

Atlas funds

Nurturing your investments

Atlas Stock Market 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 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

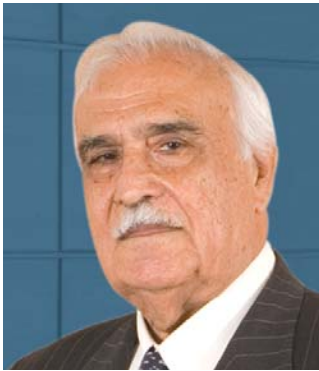
Mohsin Tayebaly & Co.

Bankers

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

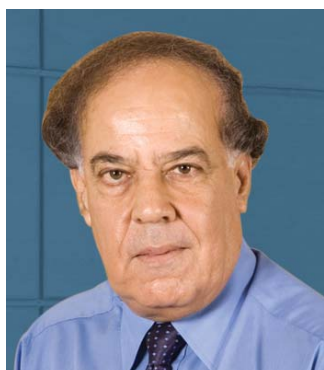
He has been SECP's nominee on the board of Karachi Stock Exchange in 2000, 2001 and 2003 and has also been a member of the Commission's Advisory Group on Capital Markets, and the Commission's Enquiry Committee on management of Exposure Rules by KSE/ LSE.

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.

A close-up photograph of a honeycomb with four bees on it. The honeycomb cells are a warm, golden-yellow color and are arranged in a regular hexagonal pattern. Four bees, with their characteristic black and yellow stripes and translucent wings, are scattered across the honeycomb. One bee is in the upper left, another in the center, one in the lower right, and one in the middle right. The background is a soft, out-of-focus extension of the honeycomb pattern.

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

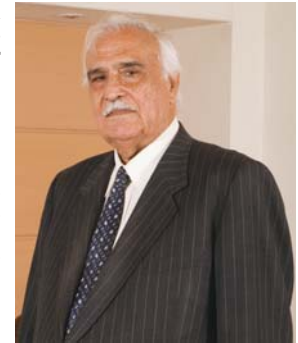
Ather H. Medina
Chief Investment Officer

Syed Zeeshan Ali
Head of Information Technology

it's all about
rewards!



It is my pleasure to present to you the third Annual Report of Atlas Stock Market Fund for the year 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 Jul-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 being followed by the central bank 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 and 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 inflows 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 in the form of foreign investments, has been a boom for the capital markets 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 oversubscription of appreciable amounts.

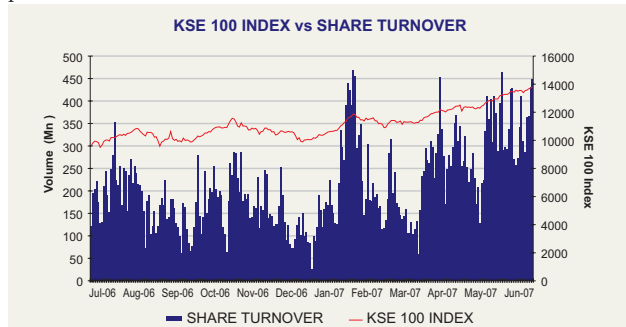
THE STOCK MARKET

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 prevailed 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

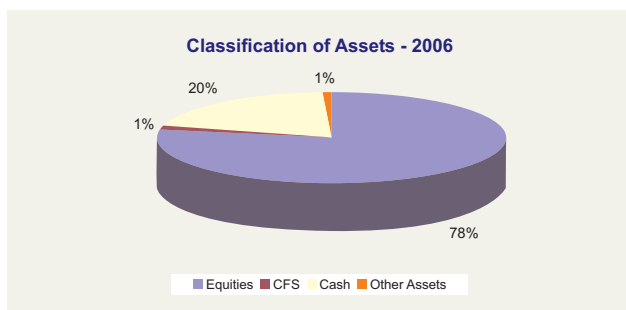
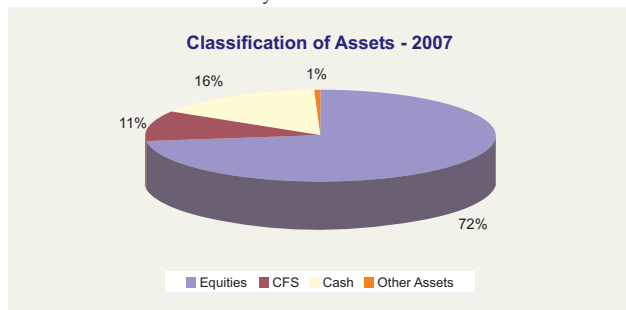
in with negative returns. Notable among other sectors were the performance of Cement, Fertilizer and Insurance sectors.



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.

FUND OPERATIONS

The Net Assets of the Fund stood at Rs 1.52 billion, with 2.18 million units outstanding as at June 30, 2007, prior to distribution. The NAV of the Fund on June 30, 2007 stood at Rs. 695.84 per unit, with appreciation of 29.39% for the year. The Capital Gain for the period under review stood at Rs. 125 million. The Fund decided to avail the opportunity, wherever possible, to increase equity exposure at attractive valuations, with average equity exposure during the period under review at 77%. Moreover, the Fund endeavors to create an optimal balance between risk and return for its unit holders and investment selection is done on the basis of stock fundamental research and technical analysis.



The Board of Directors of the Management Company has declared a bonus of Rs. 100 per unit on the face value of the units of Rs. 500 each per unit, which comes to 16.7830 bonus units for every 100 units as on June 30, 2007. Unit holders are allowed the option to en-cash the bonus units on ex-bonus net asset value on June 30, 2007, which works out to Rs. 595.84 per unit. Alternatively the unit holders may redeem the bonus units at ruling redemption price. Unit holders who have opted for cash payment will receive cash payment accordingly.

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.

PACRA has assigned a "5 Star" rating to the Fund. This reflects a superior performance. The "5 Star" rating is a composite measure of returns and risk associated with the returns.

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 healthy growth in corporate profitability and growing interest of foreign investors will result in better performance of local equities in coming months which will in turn benefit equity mutual funds and the Fund will actively continue picking up values at attractive levels in order to benefit from the rising market.

عہ 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.

The Board of Directors of Atlas Asset Management Limited, the Management Company of Atlas Stock Market Fund (the Fund), take pleasure in presenting the Third Annual Report of the Fund along with the audited financial statements and Auditors' Report thereon for the year June 30, 2007.

EARNINGS PER UNIT

Earnings per unit for the year ended June 30, 2007 work out to Rs. 152.90 per unit (2006: Rs. 160.47 per unit).

FUND SIZE AND INCOME DISTRIBUTION

As at June 30, 2007 the Net Assets of the Fund stood at Rs. 1.52 billion as compared to the Net Assets of Rs. 1.53 billion as at June 30, 2006. The Board of Directors of the Management Company of the Fund have approved a bonus of 20% (2006: 25%) on the Face Value of Rs. 500 per unit, which works out to Rs. 100 per unit (2006: Rs. 125 per unit), aggregating to Rs. 218,737,154.

As explained in note 13 to the financial statements, the above distribution includes Rs. 39,144,741 out of unrealized capital gains, in comparison to distributable income being the aggregate of income earned by the Fund and realized capital gains. The matter is presently under discussion with the Securities and Exchange Commission of Pakistan (the Commission) at the Mutual Fund Association of Pakistan (MUFAP) level. The Management's contention is supported by the fact that throughout the year, unrealized capital gains are included in the prices of the units, and accordingly, investors redeeming these units throughout the year enjoy the benefit thereof. As such, it would not be correct to hold this benefit from the unit holders at the year end, and should apply equally at year end as well.

SALE AND REDEMPTION OF UNITS

During the year 1,324,592 units of the value of Rs. 0.81 billion were issued, while 1,991,016 units of the value of Rs. 1.22 billion were redeemed. As at June 30, 2007 the total number of units outstanding was 2,187,372 valued at Rs. 1.52 billion (2006: units 2,315,580 valued at Rs. 1.53 billion).

A comparison of the Unit Holders register of June 2007 compared with June 2006 presents a diversified investors' base as follows:

Category	Year ended June 30, 2007			Year ended June 30, 2006		
	No. of Accounts %	Units Held	Units Held %	No. of Accounts %	Units Held	Units Held %
Directors	0.65	42,189	1.93	0.80	25,835	1.12
Individuals	77.06	234,009	10.70	78.71	211,027	9.11
Corporates	1.08	219,999	10.06	1.02	160,837	6.95
Banks and Financial Institutions	20.13	1,524,018	69.67	18.47	1,255,822	54.23
Associated Companies	0.87	157,124	7.18	0.80	661,309	28.56
Trusts	0.21	10,033	0.46	0.20	750	0.03
Total	100.00	2,187,372	100.00	100.00	2,315,580	100.00

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.



A new tale is
set to begin!

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 judgment, with the exception of change in the pricing mechanism of Units, from known to forward pricing, as approved by the Securities and Exchange Commission of Pakistan, as explained in note 3.15 to the financial statements.
- 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 16 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 Stock Market 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 YEAR ENDED 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 Stock Market 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 NBFI 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 year, 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 year.
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 year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The role and responsibilities of the Chairman and the CEO have been approved by the Board.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
13. The Directors, CEO and Executives do not hold units other than those disclosed in note 16 to the financial statements "Transactions with Connected Persons/ Related Parties".
14. The Management Company has complied with the corporate and financial reporting requirements of the Code.
15. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
16. The Board has formed an Audit Committee comprising of three members, all of whom are non-executive directors, including the Chairman of the Committee. Meetings of the Committee were held every quarter, prior to approval of the interim and annual results of the Fund, as required by the Code. The Board has approved the terms of reference of the Audit Committee.
17. 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

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

The Atlas Stock Market Fund, an open-end fund 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 May 29, 2004. The Scheme was authorized by the Securities and Exchange Commission of Pakistan (SECP) on August 11, 2004.

In our opinion, Atlas Asset Management Limited, the Asset Management Company of Atlas Stock Market Fund has in all material respects managed Atlas Stock Market Fund during the year ended June 30, 2007 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

We draw attention of the Unit Holders towards note 13 of the financial statement relating to a portion of annual distribution of the Fund from unrealized gains which is not in accordance with the method prescribed in the Trust Deed. The matter has been referred to the SECP by the Asset Management Company.

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 Stock Market Fund (the Fund), by the Board of Directors of Atlas Asset Management Limited, the Management Company of the Fund, to comply with the Listing Regulation No. 43 of the Lahore Stock Exchange, where the Fund is listed.

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

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

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

Karachi: September 25, 2007

Hameed Chaudhri & Co.
Chartered Accountants

We have audited the accompanying financial statements of Atlas Stock Market Fund which comprise the statement of assets 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 year 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 year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

As more fully explained in note 13 to the financial statements, the bonus distribution approved by the Board of Directors of the Management Company, subsequent to the balance sheet date, includes the sum of Rs. 39,144,741 out of unrealized capital gains. 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 described in the preceding paragraph and NBFC Rules.

Karachi: September 25, 2007

Hameed Chaudhri & Co.
Chartered Accountants

AS AT JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
ASSETS			
Cash at banks	4	248,985,046	316,165,831
Balances due from brokers		1,850,940	-
Receivable against Continuous Funding System	5	170,242,040	23,415,825
Financial assets at fair value through profit or loss	6	1,149,711,423	1,223,023,476
Advances and other receivables	7	4,302,277	9,473,177
Interest accrued	8	1,260,460	2,196,033
Security deposits		1,100,000	100,000
TOTAL ASSETS		1,577,452,186	1,574,374,342
LIABILITIES			
Payable to Unit holders		9,514,541	-
Balances due to brokers		9,595,886	-
Accrued and other liabilities	9	759,678	371,406
Payable to Atlas Asset Management Limited - Management Company	10	33,805,481	37,798,930
Payable to Central Depository Company of Pakistan Limited - Trustee	11	202,205	218,828
Payable to Securities and Exchange Commission of Pakistan	12	1,508,799	1,246,530
TOTAL LIABILITIES		55,386,590	39,635,694
NET ASSETS		1,522,065,596	1,534,738,648
Unitholders' funds (as per statement attached)		1,522,065,596	1,534,738,648
		(No. of units)	
Number of units in issue		2,187,372	2,315,580
		(Rupees per unit)	
Net Asset Value per unit		695.84	662.79

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

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
INCOME			
Interest income	14	36,713,816	55,694,109
Dividend income		47,558,838	28,332,350
Income from future transactions		23,231	7,769,567
Net gain on sale of investments		125,198,645	243,174,067
Net unrealised gain on investments		238,063,154	8,283,069
Element of income and capital gains included in price of units sold less those in units repurchased		(59,812,770)	80,025,350
		387,744,914	423,278,512
EXPENDITURE			
Remuneration - Management Company		45,263,946	37,395,963
Remuneration - Trustee		2,508,871	2,235,009
Annual fee - SECP		1,508,799	1,246,530
Settlement charges		303,063	255,367
Annual listing fee		30,000	30,000
Annual rating fee		100,000	100,000
Legal and professional charges		76,000	72,500
Auditors' remuneration	15	295,000	275,000
Brokerage, Commission and Capital Value Tax		3,176,918	10,020,739
Bank charges		31,534	72,378
		53,294,131	51,703,486
Net income for the year		334,450,783	371,575,026
Earnings per unit		152.90	160.47

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

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	2007 Rupees	2006 Rupees
Undistributed income brought forward - as previously reported	372,652,253	1,077,227
Change in accounting policy	-	102,019,875
Balance at June 30, 2006	372,652,253	103,097,102
Issue of bonus units for the year @ Rs. 125 per unit (2005: Rs. 62.50 per unit) distributed on July 19, 2006 (July 15, 2005)	(289,447,469)	(102,019,875)
Net income for the year	334,450,783	371,575,026
Undistributed income carried forward	417,655,567	372,652,253

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 YEAR ENDED JUNE 30, 2007

	2007		2006	
	Units	Rupees	Units	Rupees
Net assets at the beginning of the year	2,315,580	1,534,738,648	1,632,318	918,413,126
Amount received on issue of units	1,324,592	810,399,373	1,180,331	779,177,082
Amount paid on redemption of units	(1,991,016)	(1,217,335,978)	(701,051)	(454,401,236)
	(666,425)	(406,936,605)	479,279	324,775,846
Element of income and capital gains included in prices of units sold less those in units repurchased	-	59,812,770	-	(80,025,350)
Issue of bonus units for the year 2006 (year: 2005)	538,217	-	203,983	-
Net income for the year		334,450,783		371,575,026
Net assets at the end of the year	2,187,372	1,522,065,596	2,315,580	1,534,738,648
Net assets at the end of the period consist of:				
Capital account		1,104,410,029		1,162,086,395
Undistributed income carried forward		417,655,567		372,652,253
		1,522,065,596		1,534,738,648

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	2007 Rupees	2006 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net income from operations	334,450,783	371,575,026
Adjustments for:		
Net unrealised gain on investments	(238,063,154)	(8,283,069)
Net realised gain on sale of investments	(125,198,645)	(243,174,067)
Element of income and capital gains included in prices of units sold less those in units repurchased	59,812,770	(80,025,350)
Remuneration - Management Company	45,263,946	37,395,963
Remuneration - Trustee	2,508,871	2,235,009
Cash generated from operations before working capital changes	78,774,571	79,723,512
Changes in operating assets		
Balances due from brokers	(1,850,940)	3,273,752
Receivable against continuous funding system	(146,826,215)	(23,415,825)
Receivable against carry over transactions	-	359,291,941
Advances and other receivables	5,170,900	(3,813,050)
Interest accrued	935,573	(713,760)
	(142,570,682)	334,623,058
Changes in operating liabilities		
Payable to unit holders	9,514,541	(4,463)
Balances due to brokers	9,595,886	-
Accrued and other liabilities	388,272	(273,247)
Payable to Management Company	138,569	(60,147)
Payable to Trustee	(3,046)	(621)
Payable to Securities and Exchange Commission of Pakistan	262,269	719,250
	19,896,491	380,772
Remuneration paid to Trustee	(2,522,448)	(2,176,965)
Remuneration paid to Management Company	(49,395,964)	(10,092,656)
Security deposit	(1,000,000)	100,000
	(52,918,412)	(12,169,621)
Cash (used) in/ generated from operating activities	(96,818,032)	402,557,721
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(710,674,909)	(2,545,596,343)
Sale of investments	1,147,248,761	1,877,151,248
Maturity of held to maturity investments	-	150,000,000
Cash generated from/ (used) in investing activities	436,573,852	(518,445,095)
Cash flow before financing activities	339,755,820	(115,887,374)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts in respect of sale of units	810,399,373	779,177,082
Paid on redemption of units	(1,217,335,978)	(454,401,236)
Cash (used) in/ generated from financing activities	(406,936,605)	324,775,846
Net (decrease)/ increase in cash and cash equivalents	(67,180,785)	208,888,472
Cash and cash equivalents at the beginning of the year	316,165,831	107,277,359
Cash and cash equivalents at the end of the year	4	316,165,831

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

1. LEGAL STATUS AND NATURE OF BUSINESS

The Atlas Stock Market Fund (the Fund) is an open ended Fund constituted by a trust deed entered into on May 29, 2004 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 November 23, 2004 and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the Lahore Stock Exchange (Guarantee) Limited.

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. The Trust Deed and Offering Document were revised on June 21, 2005 and July 24, 2006 with the approval of the SECP.

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

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements are presented in rupees rounded to the nearest rupee. The financial statements have been prepared under the historical cost convention, except that certain financial assets have been included at fair values in accordance with the recognition criteria specified in the relevant International Financial Reporting Standards applicable to these assets and the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

The accounting policies have been applied consistently by the Fund and are consistent with those used in previous year, except the change in the pricing mechanism from known to forward pricing and for changes resulting from the amendments.

The preparation of financial statements in conformity with the approved accounting standards require the use of certain critical accounting estimates. It also requires the management to exercise its judgement 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).
- All derivatives other than hedging instruments.
- Any financial assets or liabilities that are designated by the entity at the time of initial recognition as measured at fair value through profit or loss.

Held for trading

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

Held to maturity

Investments that are intended to be held till maturity are subsequently measured at amortised cost using the effective rate method. Amortised cost is calculated by taking into account any premium or discount on acquisition, over the period to maturity.

3.3 Derivatives

Derivatives are marked to market in accordance with the requirements of IAS 39 and gains/ (losses) arising on revaluation are taken to the Income Statement.

Transactions involving outright purchase of securities in the ready market and sale of the same security in the futures market

The Fund enters into certain transactions involving purchase of a security in the ready market and sale of the same security in the futures market, which are recorded in accordance with the requirements of IAS 39. The securities purchased by the Fund in the ready market are carried on the Statement of Assets and Liabilities in accordance with the accounting policy of investments specified in note 3.2 above, till their eventual disposal, and the forward sale of securities in the future market is accounted for separately as a "derivative".

3.4 Securities under repurchases / resale agreements

Securities sold subject to a simultaneous agreement to repurchase these securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and are measured in accordance with their original measurement principles. The proceeds of the sale are reported as liabilities and are carried at cost.

Securities purchased under agreements to resell (Reverse repurchase agreements) are reported not as purchases of the securities, but as receivables and are carried in the balance sheet at cost.

3.5 Financial Asset and Financial Liabilities

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

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

Recognition

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

Derecognition

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

Measurement

- Financial instruments are measured initially at fair value i.e. transaction price that are 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.

3.6 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.

3.7 Due from/ to brokers

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

3.8 Cash and cash equivalents

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

3.9 Provisions

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

3.10 Impairment

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

3.11 Revenue Recognition

- Interest income and profit on bank deposits is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date.

- Interest earned on reverse repurchase agreements is recognised as interest income, over the life of each agreement using the effective interest method.

- 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.

3.12 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.

3.13 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 current year.

3.14 Expenses

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

3.15 Issue and redemption of units

With effect from August 28, 2006, the Fund has switched over the pricing mechanism for Offer and Redemption prices of units, from known pricing to forward pricing. Under the forward pricing system, the Offer and Redemption prices applicable to any sales and redemptions received during any business day are calculated on the basis of Net Asset Value as at the close of that business day, plus the provision of sales load, any duties and charges, as applicable in the case of Offer price, and as reduced by an appropriate provision of duties and charges in the case of Redemption price. Until August 25, 2006, these were calculated on the basis of Net Asset Value of the close of the previous business day.

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.

3.16 Net Asset Value per Unit

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

3.17 Earnings per Unit

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

4. CASH AT BANKS

	Note	2007 Rupees	2006 Rupees
In PLS deposit accounts	4.1 - 4.2	248,985,046	116,165,831
In term deposit accounts	4.3	-	200,000,000
		<u>248,985,046</u>	<u>316,165,831</u>

4.1 The rate of return on PLS deposits accounts ranges from 1.30% to 10% per annum (2006: 1.30% to 11.50%).

4.2 PLS deposit accounts include Rs. 246,307,397 (2006: Rs. 320,182) maintained with Atlas Bank Limited, a connected person, and Nil (2006: Rs. 80,000,000) placed in royal profit account with a bank at the rate of Nil (2006: 11.50%) per annum.

4.3 Term deposit accounts carry markup at Nil (2006: 11%). This includes a deposit of Nil (2006: Rs. 100,000,000) held with Atlas Bank Limited, a connected person.

5. RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM

Receivable against continuous funding system	<u>170,242,040</u>	<u>23,415,825</u>
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5.1 The market value of securities held in respect of continuous funding system is Rs. 168.867 million (2006: Rs. 23.659 million). The rates of return range from 11.39% to 11.69% per annum (2006: 10.32% to 13.19% per annum) with maturities ranging from over night to twenty two days.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Investments - held for trading	6.1	<u>1,149,711,423</u>	<u>1,223,023,476</u>

6.1 INVESTMENTS - HELD FOR TRADING

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
	As at July 01, 2006	Purchases during the year	Bonus/ Right Issue	Sales during the year	As at June 30, 2007		
						Rupees	%
All holdings are in shares of Rs. 10/- each as otherwise stated.							
Investment Banks/ Companies/ Securities							
Pakistan Industrial Credit and Investment Corporation Ltd.	-	200,000	8,500	93,500	115,000	9,441,500	0.62
	-	200,000	8,500	93,500	115,000	9,441,500	0.62
Commercial Banks							
Allied Bank Ltd.	50,000	181,000	-	181,000	50,000	6,947,500	0.46
Askari Commercial Bank Ltd.	270,150	204,500	50,075	284,500	240,225	25,439,827	1.67
Bank Alfalah Ltd.	450,416	646,500	57,124	924,000	230,040	14,975,604	0.98
Faysal Bank Ltd.	271,500	80,000	-	351,500	-	-	-
MCB Bank Ltd.	431,000	134,000	27,000	357,000	235,000	85,775,000	5.64
National Bank of Pakistan	500,000	173,500	45,000	347,500	371,000	97,202,000	6.39
PICIC Commercial Bank Ltd.	-	103,500	-	103,500	-	-	-
Soneri Bank Ltd.	-	400,000	-	400,000	-	-	-
The Bank of Punjab	222,600	580,000	61,375	601,100	262,875	30,624,937	2.01
Union Bank Ltd.	343,300	365,000	-	708,300	-	-	-
United Bank Ltd	500,250	25,000	53,762	322,500	256,512	56,419,814	3.71
	3,039,216	2,893,000	294,336	4,580,900	1,645,652	317,384,682	20.85
Insurance							
Adamjee Insurance Co. Ltd.	240,500	55,500	29,437	223,400	102,037	33,258,960	2.19
Pak. Reinsurance Co. Ltd.	75,000	50,000	-	125,000	-	-	-
	315,500	105,500	29,437	348,400	102,037	33,258,960	2.19
Textile Composite							
Azgard Nine Ltd.	210,000	-	-	210,000	-	-	-
Nishat (Chunian) Ltd.	125,000	181,000	-	306,000	-	-	-
Nishat Mills Ltd.	171,000	177,500	31,850	225,300	155,050	20,226,272	1.33
Suraj Cotton Mills Ltd.	100,000	-	-	100,000	-	-	-
	606,000	358,500	31,850	841,300	155,050	20,226,272	1.33
Synthetic & Rayon							
Dewan Salman Fibres Ltd.	-	35,500	-	-	35,500	374,525	0.02
	-	35,500	-	-	35,500	374,525	0.02
Cement							
Attock Cement Pakistan Ltd.	-	50,000	-	-	50,000	6,122,500	0.40
D G Khan Cement Co. Ltd.	250,000	180,000	29,500	344,500	115,000	13,397,500	0.88
Lucky Cement Ltd.	404,500	90,000	-	369,500	125,000	17,218,750	1.13
Maple Leaf Cement Factory Ltd.	100,000	-	-	100,000	-	-	-
Pioneer Cement Ltd.	75,000	-	2,255	77,255	-	-	-
	829,500	320,000	31,755	891,255	290,000	36,738,750	2.41
Refinery							
National Refinery Ltd.	96,000	16,000	-	22,000	90,000	30,690,000	2.02
	96,000	16,000	-	22,000	90,000	30,690,000	2.02
Power Generation & Distribution							
Kohinoor Energy Ltd.	-	32,000	-	32,000	-	-	-
Kot Addu Power Co. Ltd.	100,000	184,000	-	234,000	50,000	3,007,500	0.20
The Hub Power Co. Ltd.	-	325,500	-	250,500	75,000	2,752,500	0.18
	100,000	541,500	-	516,500	125,000	5,760,000	0.38

6.1 INVESTMENTS - HELD FOR TRADING

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
	As at July 01, 2006	Purchases during the year	Bonus/ Right Issue	Sales during the year	As at June 30, 2007		
						Rupees	%
Oil & Gas Marketing Companies							
Attock Petroleum Ltd.	100,000	5,000	-	55,000	50,000	25,067,500	1.65
Pakistan State Oil Co. Ltd.	150,000	100,000	-	105,000	145,000	56,760,250	3.73
Shell Pakistan Ltd.	15,000	1,000	3,750	13,750	6,000	2,460,300	0.16
Sui Northern Gas Pipelines Ltd.	-	248,500	17,500	146,000	120,000	8,490,000	0.56
	265,000	354,500	21,250	319,750	321,000	92,778,050	6.10
Oil & Gas Exploration Companies							
Oil & Gas Development Co. Ltd.	1,100,000	310,000	-	420,000	990,000	118,602,000	7.79
Pakistan Oilfields Ltd.	380,000	78,500	-	150,500	308,000	97,636,000	6.41
Pakistan Petroleum Ltd.	380,000	150,000	-	165,000	365,000	95,794,250	6.29
	1,860,000	538,500	-	735,500	1,663,000	312,032,250	20.50
Automobile Assembler							
Indus Motor Co. Ltd.	200,000	-	-	43,300	156,700	47,871,850	3.15
Pak Suzuki Motor Co. Ltd.	20,500	19,900	9,950	20,500	29,850	11,701,200	0.77
	220,500	19,900	9,950	63,800	186,550	59,573,050	3.91
Transport							
Pak. Int. Container Terminal Ltd.	-	101,300	-	101,300	-	-	-
	-	101,300	-	101,300	-	-	-
Technology & Communication							
Callmate Tellips Telecom Ltd.	197,500	6,500	-	204,000	-	-	-
Pakistan Telecommunications Ltd.	1,213,900	1,089,500	-	1,693,500	609,900	34,764,300	2.28
	1,411,400	1,096,000	-	1,897,500	609,900	34,764,300	2.28
Fertilizer							
Engro Chemicals Pakistan Ltd.	159,850	134,900	-	134,500	160,250	40,543,250	2.66
Engro Chemicals Pakistan Ltd. - Right Shares	-	-	18,757	-	18,757	2,400,896	0.16
Fauji Fertilizer Bin Qasim Ltd.	860,000	469,000	-	414,000	915,000	35,685,000	2.34
Fauji Fertilizer Co. Ltd.	330,000	194,500	-	59,500	465,000	56,381,250	3.70
	1,349,850	798,400	18,757	608,000	1,559,007	135,010,396	8.87
Pharmaceuticals							
Glaxosmithkline Pakistan Ltd.	59,950	-	14,987	-	74,937	14,050,688	0.92
	59,950	-	14,987	-	74,937	14,050,688	0.92
Chemicals							
ICI Pakistan Ltd.	90,000	35,000	-	50,000	75,000	12,532,500	0.82
	90,000	35,000	-	50,000	75,000	12,532,500	0.82
Paper & Board							
Packages Ltd.	110,000	-	5,500	5,500	110,000	35,095,500	2.31
	110,000	-	5,500	5,500	110,000	35,095,500	2.31
Glass & Ceramics							
Ghani Glass Ltd.	-	80,000	-	80,000	-	-	-
	-	80,000	-	80,000	-	-	-
FUTURE TRANSACTIONS*							
Fertilizer							
Fauji Fertilizer Bin Qasim Ltd.	-	58,000	-	58,000	-	-	-
	-	58,000	-	58,000	-	-	-
						1,149,711,423	75.54

6.1.1 Cost of held for trading investments as on June 30, 2007: Rs. 889,959,805 (2006: Rs. 1,219,967,655).

* These securities were purchased in the ready market for subsequent sale in the future market.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
7. ADVANCES AND OTHER RECEIVABLES			
Taxes deducted at source		14,777	14,777
Prepaid annual listing fee		15,000	15,000
Dividend receivable		4,272,500	7,440,900
Dividend receivable on continuous funding system		-	2,002,500
		4,302,277	9,473,177
8. INTEREST ACCRUED			
On bank deposits	8.1	599,692	2,148,921
On continuous funding system		660,768	47,112
		1,260,460	2,196,033
8.1 This includes mark-up receivable amounting to Rs. 416,495 (2006: Rs. 632,877) on deposits held with Atlas Bank Limited, a connected person.			
9. ACCRUED AND OTHER LIABILITIES			
Auditors' remuneration payable		295,000	275,000
Brokerage payable			
Atlas Capital Markets (Pvt.) Ltd. - connected person		-	325
Others		310,998	650
Sales load payable to distributors			
Atlas Capital Markets (Pvt.) Ltd. - connected person		7,354	-
Others		16,248	94,422
NCCPL charges payable		10,747	-
Withholding tax payable		38,673	1,009
Other payable		80,658	-
		759,678	371,406
10. PAYABLE TO ATLAS ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee	10.1	33,263,945	37,395,963
Sales load payable		541,536	402,967
		33,805,481	37,798,930
10.1 In accordance with the provision 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 of the average annual net assets for the reported year.			
11. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	11.1	189,684	203,261
Settlement charges		12,521	15,567
		202,205	218,828
11.1 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.			
12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	12.1	1,508,799	1,246,530
12.1 Under the provisions 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 per cent of the average annual net assets of the Fund.			
13. DISTRIBUTION			
The Board of Directors of Management Company, in their meeting held on July 20, 2007, approved a Bonus distribution for the year ended June 30, 2007 of Rs. 100 per unit (June 30, 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. 289,447,469). This includes Rs. 39,144,741 out of unrealized capital gains, in comparison to distributable income being the aggregate of income earned by the Fund and realized capital gains. The matter is presently under discussion with the Commission (SECP) at the Mutual Funds Association of Pakistan (MUFAP) level. 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. The distribution being recognized subsequent to year end, there is no impact on the current financial statements. Unit holders who have opted for cash payout will receive cash payment accordingly.			

	Note	2007 Rupees	2006 Rupees
14. INTEREST INCOME			
Interest income arises from:			
Cash at banks		20,576,297	7,398,501
Continuous funding system		11,668,861	33,905,908
Carry over transactions		-	6,414,872
Held to maturity investments		1,562,740	1,224,554
Placements		2,905,918	6,750,274
		36,713,816	55,694,109
15. AUDITORS' REMUNERATION			
Annual audit fee		160,000	150,000
Half yearly review fee		80,000	75,000
Code of Corporate Governance		40,000	35,000
Out of pocket expenses		15,000	15,000
		295,000	275,000
16. TRANSACTIONS WITH CONNECTED PERSONS/ RELATED PARTIES			
Atlas Asset Management Limited (Management Company)			
Remuneration of the management company		45,263,946	37,395,963
Remuneration paid		49,395,964	10,092,656
Sales Load		1,817,611	3,770,540
Atlas Asset Management Company Limited - Staff Provident Fund			
Bonus 204 (2006: Nil) units		109,755	-
Sale of Nil (2006: 878) units		-	600,000
Allwin Engineering Industries Limited - Employees Provident Fund			
Bonus 8,530 (2006: 1,240) units		4,587,397	620,187
Sale of 4,916 (2006: 25,536) units		3,000,000	19,000,000
Atlas Bank Limited (Note - 16.1)			
Investment in term deposit receipts		-	100,000,000
Interest income		2,867,961	858,509
Bank Charges		200	-
Brokerage		-	282,720
Maturity of certificate of deposits		-	125,000,000
Profit on certificates of deposits		-	480,308
Bonus 10,975 (2006: 7,440) units		5,902,443	3,721,250
Sale of 57,400 (2006: 82,220) units		40,000,000	54,777,300
Redemption of 58,195 (2006: 101,980) units		40,227,233	67,777,454
Atlas Battery Limited			
Sale of Nil (2006: 129,673) units		-	75,018,709
Redemption of Nil (2006: 129,673) units		-	82,665,119
Atlas Capital Markets (Pvt.) Limited			
Brokerage		124,065	58,770
Commission		30,635	-
Atlas Fund of Funds			
Bonus 5,734 (2006: 1,949) units		3,083,925	975,000
Sale of 35,417 (2006: 7,122) units		20,000,000	5,000,000
Atlas Honda Limited			
Bonus 75,152 (2006: 24,792) units		40,415,944	12,399,375
Sale of 273,877 (2006: 299,028) units		150,000,000	212,537,474
Redemption of 665,350 (2006: 198,882) units		401,059,662	135,589,483
Atlas Insurance Limited			
Sale of 26,895 (2006: Nil) units		15,000,000	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
Honda Atlas Cars (Pakistan) Limited			
Bonus 51,894 (2006: 24,801) units		27,907,991	12,403,938
Redemption of 275,158 (2006: Nil) units		170,103,298	-
Shirazi Investments (Pvt.) Limited			
Bonus 15,689 (2006: 7,498) units		8,437,238	3,750,000
Redemption of 83,187 (2006: Nil) units		49,007,735	-
Key Management Personnel			
Directors			
Bonus 4,529 (2006: 395) units		2,435,478	197,562
Sale of 31,177 (2006: 24,729) units		17,768,632	15,674,566
Redemption of 13,000 (2006: 2,000) units		8,026,980	1,406,220
Executives			
Bonus 309 (2006: 65) units		166,367	32,563
Sale of 90 (2006: 1,668) units		50,000	925,535
Redemption of 91 (2006: 736) units		56,395	421,376

16.1 Atlas Investment Bank Limited amalgamated into Atlas Bank Limited with effect from July 29, 2006.

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

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

17. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

17.1 The Fund's MROR sensitivity related to financial assets and financial liabilities can be determined from the following:

	2007			Total	2006 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					
Cash at banks	248,985,046	-	-	248,985,046	316,165,831
Balances due from brokers	-	-	-	1,850,940	-
Receivable against continuous funding system	170,242,040	-	-	170,242,040	23,415,825
Financial assets at fair value through profit or loss - investments held for trading	-	-	-	1,149,711,423	1,223,023,476
Advances and other receivables	-	-	-	4,287,277	9,458,177
Interest accrued	-	-	-	1,260,460	2,196,033
Security deposit	-	-	-	1,100,000	100,000
	419,227,086	-	-	1,158,210,100	1,577,437,186
Financial Liabilities					
Payable to unitholders	-	-	-	9,514,541	-
Balances due to brokers	-	-	-	9,595,886	-
Accrued and other liabilities	-	-	-	759,678	371,406
Payable to Atlas Asset Management Ltd. - Management Company	-	-	-	33,805,481	37,798,930
Payable to Central Depository Company of Pakistan Ltd. - Trustee	-	-	-	202,205	218,828
Payable to Securities and Exchange Commission of Pakistan	-	-	-	1,508,799	1,246,530
	-	-	-	55,386,590	39,635,694
On-balance sheet gap as at June 30, 2007	419,227,086	-	-	1,102,823,510	1,522,050,596
On-balance sheet gap as at June 30, 2006	339,581,656	-	-	1,195,141,992	1,534,723,648

17.2 The rates of return on financial assets are as follows:

	2007 Percentage range	2006 Percentage range
Cash at banks	1.30 - 10.00	1.30 - 9.50
Receivable against Continuous funding system	11.39 - 11.69	10.32 - 13.19

18. MATURITIES OF ASSETS AND LIABILITIES

	2007			2006	
	Upto three months	More than three months and up to one year	More than one year	Total	Total
Amount in Rupees					
Assets					
Cash at banks	248,985,046	-	-	248,985,046	316,165,831
Balances due from brokers	1,850,940	-	-	1,850,940	-
Receivable against continuous funding system	170,242,040	-	-	170,242,040	23,415,825
Financial assets at fair value through profit or loss - investments held for trading	1,149,711,423	-	-	1,149,711,423	1,223,023,476
Advances and other receivables	4,272,500	29,777	-	4,302,277	9,473,177
Interest accrued	1,260,460	-	-	1,260,460	2,196,033
Security deposit	-	-	1,100,000	1,100,000	100,000
	<u>1,576,322,409</u>	<u>29,777</u>	<u>1,100,000</u>	<u>1,577,452,186</u>	<u>1,574,374,342</u>
Liabilities					
Payable to unitholders	9,514,541	-	-	9,514,541	-
Balances due to brokers	9,595,886	-	-	9,595,886	-
Accrued and other liabilities	759,678	-	-	759,678	371,406
Payable to Atlas Asset Management Ltd. - Management Company	33,805,481	-	-	33,805,481	37,798,930
Payable to Central Depository Company of Pakistan Ltd. - Trustee	202,205	-	-	202,205	218,828
Payable to Securities and Exchange Commission of Pakistan	1,508,799	-	-	1,508,799	1,246,530
	<u>55,386,590</u>	<u>-</u>	<u>-</u>	<u>55,386,590</u>	<u>39,635,694</u>
Net Assets as at June 30, 2007	<u>1,520,935,819</u>	<u>29,777</u>	<u>1,100,000</u>	<u>1,522,065,596</u>	<u>1,534,738,648</u>
Net Assets as at June 30, 2006	<u>1,534,608,871</u>	<u>29,777</u>	<u>100,000</u>	<u>1,534,738,648</u>	

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

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Financial assets subject to credit risk amount to Rs. 1,577.422 (2006: Rs. 1,574.345) million. The Fund's policy is to enter into financial instruments contracts by following internal guidelines duly approved by the Investment Committee such as approving counterparties, approving credit and obtaining adequate collateral.

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	2007 Rupees	2006 Rupees	2005* Rupees
Net assets		1,522,065,596	1,534,738,648	918,413,126
Net income		334,450,783	371,575,026	103,097,102
Net Asset value per unit		695.84	662.79	562.64
Earnings per unit		152.90	160.47	63.16
Distribution (Bonus)	13	-	125.00	62.50
Highest offer price		710.81	793.44	676.57
Lowest offer price		535.97	507.03	503.86
Highest repurchase price per unit		696.87	777.88	663.30
Lowest repurchase price per unit		525.46	497.09	503.82

* For the period from August 24, 2004 to June 30, 2005.

22. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised 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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 UAN: (92-21) 111-MUTUAL (6-888-25)

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 Fax: (92-21) 4386180
- C/o Atlas Bank Limited
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 Fax: (92-21) 2587672
- C/o Atlas Bank Limited
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Rawalpindi

- C/o Atlas Bank Limited
 Bank Road Branch
 60, Bank Road, Rawalpindi, Pakistan.
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 Fax: (92-51) 5528148
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Atlas Asset Management Limited

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