

Atlas funds

Nurturing your investments

Atlas Income Fund

Annual

Report

2005

Managed By
Atlas Asset Management Limited
(Formerly: Atlas Asset Management Company Limited)





Atlas Asset Management 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.

CONTENTS

ORGANISATION	2
CHAIRMAN'S REVIEW	4
DIRECTORS' REPORT	6
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	8
REPORT OF THE TRUSTEES	
- MUSLIM COMMERCIAL FINANCIAL SERVICES (PVT.) LIMITED	10
- CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED	11
REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	12
AUDITORS' REPORT TO THE UNIT HOLDERS	13
FINANCIAL STATEMENTS	
STATEMENT OF ASSETS AND LIABILITIES	14
INCOME STATEMENT	15
DISTRIBUTION STATEMENT	16
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS	17
CASH FLOW STATEMENT	18
NOTES TO THE FINANCIAL STATEMENTS	19

Atlas Income Fund

ORGANISATION

MANAGEMENT COMPANY

ATLAS ASSET MANAGEMENT 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 - (Alternate Mr. Michael Ferrer)
	Mr. Saquib H. Shirazi
	Mr. Sherali Mundrawala
	Mr. Tariq Amin
Company Secretary	Mr. Ather H. Medina (upto May 02, 2005)
	Ms. S. Lilly Ishaque (w.e.f. May 03, 2005)

AUDIT COMMITTEE

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

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

GROUP HUMAN RESOURCE COMMITTEE

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

GROUP SYSTEMS & TECHNOLOGY COMMITTEE

Chairman	Mr. Iftikhar H. Shirazi
Member	Mr. Zia Ullah Begg

TRUSTEE

Muslim Commercial Financial Services (Pvt.) Limited
(upto June 10, 2005)
3rd Floor, Adamjee House,
I.I. Chundrigar Road, Karachi-74000

Central Depository Company of Pakistan Limited
(w.e.f. June 11, 2005)
8th Floor, Karachi Stock Exchange Building,
Stock Exchange Road, Karachi-74000

INTERNAL AUDITORS

Anjum Asim Shahid Rahman
Chartered Accountants

ORGANISATION

AUDITORS

Hameed Chaudhri & Co.
Chartered Accountants

LEGAL ADVISORS

Mohsin Tayebaly & Co.

BANKERS

Bank Alfalah Limited
KASB Bank Limited
Muslim Commercial Bank Limited

REGISTERED OFFICE

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

DISTRIBUTION OFFICES

Karachi

Atlas Asset Management Limited

PPI Building, Near Sindh Secretariat Building,
Sharae Kamal Ataturk, Karachi-74200
Telephone: (92-21) 8240195
Fax: (92-21) 2626478

3rd Floor, Ebrahim Estates,
Sharae Faisal, Karachi-75350
Telephone: (92-21) 4310665, 4536369, 4539695
Fax: (92-21) 4538094

Atlas Investment Bank Limited

3rd Floor, Federation House, Sharae Firdousi,
Clifton, Karachi-75600
Telephone: (92-21) 5866817-20, 5866919-20
Fax: (92-21) 5870543

Lahore

Atlas Asset Management Limited

1-McLeod Road, Lahore
Tel: (92-42) 7225015-17, 7233515-17
Fax: (92-42) 7233518, 7351119

Atlas Investment Bank Limited

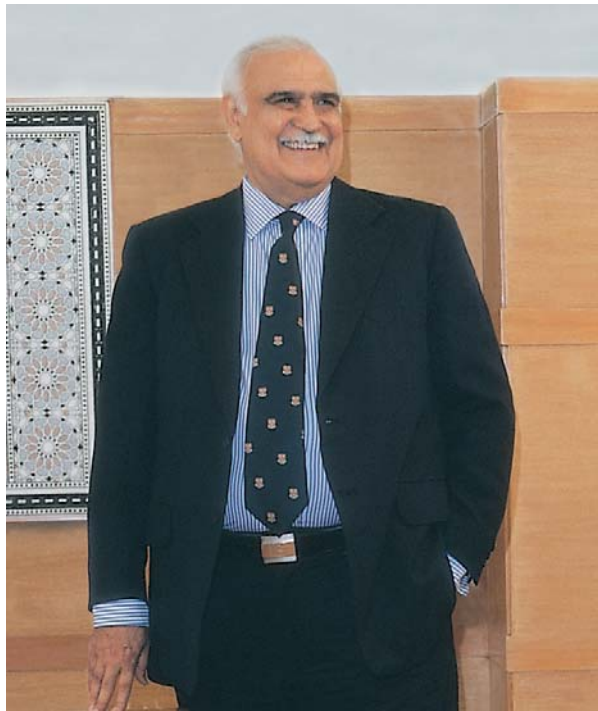
2nd Floor, Ajmal House, 27-Egerton Road, Lahore
Telephone: (92-42) 6366175

Islamabad

Atlas Investment Bank Limited

30, Mezzanine Floor, Beverly Centre,
Blue Area, Islamabad
Telephone: (92-51) 2824906, 2824909
Fax: (92-51) 2821377

Atlas Income Fund



CHAIRMAN'S REVIEW

It is my pleasure to present to you the second Annual Report of Atlas Income Fund for the year ended June 30, 2005.

The Economy

Sharply higher oil prices during the year, along with other factors, led to inflation, which exceeded the initial target of 5%. The inflation reduced the ability of the central bank to persist with its monetary policy. Consequently, there was substantial tightening on the monetary front with interest rates on 3, 6, and 12-month Treasury bills rising to 7.5147%, 7.9869%, and 8.4477% respectively, during the year. The 6 month KIBOR (Karachi Inter-bank Offered Rate), the benchmark rate used in pricing corporate borrowing also showed a large increase of 5.82% during the year.

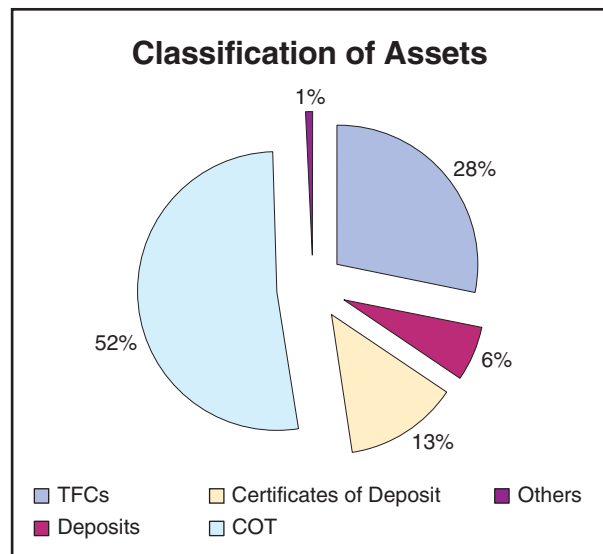
A further cause for concern during the year was the depreciation in the value of the rupee vis-à-vis the US dollar during the earlier part of the year. However, this issue was aptly handled by the central bank by providing exchange for oil imports, thus

stabilizing the rupee. The total depreciation in the value of the rupee during the year was thus capped at 2.5%.

Despite these twin tribulations, the economy maintained its growth impetus, with real GDP growth of 8.4% during the year. The corporate sector also maintained strong growth in earnings and payouts with particularly good performance in the banking, oil & gas, fertilizer, cement, auto, and textile sectors.

Fund Operations

Your fund maintained its strategy to invest in instruments with short-term maturities, or having floating rate coupons, in order to avoid price risk due to the rising interest rate environment, thus the largest portion of net assets was invested in Carry Over Transactions. This strategy bore fruit as a volatile market kept COT rates at high levels throughout most of the second half of the year.



The Atlas Income Fund started with an initial fund of Rs. 300 million on March 22, 2004. Within three months of its operations, it declared a cash dividend of Rs. 18.75 per unit. The Net Assets of your fund grew to Rs. 1,154 million, with 2.1 million units outstanding as at June 30, 2005. The NAV of the Fund on June 30, 2005 stood at Rs. 549.06 per unit.

Your Fund has thus been able to improve upon the performance achieved last year, showing an annualized appreciation of 9.77% in its Net Asset Value. The Board of Directors of the Management Company has decided to distribute bonus units @ 9.75% on the face value of the units of Rs. 500 each, which works out to 9.7439 bonus units for every 100 units, of the value of Rs.500.31 each, held as on June 30, 2005. The unit holders have the option to en-cash the units on ex-bonus net asset value on June 30, 2005, which works out to Rs. 500.31 per unit, which the Unit Holders may exercise on or before July 29, 2005. After this date the Unit Holders may redeem the Units at ruling price.

Atlas entered asset management on March 22, 2004 with its first fund, i.e., Atlas Income Fund, with a seed capital of Rs.300 million. The net assets of Atlas Income Fund now stand at Rs.1,154 million.

The Atlas Stock Market Fund was launched on November 24, 2004 with a seed capital of Rs.314 million. The Net Assets of ASMF stand at Rs.918 million as at June 30, 2005.

The third fund, the Atlas Fund of Funds was launched on December 13, 2004. Its Net Assets now stand at Rs.526 million.

The total value of the three Atlas Funds in a short period of 15 months stands at Rs.2.6 billion, a satisfactory performance from any standpoint.

Future Prospects

COT financing, or Badla, as it is known in the local market terminology, is being phased out as per the requirements of the Securities and Exchange Commission of Pakistan. In the absence of a fully developed corporate debt market, and restricted avenues for investment, fixed income funds have heretofore relied heavily on the COT market for generating attractive returns.

Margin financing, and Ready/Futures spread transactions, the alternatives being developed to replace COT, are not accessible to mutual funds, thus the challenge before your fund for the coming year is to recreate the performance of the past with other avenues that are available. However, I am confident that with sincerity, hard work, and honesty of purpose that are the hall marks of Atlas funds, we will continue to provide our investors with superior returns.

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

(Those who dare, Succeed)

Conclusion

I would like to 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 also thank ING – Institutional and Government Advisory Services, B.V. and ING IM AP Administration Limited for their continuing support. I also thank the financial institutions, and the unit holders for their help, support and the confidence reposed in your fund and the Chief Executive Officer, Mr. M. Habib-ur-Rahman, and his management team for their hard work, dedication, and sincerity of purpose.

Yusuf H. Shirazi

Karachi: July 15, 2005

Chairman

Atlas Income Fund

DIRECTORS' REPORT

The Board of Directors of Atlas Asset Management Limited, the Management Company of Atlas Income Fund (Fund), take pleasure in presenting the Second Annual Report of the Fund alongwith the Audited Accounts and Auditors' Report thereon for the year ended June 30, 2005.

Earnings Per Unit

Earnings for the year ended June 30, 2005 work out to Rs.49.06 per unit.

Sale and Redemption of Units

As of June 30, 2005 the Net Assets the Fund stood at Rs.1,153,855,905. The Management Company has approved a bonus of 9.75% on the face value of Rs.500 per unit for the year ended June 30, 2005. During the year 1,444,861 units of the value of Rs. 765,141,830 were issued while 85,676 units of value of Rs. 45,166,606 were redeemed.

Unit holders register as of June 30, 2005 presents a diversified investors' base:

	No. of Accounts (%)	Units Held	Units Held %
Directors	1.52	19,232	0.92
Individuals	55.30	59,485	2.83
Corporates	3.03	266,550	12.68
Banks & Financial Institutions	8.34	493,200	23.47
Associated Companies	3.78	975,876	46.44
Trusts	26.51	269,062	12.80
Others	1.52	18,123	0.86
Total	100	2,101,528	100

Chairman's Review

The review included in the Annual Report deals inter alia with the performance of the Fund for the year ended June 30, 2005 and future prospects. The directors endorse the contents of the review.

Compliance with the Code of Corporate Governance

The Board of Directors states that:

- 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' Fund.
- Proper books of account of the Fund have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgement. On June 30, 2005, the Management Company changed the accounting policy for spread transactions as recommended by the Institute of Chartered Accountants of Pakistan and these are now being recorded in accordance with IAS 39. The external auditors of the Fund have concurred with such change.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.

- f) There is no doubt upon 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 22 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.

Asset Management Rating of the Management Company

Atlas Asset Management Limited (AAML), the Management Company of Atlas Income Fund, has been assigned an asset manager rating of "AM3" by PACRA in October 2004.

While assigning this rating PACRA states that "the rating reflects the company's strong capacity to master the risks inherent in asset management. Although AAML has a relatively short operational history, the capacity emanates from the intrinsic capacity of the asset manager, an outcome of an experienced and well qualified management team, comprehensive investment management strategy, stable financial resources and association with a diversified group. This is further supported by the strong focus on corporate governance, along with high level of independence from the reference shareholder and complete autonomy in decision-making. AAML has put in place basic internal systems including effective asset allocation and risk management policies and processes and is setting up other supporting systems."

Board of Directors

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

During the year five Board meetings were held and attended as follows:

Name	Meetings Attended
Mr. Yusuf H. Shirazi	5
Mr. M. Habib-ur-Rahman	4
Mr. Jawaid Iqbal Ahmed	4
Mr. Peter A. Smyth	2
Mr. Saquib H. Shirazi	5
Mr. Sherali Mundrawala	5
Mr. Tariq Amin	4

Directors, CEO, Company Secretary, CFO and their spouse and minor children have made no transactions in the Fund's Units during the year except as disclosed in note 17 to the financial statements - "Transactions with Connected Persons/ Related Parties".

Change of Trustee

Muslim Commercial Financial Services (Pvt.) Limited, (MCFSL), resigned as trustee following a strategic decision to exit the trustee business. With the approval of the Securities and Exchange Commission of Pakistan, Central Depository Company of Pakistan Limited was appointed as the trustee w.e.f. June 11, 2005. We thank MCFSL for their valuable services and support.

Auditors

The Audit Committee of the Board of Directors in its meeting held on July 15, 2005, recommended the re-appointment of M/s Hameed Chaudhri & Co. - Chartered Accountants, as auditors of Atlas Income Fund for the Financial Year 2005-06. 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

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

Karachi: July 15, 2005

Atlas Income Fund

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2005

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 43 of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

Atlas Asset Management Limited (AAML), the Management Company is not listed and hence, the Code is not applicable to it. However, Atlas Income Fund (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 AAML and other necessary personnel to manage the affairs of 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, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred in the Board during the year ended June 30, 2005.
5. The Management Company has adopted a "Statement of Ethics and Business Practices", which has been distributed to and acknowledged by all the directors and employees of the Management Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of 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 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 Chief Financial Officer and Company Secretary including their 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.

Annual Report 2005

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 note 17 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. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee. The terms of reference of the Audit Committee have been prepared and advised to the Committee for compliance.
17. The meetings of the Audit Committee were held one every quarter, prior to approval of the interim and final results of the Fund and as required by the Code.
18. 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.
19. 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 Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. 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.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

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

Karachi: July 15, 2005

Atlas Income Fund

REPORT OF THE TRUSTEE FOR THE PERIOD JULY 1, 2004 TO JUNE 10, 2005 MUSLIM COMMERCIAL FINANCIAL SERVICES (PVT.) LIMITED

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

Atlas Asset Management Limited (formerly Atlas Asset Management Company Limited), 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 July 01, 2004 to June 10, 2005. For the purpose of information, the attention of the Unit Holders is being drawn towards paragraph (c) of auditors' report to the Unit Holders relating to change of accounting policy, with which we concord.

Mirza Muhammad Baig
Assistant Vice President

Hanif Iqbal Brohi
Vice President

Karachi: July 15, 2005

REPORT OF THE TRUSTEE FOR THE PERIOD JUNE 11, 2005 TO JUNE 30, 2005 CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

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

The Atlas Income Fund, an open end fund was established under a trust deed executed between Atlas Asset Management Limited as the Asset Management Company and Muslim Commercial Financial Services (Pvt.) Limited as the Trustee on February 20, 2003. The Scheme was authorised by Securities and Exchange Commission of Pakistan on March 21, 2003.

As per the Deed of Change of Trustee and First Supplemental Trust Deed dated June 11, 2005, Muslim Commercial Financial Services (Pvt) Limited retired as the Trustee and Central Depository Company of Pakistan Limited was appointed as the trustee of Atlas Income Fund.

In our opinion, Atlas Asset Management Limited, the Management Company of Atlas Income Fund has in all material respects managed Atlas Income Fund during the period June 11, 2005 to June 30, 2005 in accordance with the provisions of the Trust Deed (and the modifications authorized by the Securities and Exchange Commission of Pakistan from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Karachi: July 15, 2005

Mohammad Hanif Jakhura

Chief Executive Officer

Central Depository Company of Pakistan Limited

Atlas Income Fund

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 Limited (formerly 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 inquires 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, 2005.

Karachi: July 15, 2005

Hameed Chaudhri & Co.
Chartered Accountants

AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the annexed statement of assets and liabilities of the Atlas Income Fund as at June 30, 2005 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 year then ended 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 statements 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 the 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, the income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement together with the notes thereon 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 except for the change as stated in note 3.3 with which we concur;
- (c) As explained in note 3.3 to the financial statements, till June 29, 2005, the Fund accounted for transactions involving purchase of a security in the ready market and sale of the same security in the forward 'futures' market, as 'spread transactions' by deleting the cost of investments from the books and recording the receivable based on the forward sale price. The difference between these two amounts was taken to the Income Statement over the period of the forward transaction. However, under IAS 39, 'Financial Instruments - Recognition and Measurement', the securities purchased by the Fund are required to be carried on the Statement of Assets and Liabilities at their market value till the eventual disposal and the forward sale of securities in the futures market are required to be treated as separate 'derivative' transactions, and carried at their fair values. With effect from June 30, 2005, the Fund has changed its accounting policy to bring it in line with the requirements of IAS 39.
- (d) Except for the effect of the matter stated in paragraph (c) above, in our opinion and to the best of our information and according to the explanations 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 part 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 June 30, 2005 and of the transactions of the Fund for the year then ended.

Atlas Income Fund

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2005

	Note	2005 (Rupees)	2004 (Rupees)
ASSETS			
Cash at banks	4	72,777,148	14,775,340
Receivable from reverse repurchase agreements	5	594,864,360	259,850,615
Investments	6	477,727,992	111,018,839
Advances, deposits and prepayments	7	1,548,565	1,200,000
Interest, dividend and other receivables	8	11,664,655	1,690,776
Total assets		1,158,582,720	388,535,570
LIABILITIES			
Payable to unit holders		5,888	-
Accrued and other liabilities	9	1,258,901	304,467
Payable to Atlas Asset Management Limited			
-Management Company	10	2,691,045	2,585,968
Payable to Trustee	11		
-Muslim Commercial Financial Services (Pvt.) Limited		41,421	141,282
-Central Depository Company of Pakistan Limited		112,625	-
Payable to Securities and Exchange Commission of Pakistan	12	616,935	261,123
Distribution Payable		-	13,918,939
Total liabilities		4,726,815	17,211,779
Commitments	13		
NET ASSETS		1,153,855,905	371,323,791
Unit holders' funds (as per statement attached)		<u>1,153,855,905</u>	<u>371,323,791</u>
		(No. of units)	
Number of units in issue		<u>2,101,528</u>	<u>742,343</u>
		(Rupees per unit)	
Net asset value per unit		<u>549.06</u>	<u>500.21</u>

The annexed notes 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

Sherali Mundrawala
Director

For Central Depository Company of Pakistan Limited
(Trustee)

Mohammad Hanif Jakhura
Chief Executive Officer

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2005

	Note	For the year ended June 30, 2005 (Rupees)	For the period from September 15, 2003 to June 30, 2004 (Rupees)
INCOME			
Interest income	14	78,795,016	21,048,638
Underwriting commission		112,500	-
Unrealised income on revaluation of future transactions		656,170	-
Unrealised loss on held for trading investment		(828,603)	-
Element of income and capital gains included in prices of units sold less those in units repurchased		40,536,588	1,383,556
		119,271,671	22,432,194
EXPENDITURE			
Remuneration - Management Company		2,435,157	3,917,305
Remuneration - Trustee		1,786,959	1,211,974
Annual fee - SECP		616,935	261,123
Settlement charges		1,960,544	904,796
Financial charges	15	842,516	18,578
Brokerage		8,310,582	2,109,739
Auditors' remuneration	16	210,500	68,000
Annual listing fee		15,000	-
		16,178,193	8,491,515
Net income for the year		103,093,478	13,940,679
Earnings per unit		49.06	18.78

The annexed notes 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**Sherali Mundrawala**
DirectorFor Central Depository Company of Pakistan Limited
(Trustee)**Mohammad Hanif Jakhura**
Chief Executive Officer

Atlas Income Fund

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2005

	For the year ended June 30, 2005 (Rupees)	For the period from September 15, 2003 to June 30, 2004 (Rupees)
Undistributed income brought forward	21,740	-
Net income for the year	103,093,478	13,940,679
Final distribution - transfer to reserve for issue of bonus units @ Rs. 48.75 per unit i.e. 0.097439 bonus units of the value of Rs. 500.31 each	(102,449,477)	-
Cash dividend Nil (2004: Rs. 18.75) per unit	-	(13,918,939)
Undistributed income carried forward	<u>665,741</u>	<u>21,740</u>

The annexed notes 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

Sherali Mundrawala
Director

For Central Depository Company of Pakistan Limited
(Trustee)

Mohammad Hanif Jakhura
Chief Executive Officer

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	For the year ended June 30, 2005 (Rupees)	For the period from September 15, 2003 to June 30, 2004 (Rupees)
Capital account brought forward	371,302,051	-
Unappropriated income brought forward	21,740	-
Net assets at beginning of the year	371,323,791	-
Amount received on issue of 1,434,211 (2004: 742,634) units	759,814,849	372,834,815
Re-investment of 10,650 units	5,326,981	-
Amount paid on redemption of 85,676 (2004: 291) units	(45,166,606)	(149,208)
	719,975,224	372,685,607
Element of income and capital gains included in prices of units sold less those in units repurchased	(40,536,588)	(1,383,556)
Net income for the year less distribution	644,001	21,740
Reserve for issue of 204,772 (2004-Nil) bonus units	102,449,477	-
Net assets at the end of the year	1,153,855,905	371,323,791

The annexed notes 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

Sherali Mundrawala
Director

For Central Depository Company of Pakistan Limited
(Trustee)

Mohammad Hanif Jakhura
Chief Executive Officer

Atlas Income Fund

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2005

	For the year ended June 30, 2005 (Rupees)	For the period from September 15, 2003 to June 30, 2004 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year / period	103,093,478	13,940,679
Adjustments		
Unrealised loss on held for trading investment	828,603	-
Element of income and capital gains included in prices of units sold less those in units repurchased	(40,536,588)	(1,383,556)
Remuneration to Management Company	2,435,157	3,917,305
Remuneration to Trustee	1,786,959	1,211,974
	67,607,609	17,686,402
(Increase) / Decrease in Current Assets		
Receivable from reverse repurchase agreements	(335,013,745)	(259,850,615)
Advances, deposits and prepayments	85,000	(1,200,000)
Interest, dividend and other receivables	(10,470,112)	(3,152,433)
	(345,398,857)	(264,203,048)
Increase / (Decrease) in Current Liabilities		
Accrued and other liabilities	954,434	304,467
Payable to Management Company against sales load & others	250,063	5,825
Payable to unit holders	5,888	-
Payable to Securities and Exchange Commission of Pakistan	355,812	261,123
	1,566,197	571,415
Remuneration paid to Management Company	(2,580,143)	(1,337,162)
Remuneration paid to Trustee	(1,774,195)	(1,070,692)
Taxes deducted at source	(433,565)	-
	(4,787,903)	(2,407,854)
Cash used in operating activities	(281,012,954)	(248,353,085)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of loans and receivables investment	(91,433,506)	(109,557,182)
Principal redemption of loans and receivables investment	16,202,811	-
Purchase of held for trading investments	(141,810,828)	-
Purchase of held to maturity investments	(150,000,000)	-
Cash used in investing activities	(367,041,523)	(109,557,182)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts in respect of sale of units	759,814,849	372,834,815
Paid on redemption of units	(45,166,606)	(149,208)
Distribution paid	(8,591,958)	-
Cash generated from financing activities	706,056,285	372,685,607
Net increase in cash and cash equivalents during the year / period	(58,001,808)	14,775,340
Cash and cash equivalents at the beginning of the year / period	14,775,340	-
Cash and cash equivalents at the end of the year / period	72,777,148	14,775,340

For Atlas Asset Management Limited
(Management Company)

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

Yusuf H. Shirazi
Chairman

Sherali Mundrawala
Director

For Central Depository Company of Pakistan Limited
(Trustee)

Mohammad Hanif Jakhura
Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

1. LEGAL STATUS AND NATURE OF BUSINESS

Atlas Income Fund (the Fund) is an open ended Fund constituted by a Trust Deed entered into on February 20, 2003 between Atlas Asset Management Limited (AAML) as the establisher and the management company and Muslim Commercial Financial Services (Pvt.) Limited (MCFSL) as trustee. AAML is licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as investment adviser and asset management company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003). MCFSL resigned w.e.f. June 11, 2005 as trustee and Central Depository Company of Pakistan Limited (CDC) was appointed as the trustee with effect from that date. The Trust Deed was revised through the Deed of Change of Trustee and First Supplemental Trust Deed dated June 11, 2005 with the approval of the SECP.

Units of the Fund have been offered for public subscription on a continuous basis from March 22, 2004, and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on Lahore Stock Exchange (Guarantee) Limited.

The objective of the Fund is to provide investors one window facility to invest in diversified portfolio offering good returns and consistent growth. The Fund aims to deliver this objective mainly by investing in debt securities, Government securities, money market instruments, repurchase transactions (REPO), reverse repurchase transactions including carry over transactions and spread transactions. The investment objectives and policy are more fully defined in the Fund's offering document. The offering document was revised on June 21, 2005 with the approval of the SECP.

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

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 Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB) 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 Basis of preparation

These financial statements are presented in rupees rounded to the nearest rupee. 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 Financial Reporting Standards applicable to these assets and the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

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.

Atlas Income Fund

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

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 amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount on acquisition, over the period to maturity.

Loans and receivables originated by the Fund

Financial assets that are created by the Fund by providing money directly to a debtor are classified as loans and receivables originated by the Fund. Loans and advances receivable originated with the intent to be sold immediately or in the short term are classified as held for trading.

Subsequent to initial measurement loans and receivables originated by the Fund which are not held for trading are measured at amortized 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

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. During the current period, with effect from June 30, 2005, the management has decided to change its policy of accounting for these transactions in accordance with the requirements of IAS 39. Consequently, securities purchased by the Fund in the ready market are now 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 futures market is accounted for separately as a 'derivative'. Previously, these transactions were accounted for by the Fund as 'spread transactions' by deleting the cost of investments from the books and recording the receivable based on the forward sale price. The difference between these two amounts was taken to the Income Statement over the period of the forward transaction.

The effect of above changes in the accounting policy has not been quantified as it was not practical to do so.

3.4 Securities under repurchase / resale agreements (Carry Over Transactions)

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 Statement of Assets and Liabilities at cost.

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 to units for which the Distribution Company receives redemption application during business hours of that day. The redemption price shall be equal to Net Asset Value as of the close of the business day immediately preceding the day of the announcement, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.6 Revenue Recognition

- Interest income and profit on bank deposits is recognized 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 recognized as interest income, over the life of each agreement using the effective interest method.
- Income on debt securities is recognized on an accrual basis using the effective interest rate method.
- Capital gains/(losses) arising on sale of securities are included in the Income Statement in the period in which they arise.

3.7 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 realized or unrealized, is distributed amongst its unit holders. Accordingly, no tax liability has been recorded for the current year.

3.8 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Assets and Liabilities when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on net basis, or to realise the asset and settle the liability simultaneously.

3.9 Expenses

All expenses including remuneration of the Management Company, Trustee and annual fee of the SECP are recognised in the Income Statement on accrual basis.

3.10 Cash and Cash Equivalents

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

Atlas Income Fund

3.11 Financial Asset and Financial Liabilities

Financial assets carried on the Statement of Assets and Liabilities include bank balances, due from brokers, receivable from reverse repurchase agreements, investments, income accrued and deposits.

Financial liabilities carried on the Statement of Assets and Liabilities include accrued and other liabilities, payable to Atlas Asset Management Limited (Management Company), payable to Central Depository Company of Pakistan Limited (Trustee) / payable to Muslim Commercial Financial Services (Pvt.) Limited (Ex-Trustee) and payable to Securities and Exchange Commission of Pakistan (annual fee).

Recognition

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

Measurement

- Financial instruments are measured initially at fair value (transaction price) plus transaction costs that are directly attributable to the acquisition or issue of financial asset or liability.

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.

3.12 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 element of capital gains 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 equalization 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 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/period.

3.14 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.

4.	CASH AT BANKS	Note	2005 Rupees	2004 Rupees
	In current accounts		-	189,750
	In PLS deposit accounts		72,777,148	14,585,590
			<u>72,777,148</u>	<u>14,775,340</u>

4.1 The rate of return on these deposit accounts ranges from 1.30% p.a. to 7.50%.

5. RECEIVABLE FROM REVERSE REPURCHASE AGREEMENTS

Receivable from reverse repurchase agreements	5.1	<u>594,864,360</u>	<u>259,850,615</u>
---	-----	--------------------	--------------------

5.1 The market value of securities held in respect of reverse repurchase agreements aggregates to Rs. 597.9 million. These reverse repurchase agreements have rates of return ranging from 6.41 % to 13.51 % per annum with maturities ranging from over night to fourteen working days.

Annual Report 2005

6. INVESTMENTS	Note	2005 (Rupees)	2004 (Rupees)
Investments - Held for trading	6.1	140,982,225	-
Investments - Loans and advances originated by the Fund	6.2	168,529,534	111,018,839
Investments - Held to maturity	6.3	168,216,233	-
		477,727,992	111,018,839

6.1 Investment - Held for trading

Name of the investee company	Number of shares					Market Value as at June 30, 2005	Percentage of the Investments to the Net Assets of the Fund
	Note	Holding at the beginning of the year	Purchased during the year	Sold during the year	As at June 30, 2005		
(Rupees)							
MUTUAL FUNDS							
PICIC Growth Fund		-	3,740,500	3,740,500	-	-	-
TEXTILE COMPOSITE							
Nishat Mills Limited		-	235,000	235,000	-	-	-
CEMENT							
D.G.Khan Cement Company Limited		-	925,000	925,000	-	-	-
POWER GENERATION & DISTRIBUTION							
The Hub Power Company Limited *	6.1.1	-	6,723,000	3,936,500	2,786,500	73,563,600	6.38
OIL & GAS MARKETING COMPANIES							
Sui Northern Gas Pipelines Limited		-	1,111,500	1,111,500	-	-	-
OIL & GAS EXPLORATION COMPANIES							
Oil & Gas Development Company Limited		-	1,016,500	1,016,500	-	-	-
Pakistan Petroleum Limited.		-	3,372,500	3,372,500	-	-	-
TECHNOLOGY & COMMUNICATION							
Pakistan Telecommunication Company Limited *	6.1.1	-	2,777,000	1,849,500	927,500	61,168,625	5.30
Telecard Limited		-	250,000	250,000	-	-	-
Worldcall Communications Limited *	6.1.1	-	17,740,000	17,115,000	625,000	6,250,000	0.54
FERTILIZER							
Engro Chemicals (Pakistan) Limited		-	150,000	150,000	-	-	-
CHEMICALS							
ICI Pakistan Limited		-	125,000	125,000	-	-	-
						140,982,225	12.22

Cost of held for trading investments as at June 30, 2005

141,810,828

6.1.1 These securities were purchased in the ready market and subsequently sold in the future market (Refer to Note 13.2).

Atlas Income Fund

6.2 Investments - Loans and advances originated by the Fund

Term Finance Certificates	Number of Certificates					Outstanding principal value as at June 30, 2005	Market value/Cost where market value is not available June 30, 2005	Percentage of investments to the Net Assets of the Fund
	Status	Holding at the beginning of the year	Acquired during the year	Sold during the year	As at June 30, 2005			
(Rupees)								
Grays Leasing Ltd.	Unlisted	3,000	-	-	3,000	11,250,000	11,250,000	0.97
Orient Petroleum Incorporated.	Unlisted	5,000	-	-	5,000	12,500,016	12,500,016	1.08
Pakistan Mobile Communications (Pvt.) Ltd.	Unlisted	5,000	-	-	5,000	25,000,000	25,000,000	2.17
Trust Commercial Bank Ltd.	Unlisted	3,000	-	-	3,000	11,245,500	11,245,500	0.97
Al Zamin Leasing Modaraba	Listed	2,000	-	-	2,000	10,000,000	10,000,000	0.87
Al Zamin Leasing Modaraba-II	Listed	-	2,000	-	2,000	10,000,000	10,000,000	0.87
Askari Commercial Bank Ltd.	Listed	-	6,000	3,000	3,000	15,000,000	15,000,000	1.30
Chanda Oil & Gas Securitization Co. Ltd.	Listed	-	1,000	-	1,000	5,000,000	5,000,000	0.43
Jahangir Siddiqui & Company Ltd.	Listed	-	2,000	-	2,000	9,998,000	9,998,000	0.87
Naimat Basal Oil & Gas Securitization Co. Ltd.	Listed	-	1,000	-	1,000	4,950,000	4,950,000	0.43
Pakistan Services Ltd.	Listed	1,494	-	-	1,494	7,465,518	7,764,139	0.65
Prime Commercial Bank Ltd.	Listed	-	658	-	658	3,290,000	3,290,000	0.29
Soneri Bank Ltd.	Listed	-	2,000	-	2,000	10,000,000	10,000,000	0.87
Telecard Ltd.	Listed	-	4,000	-	4,000	20,000,000	20,000,000	1.73
Trust Leasing Corporation Ltd.	Listed	-	629	-	629	2,830,500	2,830,500	0.25
United Bank Ltd.	Listed	-	2,000	-	2,000	10,000,000	10,000,000	0.87
						168,529,534	168,828,155	14.61

6.2.1 All term finance certificates are carried at amortised cost.

6.2.2 As stated in note no. 6.2.1 all Term Finance Certificates both listed and unlisted are carried at amortized cost. However, the Non Banking Finance Companies (Establishment and Regulation) Rules 2003 requires that the listed TFCs to be valued on the basis of closing price of the Stock Exchange on which the same are listed and unlisted TFCs to be valued at cost. Had these been valued on NBFC Rules 2003 basis, the net assets and net income would have been higher by Rs. 298,621. No adjustment in this respect has been made in the financial statements being immaterial.

6.2.3 The rate of return on these Term Finance Certificates, maturing between March 16, 2004 to March 15, 2013, range from 6.59% p.a. to 12.85% p.a.

6.3 Investments- Held to maturity	Note	2005 (Rupees)	2004 (Rupees)
Term finance certificates - Pharmagen Limited	6.3.1	17,720,000	-
Investment in certificate of deposits			
-Atlas Investment Bank Limited - an associated company	6.3.4	100,000,000	-
-Jahangir Siddiqui Investment Bank Limited	6.3.4	50,000,000	-
Income accrued		496,233	-
		150,496,233	-
		168,216,233	-

6.3.1	Term Finance Certificates	Number of Certificates					Outstanding principal value as at June 30, 2005	Market value/Cost where market value is not available June 30, 2005	Percentage of investments to the Net Assets of the Fund
		Status	Holding at the beginning of the year	Acquired during the year	Sold during the year	As at June 30, 2005			
(Rupees)									
	Pharmagen Limited	Listed	3,544	-	-	3,544	17,720,000	18,074,400	1.54

6.3.2 Investment in Term Finance Certificates of Pharmagen Limited valuing Rs 17,720,000 have been reclassified from loans and advances originated by the Fund to investments - held to maturity. These TFCs have been valued at amortised cost.

6.3.3 As stated in note 6.3.2 term finance certificates are valued at amortized cost. However, the Non-Banking Finance Companies Rules 2003 requires that the listed TFCs to be valued on the basis of closing prices of the Stock Exchange on which the same are listed. Had these been valued on NBFC Rules 2003 basis the net assets and net income would have been higher by Rs 354,400. No adjustment in this respect has been made in the financial statements being immaterial.

6.3.4 These represent funds placed by the Fund with an associated undertaking and an investment bank, under mark-up arrangements. These placements are unsecured and carry mark-up ranging from 8 % to 8.15 % per annum payable at maturity. These placements are due to mature in July 2005.

7. ADVANCES, DEPOSITS AND PREPAYMENTS	Note	2005 Rupees	2004 Rupees
Tax deducted at source		433,565	-
Security deposit-National Clearing Company of Pakistan Limited		1,000,000	1,000,000
Security deposit-Central Depository Company of Pakistan Limited		100,000	200,000
Prepaid annual listing fee		15,000	-
		1,548,565	1,200,000
8. INTEREST, DIVIDEND AND OTHER RECEIVABLES			
Income/dividend accrued on reverse repurchase agreements		7,084,814	63,901
Income accrued on loans and advances originated by the Fund		3,555,591	1,461,657
Income accrued on bank deposits		368,080	165,218
Other assets - revaluation of future contracts		656,170	-
		11,664,655	1,690,776
9. ACCRUED AND OTHER LIABILITIES			
Settlement charges payable		32,141	63,196
Charges payable to National Clearing Company of Pakistan Limited		19,813	-
Brokerage Payable			
-Atlas Investment Bank Limited - an associated company		3,866	41,657
-Others		737,353	157,646
Auditors' remuneration payable		210,500	36,500
Zakat payable		2,800	-
Sales load payable to distributors and sales agents		252,428	-
Withholding tax payable		-	5,468
		1,258,901	304,467
10. PAYABLE TO ATLAS ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee payable to Atlas Asset Management Limited	10.1	2,435,157	2,580,143
Sales load payable		255,738	-
Others		150	5,825
		2,691,045	2,585,968

10.1 In accordance with the provisions 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 0.39% per annum of the average annual net assets for the reported year.

Atlas Income Fund

11. REMUNERATION PAYABLE TO TRUSTEE

	Note	2005 (Rupees)	2004 (Rupees)
Trustee fee payable to			
Muslim Commercial Financial Services (Private) Limited	11.1	41,421	141,282
Central Depository Company of Pakistan Limited	11.2	112,625	-
		<u>154,046</u>	<u>141,282</u>

11.1 With effect from June 11, 2005 Muslim Commercial Financial Services (Pvt.) Limited resigned as trustee of the Fund and Central Depository Company of Pakistan Limited was appointed as the new trustee of the Fund.

11.2 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the First Supplemental Trust Deed as per the tariff specified therein, based on the average annual net assets of the Fund.

12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Annual fee payable to Securities and Exchange Commission of Pakistan	12.1	<u>616,935</u>	<u>261,123</u>
--	------	----------------	----------------

12.1 Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, a Unit Trust scheme is required to pay as annual fee to SECP, an amount equal to one tenth of one percent of the average annual net assets of the Fund.

13. COMMITMENTS

13.1 Reverse repurchase agreements (including agreements to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at June 30, 2005.		<u>584,379,580</u>	<u>487,617,390</u>
---	--	--------------------	--------------------

These transactions have been settled subsequent to the year end.

13.2 Future sale commitments of held for trading securities.		<u>143,292,371</u>	<u>-</u>
--	--	--------------------	----------

14. INTEREST INCOME

	For the year ended June 30, 2005 (Rupees)	For the period from September 15, 2003 to June 30, 2004 (Rupees)
Interest income arises from:		
Cash and cash equivalents	987,437	256,694
Income from reverse repurchase agreements	53,603,502	15,147,547
Income on spread transactions	12,929,141	-
Income from loans and receivables investments	10,778,703	5,644,397
Income on held to maturity investments	496,233	-
	<u>78,795,016</u>	<u>21,048,638</u>

15. FINANCIAL CHARGES

These include Rs. 13,350 (2004: Rs. 5,694) on account of mark-up payment to Atlas Investment Bank Limited.

16. AUDITORS' REMUNERATION

Annual audit fee	115,000	35,500
Half yearly review fee	57,500	16,000
Certification charges	25,000	15,000
Out of pocket expenses	13,000	1,500
	<u>210,500</u>	<u>68,000</u>

Annual Report 2005

	For the year ended June 30, 2005 (Rupees)	For the period from September 15, 2003 to June 30, 2004 (Rupees)
17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES		
Atlas Asset Management Limited - Management Company		
Remuneration	2,435,157	3,917,305
Sales load	2,112,959	22,530
Atlas Asset Management Limited - Employees Provident Fund		
Sale of 439 (2004: Nil) units	229,906	-
Atlas Group of Companies - Management Staff Gratuity Fund		
Sale of 477 (2004: 12,729) units	238,671	6,500,000
Atlas Honda Limited		
Sale of 183,196 (2004: Nil) units	99,999,629	-
Atlas Honda Limited - Employees' Provident Fund		
Sale of 749.69 (2004: 40,000) units	375,000	20,000,000
Atlas Investment Bank Limited		
Sale of Nil (2004: 60,000) units	-	30,000,000
Brokerage Charges	504,555	669,411
TFCs sold under repurchase agreements	15,000,000	14,000,000
Certificate of deposits held	100,000,000	-
Profit on certificate of deposits	328,767	-
Financial Charges	13,350	5,694
Honda Atlas Cars Pakistan Limited		
Sale of 648,817 (2004: Nil) units	349,999,692	-
Shirazi Investments (Pvt.) Limited		
Sale of 2,848.80 (2004: 80,000) units	1,425,000	40,000,000
Directors and Officers		
Sale of 822 (2004: 32,312.40) units	450,279	16,500,000
Redemption of 40 (2004: Nil) units	21,659	-

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

Atlas Income Fund

18. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

18.1 The Fund's MROR sensitivity related to financial assets and financial liabilities as at June 30, 2005 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		
(Rupees)					
On-balance sheet financial instruments					
Financial Assets					
Cash at banks	72,777,148	-	-	-	72,777,148
Receivable from reverse repurchase agreements	594,864,360	-	-	-	594,864,360
Investments	168,216,233	-	168,529,534	140,982,225	477,727,992
Advances, deposits and prepayments	-	-	-	1,100,000	1,100,000
Interest, dividend and other receivables	-	-	-	11,664,655	11,664,655
	<u>835,857,741</u>	<u>-</u>	<u>168,529,534</u>	<u>153,746,880</u>	<u>1,158,134,155</u>
Financial Liabilities					
Payable to unit holders	-	-	-	5,888	5,888
Accrued and other liabilities	-	-	-	1,258,901	1,258,901
Payable to Atlas Asset Management Limited					
- Management Company	-	-	-	2,691,045	2,691,045
Payable to Trustee					
- Muslim Commercial Financial Services (Pvt.) Limited	-	-	-	41,421	41,421
- Central Depository Company of Pakistan Limited	-	-	-	112,625	112,625
Payable to Securities and Exchange Commission of Pakistan	-	-	-	616,935	616,935
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,726,815</u>	<u>4,726,815</u>
On-balance sheet gap	<u>835,857,741</u>	<u>-</u>	<u>168,529,534</u>	<u>149,020,065</u>	<u>1,153,407,340</u>
Off-balance sheet financial instruments					
Reverse repurchase agreements (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30, 2005	<u>584,379,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>584,379,580</u>
Future sale commitments of held for trading investments.	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,292,371</u>	<u>143,292,371</u>

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

	Percentage Range
Cash at banks	1.3 - 7.50
Loans and receivables originated by the Fund	6.59 - 12.85
Receivable from reverse repurchase agreements	6.41 - 13.51

19. MATURITIES OF ASSETS AND LIABILITIES

	June 30, 2005			Total
	Upto three months	More than three months and upto one year	More than one year	
	(Rupees)			
Assets				
Cash at banks	72,777,148	-	-	72,777,148
Receivable from reverse repurchase agreements	594,864,360	-	-	594,864,360
Investments	309,198,458	27,815,427	140,714,107	477,727,992
Advances, deposits and prepayments	-	1,548,565	-	1,548,565
Interest, dividend and other receivables	11,664,655	-	-	11,664,655
	<u>988,504,621</u>	<u>29,363,992</u>	<u>140,714,107</u>	<u>1,158,582,720</u>
Liabilities				
Payable to unit holders	5,888	-	-	5,888
Accrued and other liabilities	1,258,901	-	-	1,258,901
Payable to Atlas Asset Management Limited -Management Company	2,691,045	-	-	2,691,045
Payable to Trustee Muslim Commercial Financial Services (Pvt.) Limited	41,421	-	-	41,421
Central Depository Company of Pakistan Limited	112,625	-	-	112,625
Payable to Securities and Exchange Commission of Pakistan - annual fee	616,935	-	-	616,935
	<u>4,726,815</u>	<u>-</u>	<u>-</u>	<u>4,726,815</u>
Net Assets	<u>983,777,806</u>	<u>29,363,992</u>	<u>140,714,107</u>	<u>1,153,855,905</u>

20. FINANCIAL RISK MANAGEMENT POLICIES**20.1 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.

20.2 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.

Atlas Income Fund

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. 1,158.134 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.

20.3 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.

20.4 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.

21. 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.

22. PERFORMANCE TABLE

	2005	2004 *
Net assets (Rs. in " 000 ")	1,153,856	371,324
Net income (Rs. in " 000 ")	103,093	13,940
Number of units in issue	2,101,528	742,343
Net asset value (Rs.)	549.06	500.21
Net income (Rs.)	49.06	18.78
Dividend (Rs.)	48.75 **	18.75
Dividend as % of par value of units	9.75 **	3.75
Highest issue price during the year (Rs.)	556.84	529.24
Lowest redemption price during the year (Rs.)	500.88	510.70

* For the period from September 15, 2003 to June 30, 2004

** Bonus distribution for the year ended June 30, 2005

23 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on July 15, 2005.

24 GENERAL

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison.

For Atlas Asset Management Limited
(Management Company)

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

Yusuf H. Shirazi
Chairman

Sherali Mundrawala
Director

For Central Depository Company of Pakistan Limited
(Trustee)

Mohammad Hanif Jakhura
Chief Executive Officer