

Atlas funds

Nurturing your investments

Atlas Stock Market Fund

ANNUAL REPORT

June 30, 2006



Managed By

Atlas Asset Management

Rated AM3+ by PACRA



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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COMPANY PROFILE

Atlas Asset Management Limited (AAML), sponsored by the Atlas Group of Companies was incorporated on August 20, 2002. It is registered with the Securities and Exchange Commission of Pakistan as an investment adviser for managing closed-end funds and as an asset management company for managing open-end funds, and is regulated under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

AAML has entered into a technical collaboration agreement with ING Institutional & Government Advisory Services B.V. ("ING"), a company incorporated in Netherlands to provide technical support and assistance to AAML in improving their capabilities in fund management, product development and other related business management operations, including training to its staff. ING has broad experience and expertise in providing advisory services in developing and emerging markets in the areas of banking, pension, insurance and asset management.

AAML is presently managing two open-end funds, namely, Atlas Income Fund (AIF), whose investment strategy is to invest in debt and other fixed income instruments, thereby providing good income in a diversified less risky asset class and Atlas Stock Market Fund (ASMF), an equity fund investing primarily in equity securities, providing investors seeking equity exposure a strong focus on investment growth and a closed-end fund, Atlas Fund of Funds (ATFF), having the investment strategy of investing in other mutual funds, primarily closed-end funds that are quoted at substantial discount to their respective net asset value.

AAML manages assets on behalf of retirement funds, welfare organizations, insurance companies, multinationals, banks, NBFCs and individuals. The total assets under the management of AAML are Rs. 4.83 billion, as on June 30, 2006.

The year under review witnessed the asset manager rating of AAML being upgraded by the Pakistan Credit Rating Agency Limited (PACRA) from "AM3" to "AM3+" which reflects the Company's strong capacity to master the risks inherent in asset management. All the three funds, AIF, ASMF and ATFF were also rated during the year and were assigned a "4 Star" Fund rating each by PACRA, which reflects a good performance relative to their respective peers.

AAML's strength and success lies in the strong trust and confidence reposed in its management by our esteemed investors and its wealth of experience in terms of high quality staff, specifically experienced and trained in management of mutual funds.

ORGANISATION

Management Company

Atlas Asset Management Limited

Board of Directors of the Management Company

| | |
|--|---|
| Chairman | Mr. Yusuf H. Shirazi |
| Vice Chairman & Chief Executive Officer | Mr. M. Habib-ur-Rahman |
| Directors | Mr. Jawaid Iqbal Ahmed Mr. Peter A. Smyth (Alternate Mr. Michael Ferrer) Mr. Saquib H. Shirazi (upto April 28, 2006) Mr. Sherali Mundrawala Mr. Tariq Amin Mr. Ali H. Shirazi (w.e.f. April 28, 2006) |

Company Secretary Ms. Lilly R. Dossabhoy

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 Mr. Bashir Makki |

Management Committee

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

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

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

Internal Auditors

Anjum Asim Shahid Rahman (upto June 30, 2006)
Chartered Accountants
Mr. M. Saqib Saleem (w.e.f. July 1, 2006)
Chief Internal Auditor

Auditors

Hameed Chaudhri & Co.
Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.

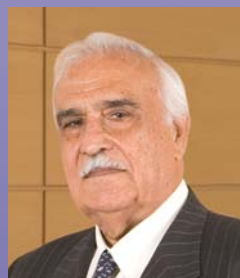
Bankers

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

Registered Office

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY



Yusuf H. Shirazi
Chairman



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



Ali H. Shirazi
Executive Director



Peter A. Smyth
Director



Jawaid Iqbal Ahmed
Director



Sherali Mundrawala
Director



Tariq Amin
Director



Michael Ferrer
Alternate Director to
Peter A. Smyth

MANAGEMENT COMMITTEE



Ather H. Medina
Chief Investment Officer

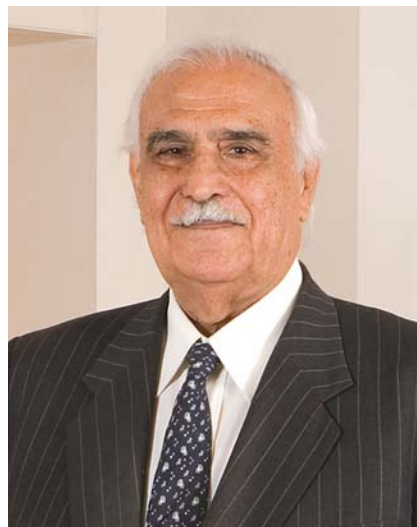
M. Habib-ur-Rahman
Vice Chairman & Chief Executive Officer

Ali H. Shirazi
Executive Director

Mashmooma Zehra Majeed
Head of Business Development

Lilly R. Dossabhoy
Company Secretary

CHAIRMAN'S REVIEW

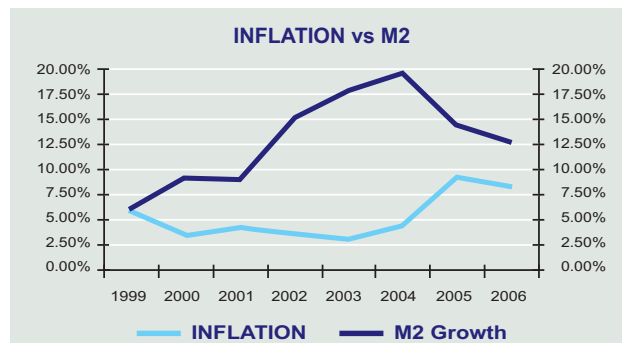


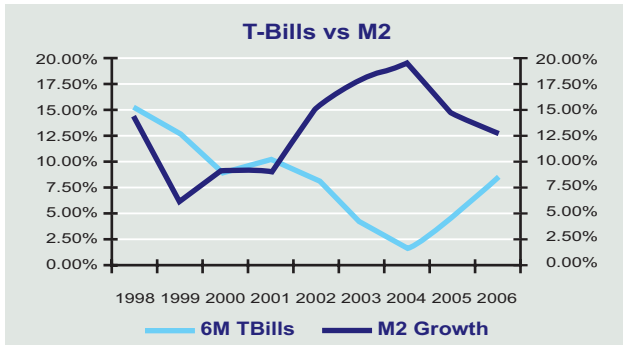
It is my pleasure to present to you the second Annual Report of Atlas Stock Market Fund for the year ended June 30, 2006.

THE ECONOMY:

The economy continued its growth trend during the year achieving over 6% GDP growth, despite receiving major shocks in the form of increase in oil prices and a massive earthquake. The net impact of these shocks has resulted in rising trade and fiscal deficits. For the period July 05 - May 06, the trade deficit has increased to US \$10.6 billion, up 93% from the corresponding period last year, while the provisional fiscal deficit has climbed up to Rs. 201 billion, up from Rs. 131 billion in FY 2004-05.

Consequently, inflationary pressures have been increasing and the central bank resorted to maintaining a tighter monetary policy. Accordingly, money supply growth slowed down to a four year low of 12.2% for the period July 05 - May 06 from 15.2% in the corresponding period last year. The private sector credit also slowed down to 20% as compared to 29.2% last year. However, at Rs. 343 billion, private sector credit off take has exceeded the full year target by Rs. 13 billion.

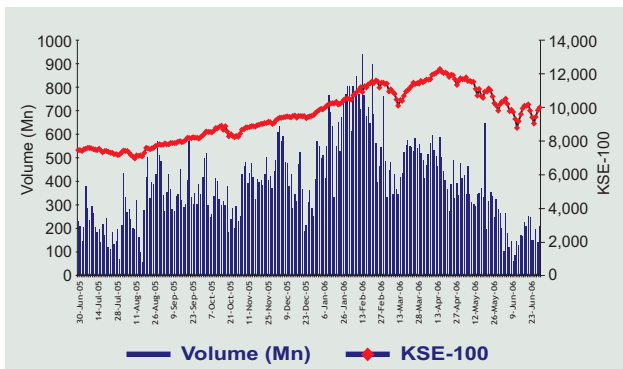




Nevertheless, a buoyant services sector, accompanied by a relevant growth in Large Scale Manufacturing, though lower than the last year, kept the real GDP growth chugging along at over a reasonable growth of 6.6% for the year. LSM grew by 9.0% and the Services sector by 8.8% in a difficult situation. Consumer spending too remained strong with real spending rising by 8.1% and investment spending maintaining its strong growth momentum at 10.3%.

THE STOCK MARKET

Karachi Stock Exchange (KSE) continued its growth trend during FY 2005-06 where the KSE-100 index surged by 35% during the period. The KSE-100 index started the year from 7,464 level on July 1, 2006 and after touching the all time high level of 12,273 on April 17, 2006, closed the year at 9,989 level. In the absence of appropriate liquidity caused by phasing out of COT financing and limited exposure in futures market, the stock market remained range bound during the first quarter of the fiscal year. Despite stable economic conditions and healthy corporate earnings, the index hovered in the range of 7,000 to 7,400 points with a very thin volume during the first two months of the financial year. The situation, however, improved after the Securities and Exchange Commission of Pakistan decision to relax some of the regulations in the futures market whereby the maximum exposure of a member in particular scrip in future market was enhanced from 1% to 3% and subsequently to 5% of the total free float. This factor along with healthy corporate earnings served as a catalyst for KSE in second quarter. In the third quarter, index touched the all time high level of 12,273.



The noteworthy growth in KSE-100 index during FY 2005-06 is supported by strong economic indicators. The industrial and services sectors, accounting for 75% of GDP, have emerged as the growth engines. Industrial outlook remains strong on the back of ongoing expansion in the manufacturing sector. However, with inflation rearing its head and central bank pushing for monetary tightening, interest rates are up that can damper domestic demand growth going forward.

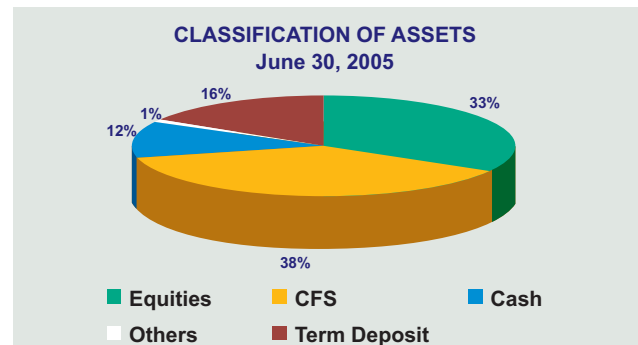
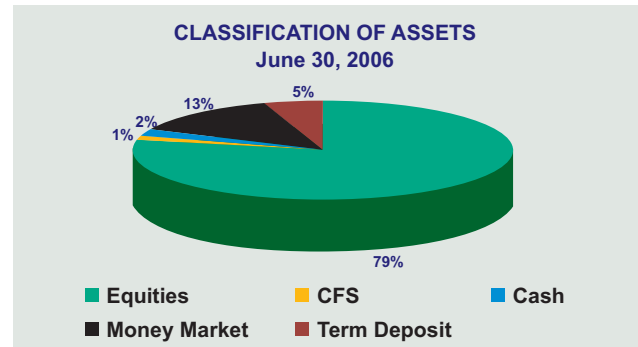
Structurally, the economy is in good shape with recent fiscal consolidation and drop in external debt levels.

The Privatization Commission invited Expression of Interest and Statement of Qualification during the year for the acquisition of management rights of National Investment (Unit) Trust (NIUT). Towards the end of the year, the data room was opened to the short listed candidates to perform the due diligence for acquisition of one of the parts of NIUT. Since the completion of the due diligence process, no further communication has been made by the Privatisation Commission regarding the next step of the privatization process.

FUND OPERATIONS

The Net Assets of the Fund grew to Rs.1.53 billion, with 2.31 million units outstanding as at June 30, 2006, prior to distribution. The NAV of the Fund on June 30, 2006 stood at Rs. 662.79 per unit, with an annualized appreciation of 32.52% for the year as against an annualized appreciation of 19% in 2005, based on seven months' actual operations, a performance comparable with the peers. The annualized return of 32.08% also showed an improvement over the performance achieved last year - annualized return of 19% for the period ended June 30, 2005.

The stock market provided adequate opportunities and values for investment throughout the year. The year started with the stock market being in the downtrend mainly due to the unending discussions between the SECP and KSE management regarding the issue of COT phase-out and introduction of alternative modes of financing. Hence, the Fund decided to avail the opportunity, wherever possible, to increase equity exposure at attractive valuations. The investment in equities over the year has increased substantially from 33% last year to 79% this year, as can be seen in the asset allocation of the Fund as depicted below. Moreover, the Fund always aspires to limit the downside for its unit holders and the investments selected are done on the basis of stock fundamental research and technical analysis.



The Board of Directors of the Management Company has declared a bonus of 25% on the face value of Rs. 500 each per unit, which works out to 23.2433 bonus units for every 100 units held as on June 30, 2006. However, the unit holders have the option to en-cash the bonus units at the ex-bonus net asset value on June 30, 2006, which works out to Rs. 537.79 per unit, which the unit holder may exercise on or before August 3, 2006. After this date the unit holders may redeem the units at ruling price.

RATINGS UPDATE

The Pakistan Credit Rating Agency Limited (PACRA) upgraded the rating of the management company from the initial rating of "AM 3" last year, to "AM 3+". According to PACRA, the "AM 3+" rating reflects the Company's strong capacity to manage the risks inherent in asset management, and the asset manager meets high investment management industry standards and benchmarks. PACRA acknowledged the strengthening of the intrinsic capacity of the Company by setting up of important supporting systems, the improvement in distribution network and opening of more branches, and hiring of experienced professionals during the year, all of which contributed to your Fund's performance as well.

The Fund was rated for the first time during the year and achieved a "4 Star" rating. This, in PACRA's words, "reflects a good performance relative to its peers". The "4 Star" rating is a composite measure of returns and risk associated with the returns measured by Sharpe Ratio.

مشک آہستہ کہ خود بہ خود دنہ کہ عطار گویہ
(Performance speaks itself)

ING'S UPDATE

The Company's technical partner, ING, continues to play a significant role in the development of the Company and the training of its human resources. Mr. Peter A. Smyth, ING's representative on the Board of Directors of the Company continued to attend the board meetings held during the year. Mr. Michael Ferrer, Regional General Manager, and Mr. Tim Julien, Regional Director, from ING Investment Management visited AAML in respect of investment management. Mr. David Hatton, Director & CRO ING Vysya Life Insurance Company (Pvt.) Ltd and CEO ING Pension Trust Hong Kong, visited in respect of the Voluntary Pensions Scheme.

ING also donated EUR 100,000 to the President's Relief Fund to help those affected by the earthquake.

FUTURE OUTLOOK

Strong economic fundamentals, corporate earnings and privatization plans would remain the key triggers for the capital markets. However, rising international oil prices, surging inflation & interest rates and political uncertainty ahead of elections are the key challenges for the economy as well as the capital markets.

The federal budget for FY 2006-07 has displayed a strong growth orientation with an unprecedented increase proposed in the outlay for the Public Sector Development Program, which has been set at Rs. 415 billion for FY 2006-07 against Rs. 272 billion in 2005-06,

up by 52%. Additionally, various other measures have been announced which will benefit specific sectors, including cement, dairy products, fertilizer, automobiles, pharmaceuticals, etc. These budgetary measures coupled with continued strength in oil prices, and a rising interest rate environment is expected to keep corporate earnings growth in the strong double digits, with the Oil & Gas Exploration & Production, and Commercial Banking sectors again leading the market in profit growth.

The recent bearish sentiment in the market due to an SECP investigation into short selling and the Supreme Court ruling against the privatization of Pakistan Steel Mills have brought equity prices to very attractive levels, as macro and micro level fundamentals have remained unchanged, offering a good opportunity for accumulation of certain undervalued stocks. The low turnover in the market amid falling equity prices is testament to the fact that investors remain convinced about the long term prospects of the equity markets.

It will be the Fund's endeavor to continue to provide our valued unit holders with superior returns and the Fund shall aim to avail the opportunities as and when they become available to increase equity exposure at attractive valuation levels, and will benefit from the inevitable revival in equity prices in the coming year.

ACKNOWLEDGEMENT

I would like to thank the Securities and Exchange Commission of Pakistan, the Board of Directors, the Group President - Mr. Aamir H. Shirazi and the Group Executive Committee for their help, support and guidance. I also thank 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 the Fund and the Chief Executive Mr. M. Habib-ur-Rahman and his management team for their hard work, dedication, and sincerity of purpose.

Karachi: July 19, 2006

Yusuf H. Shirazi
Chairman

THE ATLAS ASSET MANAGEMENT TEAM



Research and Investment Management Team



Sales, Business Development and Investor Services Team



Finance, IT and Risk Management & Compliance Team

DIRECTORS' REPORT

The Board of Directors of Atlas Asset Management Limited, the Management Company of Atlas Stock Market Fund (the Fund), take pleasure in presenting the Second Annual Report of the Fund along with the audited financial statements and the Auditors' Report thereon for the year ended June 30, 2006.

CHAIRMAN'S REVIEW

The review included in the Annual Report deals *inter alia* with the general performance of the economy, mutual fund industry and the Fund for the year ended June 30, 2006 and future prospects. The Directors endorse the contents of the review.

MANAGEMENT'S REVIEW

Atlas Asset Management Limited (the Company) was incorporated in August 2002 but formally commenced its operations from September 2003, when the seed capital for the first fund was raised, which was launched in March 2004, followed by two more funds within the same calendar year (i.e. in November & December 2004). Today, less than three years later, the Company has achieved commendable performance in a short span of time. The Company is presently managing Rs. 4.83 billion in assets under management in three funds on behalf of a diversified range of investors including retirement funds, welfare organizations, insurance companies, multinationals, banks, NBFCs, manufacturing companies and individuals.

The year under review, FY 2005-06, has been a remarkable one for the Company. Beginning the year with a modest size of Rs. 2.60 billion under management, we have ended the current year with Rs. 4.83 billion reflecting an increase of 85.77% over the preceding year. This increase can be attributed to both the confidence reposed in the management of the Company by the investors and the good performance of the funds under management. The total return for the year for Atlas Income Fund comes to 11.53%, Atlas Stock Market Fund to 32.52%, and Atlas Fund of Funds to 19.39%.

The Company has, from the beginning, adopted a high standard of corporate governance, ethics and transparency in the management of the funds placed under its trust. In addition, the Company has maintained a strong commitment towards developing and adopting the best international industry practices and procedures. The current year witnessed further development in this regard, where, in assistance with its technical partner ING, the priority focus of the Company was to develop and implement systems and procedures for asset management business that are in line with international standards.

Highlights of the major departmental activities during the year under review are as follows:

FUND MANAGEMENT & RESEARCH

During the year under review, the Company's Fund Management and Research Department has worked diligently on developing and

implementing a formalized and structured Equity Investment Process with support and guidance from ING Investment Management. This has been formally implemented from July 2006. Investment mandates of different Mutual Funds' differ in terms of the investment universe, stock selection, style and risk appetite and thus the investment processes vary accordingly. Therefore, the basic objective of the structured Equity Investment Process is to create portfolios that adhere to the Fund specific investment mandates and achieve the Fund's investment performance objectives, while maintaining appropriate levels of risk. Additionally, the Research Department has worked hard to develop in-house research models for the companies in the Company's research universe in accordance with their schedule.

MARKETING

During the year, the Company continued its marketing activities by engaging in event sponsorship of seminars, social events and homecoming/ prize distribution ceremonies of major business schools, mail shots of brochures and leaflets, continuation of outdoor hoardings, magazine/ newspaper advertisements and event brochures to enhance the "Atlas Funds" brand and create public awareness. Additionally, in January 2006, the Company developed and circulated its annual calendar for the year 2006. The calendar was based on the "Management Style" theme, paying a tribute to the 'Father of Management' the Late Mr. Peter F. Drucker. The theme of the calendar was well appreciated in the corporate circle as well as by the retail investors. Also during the year, the Company developed its television commercial (TVC) on 35mm film. The TVC went on air in the last quarter of the year under review and created a positive response in terms of introducing the "Atlas Funds" brand to the masses and creating recognition and appreciation of the TVC's quality of production. In June 2006, the Company participated as a co-sponsor in the DAWN Asia Finance Conferences Series-II "Fund Managers-Pakistan's Capital Markets, which was an effort by the Dawn to give the investors the understanding of the overall economy, stock market, mutual fund industry and the different aspects of investments.

SALES & DISTRIBUTION

In an endeavour to diversify its investor base by reaching out to the retail customer and making "Atlas Funds" more accessible to the masses, the Company extended its distribution network outside of Karachi by establishing branch outlets in Hyderabad and Lahore. In addition, the Company continued selling its units through its distribution agreements with different Investment Finance Associates and its own branches located in Karachi, Hyderabad and Lahore. For the coming fiscal year, the Company has plans to expand its own distribution network in many other urban cities of Pakistan as well as to expand its branches within Karachi, as the management believes that a wide spread distribution network will give the Company much needed presence in populous urban centres and help "Atlas Funds" become a widely recognized brand. Moreover, a widespread distribution network will help the Company create awareness amongst investors about the benefits of investing in mutual funds and more specifically, "Atlas Funds".

INVESTOR SERVICES

Customer relations and services play a vital role in strengthening of a brand name. To be able to provide a high level of customer services, the Company is managing a comprehensive in-house Transfer Agency and Registrar functions for its funds that handles all transactions related to a mutual fund investors' accounts, including processing of dividends, capital gains, checking disbursement and maintaining a register of Unit/Certificate Holders. The Company introduced a client services function to this department during the year and the head of this department was sent to several special training programs to effectively and efficiently deal with investor's queries and complaints. The Company intends to further promote superior client services by developing and implementing innovative and efficient ways to serve our valued investors.

HUMAN RESOURCE DEVELOPMENT

The Company fully realizes that its employees are its most valuable asset. The Company continues to invest in the development of all its employees and ensures that they are provided with a productive, friendly work environment, as the Company strongly believes that the success as a business depends on the employees; i.e. on their skills, energies, diverse perspectives, and commitment to delivering outstanding performance. It is the Company's policy to continuously enhance the knowledge and the skills of each employee with the objective to lead and improve the quality of the work culture and to develop people to be their best in order to meet the growing needs of the Company and the industry. Extensive emphasis was continued towards training of staff at all levels during the current FY 2005-06 and workshops and short courses at LUMS, ACCA Institute, ICAP, ICMAP, IBP, PIM, OCTARA etc. in Pakistan were selected for all staff levels throughout the year. Members of the Management team also received international training and attended seminars on specialised topics. The Chief Executive and the Company Secretary attended the 11th Asia Oceania Regional Meeting of International Mutual Funds Association held in Beijing, China. The Executive Director attended an ING course in Manila, Philippines on the 'Art of Asset Management', whilst the Chief Investment Officer visited ING Investment Management in Sydney, Australia, to expedite the implementation of the Equity Investment Process.

SOFTWARE DEVELOPMENT

The Company realizes that maintaining an up-to-date technology plays an extremely important role in the progress of any company. Therefore the Company had initiated the procurement of a completely automated web-based software system, Asset Connect. During the current year, the finance, investor services and information technology played a crucial role in the development and the implementation of the system that shall become fully operational shortly. This system not only automates and connects the functioning of the various departments within the Company, but will also allow investors access to their fund and personal account information via the Company's website.

RISK MANAGEMENT AND COMPLIANCE

ING is also playing an instrumental role in assisting the Company in establishing its risk management and compliance function in line with the international best practices of the mutual fund industry. ING is sharing its risk management, compliance and internal control procedures and manuals. The Company is also expecting a visit by ING's Regional Compliance Manager in due course. The risk management function is aimed to monitor Enterprise-wide Risk, which, in broad terms, covers market, credit and operational risk. The risk management function follows three fundamental principles i.e. developing corporate risk strategy, designing strong risk infrastructure on the basis of corporate risk strategy and creating a culture of effective oversight and governance.

INTERNAL CONTROLS

The Company maintains a strong control environment and ensures complete regulatory compliance, particularly relating to the investment management and investor services function. During the current FY 2005-06, the Company had outsourced the internal audit function to a firm of Chartered Accountants that reports functionally to the Audit Committee of the Board and administratively to the Chief Executive of the Company. With effect from July 1, 2006, the Audit Committee recommended to the Board to bring in-house, the internal audit function, which was approved by the Board. The internal control system is recurrently reviewed by the internal auditors and their recommendations are implemented wherever the management feels that it will further improve the Company's existing system of internal controls. The Audit Committee, appointed by the Board of the Company, chaired by a non executive director, reviews and evaluates the internal control system on a regular basis to achieve maximum effectiveness for establishing appropriate policies and further improves the effectiveness and objectivity of internal controls system.

GOING FORWARD

Whilst the Company has made impressive strides in the last year, namely in terms of fund performance, growth in assets under management and strengthening of workforce, the coming year will pose new and greater challenges. Greater emphasis will be laid on the development of the Company's infrastructure in terms of systems enhancement, investment processes, expansion of distribution network and launching of new funds. This will ensure the Company provides better services to its investors and sets itself apart from the looming competition. The management of the Company is aware of the challenges posed by increasing competition and is taking all possible measures to meet these challenges and give "Atlas Funds" an edge over its peers in all aspects. To achieve such objectives, the management is continually reviewing and updating the business strategy and motivating the staff by enhancing their skills to manage the business objectives and performance.

INVESTMENT OBJECTIVE

The objective of the Atlas Stock Market Fund (ASMF) is to provide the investors a good rate of income consistent with the prospects

of appreciation in the value of amount invested and the facility to join or leave the fund at their convenience.

ASMF is distributing as stock dividend more than 90% of its net income for the year; therefore, the income of ASMF will not be subject to income tax under Clause 99 of Part 1 of the 2nd Schedule to the Income Tax Ordinance, 2001.

EARNINGS PER UNIT

Earnings per unit for the year ended June 30, 2006 work out to Rs.160.47 per unit (2005: Rs. 63.16 per unit).

FUND SIZE AND INCOME DISTRIBUTION

As at June 30, 2006 the Net Assets of the Fund stood at Rs. 1.53 billion as compared to Net Assets of Rs. 0.92 billion as at June 30, 2005. The Board of Directors of the Management Company of the Fund have approved a bonus of 25% (2005:12.50%) on the face value of Rs. 500 per unit, which works out to Rs.125 per unit (2005: Rs. 62.50 per unit).

SALE AND REDEMPTION OF UNITS

During the year, 1,180,331 units of the value of Rs. 0.78 billion were issued, whilst 701,051 units of the value of Rs. 0.45 billion were redeemed. As at June 30, 2006, the total number of units outstanding was 2,315,580 valued at Rs. 1.53 billion (2005: units 1,632,318 valued at Rs. 0.92 billion), reflecting a growth of 41.86% in terms of number of units and 67.11% in value.

A comparison of the Unit Holders register of June 2006 compared with June 2005 presents a diversified investors' base as follows:

| Category | Year ended June 30, 2006 | | | Period ended June 30, 2005 | | |
|----------------------------------|--------------------------|------------------|---------------|----------------------------|------------------|---------------|
| | No. of Accounts | Units Held | Units Held % | No. of Accounts | Units Held | Units Held % |
| Directors | 0.80 | 25,835 | 1.12 | 0.25 | 3,161 | 0.19 |
| Individuals | 78.71 | 211,027 | 9.11 | 79.25 | 137,239 | 8.42 |
| Corporates | 1.02 | 160,837 | 6.95 | 0.75 | 59,543 | 3.65 |
| Banks and Financial Institutions | 18.47 | 1,255,822 | 54.23 | 4.75 | 446,328 | 27.34 |
| Associated Companies | 0.80 | 661,309 | 28.56 | 1.25 | 531,993 | 32.59 |
| Trusts | 0.20 | 750 | 0.03 | 13.75 | 453,964 | 27.81 |
| Total | 100.00 | 2,315,580 | 100.00 | 100.00 | 1,632,318 | 100.00 |

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' Funds.
- Proper books of account of the Fund have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment, with the

exception of certain changes in accounting policies made during the year, as explained in note 3.2 to the financial statements. The external auditors of the Fund have concurred with such changes.

- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There is no doubt about the Fund's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key Financial data/ performance table is summarized in note 23 of the financial statements.
- i) The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The Board comprises of two executive and five non-executive Directors. During the year, Mr. Saquib H. Shirazi resigned from the Board with effect from April 28, 2006. Mr. Ali H. Shirazi was co-opted in his place by the Board, to fill in the casual vacancy, for the remaining term of the directorship, with effect from April 28, 2006, with the approval of the Securities and Exchange Commission of Pakistan.

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

| Name | Meetings Attended |
|------------------------|-------------------|
| Mr. Yusuf H. Shirazi | 4 |
| Mr. M. Habib-ur-Rahman | 4 |
| Mr. Jawaid Iqbal Ahmed | 3 |
| Mr. Peter A Smyth | 3 * |
| Mr. Saquib H. Shirazi | 2 ** |
| Mr. Sherali Mundrawala | 4 |
| Mr. Tariq Amin | 4 |
| Mr. Ali H. Shirazi | Nil*** |

* 1 through telephonic conference

** upto April 28, 2006

*** appointed w.e.f. April 28, 2006

The Directors, CEO, CFO and Company Secretary and their spouses and minor children have made no transactions in the Fund's units during the year except as disclosed in note 18 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 19, 2006, recommended the re-appointment of M/s Hameed Chaudhri & Co. - Chartered Accountants, as auditors of Atlas Stock Market Fund for the Financial Year 2006-07. The Board approved the appointment.

ACKNOWLEDGEMENT

The Board of Directors of the Management Company thanks the Securities and Exchange Commission of Pakistan for their valuable support, assistance and guidance. The Board also thanks the employees of the Management Company and the Trustee, for their dedication and hard work, and the Unit Holders, for their confidence in the Management Company.

For and on behalf of the Board

Karachi: July 19, 2006

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

FINANCIAL STATEMENTS



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2006.

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

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

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of seven directors including three independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred in the Board during the year ended June 30, 2006, which was filled within thirty days thereof, and approved by the Securities and Exchange Commission of Pakistan as required under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
5. The Management Company has adopted a "Statement of Ethics and Business Practices", which has been distributed to and acknowledged by all the directors and employees of the Management Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of the remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the period. Written notes of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board has approved the appointment of the CFO and Company Secretary, remuneration and terms and conditions of employment as determined by the CEO.
10. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The role and responsibilities of the Chairman and the CEO have been approved by the Board.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
13. The Directors, CEO and Executives do not hold units other than those disclosed in note 18 to the financial statements "Transactions with Connected Persons/Related Parties".
14. The Management Company has complied with the corporate and financial reporting requirements of the Code.
15. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
16. The Board has formed an Audit Committee comprising of three members, all of whom are non-executive directors, including the Chairman

of the Committee. Meetings of the Committee were held every quarter, prior to approval of the interim and annual results of the Fund, as required by the Code. The Board has approved the terms of reference of the Audit Committee.

17. During the year ended June 30, 2006, the Management Company had outsourced the internal audit function of the Fund to M/s. Anjum Asim Shahid Rahman, Chartered Accountants, Karachi, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund. With effect from July 1, 2006, the Board has approved bringing in-house, the internal audit function, and approved the appointment, terms and conditions of employment of the Chief Internal Auditor.
18. The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund, and that the Firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi: July 19, 2006

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

REVIEW REPORT OF THE TRUSTEE

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

The Atlas Stock Market Fund, an open-end fund established under a trust deed executed between Atlas Asset Management Limited as the Asset Management Company and Central Depository Company of Pakistan Limited as Trustee on May 29, 2004. The Scheme was authorized by the Securities and Exchange Commission of Pakistan (SECP) on May 18, 2004.

In our opinion, Atlas Asset Management Limited, the Management Company of Atlas Stock Market Fund has in all material respects managed Atlas Stock Market Fund during the year ended June 30, 2006 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Karachi: July 19, 2006

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2006.

Karachi: July 19, 2006

Hameed Chaudhri & Co.
Chartered Accountants

AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the annexed statement of assets and liabilities of the Atlas Stock Market Fund as at June 30, 2006 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 Stock Market 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 changes as stated in note 3.2 with which we concur;
- (c) 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, 2006 and of the transactions of the Fund for the year then ended.

Karachi: July 19, 2006

Hameed Chaudhri & Co.
Chartered Accountants

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2006

| | Note | June 30, 2006 Rupees | June 30, 2005 Rupees |
|--|------|----------------------------|----------------------------|
| ASSETS | | | |
| Cash at banks | 4 | 316,165,831 | 107,277,359 |
| Balances due from brokers | | - | 3,273,752 |
| Receivable against Continuous Funding System | 5 | 23,415,825 | - |
| Receivable against Carry Over Transactions | 5 | - | 359,291,941 |
| Financial assets at fair value through profit or loss | 6 | 1,223,023,476 | 303,121,245 |
| Investments - held to maturity | 7 | - | 150,477,056 |
| Advances and other receivables | 8 | 9,473,177 | 5,660,127 |
| Interest accrued | 9 | 2,196,033 | 1,005,217 |
| Security deposits | | 100,000 | 200,000 |
| TOTAL ASSETS | | 1,574,374,342 | 930,306,697 |
| LIABILITIES | | | |
| Payable to Unit holders | | - | 4,463 |
| Accrued and other liabilities | 10 | 371,406 | 644,653 |
| Payable to Atlas Asset Management Limited - Management Company | 11 | 37,798,930 | 10,555,770 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 12 | 218,828 | 161,405 |
| Payable to Securities and Exchange Commission of Pakistan | 13 | 1,246,530 | 527,280 |
| TOTAL LIABILITIES | | 39,635,694 | 11,893,571 |
| COMMITMENTS | 15 | - | - |
| NET ASSETS | | 1,534,738,648 | 918,413,126 |
| Unitholders' funds (as per statement attached) | | 1,534,738,648 | 918,413,126 |
| | | | (No. of units) |
| Number of units in issue | | 2,315,580 | 1,632,318 |
| | | | (Rupees per unit) |
| Net Asset Value per unit | | 662.79 | 562.64 |

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

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2006

| | Note | For the year ended June 30, 2006 Rupees | For the period from August 24, 2004 to June 30, 2005 Rupees |
|--|------|--|---|
| INCOME | | | |
| Interest income | 16 | 55,694,109 | 34,849,911 |
| Dividend income | | 28,332,350 | 6,526,250 |
| Income from future transactions | | 7,769,567 | 10,004,424 |
| Net gain on sale of investments | | 243,174,067 | 98,530,167 |
| Net unrealised gain/ (loss) on investments | | 8,283,069 | (24,014,578) |
| Element of income and capital gains included in price of units sold less those in units repurchased | | 80,025,350 | 3,946,493 |
| | | 423,278,512 | 129,842,667 |
| EXPENDITURE | | | |
| Remuneration - Management Company | | 37,395,963 | 15,792,656 |
| Remuneration - Trustee | | 2,235,009 | 1,254,725 |
| Annual fee - SECP | | 1,246,530 | 527,280 |
| Settlement charges | | 255,367 | 340,323 |
| Annual listing fee | | 30,000 | - |
| Annual rating fee | | 100,000 | - |
| Legal and professional charges | | 72,500 | 2,500 |
| Auditors' remuneration | 17 | 275,000 | 181,000 |
| Brokerage, Commission and Capital Value Tax | | 10,020,739 | 5,560,539 |
| Bank charges | | 72,378 | 36,542 |
| Amortisation of formation cost | | - | 3,050,000 |
| | | 51,703,486 | 26,745,565 |
| Net income for the year/ period | | 371,575,026 | 103,097,102 |
| Earnings per unit | | 160.47 | 63.16 |

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

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2006

| | For the year ended June 30, 2006 Rupees | For the period from August 24, 2004 to June 30, 2005 Rupees Restated |
|---|---|---|
| Undistributed income brought forward - as previously reported | 1,077,227 | - |
| Change in accounting policy - note 3.2 (b) | 102,019,875 | - |
| Balance at June 30, 2005 - restated | 103,097,102 | - |
| Issue of bonus units during the year | (102,019,875) | - |
| Net income for the year/ period | 371,575,026 | 103,097,102 |
| Undistributed income carried forward | 372,652,253 | 103,097,102 |

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

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2006

| | For the year ended June 30, 2006 | | For the period from August 24, 2004 to June 30, 2005 | |
|---|-------------------------------------|----------------------|---|--------------------|
| | Units | Rupees | Units | Rupees |
| Net assets at the beginning of the year/ period as previously reported | 1,632,318 | 918,413,126 | - | - |
| Amount received on issue of units | 1,180,331 | 779,177,082 | 2,125,852 | 1,114,432,128 |
| Amount paid on redemption of units | (701,051) | (454,401,236) | (493,534) | (295,169,611) |
| | 479,279 | 324,775,846 | 1,632,318 | 819,262,517 |
| Element of income and capital gains included in prices of units sold less those in units repurchased | - | (80,025,350) | - | (3,946,493) |
| Issue of bonus units for the year 2005 | 203,983 | - | - | - |
| Net income for the year/ period | - | 371,575,026 | - | 103,097,102 |
| Net assets at the end of the year/ period | 2,315,580 | 1,534,738,648 | 1,632,318 | 918,413,126 |
| Net assets at the end of the period consist of: | | | | |
| Capital account | | 1,162,086,395 | | 815,316,024 |
| Undistributed income carried forward | | 372,652,253 | | 103,097,102 |
| | | 1,534,738,648 | | 918,413,126 |

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2006

| | Note | For the year ended June 30, 2006 Rupees | For the period from August 24, 2004 to June 30, 2005 Rupees |
|--|------|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income from operations | | 371,575,026 | 103,097,102 |
| Adjustments for: | | | |
| Net unrealised gain/ (loss) investments | | (8,283,069) | 24,014,578 |
| Net realised gain on sale of investments | | (243,174,067) | (98,530,167) |
| Element of income and capital gains included in prices of units sold less those in units repurchased | | (80,025,350) | (3,946,493) |
| Remuneration - Management Company | | 37,395,963 | 15,792,656 |
| Remuneration - Trustee | | 2,235,009 | 1,254,725 |
| Amortisation of formation cost | | - | 3,050,000 |
| Cash generated from operations before working capital changes | | 79,723,512 | 44,732,401 |
| Changes in operating assets | | | |
| Balances due from brokers | | 3,273,752 | (3,273,752) |
| Receivable against carry over transactions | | 359,291,941 | (359,291,941) |
| Receivable against continuous funding system | | (23,415,825) | - |
| Advances and other receivables | | (3,813,050) | (5,645,350) |
| Interest accrued | | (713,760) | (1,482,273) |
| | | 334,623,058 | (369,693,316) |
| Changes in operating liabilities | | | |
| Payable to unitholders | | (4,463) | 4,463 |
| Accrued and other liabilities | | (273,247) | 644,653 |
| Payable to Management Company | | (60,147) | 463,114 |
| Payable to Trustee | | (621) | 16,188 |
| Payable to Securities and Exchange Commission of Pakistan | | 719,250 | 527,280 |
| | | 380,772 | 1,655,698 |
| Remuneration paid to Trustee | | (2,176,965) | (1,109,508) |
| Remuneration paid to Management Company | | (10,092,656) | (5,700,000) |
| Taxes deducted at source | | - | (14,777) |
| Security deposit | | 100,000 | (200,000) |
| Formation costs paid | | - | (3,050,000) |
| | | (12,169,621) | (10,074,285) |
| Cash generated from/ (used) in operating activities | | 402,557,721 | (333,379,502) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | | (2,545,596,343) | (2,263,821,700) |
| Sale of investments | | 1,877,151,248 | 2,035,216,044 |
| Maturity/(Purchase) of held to maturity investments | | 150,000,000 | (150,000,000) |
| Cash used in investing activities | | (518,445,095) | (378,605,656) |
| Cash flow before financing activities | | (115,887,374) | (711,985,158) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Receipts in respect of sale of units | | 779,177,082 | 1,114,432,128 |
| Paid on redemption of units | | (454,401,236) | (295,169,611) |
| Cash generated from financing activities | | 324,775,846 | 819,262,517 |
| Net increase in cash and cash equivalents | | 208,888,472 | 107,277,359 |
| Cash and cash equivalents at the beginning of the year/ period | | 107,277,359 | - |
| Cash and cash equivalents at the end of the year/ period | 4 | 316,165,831 | 107,277,359 |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

1. LEGAL STATUS AND NATURE OF BUSINESS

The Atlas Stock Market Fund (the Fund) is an open ended Fund constituted by a trust deed entered into on May 29, 2004 between Atlas Asset Management Limited (AAML) as the establisher and management company and Central Depository Company of Pakistan Limited (CDC) as trustee. AAML is licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as investment advisor and asset management company under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003).

Units of the Fund have been offered for public subscription on a continuous basis from November 23, 2004, and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the Lahore Stock Exchange (Guarantee) Limited.

The objective of the Fund is to provide investors one window facility to invest in a diversified portfolio of equity securities offering consistent returns and growth. The Fund aims to deliver this objective mainly by investing in equity securities of companies that are paying regular dividend, have growth prospects or are actively traded. Any amounts which have not been invested in equity securities may be invested in corporate debt instruments or Government securities or placed in money market instruments, reverse repurchase agreements or spread transactions. The investment objectives and policy are more fully defined in the Fund's Offering Document. The Trust Deed and Offering Document were revised on June 21, 2005 with the approval of the SECP.

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

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

3.1 Basis of preparation

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

The accounting policies have been applied consistently by the Fund and are consistent with those used in previous year, except for changes resulting from the amendments. The comparative figures for 2005 have been adjusted or extended to conform to changes in presentation in the 2006 financial statements as required by the amended IFRS.

The changes to the Fund's accounting policies and their effect on the financial statements are described in note 3.2.

3.2 Change to the accounting policies

- a) Consequent to amendments to International Accounting Standard (IAS 39): "Financial Instruments: Recognition and Measurement" the Fund has changed its accounting policy pertaining to transaction cost directly attributable to the acquisition of held for trading investments. For investments which are measured at fair value through profit and loss account, transaction costs are now recognised in the income statement for the period. Previously these were added to the acquisition cost of such investments. The change has been applied retrospectively and the comparative information has been restated in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The change in policy has no effect on income or net assets of the current or prior periods.
- b) The Fund, effective from current year, has not recognised the distribution, approved subsequent to year end, as a liability to comply with circular No. 06/2006 of the Institute of Chartered Accountants of Pakistan (ICAP). Such change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with recommended treatment of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change, the undistributed income and Reserve for issue of bonus units would have been lower and higher by Rs. 102,019,875 respectively.

3.3 Investments

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

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

The Fund adopted the amended IAS 32 and IAS 39 and designated its investments held for trading into financial assets at fair value through profit or loss category. The category of financial assets and financial liabilities at fair value through profit and loss account comprises:

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

Held for trading

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

Held to maturity

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

3.4 Derivatives

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

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

The Fund enters into certain transactions involving purchase of a security in the ready market and sale of the same security in the futures market, which are recorded in accordance with the requirements of IAS 39. The securities purchased by the Fund in the ready market are carried on the Statement of Assets and Liabilities in accordance with the accounting policy of investments specified in note 3.3 above, till their eventual disposal, and the forward sale of securities in the future market is accounted for separately as a "derivative".

3.5 Securities under repurchases/ resale agreements

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

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

3.6 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the application received by the Distribution Company/ Management Company during business hours on that day. The offer price represents the net asset value (NAV) per unit as of the close of the 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/ Management Company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of

the business day 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.

3.7 Revenue Recognition

- Interest income and profit on bank deposits is recognised in the Income Statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date.
- Interest earned on reverse repurchase agreements is recognised as interest income, over the life of each agreement using the effective interest method.
- Dividend income is recognised when the right to receive the dividend is established.
- Capital gains/ (losses) arising on sale of securities are included in the Income Statement in the period in which they arise.

3.8 Taxation

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

3.9 Offsetting Financial Instruments

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

3.10 Expenses

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

3.11 Cash and cash equivalents

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

3.12 Impairment

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

3.13 Due from/ to brokers

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

3.14 Financial Asset and Financial Liabilities

Financial assets carried on the Statement of Assets and Liabilities include bank balances, due from brokers, receivable from continuous funding system, investments, income accrued 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) and payable to Securities and Exchange Commission of Pakistan (annual fee).

Recognition

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

Derecognition

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

Measurement

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

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

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

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

3.16 Net Asset Value per Unit

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

3.17 Earnings per Unit

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

3.18 Provisions

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

| | Note | June 30, 2006 Rupees | June 30, 2005 Rupees |
|--------------------------|-----------|----------------------------|----------------------------|
| 4. CASH AT BANKS | | | |
| In PLS deposit accounts | 4.1 - 4.3 | 116,165,831 | 107,277,359 |
| In term deposit accounts | 4.4 | 200,000,000 | - |
| | | 316,165,831 | 107,277,359 |

4.1 The rate of return on PLS deposits accounts ranges from 1.30% to 11.50% per annum (2005: 1.30% to 7.50%).

4.2 PLS deposit accounts include Rs. 320,182 (2005: Nil) maintained with Atlas Bank Limited, a connected person, and Rs. 80,000,000 placed in royal profit account with a bank at the rate of 11.50% per annum for the period from June 27, 2006 to July 5, 2006.

4.3 These include advance of Rs. 10,300 for opening of new bank account, opened subsequent to year end.

4.4 Term deposit accounts carry markup at 11% (2005: Nil). These include a deposit of Rs. 100,000,000 (2005: Nil) held with Atlas Bank Limited, a connected person.

5. RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM / CARRY OVER TRANSACTIONS

| | | |
|--|-------------------|--------------------|
| Receivable against continuous funding system | 23,415,825 | - |
| Receivable against carry over transactions (COT) | - | 359,291,941 |

5.1 The market value of securities held in respect of continuous funding system/ carry over transactions is Rs. 23.659 million (2005 (COT): Rs. 362.146 million). The rates of return range from 10.32% to 13.19 % per annum (2005 (COT): 7.21% to 14.41% per annum) with maturities ranging from over night to thirty days.

| | Note | June 30, 2006 Rupees | June 30, 2005 Rupees |
|---|------|----------------------------|----------------------------|
| 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | | |
| Investments - held for trading | 6.1 | 1,223,023,476 | 303,121,245 |
| | | 1,223,023,476 | 303,121,245 |

6.1 INVESTMENTS - HELD FOR TRADING

| Name of the investee company | Number of shares | | | | | Market Value as at June 30, 2006 | Percentage of investment in relation to net assets of the Fund |
|--|--------------------|---------------------------|---------------------|-----------------------|---------------------|----------------------------------|--|
| | As at July 1, 2005 | Purchases during the year | Bonus / Right Issue | Sales during the year | As at June 30, 2006 | | |
| All holdings are in shares of Rs. 10/- each as otherwise stated. | | | | | | Rupees | % |
| Investment Banks/ Companies/ Securities | | | | | | | |
| Arif Habib Securities Ltd. | - | 2,500 | - | 2,500 | - | - | - |
| Pakistan Industrial Credit and Investment Corporation Ltd. | - | 50,000 | 10,000 | 60,000 | - | - | - |
| | - | 52,500 | 10,000 | 62,500 | - | - | - |
| Commercial Banks | | | | | | | |
| Allied Bank Ltd. | - | 50,000 | - | - | 50,000 | 4,400,000 | 0.29 |
| Askari Commercial Bank Ltd. | 260,000 | 543,900 | 61,050 | 594,800 | 270,150 | 20,950,133 | 1.37 |
| Bank Alfalah Ltd. | 260,000 | 853,500 | 47,333 | 800,500 | 360,333 | 14,413,320 | 0.94 |
| Bank Alfalah Ltd. - Right Shares | - | - | 90,083 | - | 90,083 | 1,801,660 | 0.12 |
| Faysal Bank Ltd. | - | 1,220,000 | 105,000 | 1,053,500 | 271,500 | 16,697,250 | 1.09 |
| MCB Bank Ltd. | - | 1,348,500 | - | 917,500 | 431,000 | 90,639,300 | 5.91 |
| National Bank of Pakistan | 200,000 | 1,048,600 | 83,000 | 831,600 | 500,000 | 107,750,000 | 7.02 |
| NIB Bank Ltd. | - | 30,500 | - | 30,500 | - | - | - |
| PICIC Commercial Bank Ltd. | 25,000 | 150,000 | 20,000 | 195,000 | - | - | - |
| Saudi Pak Commercial Bank Ltd. | - | 100,000 | - | 100,000 | - | - | - |
| The Bank of Punjab | 150,000 | 659,500 | 77,100 | 664,000 | 222,600 | 18,409,020 | 1.20 |
| Union Bank Ltd. | 5,000 | 642,500 | 28,800 | 333,000 | 343,300 | 25,404,200 | 1.66 |
| United Bank Ltd. | - | 719,400 | 56,250 | 275,400 | 500,250 | 68,909,438 | 4.49 |
| | 900,000 | 7,366,400 | 568,616 | 5,795,800 | 3,039,216 | 369,374,321 | 24.07 |
| Insurance | | | | | | | |
| Adamjee Insurance Co. Ltd. | - | 542,500 | 13,000 | 315,000 | 240,500 | 29,461,250 | 1.92 |
| Pak. Reinsurance Co. Ltd. | - | 240,000 | - | 165,000 | 75,000 | 9,240,000 | 0.60 |
| | - | 782,500 | 13,000 | 480,000 | 315,500 | 38,701,250 | 2.52 |
| Textile Composite | | | | | | | |
| Azgard Nine Ltd. | 91,500 | 67,000 | 210,000 | 158,500 | 210,000 | 4,630,500 | 0.30 |
| Chenab Ltd. | - | 50,000 | - | 50,000 | - | - | - |
| Kohinoor Textile Mills Ltd. | 210,000 | - | 5,000 | 215,000 | - | - | - |
| Nishat (Chunian) Ltd. | 34,000 | 136,000 | 4,500 | 49,500 | 125,000 | 5,562,500 | 0.36 |
| Nishat Mills Ltd. | 100,000 | 388,500 | - | 317,500 | 171,000 | 17,920,800 | 1.17 |
| Suraj Cotton Mills Ltd. | 100,000 | - | - | - | 100,000 | 3,790,000 | 0.25 |
| | 535,500 | 641,500 | 219,500 | 790,500 | 606,000 | 31,903,800 | 2.08 |
| Synthetic & Rayon | | | | | | | |
| Dewan Salman Fibres Ltd. | - | 175,000 | - | 175,000 | - | - | - |
| Ibrahim Fibres Ltd. | 150,000 | - | - | 150,000 | - | - | - |
| | 150,000 | 175,000 | - | 325,000 | - | - | - |
| Sugar & Allied Industries | | | | | | | |
| JDW Sugar Mills Ltd. | - | 25,000 | - | 25,000 | - | - | - |
| | - | 25,000 | - | 25,000 | - | - | - |
| Cement | | | | | | | |
| Attock Cement Pakistan Ltd. | - | 1,300 | - | 1,300 | - | - | - |
| Cherat Cement Ltd. | - | 20,000 | - | 20,000 | - | - | - |
| Dewan Hattar Cement Ltd. | - | 550,000 | - | 550,000 | - | - | - |
| D G Khan Cement Co. Ltd. | 100,000 | 733,800 | 42,500 | 626,300 | 250,000 | 20,885,000 | 1.36 |
| Fauji Cement Ltd. | - | 25,000 | - | 25,000 | - | - | - |
| Kohat Cement Co. Ltd. | - | 51,500 | - | 51,500 | - | - | - |
| Lucky Cement Ltd. | 25,000 | 1,611,000 | - | 1,231,500 | 404,500 | 41,885,975 | 2.73 |
| Maple Leaf Cement Factory Ltd. | 50,000 | 1,700,000 | - | 1,650,000 | 100,000 | 2,560,000 | 0.17 |
| Pioneer Cement Ltd. | - | 450,000 | - | 375,000 | 75,000 | 3,423,750 | 0.22 |
| | 175,000 | 5,142,600 | 42,500 | 4,530,600 | 829,500 | 68,754,725 | 4.48 |

| Name of the investee company | Number of shares | | | | | Market Value as at June 30, 2006 | Percentage of investment in relation to net assets of the Fund |
|--|--------------------|---------------------------|---------------------|-----------------------|---------------------|----------------------------------|--|
| | As at July 1, 2005 | Purchases during the year | Bonus / Right Issue | Sales during the year | As at June 30, 2006 | | |
| | | | | | | Rupees | % |
| Refinery | | | | | | | |
| National Refinery Ltd. | 2,000 | 109,000 | - | 15,000 | 96,000 | 25,632,000 | 1.67 |
| | 2,000 | 109,000 | - | 15,000 | 96,000 | 25,632,000 | 1.67 |
| Power Generation & Distribution | | | | | | | |
| Kot Addu Power Co. Ltd. | 125,000 | 130,000 | - | 155,000 | 100,000 | 4,210,000 | 0.27 |
| The Hub Power Co. Ltd. | 200,000 | - | - | 200,000 | - | - | - |
| | 325,000 | 130,000 | - | 355,000 | 100,000 | 4,210,000 | 0.27 |
| Oil & Gas Marketing Companies | | | | | | | |
| Attock Petroleum Ltd. | - | 160,000 | - | 60,000 | 100,000 | 32,300,000 | 2.10 |
| Pakistan State Oil Co. Ltd. | 20,000 | 364,800 | - | 234,800 | 150,000 | 46,350,000 | 3.02 |
| Shell Pakistan Ltd. | 10,800 | 23,500 | 2,500 | 21,800 | 15,000 | 7,221,000 | 0.47 |
| Sui Northern Gas Pipelines Ltd. | - | 210,000 | - | 210,000 | - | - | - |
| Sui Southern Gas Co. Ltd. | - | 500,000 | - | 500,000 | - | - | - |
| | 30,800 | 1,258,300 | 2,500 | 1,026,600 | 265,000 | 85,871,000 | 5.60 |
| Oil & Gas Exploration Companies | | | | | | | |
| Oil & Gas Development Co. Ltd. | 20,000 | 2,157,500 | - | 1,077,500 | 1,100,000 | 150,425,000 | 9.80 |
| Pakistan Oilfields Ltd. | 125,000 | 508,000 | 112,500 | 365,500 | 380,000 | 127,224,000 | 8.29 |
| Pakistan Petroleum Ltd. | 30,000 | 546,500 | - | 196,500 | 380,000 | 80,503,000 | 5.25 |
| | 175,000 | 3,212,000 | 112,500 | 1,639,500 | 1,860,000 | 358,152,000 | 23.34 |
| Automobile Assembler | | | | | | | |
| Gandhara Industries Ltd. | - | 2,500 | - | 2,500 | - | - | - |
| Honda Atlas Cars (Pakistan) Ltd. | - | 114,700 | - | 114,700 | - | - | - |
| Indus Motor Co. Ltd. | 150,000 | 119,000 | - | 69,000 | 200,000 | 38,200,000 | 2.49 |
| Millat Tractors Ltd. | 50,000 | - | - | 50,000 | - | - | - |
| Pak Suzuki Motor Co.Ltd. | 19,000 | 58,000 | - | 56,500 | 20,500 | 6,416,500 | 0.42 |
| | 219,000 | 294,200 | - | 292,700 | 220,500 | 44,616,500 | 2.91 |
| Transport | | | | | | | |
| Pak. Int. Container Terminal Ltd. | - | 62,000 | - | 62,000 | - | - | - |
| Pak. National Shipping Corp. | - | 10,000 | - | 10,000 | - | - | - |
| | - | 72,000 | - | 72,000 | - | - | - |
| Technology & Communication | | | | | | | |
| Callmate Tellips Telecom Ltd. | - | 484,000 | 16,750 | 303,250 | 197,500 | 10,961,250 | 0.71 |
| Netsole Technologies Ltd. | - | 205,000 | - | 205,000 | - | - | - |
| Pakistan Telecommunications Ltd. | 275,000 | 3,248,900 | - | 2,310,000 | 1,213,900 | 49,284,340 | 3.21 |
| Telecard Ltd. | 110,000 | 100,000 | - | 210,000 | - | - | - |
| TRG Pakistan Ltd. | - | 100,000 | - | 100,000 | - | - | - |
| | 385,000 | 4,137,900 | 16,750 | 3,128,250 | 1,411,400 | 60,245,590 | 3.93 |
| Fertilizer | | | | | | | |
| Engro Chemicals Pakistan Ltd. | 29,500 | 246,500 | 3,850 | 120,000 | 159,850 | 27,078,590 | 2.21 |
| Fauji Fertilizer Bin Qasim Ltd. | 340,000 | 1,265,000 | - | 745,000 | 860,000 | 25,155,000 | 1.64 |
| Fauji Fertilizer Co. Ltd. | 172,500 | 222,500 | 53,000 | 118,000 | 330,000 | 39,930,000 | 2.60 |
| | 542,000 | 1,734,000 | 56,850 | 983,000 | 1,349,850 | 92,163,590 | 6.01 |
| Pharmaceuticals | | | | | | | |
| Glaxosmithkline Pakistan Ltd. | 30,500 | 28,700 | 6,250 | 5,500 | 59,950 | 10,551,200 | 0.69 |
| | 30,500 | 28,700 | 6,250 | 5,500 | 59,950 | 10,551,200 | 0.69 |
| Chemicals | | | | | | | |
| ICI Pakistan Ltd. | 300,000 | 522,000 | - | 732,000 | 90,000 | 9,819,000 | 0.64 |
| | 300,000 | 522,000 | - | 732,000 | 90,000 | 9,819,000 | 0.64 |
| Paper & Board | | | | | | | |
| Century Paper & Board Mills Ltd. | 7,000 | - | - | 7,000 | - | - | - |
| Packages Ltd. | 147,000 | - | - | 37,000 | 110,000 | 23,028,500 | 1.50 |
| | 154,000 | - | - | 44,000 | 110,000 | 23,028,500 | 1.50 |
| Food & Personal Care- Products | | | | | | | |
| Unilever Pakistan Ltd. | - | 1,000 | - | 1,000 | - | - | - |
| | - | 1,000 | - | 1,000 | - | - | - |
| Miscellaneous | | | | | | | |
| Tri-pack Films Ltd. | - | 50,000 | - | 50,000 | - | - | - |
| | - | 50,000 | - | 50,000 | - | - | - |

| Name of the investee company | Number of shares | | | | | Market Value as at June 30, 2006 | Percentage of investment in relation to net assets of the Fund |
|--|--------------------|---------------------------|---------------------|-----------------------|---------------------|----------------------------------|--|
| | As at July 1, 2005 | Purchases during the year | Bonus / Right Issue | Sales during the year | As at June 30, 2006 | | |
| FUTURE TRANSACTIONS* | | | | | | Rupees | % |
| Commercial Banks | | | | | | | |
| Faysal Bank Ltd. | - | 564,500 | - | 564,500 | - | - | - |
| MCB Bank Ltd. | - | 18,000 | - | 18,000 | - | - | - |
| National Bank of Pakistan | - | 60,500 | - | 60,500 | - | - | - |
| PICIC Commercial Bank Ltd. | - | 40,000 | - | 40,000 | - | - | - |
| | - | 643,000 | | 643,000 | - | - | - |
| Textile Composite | | | | | | | |
| Nishat Mills Ltd. | - | 146,000 | - | 146,000 | - | - | - |
| | - | 146,000 | - | 146,000 | - | - | - |
| Synthetic & Rayon | | | | | | | |
| Dewan Salman Fibres Ltd. | - | 242,000 | - | 242,000 | - | - | - |
| | - | 242,000 | - | 242,000 | - | - | - |
| Cement | | | | | | | |
| Lucky Cement Ltd. | - | 817,000 | - | 817,000 | - | - | - |
| | - | 817,000 | - | 817,000 | - | - | - |
| Oil & Gas Marketing Companies | | | | | | | |
| Pakistan State Oil Co. Ltd. | - | 289,500 | - | 289,500 | - | - | - |
| | - | 289,500 | - | 289,500 | - | - | - |
| Oil & Gas Exploration Companies | | | | | | | |
| Oil & Gas Development Co. Ltd. | - | 340,500 | - | 340,500 | - | - | - |
| Pakistan Oilfields Ltd. | - | 373,000 | - | 373,000 | - | - | - |
| | - | 713,500 | - | 713,500 | - | - | - |
| Technology & Communication | | | | | | | |
| Pakistan Telecommunications Ltd. | - | 2,325,600 | - | 2,325,600 | - | - | - |
| | - | 2,325,600 | - | 2,325,600 | - | - | - |
| Fertilizer | | | | | | | |
| Fauji Fertilizer Co. Ltd. | - | 100,000 | - | 100,000 | - | - | - |
| | - | 100,000 | - | 100,000 | - | - | - |
| | | | | | | <u>1,223,023,476</u> | <u>79.69</u> |

6.1.1 Cost of held for trading investments as on June 30, 2006: Rs. 1,219,967,655 (2005: Rs. 327,500,565).

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

| | June 30, 2006 Rupees | June 30, 2005 Rupees |
|--|-------------------------|-------------------------|
| 7. INVESTMENTS - HELD TO MATURITY | | |
| Investment in certificates of deposits | | |
| - Atlas Investment Bank Limited - connected person | - | 125,000,000 |
| - Others | - | 25,000,000 |
| Income accrued | - | 477,056 |
| | <u>-</u> | <u>150,477,056</u> |
| 8. ADVANCES AND OTHER RECEIVABLES | | |
| Taxes deducted at source | 14,777 | 14,777 |
| Prepaid annual listing fee | 15,000 | - |
| Dividend receivable on continuous funding system | 2,002,500 | - |
| Dividend receivable on carry over transactions | - | 4,391,850 |
| Dividend receivable | 7,440,900 | 1,253,500 |
| | <u>9,473,177</u> | <u>5,660,127</u> |

| | Note | June 30, 2006 Rupees | June 30, 2005 Rupees |
|------------------------------|------|----------------------------|----------------------------|
| 9. INTEREST ACCRUED | | | |
| On bank deposits | 9.1 | 2,148,921 | 719,007 |
| On continuous funding system | | 47,112 | - |
| On carry over transactions | | - | 286,210 |
| | | 2,196,033 | 1,005,217 |

9.1 This includes mark-up receivable amounting to Rs. 632,877 (2005: Nil) on deposits held with Atlas Bank Limited, a connected person.

10. ACCRUED AND OTHER LIABILITIES

| | | | |
|--|--|----------------|----------------|
| Auditors' remuneration payable | | 275,000 | 181,000 |
| Brokerage payable | | | |
| Atlas Capital Markets (Pvt.) Ltd. - connected person | | 325 | - |
| Others | | 650 | - |
| Sales load payable to distributors | | 94,422 | 453,338 |
| Withholding tax payable | | 1,009 | 10,315 |
| | | 371,406 | 644,653 |

11. PAYABLE TO ATLAS ASSET MANAGEMENT LIMITED

- MANAGEMENT COMPANY

| | | | |
|--------------------|------|-------------------|-------------------|
| Management fee | 11.1 | 37,395,963 | 10,092,656 |
| Sales load payable | | 402,967 | 457,539 |
| Others | | - | 5,575 |
| | | 37,798,930 | 10,555,770 |

11.1 In accordance with the provision of the NBFC Rules 2003, the Management Company of an open - ended fund is entitled to receive a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The Management Company has charged its remuneration at the rate of 3% per annum (2005: 3% per annum) of the average annual net assets for the reported year.

12. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

- TRUSTEE

| | | | |
|--------------------|------|----------------|----------------|
| Trustee fee | 12.1 | 203,261 | 145,217 |
| Settlement charges | | 15,567 | 16,188 |
| | | 218,828 | 161,405 |

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

13. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

| | | | |
|------------|------|------------------|----------------|
| Annual fee | 13.1 | 1,246,530 | 527,280 |
|------------|------|------------------|----------------|

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

14. DISTRIBUTION

The Board of Directors of the Management Company, in their meeting held on July 19, 2006, approved a bonus distribution for the year ended June 30, 2006 of Rs. 125 per unit on the face of Rs.500 each, i.e. 25%, amounting to Rs. 289,447,469. These financial statements do not reflect the appropriation of Bonus units as explained in note 3.2 (b).

15. COMMITMENTS

| | | | |
|---|--|---|--------------------|
| Contracts in carry over transactions (including contracts to be rolled over) entered into by the Fund in respect of which the purchase transactions had not been settled as at June 30, 2005. | | - | 443,505,555 |
|---|--|---|--------------------|

| | For the year ended June 30, 2006 Rupees | For the period from August 24, 2004 to June 30, 2005 Rupees |
|---|---|---|
| 16. INTEREST INCOME | | |
| Interest income arises from: | | |
| Cash at banks | 7,398,501 | 5,962,242 |
| Continuous funding system | 33,905,908 | - |
| Carry over transactions | 6,414,872 | 28,004,039 |
| Held to maturity investments | 1,224,554 | 477,056 |
| Placements | 6,750,274 | 406,574 |
| | 55,694,109 | 34,849,911 |
| 17. AUDITORS' REMUNERATION | | |
| Annual audit fee | 150,000 | 90,000 |
| Half yearly review fee | 75,000 | 45,000 |
| Code of Corporate Governance | 35,000 | 15,000 |
| Certification charges | - | 20,000 |
| Out of pocket expenses | 15,000 | 11,000 |
| | 275,000 | 181,000 |
| 18. TRANSACTIONS WITH CONNECTED PERSONS/ RELATED PARTIES | | |
| Atlas Asset Management Limited (Management Company) | | |
| Remuneration of the management company | 37,395,963 | 15,792,656 |
| Remuneration paid | 10,092,656 | 5,700,000 |
| Formation cost paid | - | 3,050,000 |
| Sales Load | 3,770,540 | 1,949,456 |
| Atlas Asset Management Company Limited - Staff Provident Fund | | |
| Sale of 878 (2005: Nil) units | 600,000 | - |
| Allwin Engineering Industries Limited - Employees Provident Fund | | |
| Bonus 1,240 (2005: Nil) units | 620,187 | - |
| Sale of 25,536 (2005: 9,923) units | 19,000,000 | 4,999,803 |
| Atlas Bank Limited | | |
| Investment in term deposit receipts | 100,000,000 | - |
| Interest income | 858,509 | - |
| Atlas Battery Limited | | |
| Sale of 129,673 (2005: Nil) units | 75,018,709 | - |
| Redemption of 129,673 (2005: Nil) units | 82,665,119 | - |
| Atlas Capital Markets (Pvt.) Limited | | |
| Brokerage | 58,770 | - |
| Atlas Fund of Funds | | |
| Bonus 1,949 (2005: Nil) units | 975,000 | - |
| Sale of 7,122 (2005: 15,600) units | 5,000,000 | 10,000,539 |

| | For the year ended June 30, 2006 Rupees | For the period from August 24, 2004 to June 30, 2005 Rupees |
|---|---|---|
| Atlas Investment Bank Limited | | |
| Brokerage | 282,720 | 73,866 |
| Certificate of investment - placed and matured | - | 265,000,000 |
| Investment in certificate of deposits | - | 125,000,000 |
| Maturity of certificate of deposits | 125,000,000 | - |
| Clean placements - placed and matured | - | 340,000,000 |
| Profit on certificate of investment | - | 1,139,177 |
| Profit on certificates of deposits | 480,308 | 395,548 |
| Profit on clean placement | - | 406,574 |
| Bonus 7,440 (2005: Nil) units | 3,721,250 | - |
| Sale of 82,220 (2005: 59,540) units | 54,777,300 | 30,000,419 |
| Redemption of 101,980 (2005: Nil) units | 67,777,454 | - |
| Atlas Honda Limited | | |
| Bonus 24,792 (2005: Nil) units | 12,399,375 | - |
| Sale of 299,028 (2005: 396,857) units | 212,537,474 | 99,999,583 |
| Redemption of units 198,882 (2005: 198,467) units | 135,589,483 | 116,160,750 |
| Atlas Honda Limited - Employees Provident Fund | | |
| Bonus 7,557 (2005: Nil) units | 3,779,625 | - |
| Sale of 121,660 (2005: 60,474) units | 78,953,417 | 32,700,185 |
| Redemption of 70,000 (2005: Nil) units | 44,347,100 | - |
| Atlas Honda Limited - Non Management Staff Gratuity Fund | | |
| Bonus 3,565 (2005: Nil) units | 1,782,813 | - |
| Sale of Nil (2005: 28,525) units | - | 14,536,127 |
| Honda Atlas Cars (Pakistan) Limited | | |
| Bonus 24,801 (2005: Nil) units | 12,403,938 | - |
| Sale of Nil (2005: 198,463) units | - | 99,999,552 |
| Shirazi Investments (Pvt.) Limited | | |
| Bonus 7,498 (2005: Nil) units | 3,750,000 | - |
| Sale of Nil (2005: 60,000) units | - | 30,000,000 |
| Key Management Personnel | | |
| Directors | | |
| Bonus 395 (2005: Nil) units | 197,562 | - |
| Sale of 24,279 (2005: 3,161) units | 15,674,566 | 1,598,637 |
| Redemption of 2,000 (2005: Nil) units | 1,406,220 | - |
| Executives | | |
| Bonus 65 (2005: Nil) units | 32,563 | - |
| Sale of 1,668 (2005: 2,712) units | 925,535 | 1,497,368 |
| Redemption of 736 (2005: 2,253) units | 421,376 | 1,329,848 |

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

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

19. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

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

| | June 30, 2006 | | | | June 30, 2005 | |
|--|---------------------------|-------------------------------|-----------------|-----------------------------|-----------------------------|---------------------------|
| | Exposed to MROR risk | | | Not exposed to MROR risk | Total | Total |
| | Upto three months | Over three months to one year | Over one years | | | |
| Amount in Rupees | | | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial Assets | | | | | | |
| Cash at banks | 316,165,831 | - | - | - | 316,165,831 | 107,277,359 |
| Balances due from brokers | - | - | - | - | - | 3,273,752 |
| Receivable against continuous funding system | 23,415,825 | - | - | - | 23,415,825 | - |
| Receivable against carry over transactions | - | - | - | - | - | 359,291,941 |
| Financial assets at fair value through profit or loss | - | - | - | 1,223,023,476 | 1,223,023,476 | 303,121,245 |
| Investments - held to maturity | - | - | - | - | - | 150,477,056 |
| Advances and other receivables | - | - | - | 9,458,177 | 9,458,177 | 5,660,127 |
| Interest accrued | - | - | - | 2,196,033 | 2,196,033 | 1,005,217 |
| Security deposit | - | - | - | 100,000 | 100,000 | 200,000 |
| | <u>339,581,656</u> | <u>-</u> | <u>-</u> | <u>1,234,777,686</u> | <u>1,574,359,342</u> | <u>930,306,697</u> |
| Financial Liabilities | | | | | | |
| Payable to unitholders | - | - | - | - | - | 4,463 |
| Accrued and other liabilities | - | - | - | 371,406 | 371,406 | 644,653 |
| Payable to Atlas Asset Management Ltd. - Management Company | - | - | - | 37,798,930 | 37,798,930 | 10,555,770 |
| Payable to Central Depository Company of Pakistan Ltd. - Trustee | - | - | - | 218,828 | 218,828 | 161,405 |
| Payable to Securities and Exchange Commission of Pakistan | - | - | - | 1,246,530 | 1,246,530 | 527,280 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>39,635,694</u> | <u>39,635,694</u> | <u>11,893,571</u> |
| On-balance sheet gap as at June 30, 2006 | <u>339,581,656</u> | <u>-</u> | <u>-</u> | <u>1,195,141,992</u> | <u>1,534,723,648</u> | <u>918,413,126</u> |
| On-balance sheet gap as at June 30, 2005 | <u>617,046,356</u> | <u>-</u> | <u>-</u> | <u>301,366,770</u> | <u>918,413,126</u> | |
| Off-balance sheet financial instruments | | | | | | |
| Commitments as at June 30, 2006 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | |
| Commitments as at June 30, 2005 | <u>443,505,555</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>443,505,555</u> | |

19.2 Effective interest rates:

| | 2006 Percentage range | 2005 Percentage range |
|--|-----------------------------|-----------------------------|
| Cash at banks | 1.30 - 9.50 | 1.30 - 7.50 |
| Receivable against continuous funding system / carry over transactions | 10.32 - 13.19 | 7.21 - 14.41 |

20. MATURITIES OF ASSETS AND LIABILITIES

| | June 30, 2006 | | | June 30, 2005 | |
|--|----------------------|--|---------------------|----------------------|--------------------|
| | Upto three months | More than three months and upto one year | More than one years | Total | Total |
| Amount in Rupees | | | | | |
| Assets | | | | | |
| Cash at banks | 316,165,831 | - | - | 316,165,831 | 107,277,359 |
| Balances due from brokers | - | - | - | - | 3,273,752 |
| Receivable against continuous funding system | 23,415,825 | - | - | 23,415,825 | - |
| Receivable against carry over transactions | - | - | - | - | 359,291,941 |
| Financial assets at fair value through profit or loss | 1,223,023,476 | - | - | 1,223,023,476 | 303,121,245 |
| Investments - held to maturity | - | - | - | - | 150,477,056 |
| Advances and other receivables | 9,443,400 | 29,777 | - | 9,473,177 | 5,660,127 |
| Interest accrued | 2,196,033 | - | - | 2,196,033 | 1,005,217 |
| Security deposit | - | - | 100,000 | 100,000 | 200,000 |
| | 1,574,244,565 | 29,777 | 100,000 | 1,574,374,342 | 930,306,697 |
| Liabilities | | | | | |
| Payable to unitholders | - | - | - | - | 4,463 |
| Accrued and other liabilities | 371,406 | - | - | 371,406 | 644,653 |
| Payable to Atlas Asset Management Ltd. - Management Company | 37,798,930 | - | - | 37,798,930 | 10,555,770 |
| Payable to Central Depository Company of Pakistan Ltd. - Trustee | 218,828 | - | - | 218,828 | 161,405 |
| Payable to Securities and Exchange Commission of Pakistan | 1,246,530 | - | - | 1,246,530 | 527,280 |
| | 39,635,694 | - | - | 39,635,694 | 11,893,571 |
| Net Assets as at June 30, 2006 | 1,534,608,871 | 29,777 | 100,000 | 1,534,738,648 | 918,413,126 |
| Net Assets as at June 30, 2005 | 918,198,349 | 14,777 | 200,000 | 918,413,126 | |

21. FINANCIAL RISK MANAGEMENT POLICIES

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

21.1 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.

21.2 Credit Risk

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

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Financial assets subject to credit risk amount to Rs. 1,574.345 (2005: Rs. 930.292) million. The Fund's policy is to enter into financial instruments contracts by following internal guidelines duly approved by the Investment Committee such as approving counterparties, approving credit and obtaining adequate collateral.

21.3 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.

21.4 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.

22. 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.

23. PERFORMANCE TABLE

| | Note | 2006 Rupees | 2005* Rupees |
|-----------------------------------|------|----------------|-----------------|
| Net assets | | 1,534,738,648 | 918,413,126 |
| Net income | | 371,575,026 | 103,097,102 |
| Net Asset value per unit | | 662.79 | 562.64 |
| Earnings per unit | | 160.47 | 63.16 |
| Distribution (Bonus) | 14 | - | 62.50 |
| Highest offer price | | 793.44 | 676.57 |
| Lowest offer price | | 507.03 | 503.86 |
| Highest repurchase price per unit | | 777.88 | 663.30 |
| Lowest repurchase price per unit | | 497.09 | 503.82 |

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

24. CORRESPONDING FIGURES

Prior year's figures have been reclassified, wherever necessary, for the purposes of better presentation, as follows:

| Component | ----- Reclassifications ----- | | Rupees |
|--|--------------------------------|--------------------------------|-----------|
| | From | To | |
| Dividend receivable on carry over transactions | Interest accrued | Advances and other receivables | 4,391,850 |
| Security deposits | Advances and other receivables | Security deposit | 200,000 |
| Interest accrued on carry over transactions | Advances and other receivables | Interest accrued | 286,210 |

25. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on July 19, 2006.

For Atlas Asset Management Limited
(Management Company)

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

Yusuf H. Shirazi
Chairman

Sherali Mundrawala
Director

DISTRIBUTION NETWORK

Atlas Asset Management Limited

Registered Office: KARACHI

Ground Floor, Federation House
Sharae Firdousi, Clifton, Karachi
Ph: (92-21) 111-MUTUAL (111-6-888-25)
(92-21) 5379501-04
Fax: (92-21) 5379280
Contact Person: Syed Ahmed Zafar
Email: saz@atlasfunds.com.pk

UAN:

(City Code) 111-MUTUAL (111-6-888-25)

WEBSITE:

www.atlasfunds.com.pk

EMAIL: info@atlasfunds.com.pk

Sales Outlets: KARACHI

- 1- C/o Atlas Battery Limited
PPI Building, Near Sind Secretariat Building
Shahrae Kamal Ataturk
Karachi - 74200
Ph: (92-21) 8240195
Contact Person: Mr. Arbab Ahmed
Email: abd@atlasfunds.com.pk

- 2- C/o Shirazi Trading Company (Private) Limited
3rd Floor, Ebrahim Estates, Shahrae Faisal
Karachi - 75350
Ph: (92-21) 4310665, 4543109, 4536369, 4539695
Fax: (92-21) 4538094
Contact Person: Mr. Salman Tahir
Email: str@atlasfunds.com.pk

LAHORE:

C/o. Atlas Bank Limited
Building No. 56, Ground Floor
Shahrah-e-Quaid-e-Azam (The Mall), Lahore
Ph: (92-42) 111-6-888-25, 6284801-4 Dir: 6285155
Fax: (92-42) 6284805, Cell: 0300-8422570
Contact Person: Mr. Javaid Aslam
Email: jam@atlasfunds.com.pk

HYDERABAD

C/o. Mehmood Autos, 1st Floor
Plot No.B-1, 63 Auto Bhan Road
Latifabad, Unit # 2, Hyderabad
Ph: (92-22) 3818441-2, 2900103
Cell No. 0321-2063267
Contact Person: Mr. M. Abdullah Khan
Email: mak@atlasfunds.com.pk

Atlas Asset Management Limited

Ground Floor, Federation House, Sharaf Firdousi, Clifton, Karachi-75600 **Phone:** (city code)111-MUTUAL (111-6-888-25) **Fax:** (92-21) 5379280
Email: cs@atlasfunds.com.pk **Website:** www.atlasfunds.com.pk