



Annual

Report

2004



Atlas Income Fund

Managed By
Atlas Asset Management Company Limited
An Atlas Group Company



Atlas Asset Management Company Limited

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.



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ORGANISATION

MANAGEMENT COMPANY

ATLAS ASSET MANAGEMENT COMPANY LIMITED

BOARD OF DIRECTORS OF MANAGEMENT COMPANY

Chairman	Mr. Yusuf H. Shirazi
Vice Chairman & Chief Executive Officer	Mr. M. Habib-ur-Rahman
Directors	Mr. Jawaid Iqbal Ahmed
	Mr. Peter A. Smyth
	Mr. Saquib H. Shirazi
	Mr. Sherali Mundrawala
	Mr. Tariq Amin
Company Secretary	Mr. Ather H. Medina

GROUP EXECUTIVE COMMITTEE

President	Mr. Aamir H. Shirazi
Members	Mr. Frahim Ali Khan
	Mr. Iftikhar H. Shirazi
	Mr. Jawaid Iqbal Ahmed
	Mr. Saquib H. Shirazi
Secretary	Ms. Theresa Dias

GROUP PERSONNEL COMMITTEE

Chairman	Mr. Yusuf H. Shirazi
Members	Mr. Aamir H. Shirazi
	Mr. Bashir Makki

AUDIT COMMITTEE

Chairman	Mr. Sherali Mundrawala
Members	Mr. Jawaid Iqbal Ahmed
	Mr. Tariq Amin

INVESTMENT COMMITTEE

Chairman	Mr. M. Habib-ur-Rahman
Members	Mr. Frahim Ali Khan
	Mr. Ather H. Medina

AUDITORS

M/s. Hameed Chaudhri & Co.
Chartered Accountants

LEGAL ADVISORS

M/s. Mohsin Tayebaly & Co.

BANKERS

M/s. Muslim Commercial Bank Limited
M/s. PICIC Commercial Bank Limited

REGISTERED OFFICE

Ground Floor, Federation House, Sharae Firdousi,
Clifton, Karachi.
Telephone: (92-21) 5379501-09
Fax: (92-21) 5379280



CHAIRMAN'S REVIEW

It is my pleasure to present to you the first Annual Report of Atlas Income Fund for the year ended June 30, 2004.

The Economy

The fiscal discipline during the year continued to bear fruit as macro economic stability continued to improve. The monetary policy being followed also bore fruit as private sector credit picked up. It led to increased capital expenditure; there was 13.4% growth in the manufacturing sector.

The GDP growth is expected to be 6.4%, up from the previous year's 5.1%, mainly due to strong growth in the manufacturing sector. Agriculture and services sectors however saw decline in growth from the previous year. The agriculture sector growth for the year is estimated at 2.6% against 4.1% in the previous year. The services sector witnessed decline to 5.2% from 5.3%.

The revenue collection of Rs. 510 billion met the

target for the year; it reflects 11% growth over the previous year's collection of Rs. 461 billion.

On the other hand, inflation upped, and the rupee weakened. The shortfall in wheat output led to escalating prices, and International oil prices hit unprecedented levels. Consequently, interest rates started moving up, with short term rates having increased by 56 bps during the year, while long term rates increased by 170 bps, reflecting a steep yield curve.

Federal Budget FY 2004-05

The Federal Budget for the year is an investor friendly budget. There is a strong emphasis on growth which has been backed up by fiscal incentives; it will improve the investment climate in the country further.

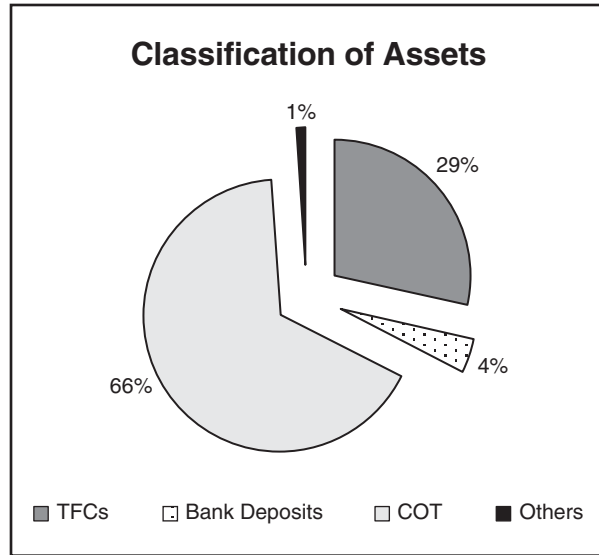
The various incentives contemplated in the taxation structure will have a positive impact on most sectors, especially textile, telecommunications, fertilizers, construction, and consumer goods, again showing the government's emphasis to have the benefits of economic improvement flow through to the general public.

The Macro Economic Stability and the budget thus are bound to have favorable impact on capital markets, relevant to your fund's business.

Company Operations

The Atlas Income Fund commenced its operation on September 15, 2003 through the issue of 600,000 units of the par value of Rs. 500 each, valuing Rs. 300 million, as seed capital. The Public Issue of the Fund was on March 22, 2004. During the Initial Period from March 22, 2004 - March 26, 2004 the units were issued at the Net Asset Value (NAV) without any sales load, which was Rs. 510.34 on March 22, 2004. The Net Assets grew to Rs. 385 million, with 742,343 units outstanding as at June 30, 2004. The NAV of the Fund on June 30, 2004 stood at Rs. 518.96 per unit. After appropriation of the proposed dividend at Rs. 18.75 per unit, the Net Assets and NAV stand at Rs. 371.32 million and Rs. 500.21 respectively.

Atlas Income Fund was launched at a time when interest rates were already under pressure, thus the investment strategy of the Fund has been to invest in instruments with shorter tenors. Consequently, the investment portfolio has been mainly concentrated in floating rate corporate papers, and Carry Over Transactions (COT).



This investment strategy has enabled Atlas Income Fund to post a comparatively better result during the period March 22, 2004 (date of public issue) - June 30, 2004 with an annualized appreciation of 6.2% in its Net Asset Value. The Board of Directors of the Management Company has declared a dividend of Rs. 18.75 per unit (i.e., 3.75 %) for the period under review. The unit holders have the option to re-invest the dividend into units which will be issued at the NAV of June 30, 2004 without sales load.

Future Prospects

The bearish sentiment due to the imposition of Capital Value Tax (CVT) in the budget is over. The government has responded to the apprehensions of the market. The CVT has been reduced from 0.1% of the purchase value of shares to 0.01%. A 10% withholding tax on gain from COT has been imposed. In order to maintain tax neutrality and to avoid the incidence of double taxation, the income of the mutual funds are exempt from income tax if 90% of the income is distributed

as dividend and also their income from all other sources are exempt from withholding tax. It is expected that the income of mutual funds from COT will also be exempt from the withholding tax imposed.

The recent State Bank of Pakistan strategy (including rejecting bids in the recent Treasury Bill auction) are an indication that the central bank may not increase interest rates in a knee jerk reaction. On the other hand there is expected to be a gradual and sustainable rise in interest rates. The growth orientation of the budget, coupled with positive developments on other fronts, including the continuing thawing of relations with our neighbor, will be the driver of continued growth and prosperity in the economy, and your Fund will endeavor to continue actively managing its investment portfolio to provide the best possible returns to the unit holders.

محبت مجھے اُن جوانوں سے ہے
ستاروں پہ جو ڈالتے ہیں کند

(Those who dare, Succeed)

Conclusion

May I thank the Securities & Exchange Commission of Pakistan, Board of Directors, the Group President, Mr. Aamir H. Shirazi and the Group Executive Committee for their help, support and guidance. I must thank the CEO, Mr. Habib-ur-Rahman, and his team for their dedication and commitment. I also thank the financial institutions, and the unit holders for their help, support and the confidence reposed in your fund.

Yusuf H. Shirazi
Chairman

Date: July 08, 2004



DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting their report together with the Audited Accounts and Auditors' Report thereon for the period September 15, 2003 to June 30, 2004.

Earning Per Unit

Earnings per Unit for the period September 15, 2003 to June 30, 2004 come to Rs. 18.78 per Unit.

Sale and Redemption of Units

AIF was launched on March 22, 2004 with a seed capital of Rs. 300 million. AIF was listed on Lahore Stock Exchange on March 31, 2004. As of June 30, 2004 the Net Asset Value (NAV) stood at Rs. 371,323,791 after the amount of Rs. 13,918,939 set aside for distribution as dividend to Unit holders. During the period 742,364 units of value of Rs. 372,834,815 were issued while 291 units of value of Rs. 149,208 were redeemed.

Unit Holders Register as of June 30, 2004 presents a diversified investor base:

	No. of Accounts (%)	Units Held	Units Held %
Directors	1.18	13,708	1.85
Individuals	64.70	29,927	4.03
Retirement Schemes	16.47	75,057	10.11
Corporates	1.18	60,000	8.08
Banks & Financial Institutions	11.76	408,964	55.09
Associated Companies	3.53	140,979	18.99
Trusts	1.18	13,708	1.85
Total	100	742,343	100

Chairman's Review

The review included in the Annual Report deals inter alia with the performance of the company for the period September 15, 2003 to June 30, 2004 and future prospects. The directors endorse the contents of the review.

Compliance with the Code of Corporate Governance

The Board of Directors states that:

- a) Accounting Policies have been consistently applied in preparation of the financial statements.
- b) Relevant International Accounting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, requirements of the Trust Deed and the directives of the Securities and Exchange Commission of Pakistan (SECP) have been followed in preparation of the financial statements.
- c) The system of internal control is sound in design and has been effectively implemented and monitored.
- d) There are no significant doubts upon the Fund's ability to continue as a going concern.
- e) There has been no material departure from the best practice of corporate governance, as detailed in the listing regulations.

Board of Directors

The Board comprises of one executive and six non-executive directors. The non-executive directors are independent of management.

During the period from March 22, 2004 to June 30, 2004 only one Board meeting was held and attended as follows:

Mr. Yusuf H. Shirazi	1	
Mr. M. Habib-ur-Rahman	1	
Mr. Frahim Ali Khan	1	Resigned effective April 20, 2004
Mr. Jawaid Iqbal Ahmed	-	
Mr. Peter Alexander Smyth	-	Appointed effective April 20, 2004
Mr. Saquib H. Shirazi	-	
Mr. Sherali Mundrawala	1	
Mr. Tariq Amin	1	

Directors, CEO, Company Secretary, CFO, and their spouses and minor children have made no transactions in the Fund's Units during the period 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 July 08, 2004, recommended the re-appointment of M/s Hameed Chaudhri & Company – Chartered Accountants, as auditors of AIF for the Financial Year 2004-05. The Board approved the appointment.

Acknowledgement

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

For and on behalf of the Board

Karachi: July 08, 2004

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



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM MARCH 22, 2004 TO JUNE 30, 2004.

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

Atlas Income Fund (AIF) is an open ended mutual fund and was listed on Lahore Stock Exchange on March 31, 2004. AIF Units have been offered for public subscription on a continuous basis from March 22, 2004.

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 consist 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. One casual vacancy occurred in the Board during the period from March 22, 2004 to June 30, 2004 and was filled within 30 days thereof.
5. The Company has adopted a "Code of Business Principles", which have been distributed to and acknowledged by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. 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 transaction, including appointment and determination of 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 in his absence, by the director elected by the Board for this purpose 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 CFO and Company Secretary including their remuneration and terms and conditions of employment as determined by the CEO.

10. Directors Report for the period September 15, 2003 to June 30, 2004 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 Chief Executive have been approved by the Board.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in notes 16 to the financial statement "Transactions with Connected Persons/Related Parties".
14. The Company has complied with the corporate and financial reporting requirements of the Code.
15. The Directors of the Company have attended an orientation course to appraise them of their duties and responsibilities and the requirements of the Code of Corporate Governance.
16. The Board has formed an Audit Committee. It comprises of three members, all of whom are non executive directors including the chairman of the committee. Term and Reference of the Audit Committee have been prepared which will be advised to the Committee for compliance.
17. The Management Company has outsourced the internal audit function of the Fund to Anjum Asim Shahid Rahman Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
18. The Statutory Auditors of the funds 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 Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi: July 08, 2004

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



Atlas Income Fund

REPORT OF THE TRUSTEE

Muslim Commercial Financial Services (Pvt.) Limited
Trustee – Atlas Income Fund

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

Atlas Asset Management Company Limited (AAMCL), the Management Company of Atlas Income Fund (AIF) has in all material respects managed Atlas Income Fund in accordance with the provisions of the Trust Deed dated February 20, 2003 of AIF and the Non – Banking Finance Companies (Establishment and Regulation) Rules, 2003, (Formerly Asset Management Companies Rules, 1995), during the period commencing from September 15, 2003 to June 30, 2004.

Karachi: June 30, 2004

A. Razzaq H. Adam
Managing Director

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

We have reviewed the statement of Compliance with the best practices contained in the code of Corporate Governance prepared in respect of Atlas Income Fund (the Fund), by the Board of Directors of Atlas Asset Management Company Limited, the management company of the Fund, to comply with the Listing Regulations 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 audit of financial statements, we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and to develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement of internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the code of Corporate Governance for the period from 22 March, 2004 to 30 June, 2004.

Karachi: July 08, 2004

Hameed Chaudhri & Co.
Chartered Accountants



AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the annexed statement of assets and liabilities of Atlas Income Fund as at 30 June, 2004 and the related income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement, together with the notes forming part thereof, for the period from September 15, 2003 to 30 June, 2004 and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Management Company to establish and maintain a system of internal control and prepare and present the above said statement in conformity with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- a) In our opinion, proper books of accounts have been kept by the Management Company in respect of Atlas Income Fund as required by the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- b) In our opinion, the statement of assets and liabilities, income statement, distribution statement and statement of movement in units holders' funds have been drawn up in conformity with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied ; and
- c) in our opinion and to the best of our information and according to the explanation given to us, the statement of assets and liabilities, income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement, together with the notes forming parts thereof, give the information required by the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan, in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at 30 June, 2004 and of the transactions of the Fund for the period from 15 September, 2003 to 30 June, 2004.

Karachi: July 08, 2004

Hameed Chaudhri & Co.
Chartered Accountants

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2004

	Note	(Rupees)
		June 30, 2004
ASSETS		
Balances with banks	4	14,775,340
Investments	5	111,018,839
Receivable in respect of Carry Over Transactions	6	259,914,516
Deposits and Other Receivables	7	2,826,875
Total Assets		388,535,570
LIABILITIES		
Payable to Management Company	8	2,585,968
Remuneration Payable to Trustee	9	141,282
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	10	261,123
Creditors, Accrued and Other Liabilities	11	304,467
Distribution Payable		13,918,939
Total Liabilities		17,211,779
Commitments	12	
Net Assets		371,323,791
Unit holders' funds (as per statement attached)		371,323,791
		(No. of units)
Number of units in issue		742,343
		(Rupees per unit)
Net asset value per unit		500.21

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

For Atlas Asset Management Company Limited
(Management Company)

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

Sherali Mundrawala
Director

Yusuf H. Shirazi
Chairman

For Muslim Commercial Financial Services (Pvt.) Ltd.
(Trustee)

A. Razzak H. Adam
Managing Director



Atlas Income Fund

INCOME STATEMENT

FOR THE PERIOD FROM SEPTEMBER 15, 2003 TO JUNE 30, 2004

	(Rupees)
	For The Period From Sep. 15, 2003 to June 30, 2004
Note	
INCOME	
Income from Carry Over Transactions	15,147,547
Income from Term Finance Certificates	5,644,397
Profit on Bank Deposit Account	256,694
Element of Income and Capital Gains included in Prices of Units Sold less those in Units Repurchased	1,383,556
	22,432,194
EXPENDITURE	
Remuneration to Management Company	3,917,305
Remuneration to Trustee	1,211,974
SECP Annual Fee	261,123
Settlement Charges	904,796
Brokerage Charges	2,109,739
Financial Charges	18,578
Auditor's Remuneration	68,000
	8,491,515
Profit for the Period	13,940,679
Basic Earnings per Unit	18.78

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

For Atlas Asset Management Company Limited
(Management Company)

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

Sherali Mundrawala
Director

Yusuf H. Shirazi
Chairman

For Muslim Commercial Financial Services (Pvt.) Ltd.
(Trustee)

A. Razzak H. Adam
Managing Director

DISTRIBUTION STATEMENT

FOR THE PERIOD FROM SEPTEMBER 15, 2003 TO JUNE 30, 2004

	(Rupees)
	For The Period From Sep. 15, 2003 to June 30, 2004
Undistributed Income brought forward	-
Net Income for the Period	13,940,679
Final Distribution @ 18.75 per unit to be distributed on 29 July, 2004	(13,918,939)
Undistributed Income carried forward	<u>21,740</u>

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

For Atlas Asset Management Company Limited
(Management Company)

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

Sherali Mundrawala
Director

Yusuf H. Shirazi
Chairman

For Muslim Commercial Financial Services (Pvt.) Ltd.
(Trustee)

A. Razzak H. Adam
Managing Director



STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE PERIOD FROM SEPTEMBER 15, 2003 TO JUNE 30, 2004

	(Rupees)
	For The Period From Sep. 15, 2003 to June 30, 2004
Net Assets at the beginning of the Period	-
Amount received on Issue of 742,634 units	372,834,815
Amount paid on Redemption of 291 units	(149,208)
Element of Income and Capital Gains included in Prices of Units Sold less those in Units Repurchased	(1,383,556)
Net Income for the Period	13,940,679
Distribution for the Period	(13,918,939)
Net Assets at the end of the Period	<u>371,323,791</u>

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

For Atlas Asset Management Company Limited
(Management Company)

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

Sherali Mundrawala
Director

Yusuf H. Shirazi
Chairman

For Muslim Commercial Financial Services (Pvt.) Ltd.
(Trustee)

A. Razzak H. Adam
Managing Director

CASH FLOW STATEMENT

FOR THE PERIOD FROM SEPTEMBER 15, 2003 TO JUNE 30, 2004

(Rupees)

For The
Period From
Sep. 15, 2003
to June 30,
2004**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit for the Period 13,940,679

AdjustmentElement of Income and Capital Gains included in Prices of Units
Sold less those in Units Repurchased (1,383,556)

12,557,123

(Increase) / Decrease in Assets

Receivable in respect of Carry Over Transactions (259,914,516)

Investments (111,018,839)

Deposits and Other Receivables (2,826,875)

(361,203,107)

Increase / (Decrease) in Liabilities

Payable to Management Company 2,585,968

Remuneration Payable to Trustee 141,282

Payable to Securities and Exchange Commission of Pakistan 261,123

Creditors, Accrued and Other Liabilities 304,467

Cash Generated from Operations (357,910,267)

CASH FLOWS FROM FINANCING ACTIVITIES

Net receipts/(payments) in respect of sale / (repurchase) of AIF Units 372,685,607

Net increase in cash and cash equivalents 14,775,340

Cash and cash equivalents at the beginning of the period -

Cash and cash equivalents at the end of the period 14,775,340

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

For Atlas Asset Management Company Limited
(Management Company)M. Habib-ur-Rahman
Vice Chairman
& Chief ExecutiveSherali Mundrawala
DirectorYusuf H. Shirazi
ChairmanFor Muslim Commercial Financial Services (Pvt.) Ltd.
(Trustee)A. Razzak H. Adam
Managing Director



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM SEPTEMBER 15, 2003 TO JUNE 30, 2004

1. LEGAL STATUS AND NATURE OF BUSINESS

The Atlas Income Fund (AIF) was established under a Trust Deed executed between Atlas Asset Management Company Limited (AAMCL) as management company and Muslim Commercial Financial Services (Pvt.) Limited, as trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 04 February, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) now replaced by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Trust Deed was executed on 20 February, 2003.

AIF is an open ended mutual fund, and was listed on Lahore Stock Exchange on 31 March, 2004. AIF Units have been offered for public subscription on a continuous basis from 22 March, 2004, and are transferable and can be redeemed by surrendering them to the Fund.

These are the first financial statements of the Fund. No operations took place during the period from 20 February, 2003 to 14 September, 2003, as subscription in form of Seed Capital was received on 15 September, 2003. These financial statements have been prepared from date of first payment of Deposited Property to the Trustee in accordance with the provisions of the Trust Deed.

The principal activities of the Fund are to make investments primarily in reverse repurchase transactions of listed equity securities, corporate debt instruments, government securities and other money market instruments.

2. STATEMENT OF COMPLIANCE

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

These 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 mentioned in the relevant International Accounting Standards applicable to these assets and the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

3.2 Investments

All investments are initially recognised at cost, being the fair value of the consideration given, including acquisition charge associated with the investments.

Investments Held for Trading, Available for Sale and Held to Maturity

After initial recognition at cost, investments which are classified as held for trading and available for sale are measured at fair value. Gains or losses on investments held for trading are recognised in income. Gains or losses on available for sale investments are recognised in the unit holders' funds until the investment is sold or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

Other investments that are intended to be held to 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. For investments carried at amortised cost, gains and losses are recognised in income and the investments are derecognised or impaired.

Loans and Receivables Originated by the Fund

Subsequent to initial measurement loans and receivables originated by the Fund which are not held for trading are measured at amortised cost using the effective interest rate method while loans and receivables originated by the Fund that are classified as held for trading are remeasured at their fair values. Gains/Losses arising on remeasurement of loans and receivables originated by the Fund that are held for trading are taken to the income statement.

3.3 Derivatives

Derivative instruments held by the Fund generally comprise of futures contracts in the capital market. These are initially recognised at cost and are subsequently remeasured at their fair value. The fair value of futures contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently.

Derivative financial instruments entered into by the Fund do not meet the hedging criteria as defined by International Accounting Standard 39, Recognition and Measurement of Financial Instruments, consequently hedge accounting is not used by the Fund.

3.4 Securities under repurchase/resale agreements

Securities purchased under an agreement to resale (Reverse-Repo) are included as receivable against Carry Over Transactions at the fair value of the consideration given. All Carry Over Transactions are accounted for on settlement date. The difference between the purchase and sale price is treated as income (or expense) in the income statement and is recognised over the term of the transactions.

3.5 Issue and redemption of units

Units issued are recorded at the offer price, determined by the management company for the application received by the Distribution Company during business hours on that day. The offer price represents the net asset value per unit as of the close of the previous business day plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Distribution Company and the Management Company.

Units redeemed are recorded at the redemption price, applicable for the day on which the Distribution Company receives the redemption application during business hours on that day. The redemption price represents the net asset value per unit at the end of the previous day.

3.6 Offsetting financial instruments

Financial assets and 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 amounts and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.7 Financial assets and financial liabilities

Financial assets carried on the statement of assets and liabilities include Bank Balances, Investments, Receivable in respect of Carry Over Transactions, & Deposits and Other Receivables.



Atlas Income Fund

Financial liabilities carried on the statement of assets and liabilities include Remuneration Payable to Management Company, Remuneration Payable to Trustee, SECP annual fee, and Creditors, Accrued and Other Liabilities.

3.8 Taxation

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its income for the year (as reduced by capital gains whether realised or unrealised) is distributed amongst the unit holders.

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

The daily sale and repurchase price of AIF units 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 upto 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 AIF units, 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.

3.10 Revenue recognition

Gain/loss on sale of investments is included in the income statement on the date on which the transaction takes place.

Income from investment in term finance certificates is recognised on time proportion basis.

Profit on bank deposits is recognised on accrual basis.

3.11 Net Asset Value per Unit

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

3.12 Earnings per Unit

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

	(Rupees)
	June 30, 2004
4. BALANCES WITH BANKS - LOCAL CURRENCY	
On current account	189,750
On PLS and savings deposit accounts	14,585,590
	<u>14,775,340</u>

5. INVESTMENTS

5.1 Loans and Receivables Originated by the Fund

Term Finance Certificates	Status	Number of Certificates		value per TFC	Carrying Value	Market value/Cost	% of Net Assets
		Acquired during the period	as at 30 June 2004		As at 30 June 2004	where market value is not available 30 June, 2004 (note 5.3)	
Pakistan Mobile Communication Ltd.	Unlisted	5,000	5,000	5,000	25,000,000	25,000,000	6.73
Trust Commercial Bank Ltd.	Unlisted	3,000	3,000	4,999	14,997,000	14,997,000	4.04
Grays Leasing Ltd.	Unlisted	3,000	3,000	5,000	15,000,000	15,000,000	4.04
Orient Petroleum Ltd.	Unlisted	5,000	5,000	4,167	20,833,333	20,833,333	5.61
Pakistan Services Ltd.	Listed	1,494	1,494	5,200	7,468,506	7,768,800	2.01
Al Zamin Leasing Modaraba	Listed	2,000	2,000	5,000	10,000,000	10,000,000	2.69
Pharmagen Ltd.	Listed	3,544	3,544	5,000	17,720,000	17,720,000	4.77
					<u>111,018,839</u>	<u>111,319,133</u>	<u>29.90</u>

5.2 All TFCs are carried at amortised cost.

5.3 Unlisted TFCs are valued at cost as their fair value is not available. Listed TFCs have been valued at closing market rates as obtained from the respective stock exchanges on which these TFCs are listed.

5.4 The rate of return on these Term Finance Certificates, maturing between 16 March, 2004 to 23 December, 2008, range from 5.74 % to 9.75 % per annum.

6. RECEIVABLE IN RESPECT OF CARRY OVER TRANSACTIONS (COT) - CONSIDERED GOOD

	Note	(Rupees) June 30, 2004
Receivable in respect of Carry Over Transactions	6.1	259,850,615
Accrued income on Carry Over Transactions	6.2	63,901
		<u>259,914,516</u>

6.1 SECURITIES HELD UNDER COT CONTRACTS

Equity Securities	259,850,615
	<u>259,850,615</u>

6.2 The market value of securities held in respect of COT contracts aggregates to Rs. 270.5 million. These COT contracts have rates of return ranging from 5.45 % to 15.65 % per annum with maturities ranging from over night to ten working days.

	Note	(Rupees) June 30, 2004
7. DEPOSITS AND OTHER RECEIVABLES		
Security Deposits		1,200,000
Accrued Income on TFCs		1,461,657
Accrued Income on Bank Balances		165,218
		2,826,875
8. PAYABLE TO MANAGEMENT COMPANY		
Management fee payable to Atlas Asset Management Company Limited.	8.1	2,580,143
Others		5,825
		2,585,968
<p>8.1 In accordance with the provision of the NBFC Rules 2003, the Management Company of the fund is entitled to receive a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The Management Company has charged its remuneration at the rate of 1.5% per annum for the reported period.</p>		
9. REMUNERATION PAYABLE TO TRUSTEE		
Trustee fee payable to Muslim Commercial Financial Services (Private) Limited.	9.1	141,282
<p>9.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provision of the Trust Deed as per the tariff specified therein, based on the daily net asset value of the funds under management.</p>		
10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)		
Annual Fee	10.1	261,123
<p>10.1 Under the provision of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, a Unit Trust scheme is required to pay annual fee to SECP, an amount equal to one tenth of one percent of the average value of the Funds Under Management.</p>		
11. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Settlement Charges Payable		63,196
Brokerage Payable		
Atlas Investment Bank Limited - an associated company		41,657
Other Brokers		157,646
Auditors' Remuneration Payable		36,500
Withholding tax payable		5,468
		304,467
12. COMMITMENTS		
Carry Over Transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at 30 June, 2004.		487,617,390

These transactions have been settled subsequent to the period end.

(Rupees)

June 30,
2004**13. FINANCIAL CHARGES**

These include Rs. 5,694 on account of mark-up payment to Atlas Investment Bank Limited.

14. AUDITOR'S REMUNERATION

Review and Audit Fee	
Half Yearly Review	16,000
Annual Audit	35,500
Certification	15,000
Out of Pocket Expenses	1,500
	68,000
	68,000

15. TAXATION

No provision for taxation has been made in the financial statements in view of the exemption under clause 99 of Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90 % of its income excluding realised and unrealised gains for the period is distributed among unit holders.

For The
Period From
Sep. 15, 2003
to June 30,
2004

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Units sold to:	Units	Amount
Companies		
Atlas Investment Bank Limited.	60,000	30,000,000
Shirazi Investments (Pvt.) Ltd.	80,000	40,000,000
Shirazi Investments (Pvt.) Ltd. - Employees' Provident Fund	863	447,000
Shirazi Trading Company (Pvt.) Ltd. - Employees' Provident Fund	2,940	1,501,282
Atlas Group of Companies - Management Staff Gratuity Fund	12,729	6,500,000
Atlas Honda Limited - Employees' Provident Fund	40,000	20,000,000
Shirazi Foundation	979	500,000
Individuals		
- Aamir H. Shirazi (4,895.82 units) - Ex. Director		2,500,000
- Ali H. Shirazi (13,708.29 units)		7,000,000
- Saquib H. Shirazi (13,708.29 units) - Director		7,000,000
Transactions with Management Company:		
Remuneration		3,917,305
Sales load and certificate charges		22,530
Transactions with Atlas Investment Bank Limited:		
Brokerage Charges		669,411
Short Term Borrowing		14,000,000
Financial Charges		5,694

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

17. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

17.1 The Fund's MROR sensitivity related to financial assets and financial liabilities as at 30 June, 2004 can be determined from the following:

	Exposed to MROR risk			Not exposed to MROR risk	Total
	Upto three months	More than three months and upto one year	More than one year		
Amount in Rupees					
On-balance sheet financial instruments					
Financial Assets					
Balances with banks	14,585,590	-	-	189,750	14,775,340
Investments	-	-	111,018,839	-	111,018,839
Receivable in respect of Carry Over Transactions	259,914,516	-	-	-	259,914,516
Deposits and Other Receivables	-	-	-	1,626,875	1,626,875
	274,500,106	-	111,018,839	1,816,625	387,335,570
Financial Liabilities					
Payable to Management Company	-	-	-	2,585,968	2,585,968
Remuneration Payable to Trustee	-	-	-	141,282	141,282
	-	-	-	2,727,250	2,727,250
On-balance sheet gap	274,500,106	-	111,018,839	(910,625)	384,608,320
Off-balance sheet financial instruments					
Carry Over Transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at 30 June, 2004	487,617,390	-	-	-	487,617,390

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

	Percentage range
Balances with banks	1 - 2.25
Investments - TFCs	5.74 - 9.75
Receivable in respect of Carry Over Transactions	5.45 - 15.65

18. MATURITIES OF ASSETS AND LIABILITIES

	30 June, 2004			Total
	Upto three months	More than three months and upto	More than one year	
Amount in Rupees				
Assets				
Balances with banks	14,775,340	-	-	14,775,340
Investments	-	-	111,018,839	111,018,839
Receivable in respect of Carry Over Transactions	259,914,516	-	-	259,914,516
Deposits and Other Receivables	1,626,875	-	1,200,000	2,826,875
	276,316,731	-	112,218,839	388,535,570
Liabilities				
Payable to Management Company	2,585,968	-	-	2,585,968
Remuneration Payable to Trustee	141,282	-	-	141,282
Payable to SECP	261,123	-	-	261,123
Creditors, accrued and other liabilities	304,467	-	-	304,467
	3,292,840	-	-	3,292,840
Net Assets	273,023,891	-	112,218,839	385,242,730

19. FINANCIAL RISK MANAGEMENT POLICIES**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 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. 387.335 million. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentrations of credit risk.

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. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on July 8, 2004.

22. GENERAL

22.1 Figures have been rounded off to the nearest rupee.

22.2 Being the first year of operations, no comparative figures have been presented in these financial statements.

For Atlas Asset Management Company Limited
(Management Company)

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

Sherali Mundrawala
Director

Yusuf H. Shirazi
Chairman

For Muslim Commercial Financial Services (Pvt.) Ltd.
(Trustee)

A. Razzak H. Adam
Managing Director

PERFORMANCE TABLE

FOR THE PERIOD FROM 15 SEPTEMBER, 2003 TO 30 JUNE, 2004

	June 30, 2004
Net Assets (Rs. in " 000 ")	371,324
Net Income (Rs. in " 000 ")	13,940
Number of Units in Issue	742,343
Per Unit	
Net Asset Value (Rs.)	500.21
Net Income (Rs.)	18.78
Dividend (Rs.)	18.75
Dividend as % of par value of units	3.75
Highest issue price during the year (Rs.)	529.24
Lowest redemption price during the year (Rs.)	510.70