.P. Bhandara	2***
Mr. Ali H. Shirazi	4

* 1 through telephonic conference

** Term of office completed on October 29, 2006

*** Elected in AGM held on October 30, 2006

The Directors, CEO, and 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 15 to the financial statements - "Transactions with Connected Persons/ Related Parties."

AUDITORS

The Audit Committee of the Board of Directors in its meeting held on September 25, 2007, recommended the appointment of M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as auditors of Atlas Islamic Fund for the Financial Year 2007-08, in place of the retiring auditors M/s. Hameed Chaudhri & Co., Chartered Accountants. 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: September 25, 2007.

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



Financial Statements

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM OCTOBER 17, 2006 TO JUNE 30, 2007

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 Islamic 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. Election of directors was held during the period, to elect seven directors on the Board of the Management Company, following the completion of the term of office of the previous Board. No casual vacancy occurred during the period.
5. The Management Company has adopted a "Statement of Ethics and Business Practices" which has been distributed to and acknowledged by the directors and employees of the Management Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of the remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the period. Written notes of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board has approved the appointment of the CFO/ Company Secretary, remuneration and terms and conditions of employment as determined by the CEO.
10. The Directors' Report for the period from October 17, 2006 to June 30, 2007 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The role and responsibilities of the Chairman and the CEO have been approved by the Board.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
13. The Directors, CEO and Executives do not hold units other than those disclosed in note 15 to the financial statements "Transactions with Connected Persons/Related Parties".
14. The Management Company has complied with the corporate and financial reporting requirements of the Code.
15. The Board arranged an orientation course for its directors during the period, to apprise them of their duties and responsibilities.
16. The Board has formed an Audit Committee comprising of three members, all of whom are non-executive directors, including the Chairman of the Committee. Meetings of the Committee were held every quarter, prior to approval of the interim and annual results of the Fund, as required by the Code. The Board has approved the terms of reference of the Audit Committee.
17. 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. The appointment, remuneration and terms of reference of the Chief Internal Auditor have been approved by the Board.
18. The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund, and that the Firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi: September 25, 2007

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

We, the Shariah Advisers of Atlas Islamic Fund (the Fund), are issuing this report in accordance with clause 2.3.4 (v) of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

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

Following is the list of investments of Atlas Islamic Fund, provided to us by the management, as on June 30, 2007 and their evaluation according to the screening criteria established by us:

	Nature of Business	Debt to Assets (<45%)	Illiquid Assets to Total Assets (>=10%)	Non Compliant Income to Gross Revenue (<=5%)	% of Non Shariah Compliant Investments (<=33%)	Net Liquid Assets vs Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Attock Cement Pakistan Limited	Cement Manufacturer	0.02%	91.03%	-	-	(23.54)	96.50
D.G. Khan Cement Company Limited	Cement Manufacturer	31.46%	56.20%	-	-	12.66	86.50
Engro Chemicals Pakistan Limited	Manufacturers of Fertilizer Products	41.74%	45.91%	-	1.17%	(0.07)	185.80
Fauji Fertilizer Bin Qasim Limited	Manufacturers of Fertilizer Products	26.10%	65.03%	-	-	(10.15)	31.85
Fauji Fertilizer Company Limited	Manufacturers of Fertilizer Products	29.23%	53.17%	-	-	(2.71)	105.55
GlaxoSmithKline Pakistan Limited	Manufacturers of Pharmaceuticals Products	-	42.72%	2.84%	5.17%	48.09	193.00
Indus Motor Company Limited	Automobile Assembler	0.06%	39.17%	-	0.16%	31.82	240.10
Kot Addu Power Company Limited	Power Generation	28.04%	71.14%	-	-	(8.86)	58.40
National Refinery Limited	Refines crude oil to petroleum products	-	37.29%	-	-	(1.56)	240.20
Nishat Mills Limited	Manufacturers of Textile Products	26.44%	40.69%	-	-	70.96	100.60
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	-	47.67%	-	1.77%	8.26	118.80
Packages Limited	Paper & Board Manufacturing	31.49%	62.80%	-	-	160.99	224.00
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	-	18.58%	1.67%	-	70.06	320.65
Pak Suzuki Motor Company Limited	Automobile Assembler	-	60.69%	-	0.59%	(25.98)	519.95
Pakistan State Oil Company Limited	Distribution of Oil and gas	19.31%	48.63%	-	-	(69.24)	355.05
Pakistan Telecommunications Limited	Technology & Communication	0.84%	59.14%	-	-	6.78	47.40
Shell Pakistan Limited	Distribution of Oil and gas	28.63%	53.06%	-	-	(122.98)	390.00
Sui Northern Gas Pipelines Limited	Gas Transmission & Distribution	10.22%	61.24%	-	-	(46.85)	65.40
The Hub Power Company Limited	Power Generation	23.51%	77.93%	0.95%	-	4.61	24.25

As part of our mandate as the Shariah Advisers to the Fund, we have reviewed the following for the period October 17, 2006 to June 30, 2007:

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

In light of the above scope, we hereby certify that all the provisions of the scheme and investments made by the Fund for the period October 17, 2006 to June 30, 2007 are in compliance with the Shariah principles.

There are investments made by the Fund where the Investee companies have earned a part of their income from non-compliant sources (e.g. interest income). In such cases, the Management Company, in consultation with us, the Shariah Board of the Fund, have determined the Haram portion of the income and will be informing the Unit holders of the proportion of Haram and Halal income of the Fund so that they are able to purify it, along with the intimation of the distribution for the period ended June 30, 2007. As per the Trust Deed and the Offering Document of the Fund, certain Unit Holders may authorize the Management Company to pay any Haram income as charity to purify it. The Trustee in such cases is authorized to pay any part of cash dividend or encash bonus units and pay an amount equivalent to the Haram income to Management Company, for onward transmission to charities. The list of charities to which the Management Company will pay the Haram income will be decided in consultation with us, the Shariah Board of the Fund.

Dr. Khalid Zaheer

Karachi: July 20, 2007

Mr. Javed Ahmed Ghamidi

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

The Atlas Islamic Fund, an Open-ended Scheme established under a trust deed executed between Atlas Asset Management Limited as the Asset Management Company and Central Depository Company of Pakistan Limited as Trustee on September 12, 2006. The Scheme was authorized by the Securities and Exchange Commission of Pakistan (SECP) on September 22, 2006.

In our opinion, Atlas Asset Management Limited, the Asset Management Company of Atlas Islamic Fund has in all material respects managed Atlas Islamic Fund during the period October 17, 2006 to June 30, 2007 in accordance with the provisions of the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Karachi: October 11, 2007

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the period ended June 30, 2007.

Karachi: September 25, 2007

Hameed Chaudhri & Co.
Chartered Accountants

We have audited the accompanying financial statements of Atlas Islamic Fund which comprise the statement of asset and liabilities as at June 30, 2007 and the income statement, distribution statement, statement of movement in unit holders' fund, cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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 (NBFC Rules) and the 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 the 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 misstatements.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 the accounting estimates made by the 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 June 30, 2007, and of its financial performance, cash flows and transactions for the period 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 and NBFC Rules.

Karachi: September 25, 2007

Hameed Chaudhri & Co.
Chartered Accountants

We have performed our independent assurance engagement of Atlas Islamic Fund (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by the Shariah Advisors in accordance with para 19.6 of the Trust Deed of the Fund during the period ended June 30, 2007.

Management Company's responsibility for the financial statements

Management Company of the Fund is responsible for the appointment of Shariah Advisors of the Fund and for compliance with the Shariah guidelines prescribed by the Shariah Advisors. This responsibility includes: designing, implementing and maintaining internal controls to ensure compliance with the Shariah guidelines issued by the Shariah Advisors in accordance with para 19.6 of the Trust Deed of the Fund.

Responsibility of independent assurance providers

Our responsibility is to express our conclusion on the compliance based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagements (ISAE3000) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. This standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the Fund has complied with the guidelines issued by the Shariah Advisors.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah guidelines. In making those risk assessments, we have considered internal controls relevant to the entity's compliance with the guidelines in order to design our procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the guidelines. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Conclusion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah guidelines issued by the Shariah Advisors, in accordance with para 19.6 of the Trust Deed of the Fund during the period ended June 30, 2007.

Karachi: September 25, 2007

Hameed Chaudhri & Co.
Chartered Accountants

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2007

	Note	June 30, 2007 Rupees
ASSETS		
Balance at banks	4	283,562,670
Financial assets at fair value through profit or loss	5	255,893,250
Dividend receivable		1,098,750
Profit accrued on bank deposits		2,273,016
Security deposit		100,000
TOTAL ASSETS		542,927,686
LIABILITIES		
Balances due to brokers	6	23,446,580
Accrued and other liabilities	7	200,025
Payable to Atlas Asset Management Ltd. - Management Company	8	6,305,302
Payable to Central Depository Company of Pakistan Ltd. - Trustee	9	86,055
Payable to Shariah Board	10	100,000
Payable to Securities & Exchange Commission of Pakistan	11	209,385
TOTAL LIABILITIES		30,347,347
NET ASSETS		512,580,339
Unit holders' funds (as per statement attached)		512,580,339
		(No. of units)
Number of units in issue		989,930
		(Rupees per unit)
Net Asset Value per unit		517.79

The annexed notes 1 to 22 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

FOR THE PERIOD FROM OCTOBER 17, 2006 TO JUNE 30, 2007

For the period from
October 17, 2006
to June 30, 2007
Rupees

Note

INCOME

Income on PLS accounts		19,755,509
Dividend income		968,725
Net gain on sale of investments		604,095
Unrealised gain/ (loss) on revaluation of financial assets at fair value through profit or loss		6,758,838
Element of income and capital gains included in price of units sold less those in units repurchased		1,172,352
		29,259,519

EXPENDITURE

Remuneration - Management Company		6,281,595
Remuneration - Trustee		418,773
Remuneration - Shariah Board		400,000
Annual fee - SECP		209,385
Settlement charges		8,942
Annual listing fee		169,308
Auditors' remuneration	13	200,000
Brokerage, Commission and Capital Value Tax		285,507
Amortization of formation cost	14	3,784,750
Bank charges		11,917
		11,770,177
Net income for the period		17,489,342
Earnings per unit		17.67

The annexed notes 1 to 22 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)M. Habib-ur-Rahman
Vice Chairman &
Chief Executive OfficerYusuf H. Shirazi
ChairmanTariq Amin
Director

FOR THE PERIOD FROM OCTOBER 17, 2006 TO JUNE 30, 2007

For the period from
October 17, 2006
to June 30, 2007
Rupees

Net income for the period

17,489,342

Undistributed income carried forward

17,489,342

The annexed notes 1 to 22 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 PERIOD FROM OCTOBER 17, 2006 TO JUNE 30, 2007

For the period from
October 17, 2006 to
June 30, 2007

	Units	Rupees
Amount received on issue of units	1,117,984	561,713,258
Amount paid on redemption of units	(128,054)	(65,449,909)
	989,930	496,263,349
Element of income and capital gains included in price of units sold less those in units repurchased	-	(1,172,352)
Net income for the period	-	17,489,342
Net assets at the end of the period	989,930	512,580,339
Net assets at the end of the period consist of:		
Capital account		495,090,997
Undistributed income		17,489,342
		512,580,339

The annexed notes 1 to 22 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

FOR THE PERIOD FROM OCTOBER 17, 2006 TO JUNE 30, 2007

For the period from
October 17, 2006
to June 30, 2007
Rupees**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income for the period	17,489,342
Adjustments for:	
Net gain on sale of investments	(604,095)
Unrealised gain on revaluation of financial assets at fair value through profit or loss	(6,758,838)
Element of income and capital gains included in prices of units sold less those in units repurchased	(1,172,352)
Remuneration - Trustee	418,773
Amortization of formation cost	3,784,750
Cash generated from operations before working capital changes	13,157,580
Changes in operating assets	
Profit accrued on bank deposits	(2,273,016)
Dividend receivable	(1,098,750)
	(3,371,766)
Changes in operating liabilities	
Balances due to brokers	23,446,580
Accrued and other liabilities	200,025
Payable to Management Company	6,305,302
Payable to Shariah Board	100,000
Settlement charges payable	4,500
Payable to Securities and Exchange Commission of Pakistan	209,385
	30,265,792
Remuneration paid to Trustee	(337,218)
Security deposit	(100,000)
Formation cost paid	(3,784,750)
	(4,221,968)
Cash generated from operating activities	35,829,638
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of held for trading Investments	(254,971,728)
Sale of held for trading Investments	6,441,411
Cash used in investing activities	(248,530,317)
Cash flow before financing activities	(212,700,679)
CASH FLOWS FROM FINANCING ACTIVITIES	
Receipts in respect of sale of units	561,713,258
Paid on redemption of units	(65,449,909)
Cash generated from financing activities	496,263,349
Net increase in cash and cash equivalents	283,562,670
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	283,562,670

The annexed notes 1 to 22 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)M. Habib-ur-Rahman
Vice Chairman &
Chief Executive OfficerYusuf H. Shirazi
ChairmanTariq Amin
Director

1. LEGAL STATUS AND NATURE OF BUSINESS

The Atlas Islamic Fund (the Fund) is an open ended Fund constituted by a trust deed entered into on September 12, 2006 between Atlas Asset Management Limited (AAML) as the establisher and Management Company and Central Depository Company of Pakistan Limited (CDC) as trustee. AAML is licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as investment advisor and asset management company under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003).

Units of the Fund have been offered for public subscription on a continuous basis from January 15, 2007 and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the Lahore Stock Exchange (Guarantee) Limited.

The Fund has been formed to enable the unit holders to participate in diversified, professionally managed investment portfolio of Shariah Compliant securities, such as equities, debt securities and other Shariah Compliant instruments including Shariah Compliant securities available outside Pakistan. The activities of the Fund are undertaken in accordance with the criteria for Shariah compliance, called the Shariah Code (the Code), which has been laid down by the Shariah Board of the Fund, appointed by the Management Company with the approval of the SECP, to ensure that the activities of the Fund are in compliance with the code. The investment objectives and policy are fully defined in the Fund's Offering Document.

The investment activities and administration are managed by Atlas Asset Management Limited situated at Ground Floor, Federation House, Shahrae Firdousi, Clifton, Karachi.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Trust Deed, the NBFC Rules, 2003 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, NBFC Rules, 2003 or directives issued by the SECP differ with the requirements of these standards, the requirements of Trust Deed, the NBFC Rules, 2003 and the said directives take precedence.

3. ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements are presented in rupees rounded to the nearest rupee. Corresponding figures are not available as this is the first year of the Fund's operation. The financial statements have been prepared under the historical cost convention, except that certain financial assets have been included at fair values in accordance with the recognition criteria specified in the relevant International Financial Reporting Standards applicable to these assets and the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

The accounting policies have been applied consistently by the Fund.

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgements are exercised in application of the accounting policies are as follows:

- Classification and valuation of investments
- Assessing the realisability of assets

3.2 Investments

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

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

Financial assets or liabilities at fair value through profit or loss

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

Held for trading

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

3.3 Financial Asset and Financial Liabilities

Financial assets carried on the Statement of Assets and Liabilities include bank balances, due from brokers, investments, income accrued, advances & other receivables and security deposits.

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

Recognition

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

Derecognition

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

Measurement

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

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

3.4 Offsetting Financial Instruments

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

3.5 Due from / to brokers

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

3.6 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances.

3.7 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 estimates of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.8 Impairment of financial assets

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

3.9 Revenue Recognition

- Profit on bank deposit is recognised in the income statement on accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.
- Capital gains / (losses) arising on sale of securities are included in the Income Statement in the period in which they arise.

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

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

3.11 Taxation

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

3.12 Expenses

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

3.13 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 the net asset value per unit as of the close of the business day less any back-end load, and any duties, taxes and charges, as applicable.

3.14 Net Asset Value per Unit

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

3.15 Earnings per Unit

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

		Note	June 30, 2007 Rupees
4.	BALANCE AT BANKS		
	In PLS saving accounts	4.1	<u>283,562,670</u>

4.1 The rate of return on PLS deposit accounts ranges from 5.5% to 8.6% (approx.) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM OCTOBER 17, 2006 TO JUNE 30, 2007

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments - held for trading

June 30,
2007
Rupees

255,893,250

Name of investee company	Number of Shares				Market Value as at June 30, 2007	Percentage of investment in relation to net assets of the Fund
	Purchases during the period	Bonus/ Right Issue during the period	Sales during the period	As at June 30, 2007		
					Rupees	%
All the holdings are in shares of Rs. 10/- each as otherwise stated.						
Textile Composite						
Nishat Mills Ltd.	116,000	-	6,000	110,000	14,349,500	2.80
	116,000	-	6,000	110,000	14,349,500	2.80
Cement						
Attock Cement Pakistan Ltd.	55,000	-	-	55,000	6,734,750	1.31
D G Khan Cement Co. Ltd.	65,000	-	-	65,000	7,572,500	1.48
	120,000	-	-	120,000	14,307,250	2.79
Refinery						
National Refinery Ltd.	15,000	-	-	15,000	5,115,000	1.00
	15,000	-	-	15,000	5,115,000	1.00
Power Generation & Distribution						
The Hub Power Co. Ltd.	107,500	-	-	107,500	3,945,250	0.77
Kot Addu Power Co. Ltd.	10,000	-	-	10,000	601,500	0.12
	117,500	-	-	117,500	4,546,750	0.89
Oil & Gas Marketing Companies						
Pakistan State Oil Co. Ltd.	50,000	-	5,000	45,000	17,615,250	3.44
Shell Pakistan Ltd.	15,000	-	-	15,000	6,150,750	1.20
Sui Northern Gas Pipelines Ltd.	53,000	-	-	53,000	3,749,750	0.73
	118,000	-	5,000	113,000	27,515,750	5.37
Oil & Gas Exploration Companies						
Oil & Gas Development Co. Ltd.	350,000	-	-	350,000	41,930,000	8.18
Pakistan Oilfields Ltd.	142,500	-	-	142,500	45,172,500	8.81
	492,500	-	-	492,500	87,102,500	16.99
Automobile Assembler						
Indus Motor Co. Ltd.	20,000	-	-	20,000	6,110,000	1.19
Pak Suzuki Motor Co. Ltd.	22,000	-	-	22,000	8,624,000	1.68
	42,000	-	-	42,000	14,734,000	2.87
Technology & Communication						
Pakistan Telecommunication Co. Ltd.	345,000	-	-	345,000	19,665,000	3.84
	345,000	-	-	345,000	19,665,000	3.84
Fertilizer						
Engro Chemicals Pakistan Ltd.	128,500	-	15,000	113,500	28,715,500	5.60
Engro Chemicals Pakistan Ltd.- Right Shares	-	4,125	-	4,125	528,000	0.10
Fauji Fertilizer Bin Qasim Ltd.	301,000	-	-	301,000	11,739,000	2.29
Fauji Fertilizer Co. Ltd.	205,000	-	-	205,000	24,856,250	4.85
	634,500	4,125	15,000	623,625	65,838,750	12.84
Pharmaceuticals						
Glaxosmithkline Pakistan Ltd.	14,500	-	-	14,500	2,718,750	0.53
	14,500	-	-	14,500	2,718,750	0.53
Paper & Board						
Packages Ltd.	1,200	60	1,260	-	-	-
	1,200	60	1,260	-	-	-
					255,893,250	49.92

5.1 Cost of held for trading investments as on June 30, 2007: Rs. 249,134,412.

	Note	June 30, 2007 Rupees
6. BALANCES DUE TO BROKERS		
Atlas Capital Markets (Pvt.) Limited - connected person		3,327,460
Others		20,119,120
		23,446,580
7. ACCRUED AND OTHER LIABILITIES		
Auditors' remuneration		200,000
Sales Load payable to distributors		25
		200,025
8. PAYABLE TO ATLAS ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY		
Management fee	8.1	6,281,595
Sales Load payable		23,707
		6,305,302
<p>8.1 In accordance with the provisions of the NBFC Rules, 2003, the Management Company of an open - ended fund is entitled to receive a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The Management Company has charged its remuneration at the rate of 3% per annum for the reported period.</p>		
9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
Trustee fee	9.1	81,555
Settlement charges		4,500
		86,055
<p>9.1 The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on average annual net assets of the Fund.</p>		
10. PAYABLE TO SHARIAH BOARD		
Shariah Board's fee		100,000
<p>The remuneration of the Shariah Board of the Fund, comprising of two members appointed by the Board of the Directors of the Management Company of the Fund with the approval of the Commission.</p>		
11. PAYABLE TO SECURITIES & EXCHANGE COMMISSION OF PAKISTAN		
Annual fee	11.1	209,385
<p>11.1 Under the provision of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, a Unit Trust scheme is required to pay annual fee to the Commission (SECP), an amount equal to one tenth of one percent of the average annual net assets of the Fund.</p>		
12. DISTRIBUTION		
<p>The Board of Directors of the Management Company, in their meeting held on July 20, 2007, approved a bonus distribution for the period ended June 30, 2007 of Rs. 15 per unit on the face value of Rs.500 each i.e. 3%, amounting to Rs. 14,848,948. The distribution will be recognized in the financial statements subsequent to year end.</p>		
<p>The above distribution subsequent to year end includes Rs. 1,819,717 determined as non-Shariah compliant income by the Shariah Board of the Fund, consisting of Rs. 29,751 being interest included in dividend income of the investee companies, and Rs. 1,789,966 relating to murabaha income on perishable items included in the profit on bank accounts maintained with Islamic Banks. Such Non-Shariah compliant income, in accordance with the mandates from the unit holders, has been intimated to them in accordance with the provisions of the Trust Deed of the Fund.</p>		

	Note	For the period from October 17, 2006 to June 30, 2007 Rupees
13. AUDITORS' REMUNERATION		
Annual audit fee		75,000
Certification charges		82,500
Code of Corporate Governance		37,500
Out of pocket expenses		5,000
		<u>200,000</u>
14. FORMATION COST		
Formation cost	14.1	3,784,750
Less: Amount amortised during the period		(3,784,750)
		<u>-</u>
<p>14.1 Formation cost refers to all preliminary and floatation expenses of the Fund incurred upto initial issue of units. The Management has decided to amortize the formation cost during the current period.</p>		
15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES		
Atlas Asset Management Limited - Management Company		
Remuneration of Management Company		6,281,595
Formation cost paid		3,784,750
Sales Load		305,440
Atlas Capital Markets (Pvt.) Limited		
Brokerage		13,275
Allwin Engineering Industries Limited - Employees Provident Fund		
Sale of 34,640 units		17,500,000
Atlas Fund of Funds		
Sale of 28,872 units		15,000,000
Atlas Honda Limited		
Sale of 100,000 units		50,000,000
Atlas Insurance Limited		
Sale of 100,000 units		50,000,000
Key Management personnel		
Chief Executive Officer		
Sale of 1,000 units		500,000
Directors		
Sale of 28,453 units		14,294,890
Executives		
Sale of 875 units		440,000
Redemption of 200 units		101,594

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

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

16. HARAM INCOME IN THE DISTRIBUTED INCOME

16.1 According to the Trust Deed of the Fund, where a portion of the Fund's income has been earned from Shariah non-compliant avenues, such portion of income of the Fund is to be purified, either:

- 1 Directly by the Management Company of the Fund, where the unit holders have given the mandate in this respect; or
- 2 By the unit holders themselves, if they have not given such permission to the Fund. In such case, the Management Company should intimate the unit holders about the portion of such haram income in the income distributed by the Fund.

As stated in note 12, the Board of Directors, in their meeting held on July 20, 2007, approved a bonus distribution for the period ended June 30, 2007 of Rs. 15 per unit on the face value of Rs. 500 each i.e. 3%, amounting to Rs. 14,848,948, which includes a non Shariah Compliant portion of Rs.1,819,717. This portion, subsequent to year end, in accordance with the above requirements of the Trust Deed of the Fund, has been duly intimated to the unit holders.

16.2 The Portion of haram income for which the Management Company is authorised to pay to charity for the period ended June 30, 2007, will be paid to charities approved by the Shariah Board.

17. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

17.1 The Fund's MROR sensitivity related to financial assets and financial liabilities as at June 30, 2007 can be determined from the following:

	2007			Total
	Exposed to MROR risk	Not exposed to MROR risk		
	Upto three months	Over three months to one year	Over one year	
Amount in Rupees				
On-balance sheet financial instruments				
Financial Assets				
Balance at banks	283,562,670	-	-	283,562,670
Financial assets at fair value through profit or loss	-	-	255,893,250	255,893,250
Dividend receivable	-	-	1,098,750	1,098,750
Profit accrued on bank deposits	-	-	2,273,016	2,273,016
Security deposit	-	-	100,000	100,000
	283,562,670	-	259,365,016	542,927,686
Financial Liabilities				
Balances due to brokers	-	-	23,446,580	23,446,580
Accrued and other liabilities	-	-	200,025	200,025
Payable to Atlas Asset Management Ltd. - Management Company	-	-	6,305,302	6,305,302
Payable to Central Depository Company of Pakistan Ltd. - Trustee	-	-	86,055	86,055
Payable to Shariah Board	-	-	100,000	100,000
Payable to Securities & Exchange Commission of Pakistan	-	-	209,385	209,385
	-	-	30,347,347	30,347,347
On-balance sheet gap as at June 30, 2007	283,562,670	-	229,017,669	512,580,339

17.2 Effective rate of return:

	2007 Percentage Range
Cash at banks	5.50 - 8.6

18. MATURITIES OF ASSETS AND LIABILITIES

	2007			Total
	Upto three months	Over three months to one year	Over one year	
Amount in Rupees				
Assets				
Balance at banks	283,562,670	-	-	283,562,670
Financial assets at fair value through profit or loss	255,893,250	-	-	255,893,250
Dividend receivable	1,098,750	-	-	1,098,750
Profit accrued on bank deposits	2,273,016	-	-	2,273,016
Security deposit	-	-	100,000	100,000
	542,827,686	-	100,000	542,927,686
Liabilities				
Balances due to brokers	23,446,580	-	-	23,446,580
Accrued and other liabilities	200,025	-	-	200,025
Payable to Atlas Asset Management Ltd. - Management Company	6,305,302	-	-	6,305,302
Payable to Central Depository Company of Pakistan Ltd. - Trustee	86,055	-	-	86,055
Payable to Shariah Board	100,000	-	-	100,000
Payable to Securities & Exchange Commission of Pakistan	209,385	-	-	209,385
	30,347,347	-	-	30,347,347
Net Assets as at June 30, 2007	512,480,339	-	100,000	512,580,339

19. FINANCIAL RISK MANAGEMENT POLICIES

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

19.1 Market Risk

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

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

19.2 Credit Risk

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

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Financial assets subject to credit risk amount to Rs. 542.928 million. The Fund's portfolio of financial instruments is broadly diversified and transactions entered into with diverse creditworthy counterparties thereby mitigating any significant concentrations of credit risk.

19.3 Liquidity Risk

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

19.4 Market Rate of Return (MROR) Risk

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

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

21. PERFORMANCE TABLE

	Note	For the period from October 17, 2006 to June 30, 2007 Rupees
Net assets		512,580,339
Net income		17,489,342
Net asset value per unit		517.79
Earnings per unit		17.67
Distribution	12	-
Highest offer price per unit		525.33
Lowest offer price per unit		508.46
Highest repurchase price per unit (after applicable back-end load)		512.33
Lowest repurchase price per unit (after applicable back-end load)		495.88

22. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 25, 2007.

For Atlas Asset Management Limited
(Management Company)

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

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

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