

Atlas funds

Nurturing your investments

Atlas Stock Market 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 organisations, 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

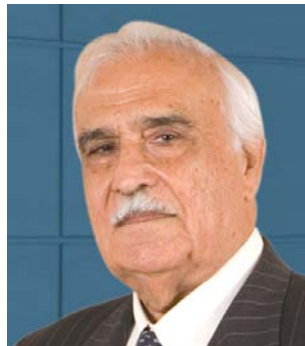
Atlas Bank Limited
Bank Alfalah Limited

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.

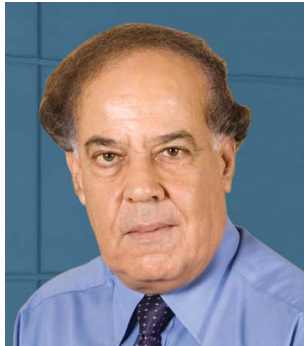
Mr. Frahim Ali Khan Director

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 fourth Annual Report of Atlas Stock Market 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 the 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, posted a growth of 5.4% and 1.5% respectively.

Inflation has remained one of the issues faced by the economy during the year. 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.

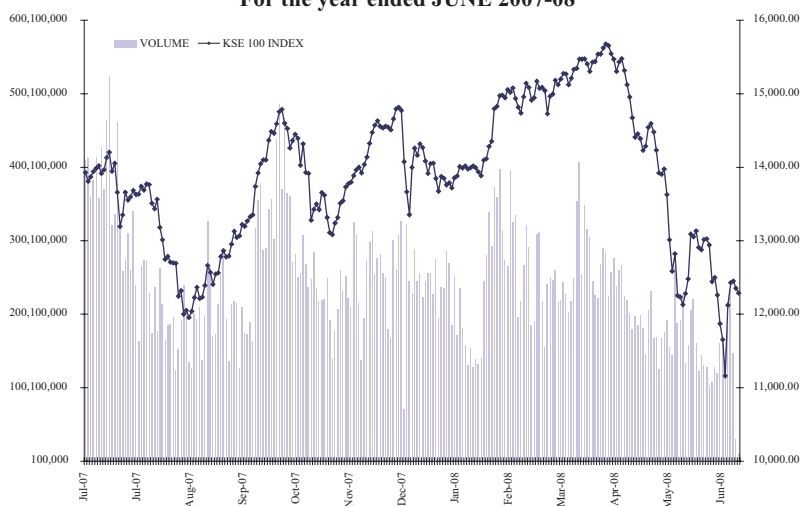
The stock market experienced high volatility during the outgoing financial year due to the economic challenges at local and international front. Key takeovers in banking, financial and telecommunication sector together with successful GDR of Lucky Cement are some of the highlights of the stock market during the FY07-08. In April, the KSE-100 index crossed 15,500 mark, however, later experienced a decline to close at 12,289 points as on June 30, 2008.

THE STOCK MARKET

The KSE-100 index declined by 10.77% to close at 12,289 points for the year ended June 30, 2008. Volatility due to the challenges which included rising oil & food prices, short supplies, weakening Rupee and global economic slow down. The stock market remained volatile during the first half of financial year 2007-08 due to profit taking by foreign portfolio investors. The KSE-100 index posted gain of 2.2% during the first half of financial year 2007-08.

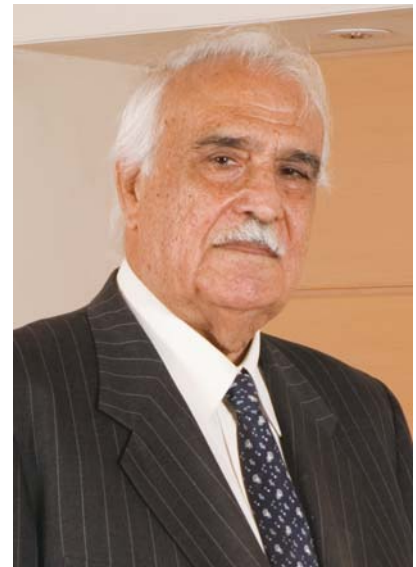
During the second half of the period under review, the KSE-100 touched its all time high of 15,676 on April 18, 2008; however, the index couldn't sustain the upward momentum, and closed the year at 12,289 level. The economic challenges coupled with apprehension about spill over affect of global slow down were the major reasons behind this correction. Banks, Cement, Telecom and Oil & Gas marketing sectors under-performed the market, while Oil and Gas Exploration, Refinery and Fertilizer sectors out-performed the market during the year.

KSE 100 INDEX vs VOLUME
For the year ended JUNE 2007-08



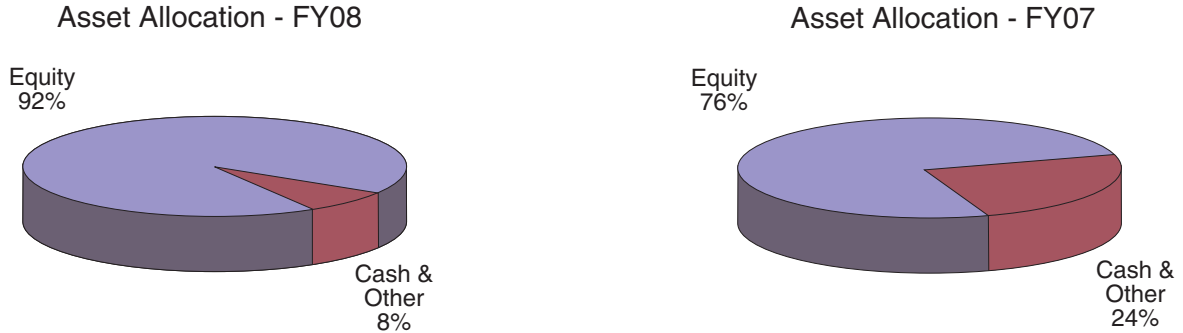
Fertilizer sector due to its high growth potential, better profitability outlook and attractive valuation remained in limelight. E&P sector has benefited from unprecedented surge in international oil prices and rising production. The sector offers attractive dividend yield and handsome earning growth. The Banking sector being the best performing sector last year, under-performed during the period under review as sentiments overplayed the monetary tightening measures taken by the central bank to curb down inflation. Additionally, the removal of Forced Sale Value Benefit resulted in higher NPL's for the sector. Oil and Gas marketing sector despite impressive earnings growth remained the under performer, as investor remained cautious due to the likely impact of any reduction in margins. Cement sector's dismal performance, despite growth in dispatches, was attributed to depressed margins. Telecom sector's under performance was mainly attributed to one off huge VSS cost of Rs. 23bn borne by the sector's giant PTCL.

During the period under review, the banking sector witnessed acquisition of 15% stake in MCB Bank by Maybank of Malaysia, and acquisition of 68.8% stake in Saudi Pak Commercial Bank by international consortium. The DEG - Germany, a leading international financial institution, has become a shareholder in Atlas Bank Limited with a 24.9 percent stake. The public offering of Habib Bank Limited and Arif Habib Bank Limited were also made, beside, GDR issue of Lucky Cement Limited.



FUND OPERATIONS

The Net Assets of the Fund stood at Rs. 1.32 billion, with 2.38 million units outstanding as at June 30, 2008, prior to distribution. The NAV of the Fund as on June 30, 2008 stood at Rs. 555.07 per unit. The Capital Gain for the period under review stood at Rs. 68.60 million. Dividend Income and Interest Income stood at Rs. 56.84 million and Rs. 20.79 million respectively. ASMF portfolio is well diversified and liquid with major investments in Oil & Gas Exploration, Banking, Fertilizer and Oil & Gas Marketing Sectors.



The Board of Directors has approved a bonus of Rs. 37.50 per unit (7.50% on the face value of Rs. 500 per unit). An investor holding 100 units as at June 30, 2008 will get 7.2454 units on the ex-bonus price of Rs. 517.57 per unit, the proportionate bonus will apply to actual holdings. Unit holders who have opted for cash payout will receive cash payment accordingly.

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 "4 star" rating to the Fund. This reflects a good performance relative to its peers. The "4 star" rating is a composite measure of returns and risk associated with the returns.

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 in short term. However, corrective measures, some of which have already been taken in FY08-09 budget besides tight monetary stance 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 high budgetary deficit and inflation. The budgetary measures though having a neutral effect on most listed sectors carried an overall positive tone. Going forward, oil and gas exploration and fertilizer sectors are expected to post attractive earnings, where as banking sector is trading on attractive valuation and is also expected to yield decent returns.

Pakistan's equity market is trading at relatively attractive regional earning multiples and as economy moves toward sustainable growth, it has strong potential to yield attractive returns. The Fund is committed to prudent investment procedures and will continue to provide consistent long term returns to the investors:

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

Karachi: August 18, 2008

Yusuf H. Shirazi
Chairman

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 Stock Market Fund (the Fund), take pleasure in presenting the Fourth Annual Report of the Fund along with the audited financial statements and Auditors' Report thereon for the year ended June 30, 2008.

EARNINGS / (LOSS) PER UNIT

Loss per unit for the year ended June 30, 2008 works out to Rs. 33.05 per unit (2007: Earning per unit Rs.152.90).

FUND SIZE AND INCOME DISTRIBUTION

As at June 30, 2008, the Net Assets of the Fund stood at Rs. 1.32 billion as compared to the Net Asset size of Rs. 1.52 billion as at June 30, 2007. The Board of Directors of the Management Company of the Fund have approved a bonus of 7.5% (2007: 20%) on the Face Value of Rs. 500 per unit, which works out to Rs. 37.50 per unit (2007: Rs. 100 per unit).

As explained in note 22.1 to the financial statements, the annual distribution of Rs. 100 per unit on the face value of Rs. 500 per unit for the year ended June 30, 2007, aggregating to Rs. 218,737,154 included therein Rs. 39,144,741 out of unrealized capital gains, in comparison to the distributable income being the aggregate of income earned by the Fund and realized capital gains. During the year, the matter was taken up with the Securities and Exchange Commission of Pakistan (the Commission) through the forum of the Mutual Funds Association of Pakistan (MUFAP), on the plea that throughout the year, unrealized capital gains are included in the prices of units, and accordingly, investors redeeming their units throughout the year enjoy the benefit thereof. As such, there should be no restriction on the unit holders at year end, from taking similar benefits. International Conventions and practices were also briefed to the Commission, whereafter the Commission concurred with the MUFAP's proposal, and allowed the concerned mutual funds to amend their trust deeds to allow distribution from unrealized capital gains. The Fund has accordingly brought about the necessary amendments to the Trust Deed.

SALE AND REDEMPTION OF UNITS

During the year 681,096 units of the value of Rs. 0.42 billion were issued, while 808,090 units of the value of Rs. 0.51 billion were redeemed. As at June 30, 2008 the total number of units outstanding was 2,379,248 valued at Rs. 1.32 billion (2007: 2,187,372 units valued at Rs. 1.52 billion).

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 23 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 result 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.
- 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) A summary of key financial data / performance table 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 "4 Star" rating to the Fund.

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 27 to the financial statements.

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 19 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 Stock Market 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.

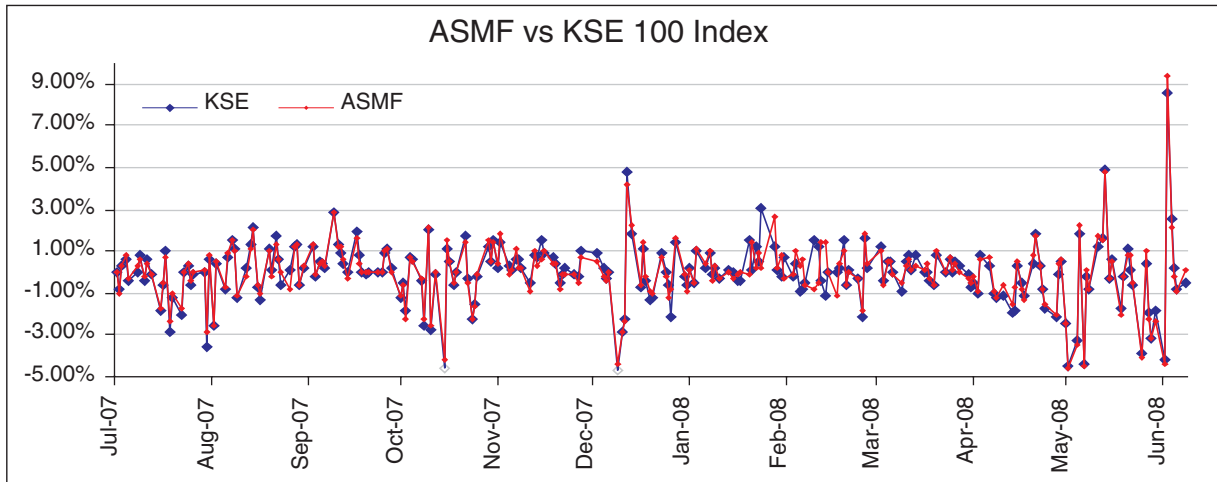
For and on behalf of the Board

Karachi: August 18, 2008

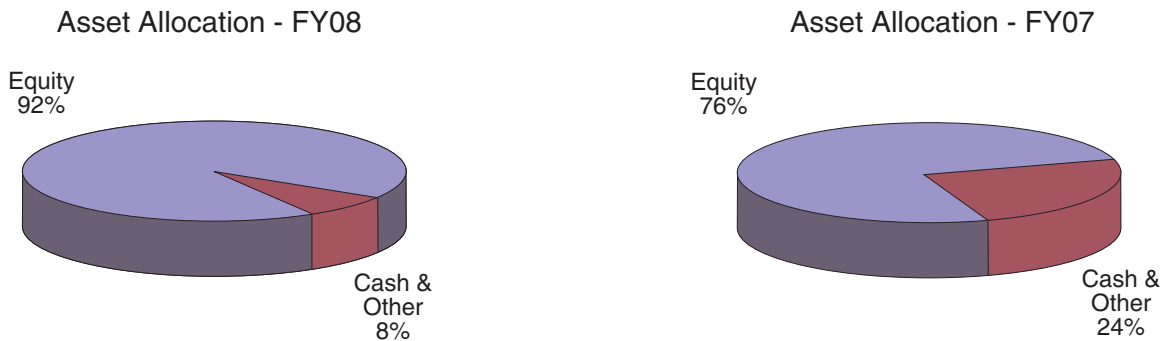
M. Habib-ur-Rahman
Vice Chairman &
Chief Executive Officer

Fund Manager's Report

Atlas Stock Market Fund is an open-ended equity fund. The Fund aims to achieve appreciation in the value of amount invested along with modest income and to provide the investors with liquidity and the facility to join or leave the fund at their convenience.



The benchmark KSE-100 index during the period under review has decreased by 10.77% from 13,772 points at the start of the year to 12,289 points as on June 30, 2008. The KSE-100 touched the all time high level of 15,676 points on April 18, 2008, however, the fourth quarter of FY08 witnessed a significant decline in KSE-100 index as a result of continued political uncertainties, high international oil prices, growing inflation and resultant economic situations.



The Net Asset Value per unit of ASMF has decreased by 6.84% from Rs. 595.84 per unit to Rs. 555.07 during the financial year ended June 30, 2008.

ASMF investment strategy is based on the belief that fundamental economic and sector analysis drives long term out performance, and that active portfolio management can produce consistently superior results than those produced through passive management. The Fund emphasizes medium to long-term investment views and involves the application of relative value analysis to industry sectors. ASMF portfolio is well diversified and liquid with major investments in Oil & Gas Exploration, Banking, Fertilizer and Oil & Gas Marketing Sectors. The Net Assets of the Fund stood at Rs. 1.32 billion with 2.38 million units outstanding as of June 30, 2008.

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	379	161,960,340	12.26%
Associated Companies / Directors	7	117,992,503	8.93%
Insurance Companies	5	25,255,658	1.91%
Banks / DFIs	4	193,174,701	14.63%
NBFCs	2	1,803,056	0.14%
Retirement Funds	88	668,495,257	50.62%
Others	3	151,961,643	11.51%
Total	488	1,320,643,157	100.00%

The Board of Directors has approved a bonus of Rs. 37.50 per unit (7.50% on the face value of Rs. 500 per unit). An investor holding 100 units as at June 30, 2008 will get 7.2454 units on the ex-bonus price of Rs. 517.57 per unit, the proportionate bonus will apply to actual holdings. Unit holders who have opted for cash payout will receive cash payment accordingly.

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

Karachi: August 18, 2008

Khalid Mehmood
Fund Manager

Fund's Performance Table

	2008 Rupees	2007 Rupees	2006 Rupees
Net assets (Rs. in " 000 ")	1,320,643	1,522,066	1,534,739
Number of units in issue	2,379,248	2,187,372	2,315,580
Net Asset value per unit (Rs.)	555.07	695.84	662.79
Net (loss) / income (Rs. in " 000 ")	(78,623)	334,451	371,575
Earnings / (loss) per unit	(33.05)	152.90	160.47
Annual return of the Fund (%)	(6.84)	29.39	32.52
Offer price *	566.17	709.77	675.85
Redemption price *	555.07	695.85	662.60
Distribution (Bonus)	37.50	100.00	125.00
Distribution as a % of par value of units	7.50	20.00	25.00
Date of distribution	4-Jul-08	20-Jul-07	19-Jul-07
Highest offer price	698.28	710.81	793.44
Lowest offer price	515.74	535.97	507.03
Highest repurchase price per unit	684.59	696.87	777.88
Lowest repurchase price per unit	505.63	525.46	497.09

* Relates to announced prices.

Date of Launch: November 23, 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 Stock Market 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 year. 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 19 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 NonBanking Finance Companies and Notified Entities Regulations, 2007

Atlas Stock Market Fund (Fund), an open-end scheme was established under a trust deed dated 29 May 2004, executed between Atlas Asset Management Limited, as the management company and Central Depository Company of Pakistan Limited, as the trustee.

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: 26 August 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 Stock Market 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 Stock Market 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 was modified with respect to the distribution of income out of unrealized capital gains as also reported in 'other matters' paragraph below.

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

As more fully explained in note 22.1 to the financial statements, the distribution made by the Fund during the year from the net income for the year ended 30 June, 2007 includes a sum of Rs. 39,144,741 out of unrealized capital gains for the said year. Had the distribution been made in accordance with the method of computation prescribed in the Trust Deed of the Fund, the same would have been lower by the above mentioned amount.

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed except for the matter stated in the preceding paragraph, and the requirements of 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	7	86,196,845	248,985,046
Receivable against sale of securities	8	10,706,742	1,850,940
Receivable against continuous funding system		-	170,242,040
Investments	9	1,216,258,127	1,149,711,423
Dividends receivable		9,882,806	4,272,500
Interest accrued	10	344,487	1,260,460
Prepayments and other receivables	11	29,777	29,777
Security deposits	12	3,600,000	1,100,000
Total assets		1,327,018,784	1,577,452,186
Liabilities			
Payable to unit holders against redemption of units		335,464	9,514,541
Payable against purchase of securities		15,368	9,595,886
Payable to the management company	13	3,335,681	33,805,481
Payable to the trustee	14	200,799	202,205
Payable to SECP	15	1,811,496	1,508,799
Accrued and other liabilities	16	676,819	759,678
Total liabilities		6,375,627	55,386,590
Net assets		1,320,643,157	1,522,065,596
Unit holders' fund		1,320,643,157	1,522,065,596
Number of units in issue		2,379,248	2,187,372
Net asset value per unit		555.07	695.84

The annexed notes from 1 to 30 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 ----- Rupees -----
Income			
Dividend income		56,842,212	47,558,838
Interest income	17	20,790,127	36,713,816
Income from transactions in futures		-	23,231
Net gain on sale of investments		68,601,005	125,198,645
Net unrealised (loss) / gain on revaluation of investments		(177,713,590)	238,063,154
Element of income and capital gain included in prices of units sold less those in units redeemed - net		8,091,946	(59,812,770)
		(23,388,300)	387,744,914
Expenses			
Remuneration of the management company	13.1	46,844,834	45,263,946
Remuneration of the trustee	14.1	2,564,236	2,508,871
SECP annual and monitoring fee	15.1	1,811,496	1,508,799
Brokerage and capital value tax		2,981,446	3,176,918
Auditors' remuneration	18	412,950	295,000
Printing charges		242,600	-
Settlement charges		119,365	303,063
Legal and professional charges		116,666	76,000
Annual rating fee		100,000	100,000
Annual listing fee		30,000	30,000
Bank charges		11,249	31,534
		55,234,842	53,294,131
Net (loss) / income for the year		(78,623,142)	334,450,783

The annexed notes from 1 to 30 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

Note	2008 ----- Rupees -----	2007 -----
Undistributed income brought forward	417,655,567	372,652,253
Distribution at the rate of Rs. 100 per unit declared on 20 July 2007 (2007 : Rs. 125 per unit declared on 19 July 2006)	22.1	
- Bonus units	(189,995,327)	(289,447,469)
- Cash payout against distribution	(28,741,827)	-
	(218,737,154)	(289,447,469)
Net (loss) / income for the year	(78,623,142)	334,450,783
Undistributed income carried forward	120,295,271	417,655,567

The annexed notes from 1 to 30 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 (loss) / income for the year	(78,623,142)	334,450,783
Adjustments for:		
Net gain on sale of investments	(68,601,005)	(125,198,645)
Net unrealised loss / (gain) on revaluation of investments	177,713,590	(238,063,154)
Element of income and capital gain included in prices of units sold less those in units redeemed - net	(8,091,946)	59,812,770
	101,020,639	(303,449,029)
(Increase) / decrease in assets		
Receivable against sale of securities	(8,855,802)	(1,850,940)
Receivable against continuous funding system	170,242,040	(146,826,215)
Dividends receivable	(5,610,306)	5,170,900
Interest accrued on bank balances	915,973	935,573
Security deposits	(2,500,000)	(1,000,000)
	154,191,905	(143,570,682)
(Decrease) / increase in liabilities		
Payable to unit holders against redemption of units	(9,179,077)	9,514,541
Payable against purchase of securities	(9,580,518)	9,595,886
Payable to the management company	(30,469,800)	(3,993,449)
Payable to the trustee	(1,406)	(16,623)
Payable to SECP	302,697	262,269
Accrued and other liabilities	(82,859)	388,272
	(49,010,963)	15,750,896
	127,578,439	(96,818,032)
Investments made during the year	(2,426,816,835)	(710,674,909)
Investments sold during the year	2,251,157,546	1,147,248,761
Net cash (used in) / generated from operating activities	(48,080,850)	339,755,820
Cash flows from financing activities		
Proceeds from issue of units	420,319,399	810,399,373
Payment on redemption of units	(506,284,923)	(1,217,335,978)
Cash payout against distribution	(28,741,827)	-
Net cash outflow from financing activities	(114,707,351)	(406,936,605)
Net decrease in cash and cash equivalents	(162,788,201)	(67,180,785)
Cash and cash equivalents at the beginning of the year	248,985,046	316,165,831
Cash and cash equivalents at the end of the year	86,196,845	248,985,046

The annexed notes from 1 to 30 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' FUND FOR THE YEAR ENDED 30 JUNE 2008

	2008		2007	
	Units	Rupees	Units	Rupees
Net assets at the beginning of the year [Rs.695.84 (2007: Rs. 662.79) per unit]	2,187,372	1,522,065,596	2,315,580	1,534,738,648
Issue of units	681,096	420,319,399	1,324,591	810,399,373
Redemption of units	(808,090)	(506,284,923)	(1,991,016)	(1,217,335,978)
	(126,994)	(85,965,524)	(666,425)	(406,936,605)
Element of income and capital gain included in prices of units sold less those in units redeemed - net	-	(8,091,946)	-	59,812,770
Issue of bonus units	318,870	-	538,217	-
Cash payout against distribution	-	(28,741,827)	-	-
Net (loss) / income for the year	-	(78,623,142)	-	334,450,783
Net assets at the end of the year [Rs.555.07 (2007: Rs.695.84) per unit]	2,379,248	1,320,643,157	2,187,372	1,522,065,596

The annexed notes from 1 to 30 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 Stock Market Fund (the Fund) is an open ended mutual fund constituted by a trust deed entered into on 29 May 2004 between Atlas Asset Management Limited (AAML) as the management company and Central Depository Company of Pakistan Limited (CDC) as the trustee. During the year, the Trust Deed and Offering Document were revised on 29 October 2007 and 06 March 2008 with the approval of the SECP. The investment activities and administration of the Fund are managed by AAML situated at Ground Floor, Federation House, Shahrae Firdousi, Clifton, Karachi.
- 1.2 Units of the Fund are offered for public subscription on a continuous basis since 23 November 2004, and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the 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 a diversified portfolio of equity securities offering consistent returns and growth. The Fund aims to deliver this objective mainly by investing in equity securities of companies that are paying regular dividend, have growth prospects or are actively traded. Any amounts which have not been invested in equity securities may be invested in corporate debt instruments or Government securities or placed in money market instruments, reverse repurchase agreements or future transactions. The investment objectives and policy are more fully defined in the Fund's Offering Document.

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 4.1 and 4.2 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, unless otherwise stated.

4.1 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.

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

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. However, unquoted equity investments are carried at lower of investment price or break up value in accordance with the requirements of the NBFC Regulations.

Fair value of listed shares is determined on the basis of closing market prices quoted on the respective stock exchange.

4.2 Derivatives

These are measured at their 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 balance sheet. The resultant gains and losses are included in the income currently.

4.3 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 balance sheet 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.

4.4 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.

4.5 Revenue recognition

Dividend income is recognised when the right to receive the dividend is established.

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

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

4.6 Expenses

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

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

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

4.8 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 the net asset value at the date of issue 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.

4.9 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.

4.10 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.

4.11 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.

4.12 Distribution to unit holders

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

4.13 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.

4.14 Cash and cash equivalents

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

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

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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments 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.

	Note	2008 ----- Rupees -----	2007 ----- Rupees -----
7. BANK BALANCES			
In PLS saving accounts	7.1	<u>86,196,845</u>	<u>248,985,046</u>

7.1 These carry rates of return ranging between 2.5% to 11.25% (2007: 1.30% to 10%) per annum and include balance of Rs. 5,031,848 (2007: Rs.246,307,397) with Atlas Bank Limited (a related party).

8. RECEIVABLE AGAINST SALE OF SECURITIES

Includes receivable amounting to Rs. 5,400,006 (2007 : Nil) from Atlas Capital Markets (Pvt.) Limited (a related party).

9. INVESTMENTS - at fair value through income statement

Listed equity securities - held-for-trading	9.1	<u>1,216,258,127</u>	<u>1,149,711,423</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Number of shares					Rupees	Percentage of	
At the beginning of the year	Acquired during the year	Bonus/right* shares during the year	Disposed during the year	At the end of the year	Market value	Total investments	Net assets

9.1 Listed equity securities - held for trading

(Ordinary shares have a face value of Rs. 10/- each unless stated otherwise)

Investment Banks/Cos./Securities

Arif Habib Securities Limited	-	506,200	-	366,200	140,000	22,607,200	1.86	1.71
Pakistan Industrial Credit and Investment Corporation Limited	115,000	-	-	115,000	-	-	-	-
	115,000	506,200	-	481,200	140,000	22,607,200	1.86	1.71

Commercial Banks

Allied Bank Limited	50,000	359,500	9,000	284,600	133,900	11,417,653	0.94	0.86
Askari Bank Limited	240,225	420,100	-	660,325	-	-	-	-
Bank Alfalah Limited	230,040	1,790,900	40,259	1,356,000	705,199	28,955,471	2.38	2.19
Habib Bank Limited	-	327,100	-	282,100	45,000	9,388,350	0.77	0.71
Habib Metropolitan Bank Limited	-	165,400	-	136,400	29,000	1,193,930	0.10	0.09
JS Bank Limited	-	100,000	-	100,000	-	-	-	-
MCB Bank Limited	235,000	556,200	-	631,200	160,000	52,220,800	4.29	3.95
National Bank of Pakistan	371,000	230,800	37,500	244,300	395,000	58,262,500	4.79	4.41
NIB Bank Limited	-	75,000	-	75,000	-	-	-	-
Standard Chartered Bank Pakistan Limited	-	30,000	-	30,000	-	-	-	-
The Bank of Punjab	262,875	466,200	20,997	750,072	-	-	-	-
United Bank Limited	256,512	760,300	21,253	424,000	614,065	52,250,791	4.30	3.96
	1,645,652	5,281,500	129,009	4,973,997	2,082,164	213,689,495	17.57	16.17

Insurance

Adamjee Insurance Company Limited	102,037	223,500	-	215,500	110,037	29,789,216	2.45	2.26
New Jubilee Life Insurance Company Limited	-	100,000	-	-	100,000	5,742,000	0.47	0.43
	102,037	323,500	-	215,500	210,037	35,531,216	2.92	2.69

Textile Composite

Azgard Nine Limited	-	100,000	-	-	100,000	6,156,000	0.51	0.47
Nishat Mills Limited	155,050	250,000	-	305,050	100,000	8,597,000	0.71	0.65
	155,050	350,000	-	305,050	200,000	14,753,000	1.22	1.12

Jute

Thal Limited (Face Value Rs. 5/- per share)	-	25,000	-	-	25,000	4,900,500	0.40	0.37
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Synthetic & Rayon

Dewan Salman Fibers Limited	35,500	-	-	35,500	-	-	-	-
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Cement

Attock Cement Pakistan Limited	50,000	20,000	-	70,000	-	-	-	-
D G Khan Cement Company Limited	115,000	810,000	-	600,000	325,000	21,820,500	1.79	1.65
Javedan Cement Company Limited	-	20,000	-	20,000	-	-	-	-
Lucky Cement Limited	125,000	495,000	-	490,000	130,000	12,730,900	1.05	0.96
Pakistan Cement Company Limited	-	225,000	-	225,000	-	-	-	-
	290,000	1,570,000	-	1,405,000	455,000	34,551,400	2.84	2.61

Refinery

Attock Refinery Limited	-	127,500	-	127,500	-	-	-	-
National Refinery Limited	90,000	185,000	-	210,000	65,000	19,335,550	1.59	1.46
	90,000	312,500	-	337,500	65,000	19,335,550	1.59	1.46

Power Generation and Distribution

Kot Addu Power Company Limited	50,000	451,900	-	501,900	-	-	-	-
The Hub Power Company Limited	75,000	860,000	-	835,000	100,000	2,860,000	0.24	0.22
	125,000	1,311,900	-	1,336,900	100,000	2,860,000	0.24	0.22

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

	Number of shares				At the end of the year	Rupees	Percentage of	
	At the beginning of the year	Acquired during the year	Bonus/right* shares during the year	Disposed during the year		Market value	Total investments	Net assets

(Ordinary shares have a face value of Rs. 10/- each unless stated otherwise)

Oil and Gas Marketing Companies

Attock Petroleum Limited	50,000	251,600	7,500	174,100	135,000	58,357,800	4.80	4.42
Pakistan State Oil Company Limited	145,000	242,000	-	232,000	155,000	64,672,200	5.32	4.90
Shell Pakistan Limited	6,000	42,800	-	48,800	-	-	-	-
Sui Northern Gas Pipelines Limited	120,000	555,000	-	675,000	-	-	-	-
	321,000	1,091,400	7,500	1,129,900	290,000	123,030,000	10.12	9.32

Oil and Gas Exploration Companies

Oil & Gas Development Company Limited	990,000	1,039,500	-	945,500	1,084,000	134,806,240	11.08	10.21
Pakistan Oilfields Limited	308,000	238,000	-	386,000	160,000	58,374,400	4.80	4.42
Pakistan Petroleum Limited	365,000	345,500	38,000	193,500	555,000	136,524,450	11.22	10.34
	1,663,000	1,623,000	38,000	1,525,000	1,799,000	329,705,090	27.10	24.97

Engineering

Pakistan Engineering Company Limited	-	2,000	-	2,000	-	-	-	-
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Automobile Assemblers

Al- Ghazi Tractors Limited (Face Value Rs. 5/- per share)	-	88,900	-	10,400	78,500	21,379,475	1.76	1.62
Indus Motor Company Limited	156,700	15,000	-	136,124	35,576	7,116,979	0.59	0.54
Millat Tractors Limited	-	212,700	-	152,100	60,600	16,119,600	1.33	1.22
Pak Suzuki Motor Company Limited	29,850	7,000	-	100	36,750	4,402,282	0.36	0.33
	186,550	323,600	-	298,724	211,426	49,018,336	4.04	3.71

Transport

Pakistan International Container Terminal Limited	-	163,900	-	163,900	-	-	-	-
Pakistan National Shipping Corporation	-	50,200	-	25,200	25,000	1,788,750	0.15	0.14
	-	214,100	-	189,100	25,000	1,788,750	0.15	0.14

Technology and Communication

NETSOL Technologies Ltd.	-	188,400	-	125,000	63,400	6,167,552	0.51	0.47
Pakistan Telecommunications Limited	609,900	1,205,100	-	1,040,000	775,000	29,946,000	2.46	2.27
	609,900	1,393,500	-	1,165,000	838,400	36,113,552	2.97	2.74

Fertilizer

Dawood Hercules Chemicals Limited	-	115,200	13,180	96,900	31,480	12,261,460	1.01	0.93
Engro Chemical Pakistan Limited	179,007	565,400	29,550*	344,200	429,757	120,680,063	9.92	9.14
Fauji Fertilizer Bin Qasim Limited	915,000	1,452,500	-	517,500	1,850,000	66,544,500	5.47	5.04
Fauji Fertilizer Company Limited	465,000	267,900	-	532,900	200,000	26,464,000	2.18	2.00
	1,559,007	2,401,000	42,730	1,491,500	2,511,237	225,950,023	18.58	17.11

Pharmaceuticals

GlaxoSmithKline Pakistan Limited	74,937	2,500	19,359	6,000	90,796	15,435,320	1.27	1.17
Sanofi-Aventis Pakistan Limited	-	5,800	-	5,800	-	-	-	-
	74,937	8,300	19,359	11,800	90,796	15,435,320	1.27	1.17

Chemicals

ICI Pakistan Limited	75,000	215,000	-	190,000	100,000	16,137,000	1.33	1.22
Sitara Chemical Industries Limited	-	81,400	-	300	81,100	20,473,695	1.68	1.55
	75,000	296,400	-	190,300	181,100	36,610,695	3.01	2.77

Papers and Board

Packages Limited	110,000	144,200	19,500	73,700	200,000	50,378,000	4.13	3.81
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Market value of investments as at 30 June 2008

1,216,258,127	100.00	92.09
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9.2 The cost of held for trading investments is Rs.1,323,218,849 (2007: Rs.889,959,805).

9.3 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 securities. The above investments include 200,000, 500,000 and 100,000 shares of National Bank of Pakistan, Oil & Gas Development Company Limited and Engro Chemical Pakistan Ltd. respectively, pledged with NCCPL for such purpose.

10. INTEREST ACCRUED

Includes interest amounting to Rs. 88,055 (2007: Rs. 416,495) on PLS saving account held with Atlas Bank Limited, (a related party).

11. PREPAYMENTS AND OTHER RECEIVABLES

Prepaid annual listing fee
Taxes deducted at source

Note	2008 ----- Rupees -----	2007 ----- Rupees -----
	15,000	15,000
	14,777	14,777
	29,777	29,777

12. SECURITY DEPOSITS

National Clearing Company of Pakistan Limited (NCCPL)
Central Depository Company of Pakistan Limited (CDC)

12.1	3,500,000	1,000,000
	100,000	100,000
	3,600,000	1,100,000

12.1 Includes amount deposited with NCCPL against Institutional Delivery System Functionality for regular market trades amounting to Rs. 2,500,000 million (2007:Rs.1,000,000 to NCCPL against CFS Financier Clearing Member account).

13. PAYABLE TO THE MANAGEMENT COMPANY

Management Fee
Sales Load

13.1	3,322,730	33,263,945
	12,951	541,536
	3,335,681	33,805,481

13.1 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 at the rate of 3% per annum of the average annual net assets for the year (2007: 3%).

14. PAYABLE TO THE TRUSTEE

Trustee fee
Settlement charges

14.1	192,949	189,684
	7,850	12,521
	200,799	202,205

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. 1,000 million Rs. 0.7 million or 0.20% per annum of the Net Asset Value, whichever is higher.
- On an amount exceeding Rs.1,000 million Rs. 2.0 million plus 0.10% per annum of Net Asset Value exceeding Rs. 1,000 million.

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

	Note	2008 ----- Rupees -----	2007 -----
15. PAYABLE TO SECP			
Annual fee	15.1	1,561,496	1,508,799
Monitoring fee		250,000	-
		1,811,496	1,508,799

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 of one tenth of 1% of the average annual net assets of the Fund.

	2008 ----- Rupees -----	2007 -----
16. ACCRUED AND OTHER LIABILITIES		
Auditors' remuneration payable	368,000	295,000
Brokerage payable	584	310,998
Sales load payable		
Atlas Capital Markets (Private) Limited (a related party)	-	7,354
Others	5,465	16,248
NCCPL charges payable	2,150	10,747
Printing charges payable	200,000	-
Withholding tax payable	95,078	119,331
Zakat Payable	5,542	-
	676,819	759,678

	2008 ----- Rupees -----	2007 -----
17. INTEREST INCOME		
PLS saving accounts	20,044,257	20,576,297
Continuous funding system	745,870	11,668,861
Certificate of investments / deposits	-	1,562,740
Placements	-	2,905,918
	20,790,127	36,713,816

	2008 ----- Rupees -----	2007 -----
18. AUDITORS' REMUNERATION		
Audit fee	192,000	160,000
Half yearly review of financial statements	96,000	80,000
Tax services	44,950	-
Other services	70,000	40,000
Out of pocket expenses	10,000	15,000
	412,950	295,000

19. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Atlas Asset Management Limited (Management Company)

Remuneration of the management company	46,844,834	45,263,946
Remuneration paid	76,786,049	49,395,964
Sales load	587,496	1,817,611

Central Depository Company of Pakistan Limited (Trustee)

Trustee fee	2,564,236	2,508,871
Settlement charges	65,596	161,522

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

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

19. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Atlas Fund of Funds (Fund under common management)

Bonus 11,047 (2007: 5,734) units	6,582,271	3,083,925
Sale of Nil (2007: 35,417) units	-	20,000,000
Outstanding 76,870 (2007:65,823) units	42,668,093	45,802,073

Atlas Bank Limited (Group Company)

Interest income	10,003,486	2,867,961
Bank Charges	2,533	200
Bonus 9,633 (2007: 10,975) units	5,739,951	5,902,443
Sale of Nil (2007: 57,400) units	-	40,000,000
Redemption of Nil (2007: 58,195) units	-	40,227,233
Outstanding 67,033 (2007:57,400) units	37,207,947	39,940,878

Atlas Insurance Limited (Group Company)

Bonus 4,514 (2007: Nil) units	2,689,462	-
Sale of 77,391(2007: 26,895) units	49,000,000	15,000,000
Redemption of 101,514 (2006:Nil) units	68,213,509	-
Outstanding 7,286 (2007:26,895) units	4,044,233	18,714,351

Atlas Honda Limited (Group Company)

Bonus 1,176 (2007: 75,152) units	700,732	40,415,944
Sale of 76,711 (2007: 273,877) units	50,000,000	150,000,000
Redemption of 84,894 (2007:665,350) units	54,840,486	401,059,662
Outstanding Nil (2007:7,007) units	-	4,875,972

Honda Atlas Cars (Pakistan) Limited (Group Company)

Bonus Nil (2007: 51,984) units	-	27,907,991
Redemption of Nil (2007: 275,158) units	-	170,103,298

Shirazi Investments (Private) Limited (Group Company)

Bonus Nil (2007: 15,689) units	-	8,437,238
Redemption of Nil (2007:83,187) units	-	49,007,735

Atlas Capital Markets (Private) Limited (Group Company)

Brokerage commission	144,650	124,065
Brokerage payable	6,660	30,635

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

Bonus 182 (2007: 204) units	108,212	109,755
Sale of 3,379 (2007: Nil) units	2,077,375	-
Redemption of 2,142 (2007: Nil) units	1,414,666	-
Outstanding 2,500 (2007: 1,082) units	1,387,675	752,983

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

Bonus 8,416 (2007: 8,530) units	-	4,587,397
Sale of Nil (2007: 4,916) units	-	3,000,000
Outstanding 58,561 (2007:50,145) units	-	34,892,953

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

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

19. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Key Management Personnel of management company

Chief Executive

Sale of 1,781 (2007: Nil) units	1,100,000	-
Outstanding 1,781 (2007: Nil) units	988,757	-

Directors

Bonus 6,966 (2007: 4,529) units	4,150,444	2,435,478
Sale of 10,125 (2007: 31,177) units	6,050,000	17,768,632
Redemption of Nil (2007: 13,000) units	-	8,026,980
Outstanding 58,595 (2007: 42,189) units	32,524,460	29,357,073

Executives

Bonus 68 (2007: 309) units	40,526	166,367
Sale of 352 (2007: 90) units	201,882	50,000
Redemption of 340 (2007:91) units	211,410	56,395
Outstanding 485 (2007: 1,217) units	268,969	847,081

- 19.1** 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.
- 19.2** The outstanding balance of related parties / connected persons are included in the respective notes to the financial statements.

20. FINANCIAL RISK MANAGEMENT POLICIES

20.1 Market risk

Market risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The volatility in share prices results in volatility in the net asset value based price of the Fund. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, its business sector, industry and / or the economy in general. The management company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the SECP.

20.2 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Fund is exposed to interest rate risk in respect of bank balances. The effective interest rate on such balances is disclosed in note 7 to the financial statements.

20.3 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 highly liquid financial assets.

20.4 Credit risk

Credit risk arises from the inability of the issuers of the instruments or the counter party to fulfil their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee.

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

20.5 Capital management

The Fund's objective when managing unit holders' funds is to safe guard 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.

21. 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 statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

22. DISTRIBUTION

22.1 The Board of Directors of the management company, in their meeting held on 20 July 2007, had approved a distribution for the year ended 30 June 2007, of Rs. 100 per unit (2006: Rs. 125 per unit) on the face value of Rs. 500 each i.e. 20% (2006: 25%) amounting to Rs. 218,737,154 (2006: Rs. 289,447,467). This distribution includes Rs.39,144,741 of unrealized capital gains, for the year ended 30 June 2007 which is not consistent with the method of computation for distributable income prescribed under the Trust Deed at the time of distribution. During the year, the management company of the Fund has caused necessary amendments in its trust deed of the Fund through the supplemental Trust Deed dated March 6, 2008 to allow distribution from unrealised capital gains.

22.2 Subsequent to the balance sheet date, the Board of Directors of the management company, in their meeting held on 04 July 2008, approved a distribution of Rs.37.50 per unit (2007: Rs. 100) on the face value of Rs. 500 each, i.e. 7.5% (2007: 20%) amounting to Rs.89,221,804 (2007: Rs. 218,737,154).

23. UNIT HOLDING PATTERN OF THE FUND

Category	2008			2007		
	Number of unit holders	Rupees	% of total	Number of unit holders	Rupees	% of total
Individuals	379	161,960,340	12.26%	356	162,833,202	10.70%
Associated Companies/ Directors	7	117,992,503	8.93%	7	138,690,802	9.11%
Insurance Companies	5	25,255,658	1.91%	3	20,395,635	1.34%
Banks/ DFIs	4	193,174,700	14.63%	5	360,577,453	23.69%
NBFCs	2	1,803,056	0.14%	5	29,395,218	1.93%
Retirement Funds	88	668,495,257	50.62%	81	662,939,095	43.56%
Public Limited Companies	-	-	-	1	3,858,985	0.25%
Others	3	151,961,643	11.51%	4	143,375,206	9.42%
	488	1,320,643,157	100.00%	462	1,522,065,596	100.00%

24. 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
Al-Habib Capital Markets (Pvt) Ltd.	9.88%	Al-Habib Capital Markets (Pvt) Ltd.	29.84%
Al-Hooqani Securities & Investment Corporation (Pvt) Ltd.	4.72%	Shehzad Chamdia Securities (Pvt) Ltd.	15.76%
Taurus Securities Limited	3.92%	Live Securities (Pvt) Ltd.	12.35%
Al-falah Securities (Pvt) Ltd.	3.75%	Taurus Securities Limited	9.50%
JS Global Capital Limited	3.39%	Al-falah Securities (Pvt) Ltd.	7.14%
Invisor Securities (Pvt) Ltd.	3.35%	Invisor Securities (Pvt) Ltd.	5.79%
IGI Finex Securities (Pvt) Ltd.	3.32%	JS Global Capital Limited	3.77%
Global Securities Pakistan Ltd.	2.84%	First National Equities Ltd.	3.49%
Atlas Capital Markets (Pvt) Ltd.	1.59%	Atlas Capital Markets (Pvt) Ltd.	3.26%
Live Securities (Pvt) Ltd.	1.59%	Noman Abid & Co. Ltd.	2.23%

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

25. THE MEMBERS OF THE INVESTMENT COMMITTEE

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

<u>Name</u>	<u>Designation</u>	<u>Qualification</u>	<u>Overall experience</u>
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

26. 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. Khalid Mehmood	Fund Manager - Equity Markets	MBA - Finance	Atlas Islamic Fund Atlas Fund of Funds

27. 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

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

28. RATING OF THE FUND AND THE MANAGEMENT COMPANY

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

PACRA has assigned a "4 star" rating to the Fund.

29. GENERAL

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

29.2 Figures have been rounded off to the nearest Rupee.

30. 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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