Atlas funds

Nurturing your investments

Atlas Fund of Funds

ANNUAL REPORT

30 June 2009

Managed By

Atlas Asset Management

Rated AM3+ by PACRA

Company Profile

Atlas Asset Management Limited (AAML), an Atlas Group Company was incorporated on 20 August 2002 and is registered with the Securities and Exchange Commission of Pakistan as an asset management company for managing open-ended funds and closed-end funds. AAML is also a licensed pension fund manager to manage voluntary pension funds. The mutual funds are regulated under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008). The voluntary pension funds are regulated under the Voluntary Pension System Rules, 2005 (VPS 2005). AAML manages assets on behalf of retirement funds, welfare organizations, insurance companies, multinationals, NBFCs, and individuals.

AAML is a subsidiary of Shirazi Investments (Pvt.) Limited (SIL). SIL holds 88% of the shareholding in AAML. As the parent company, SIL sponsors Atlas Group projects and is also engaged in the business of equity trading, underwriting, real estate, and general trading. Atlas Group is a diversified group dealing in engineering, financial services and trading. The growth of SIL, and the Atlas Group as a whole, is the result of continued focus on good corporate governance.

Atlas Funds are well designed and carefully managed mutual funds that facilitate the investment needs of corporations, retirement funds and individual investors. The Atlas Funds family includes five mutual funds, four of which are open-ended - Atlas Income Fund, Atlas Stock Market Fund, Atlas Islamic Fund and Atlas Islamic Income Fund and the fifth is a closed-end fund, Atlas Fund of Funds.

Atlas Funds also offers Administrative Plans derived from the underlying mutual funds the Company offers. The Plans are designed to suit the investors' risk profiles. These include the Income Multiplier Plan, Balanced Plan and Growth Plan between the Atlas Income Fund and Atlas Stock Market Fund, and the Systematic Payout and Systematic Withdrawal Plan provides a Shariah Compliant option to the investors, through the Atlas Islamic Income Fund.

Atlas Pensions is a comprehensive savings product established under the VPS Rules, 2005, with numerous advantages over existing occupational retirement schemes, in particular the provident fund. Inter alia, the VPS Schemes offer individualized asset allocation, portability, tax advantages (which can be availed up-front) and an in-built insurance wrap. Atlas Pensions offers two products: Atlas Pension Fund (APF) and Atlas Pension Islamic Fund (APIF), a Shariah Compliant pension fund.

AAML strives to be a market leader in providing quality fund management services with customer satisfaction as its aim, and is consistently committed to offering its investors the best possible returns on a diverse range of products, meeting not only the customer'(s) current requirements but also exceeding their future expectations. Moreover, with its strong emphasis on systems and controls, quality human resource and backing of Atlas Group, AAML enjoys a distinct advantage.

Vision

To be a market leader in providing quality fund management services with customer satisfaction as our premier goal.

Mission Statement

We are committed to offering our investors the best possible returns on a diverse range of products; to meeting not only the customers' current and future requirements, but also exceeding their expectations. We aim to be the company with which people prefer to do business. We are committed to providing a stimulating and challenging environment in which all our people can be valuable contributors to the achievement of our vision, while achieving career progression and job satisfaction. We recognize that our success comes from our people. We are committed to the highest ethical and fiduciary standards and firmly believe that by placing the best interests of our clients first, we will also serve the best interest of our employees, our shareholders, and the communities in which we operate.

CONTENTS

05 Organisation

06 Board of Directors of the Management Company

08 Management Committee

09 Chairman's Review

12 Directors' Report

14 Fund Manager's Report

16 Performance Table

FINANCIAL STATEMENTS

18 Statement of Compliance with the Code of Corporate Governance

20 Trustee Report to the Certificate Holders

21 Review Report to the Certificate Holders on the Statement of Compliance with the best practices of Code of Corporate Governance

22 Independent Auditors' Report to the Certificate Holders

23 Statement of Assets and Liabilities

24 Income Statement

25 Distribution Statement

26 Cash Flow Statement

27 Statement of Movement in Certificate Holders' Funds

28 Notes to the Financial Statements

42 Distribution Network

Organisation

Management Company

Atlas Asset Management Limited

Board of Directors of the Management Company

Chairman	Mr. Yusuf H. Shirazi
Chief Executive Officer	Mr. M. Habib-ur-Rahman
Directors	Mr. Frahim Ali Khan Mr. Tariq Amin Mr. Ali H. Shirazi Mr. M. Ashraf Janjua Mr. Arshad P. Rana
Company Secretary	Ms. Lilly R. Dossabhoy

Board Committees

Audit Committee

Chairman	Mr. Tariq Amin
Members	Mr. Frahim Ali Khan Mr. M. Ashraf Janjua

Human Resource Committee

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

Investment Committee

Chairman	Mr. M. Habib-ur-Rahman
Members	Mr. Frahim Ali Khan Mr. Ali H. Shirazi Mr. Muhammad Abdul Samad Mr. Khurram Aftab Ahmed Mr. Khalid Mahmood

Management Committee

Chairman	Mr. M. Habib-ur-Rahman
Members	Mr. Ali H. Shirazi Ms. Lilly R. Dossabhoy Mr. Muhammad Abdul Samad Mr. Hassan Khan Ms. Beena Tauseef Shah

The above information is as at 30 September 2009.

Group Executive Committee

President	Mr. Aamir H. Shirazi
Members	Mr. Frahim Ali Khan Mr. Jawaid Iqbal Ahmed Mr. Iftikhar H. Shirazi Mr. Saquib H. Shirazi Mr. Bashir Makki Mr. M. Naeem Khan

Group Systems & Technology Committee

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

Trustee

Muslim Commercial Financial Services (Pvt.) Ltd.
3rd Floor, Adamjee House, I. I. Chundrigar Road
Karachi

Chief Internal Auditor

Mr. Saood Hasan

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisers

Mohsin Tayebaly & Co.

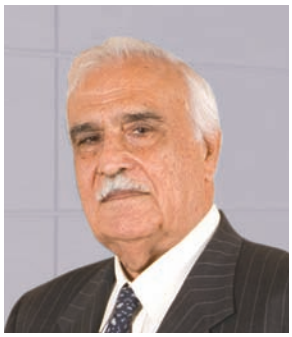
Bankers

Atlas Bank Limited
Bank Alfalah Limited
The Bank of Punjab

Registered Office

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

Board of Directors of the Management Company



Mr. Yusuf H. Shirazi
Chairman

Mr. Yusuf H. Shirazi is the Chairman of Atlas Group of Companies. He is the Founder Member of the Karachi and Lahore Stock Exchanges, International Chamber of Commerce & Industry, Management Association of Pakistan, Lahore University of Management Sciences (LUMS), GIK Institute of Science and Technology and Al-Shifa Trust. He has been President of Karachi Chamber of Commerce twice. Mr. Shirazi was on the Board of Harvard Business School Alumni Association, Boston, USA. He is the Founder President of Harvard Club of Pakistan and Harvard Business School Club of Pakistan. He has attended the Advanced Management Program (AMP) from the Harvard Business School, USA.

Mr. M. Habib-ur-Rahman
Chief Executive Officer

Mr. M. Habib-ur-Rahman is an FCA from the Institute of Chartered Accountants in England & Wales and has attended management level programme (PMD) from Harvard Business School,USA. He was a founding member and Vice Chairman of the Mutual Funds Association of Pakistan. He played an instrumental role in setting up the first open-end mutual fund in the private sector in Pakistan. He has been SECP's nominee on the Board of Karachi Stock Exchange in 2000, 2001, & 2003, and has also been a member of the Commission's Advisory Group on Capital Markets, and the Commission's Enquiry Committee on management of Exposure Rules by KSE / LSE.

Mr. Frahim Ali Khan
Director

Mr. Frahim Ali Khan has been associated with Atlas Group since 1967 and has 42 years of experience in General Management, Financial Management, Investment Banking, Taxation, and Legal matters. He was the Chief Executive Officer of the former Atlas Investment Bank Limited, till its merger with Atlas Bank Limited. He has attended the Senior Managers' Program from Harvard University, USA, and Financial Management Program from Stanford University, USA.

Mr. Tariq Amin
Director

Mr. Tariq Amin is the Chairman of Orkila Pakistan (Pvt.) Ltd., a leading multinational company dealing in chemicals. He is also the Deputy Chairman of Barrett Hodgson Pakistan (Pvt.) Ltd. and has a vast experience in the financial and industrial sectors of Pakistan. He is a law graduate from the University of Karachi, and also holds a Masters degree in English from the University of Karachi, and a Postgraduate Diploma in Development Administration from the University of Leeds.

Board of Directors of the Management Company

Mr. Ali H. Shirazi
Director

Mr. Ali H. Shirazi has graduated in Political Science from Yale University, and completed Masters in Law from Bristol University, UK. He has previously worked with the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California.

Mr. M. Ashraf Janjua
Director

Mr. M. Ashraf Janjua is a Senior Fellow with the rank of Professor (Economics), and the Advisor to the President - College of Business Management, Karachi. He holds a Masters degree in Economics from Government College Lahore – Punjab University, and a Masters degree in Development Economics from the Williams College, USA. He has also done one year's graduate work at the Stanford University, California, USA. He joined the State Bank of Pakistan (SBP) in 1966 and was the Deputy Governor (Policy) of the SBP from 1992 to 1995, and was also affiliated with the SBP as Chief Economic Advisor, from 1995 to 2004. He has been affiliated with the office of the Executive Director for Pakistan at the International Monetary Fund, Washington D.C., USA, from 1979 to 1983. Prior to his career with the SBP, he was affiliated with the Pakistan Institute of Development Economics (PIDE) as a Research Economist, and with the Pakistan Development Review (PDR), as Associate Editor. Amongst other research works, he is the author of History of State Bank of Pakistan - Volume III (1977-78), and Volume IV (1988-2003).

Mr. Arshad P. Rana
Director

Mr. Arshad P. Rana is a graduate from Government College, Lahore; B.S. in Insurance & Economics from Iran and MBA from USA.

He is a senior expert in insurance industry and has been affiliated with Atlas Insurance Limited, an associate company of the Atlas Group since 1991; first as General Manager and then as Chief Operating Officer before being appointed as the Chief Executive Officer of the company in March 2004. In his professional career that spans over 34 years, he has worked in Iran, USA and Middle East. Since his appointment to this position, Mr. Rana has been managing the company affairs with a professional approach having the vision to make Atlas Insurance Limited one of the best performing companies in the market. Under his leadership, Atlas Insurance Limited has won several awards in the financial sector.

Mr. Rana has been the Chairman, Insurance Association of Pakistan (IAP), Lahore Regional Committee in 2002-2003 and Vice Chairman, Central Committee (IAP) in the year 2004-2005 prior becoming the Chairman, Insurance Association of Pakistan in 2005-2006.

Management Committee

M. Habib-ur-Rahman
Chief Executive Officer

Ali H. Shirazi
Director

Lilly R. Dossabhoy
Chief Financial Officer &
Company Secretary

Muhammad Abdul Samad
Chief Investment Officer

Hassan Khan
Head of Marketing & Sales

Beena Tauseef Shah
Head of Human Resources

Chairman's Review

It is my pleasure to present to the Fifth Annual Report of Atlas Fund of Funds for the year ended 30 June 2009.

THE ECONOMY

Pakistan's economy, after several years of expansion, experienced slowdown due to challenges on both internal and external fronts. After an initial period of resilience, many emerging economies experienced stress in their foreign exchange, stock, and sovereign debt markets. Exchange rates came under pressure in all regions, leading to a combination of depreciation and depletion of foreign reserves. In response to these challenges, Pakistan's economic managers resorted to policy measures and embarked upon macro-economic stabilization program with the International Monetary Fund's support to arrest heightened inflation, deteriorating external balances, spillover affect of international economic crisis, and supply shocks, especially in case of energy shortage.

During the first half of FY 2008-09, external account positions endured severe pressure, as balance of payment (BoP) shortfall resulted in drawdown on liquid foreign exchange reserve, which fell to US $6.4 billion on 25 Nov 2008, and Pak Rupee witnessed large decline against major currencies. However, the second half of FY 2008-09 exhibited greater stability on the back of IMF support program, as foreign exchange reserves of the country stood at US $11.525 billion in May 2009, while current account deficit during July 2008 to April 2009 stood at US $8.547 billion, which was lower by 23.5% against the corresponding period last year on account of lower imports and higher remittances. The Pak Rupee also stabilized against US Dollar, after losing 19.1% in value during the first half of FY 2008-09.

CPI inflation during July 2008 to May 2009 averaged 21.71% on Y/Y basis necessitating State Bank of Pakistan (SBP) to further tighten monetary stance so as to curb inflationary pressures in the economy even at the expense of growth. In November 2008 the central bank announced a 200bps hike in discount rate to 15%, which consequently resulted in decline of aggregate demand, as broad money (M2) growth decelerated to 4.59% in May 2009 against 8.96% during the corresponding period last year. Following the reversal in the inflationary pressures towards the end of FY 2008-09, the SBP lowered policy rate by 100bps in April 2009. Additionally, fiscal deficit is estimated to have declined to 4.3% in terms of percentage of GDP during FY 2008-09 against 7.4% last fiscal year, which also contributed to decline in the inflationary pressures.

The effects of these challenges at both internal and external front necessitated some remedial actions, which as a result curtailed the growth momentum with real GDP growth rate reduced to 2.0% against previous year's growth rate of 4.1%. Agriculture sector depicted stellar performance with 21.8% share in GDP and registered a strong growth of 4.7%. Among the other two major components of the economy, manufacturing sector witnessed negative growth of 3.3% against the target growth of 6.1%, whilst the service sector experienced slower growth of 3.6% against target of 6.1% during the year under review.

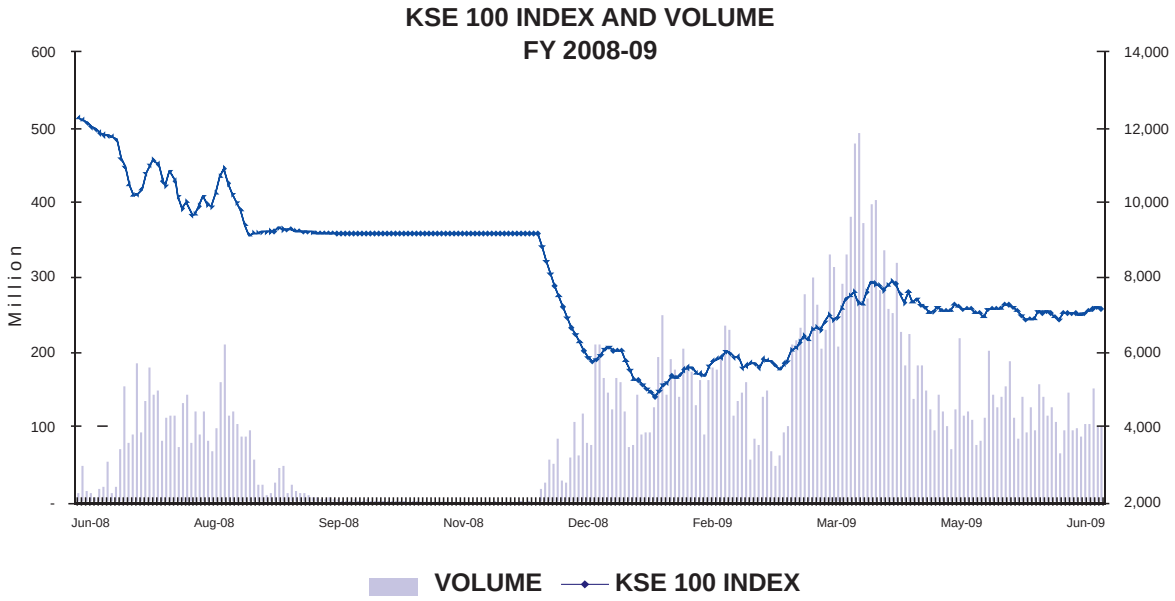
THE STOCK MARKET

The KSE -100 index performance during the outgoing FY 2008-09 mirrored the internal and external challenges faced by the country that curtailed the growth momentum of the economy. The KSE -100 index shed 41.7 % from 12,289 points on 30 June 2008 to 7,162 points on 30 June 2009. It is pertinent to mention that Pakistan market had registered 6-year consecutive gains before financial year 2008. The KSE -100 index has yielded an average annual return of 27% in the last 10 years, which can be compared favorably with other asset classes.

The stock markets across the globe witnessed heavy selling pressures during the period under review, and the local stock market was no exception. The temporary measures such as imposition of floor price mechanism failed to achieve the desired result. This brought equity market to a virtual halt, as buyers remained hesitant to buy securities at floor prices. Subsequent to the removal of floor on 15 December 2008, the KSE -100 index witness sharp fall to hit a low of 4,815 points on 26 January 2009.

During the second half of FY 2008-09, the investor's confidence started to gradually revive with visible signs of economic recovery as Pakistan entered into a US $7.6 billion, 23 months IMF macro-stabilization program in November 2008. Further, the equity market offered attractive valuations with book value of less than one, P/E of 5.0x and double digit dividend yield generated renewed interest. The KSE -100 index after touching a low of 4,815 points on 26 Jan 2009 managed to close the financial year at 7,162 points level, a return of 48.7% within very short time period. The shrinking average daily volumes

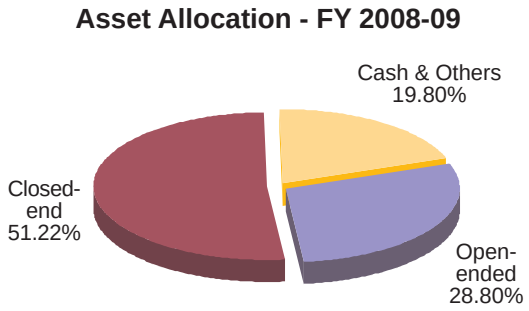
by 56% to 106mn shares/day in FY09 from 241mn shares/day in FY08 now look to rebound strongly in the new fiscal year. The introduction of leveraged product and renewed confidence in investors will help increase volume.

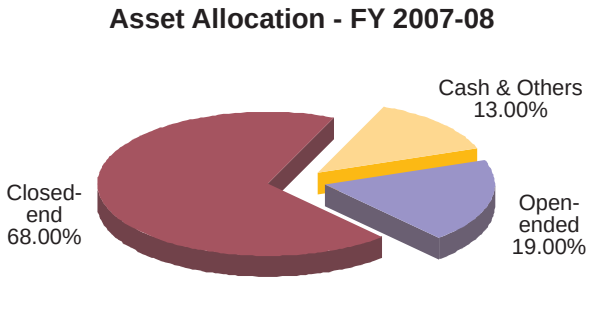


FUND OPERATIONS

The Net Asset Value per certificate of your Fund has decreased from the ex-dividend NAV of Rs.10.53 as on 30 June 2008 to Rs. 5.56 as on 30 June 2009. During the period under review, the benchmark Closed End Funds index decreased from 9,189.7 as on 30 June 2008 to 2,572.87 level as on 30 June 2009.

Dividend income and interest income stood at Rs.18.35 million and Rs.5.81 million respectively for the period under review. The Net Assets of the Fund stood at Rs 282.66 million as of 30 June 2009. The ATFF's total exposure in mutual funds was 80.02% of the Net Assets. The total investment in closed – end funds that are trading at attractive discounts stood at 51.22% of the Net Assets.





The period under review remained a challenging year for the Mutual Fund Industry of Pakistan. The liquidity crunch in the banking system and large slide in equity prices resulted in a huge decline in net assets of both, open-ended and closed-end schemes. However, the second half of the FY 2008-09 witnessed some stability as inflows to mutual fund industry gradually picked up pace and equity prices recovered sharply. Further, the discount between market prices and net asset values of closed-end schemes, which had widened, also started to come down.

The Non Banking Finance Companies and Notified Entities Regulations, 2008, allow a closed end fund to invest in its own certificates upto 20% of its issued certificates from the secondary market. Your Fund has repurchased 1,666,000 certificates (3.17% of the issued certificates) with an aggregate repurchase price of Rs. 4,018,245 (average Rs. 2.41 per certificate) as of 30 June 2009. It is expected that the repurchase of own certificates by closed end schemes will result in narrowing the gap between NAV per certificate and market price. Moreover, it will increase the Net Asset Value per certificate, as repurchase of own certificates by a closed-end scheme is treated as a contra account to the certificate holders' fund (Capital).

RATINGS UPDATE

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of "AM3+" to the Company, for FY 2007- 08. The rating reflects the Company's experienced and qualified management team, sound quality of support systems and processes, and a strong emphasis on risk management framework.

The rating of the Fund for FY 2007-08 is presently under discussion with the PACRA officials, due to certain issues in the categorization of the Fund.

FUTURE OUTLOOK

Improved fiscal discipline, contraction in the external current account deficit, market induced exchange rate adjustments, and retreat of international commodity prices led to an improvement in Pakistan's key economic indicators from November 2008 onwards. These were manifested in restrained government borrowings from the SBP, moderation in import growth, buildup of foreign exchange reserves, and improved inflation outlook to some extent. The major challenge now is to improve the business climate, which has suffered on account of both power shortages & contraction in domestic and external demand. Hence, focus should now shift towards supporting real economic growth via further relaxation of monetary policy. The budget for FY 2009 -10 having a neutral effect on most sectors carries an overall positive tone for fertilizer, oil & gas exploration, oil & gas marketing, auto, and cement sectors. Furthermore, the hefty allocation of Rs.646 billion for PSDP including Rs.154.7 billion for power generation capacity enhancement would help put economy on growth trajectory.

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

ع ستاروں سے آگے جہاں اور بھی ہیں

(There is a world beyond the horizon)

ACKNOWLEDGEMENT

I would like to thank the Securities and Exchange Commission of Pakistan, the Board of Directors, and the Group Executive Committee for their help, support and guidance. I also thank the financial institutions and the unit holders for their help, support and the confidence reposed in the Fund and the Chief Executive Officer, Mr. Habib-ur-Rahman and his management team for their hard work, dedication, and sincerity of purpose.

Yusuf H. Shirazi
Chairman

Karachi: 26 August 2009

Directors' Report

The Board of Directors of Atlas Asset Management Limited, the Management Company of Atlas Fund of Funds (the Fund), take pleasure in presenting the Fifth Annual Report of the Fund alongwith the audited financial statements and Auditors' Report thereon for the year ended 30 June 2009.

(LOSS) / EARNINGS PER CERTIFICATE

Basic/Diluted loss on the number of certificates issued as at 30 June 2009 works out to Rs.5.17 per certificate (2008: 0.57 Earnings per unit).

FUND OPERATIONS AND DISTRIBUTION

As at 30 June 2009, the Net Assets of the Fund stood at Rs.282.66 million as compared to Net Assets of Rs.592.20 million as at 30 June 2008. Due to the losses during the year arising out of the market situation as explained below, there is no distribution for the year (2008: 7.5% cash dividend, i.e. Rs.0.75 per certificate on the face value of Rs.10 per certificate).

Due to placement of floor price for transaction in shares in the prevalent bearish situation by the Karachi, Lahore and Islamabad stock exchanges with effect from 28 August 2008, based on 27 August 2008 floor prices, the turnover in the ready market came to a virtual halt, as buyers remained hesitant to buy securities at floor prices. After the removal of the floor on 15 December 2008, the KSE -100 index witnessed a sharp decline, and hit a low of 4,815 points on 26 January 2009, which, combined with the liquidity crunch in the banking system, caused a significant decline in the net assets of open end and closed end funds. The second half of FY 2008-09, however, reflected some stability as the equity prices recovered considerably, reducing the wide gap between the market prices and the net asset values of closed-end schemes, which had widened, also started to come down. The Management Company is hopeful that with recovery in the economy and the capital market, the Fund will once again become profitable and the investors will earn good returns.

During the year, the Fund repurchased 1,666,000 (3.17% of the issued certificate) certificates with an aggregate repurchase price of Rs.4,018,245 (average Rs. 2.41 per certificate) as of 30 June 2009, as allowed under the Non Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008), after complying with all requirements laid down by the Securities and Exchange Commission of Pakistan. This is more explained in detail in note 15 to the financial statements.

The pattern of certificate holdings of the Fund, as required under the NBFC Regulations, 2008, is presented in note 20 to the financial statements.

CHAIRMAN'S REVIEW

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

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Board of Directors states that:

a) The financial statements, prepared by the Management Company of the Fund, present fairly its state of affairs, the results of its operations, cash flows and movement in Equity and Reserves.

b) Proper books of account of the Fund have been maintained.

c) Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment. In August 2009, the Board has approved the Bad Debts Provisioning Policy for Collective Investment Schemes managed by the Company in relation to debt securities, pursuant to the requirements of Circular 13 of 2009 issued by the Securities and Exchange Commission of Pakistan. Such policy however, has no impact on the financial statements of the Fund for the year ended 30 June 2009.

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements and any departure therefrom has been adequately disclosed.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There is no doubt about the Fund's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h) A summary of key financial data/ performance table is annexed.

i) The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.

RATINGS UPDATE

The Pakistan Credit Rating Agency Limited (PACRA), has assigned an asset manager rating of "AM3+" to the Management Company, for FY 2007-08.

The rating of the Fund for FY 2007-08 is under discussion with the PACRA with regard to the categorization of the Fund. During FY 2008-09, PACRA had proposed to place the Fund under “balanced closed end fund” category. Under “balanced closed end fund”, those funds are placed, which invest in a combination of equity and debt instruments. The investment objective of your Fund is to invest in other closed end funds to take advantage of discount to NAV at which these funds are traded at the stock exchange. Under Circular 7 of 2009 dated 6 March 2009 issued by the Securities and Exchange Commission of Pakistan on the categorization of open ended collective investment schemes (also applicable for closed end schemes in the absence of any separate circular on the categorization of closed end schemes), the proper placement of the Fund is under the category of “Fund of Funds Scheme”, with the objective of investing in closed end schemes. Atlas Fund of Funds is the only fund in this category. The Management Company is of the view that Fund should be rated with other funds in the same category and in absence of other funds available in the category; the Fund should be rated against the bench mark, which in this case is KSE sector index of closed end funds. Comparing with balanced funds, which has also not been done in past, is like comparing performance of two different category of entities with different objectives. Had the investment objective of the Fund been to make investment in other open-end balanced funds or combination of open-end equity and debt funds, the categorization as balanced fund would have been justified. The Management Company has referred the matter to MUFAP, and their Rules and Regulation Committee is examining and finalizing the asset allocation for such fund of funds with investment objectives for investment in other closed end funds. On the basis of the latest finalized rating for FY 2006-07, PACRA had assigned a "5 Star" rating to the Fund under the “Fund of Funds” category.

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The Board comprises of one executive and six non-executive directors. During the year, the casual vacancy earlier arising from the death of (Late) Mr. M. P. Bhandara was filled in by the Board co-opting for Mr. M. Ashraf Janjua, with the approval of the SECP.

In July 2009, a casual vacancy occurred in the Board by the withdrawal of nominee director from ING, Mr. Michael Ferrer, consequent to the termination of the Co-operation Agreement between the Company and ING. The Board has co-opted for Mr. Arshad P. Rana as Director in place of Mr. Micheal Ferrer, with the approval of the SECP. The Board records their appreciation for the services rendered by Mr. Michael Ferrer during his tenure as Director of the Company.

During the year, five Board Meetings were held. The particulars of the dates of meetings, and the directors attending, as required under the NBFC Regulations, 2008, are appended as note 27 to the financial statements.

The Directors, CEO, CFO/Company Secretary and their spouses and minor children have made no transactions in the Fund’s certificates during the year except as disclosed in note 20 to the financial statements – “Transactions with Connected Persons / Related Parties.”

AUDITORS

The Audit Committee of the Board of Directors, in their meeting held on 24 August 2009, recommended the re-appointment of M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, Karachi, as auditors of Atlas Fund of Funds for the financial year ending 30 June 2010. The Board approved the appointment.

ACKNOWLEDGMENT

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 certificate holders, for their confidence in the Management Company.

For and on behalf of the Board

M. Habib-ur-Rahman
Chief Executive Officer

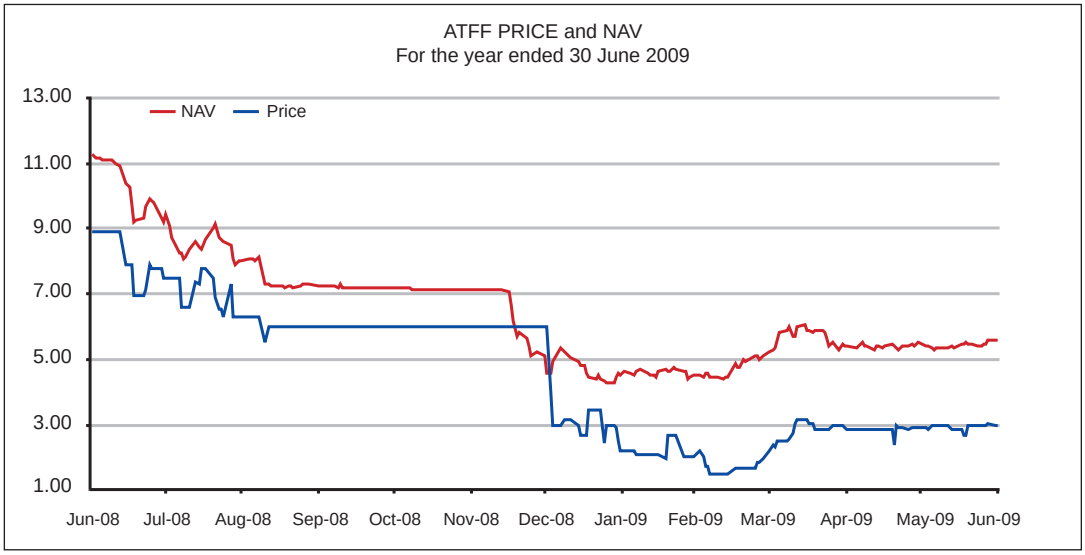
Karachi: 26 August 2009

Fund Manager's Report

Atlas Fund of Funds is a Closed-end Fund of Funds. The Fund aims to provide investors a one-window facility to invest in a diversified portfolio of equity securities of closed-end and open-end schemes offering consistent returns and growth. The Fund's strategy is to invest in closed-end and open ended funds as investment vehicle rather than direct investment in the capital market. Being an actively managed fund, it provides greater diversification and stable return over time with medium to long term perspective. The Fund's investment criteria entails discount to net asset value, quality of portfolio and growth prospects.

The Closed-End Funds Index serves as the performance benchmark of Atlas Fund of Funds.

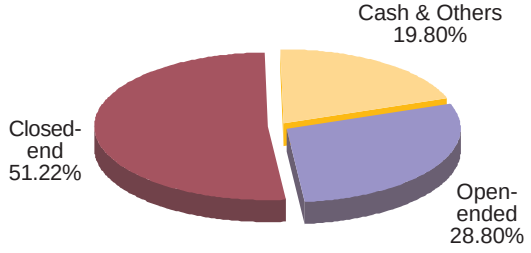
The stock markets across the globe witnessed heavy selling pressures during the period under review, and the local stock market was no exception. The temporary measures that were taken by the Karachi Stock Exchange, which included imposition of floor price mechanism, failed to achieve the desired result. This brought equity market to a virtual halt, as buyers remained hesitant to buy securities at floor prices since same stocks were trading at a discount as high as 40-50 percent in the off market transactions. During the second half of FY 2008-09, the investor's confidence, which was badly shaken, started to gradually revive with visible signs of economic recovery as Pakistan entered into a US $7.6 billion, 23 months IMF macro-stabilization program in November 2008. Apart from that, extremely attractive valuation, as equity market was trading at a book value of less than one, P/E of 5.0x and was offering double digit dividend yield had generated renewed interest.



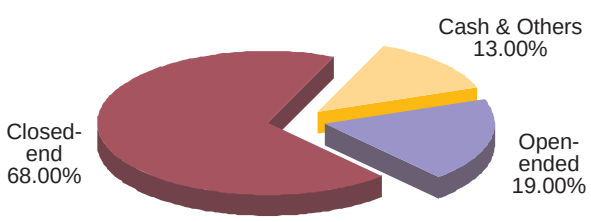
The Net Asset Value per certificate of your Fund has decreased from the ex-dividend NAV of Rs. 10.53 as on 30 June 2008 to Rs. 5.56 level as on 30 June 2009. During the period under review, the benchmark Closed End Funds index decreased from 9,189.7 as on 30 June 2008 to 2,572.87 level as on 30 June 2009.

Dividend income and interest income stood at Rs.18.35 million and Rs.5.81 million respectively for the period under review. The Net Assets of your Fund stood at Rs 282.66 million as of 30 June 2009. The ATFF's total exposure in mutual funds was 80.02% of the Net Assets. The total investment in closed - end funds that are trading at attractive discounts stood at 51.22% of the Net Assets.

Asset Allocation - FY 2008-09



Asset Allocation - FY 2007-08



The period under review remained a challenging year for the Mutual Fund Industry of Pakistan. The liquidity crunch in the banking system and large slide in equity prices resulted in a huge decline in net assets of both, open-ended and closed-end schemes. However, the second half of the FY 2008-09 witnessed some stability as inflows to mutual fund industry gradually picked up pace and equity prices recovered sharply. Further, the discount between market prices and net asset values of closed-end schemes, which had widened, also started to come down.

The NBFC Regulations 2008, provide that a closed end fund may invest in its own certificates upto 20% of its issued certificates from the secondary market. Your Fund has repurchased 1,666,000 (3.17% of the issued certificates) certificates with an aggregate repurchase price of Rs.4,018,245 (average Rs.2.41 per certificate) as of 30 June 2009. It is expected that the repurchase of own certificates by closed end schemes will result in narrowing the gap between NAV per certificate and market price. Moreover, it will increase the Net Asset Value per certificate, as repurchase of own certificates by a closed-end scheme is treated as contra account to the certificate holders' fund (Capital).

Breakdown of shareholding by size

Category	Year ended 30 June 2009		
	No. of certificate Holders	Certificate holding * Rupees	% of Total
Individuals	748	24,225,600	15.83%
Associated Companies/ Directors	6	58,413,075	38.17%
Insurance Companies	3	888,750	0.58%
Banks/ DFIs	3	34,961,100	22.84%
NBFCs	22	10,839,450	7.08%
Retirement Funds	9	4,704,000	3.07%
Public Limited Companies	2	16,500,000	10.78%
Others	7	2,522,025	1.65%
	800	**153,054,000**	**100.00%**

* Based on market value per certificate on 30 June 2009.

Due to losses during the year, there is no distribution.

During the year under review the Investment Committee held forty nine meetings to review the investments of the Fund.

Khalid Mahmood
Fund Manager

Karachi: 26 August 2009

Performance Table

FOR THE YEAR ENDED 30 JUNE 2009

	2009 Rupees	2008 Rupees	2007 Rupees
Net assets (Rs. In "000)	282,659	592,196	646,274
Number of certificates in issue*	50,834,000	52,500,000	52,500,000
Net asset value per certificate (Rs.)	5.56	11.28	12.31
Net (loss) / income for the year (Rs. In "000")	(269,921)	29,992	96,364
(Loss) / earnings per certificate - basic & diluted (Rs.)	(5.17)	0.57	1.84
Annual return of the Fund (%)	(47.19)	5.32	17.52
Dividend per certificate	-	0.75	1.60
Dividend as a % of face value per certificate	-	7.50	16.00
Date of distribution	-	18-Aug-08	26-Jul-07

Date of Launch : 16 December 2004

* Net of repurchase of own units by the Fund [1,666,000 (2008: NIL) Certificates]

Note: Past performance of the Fund is not indicative of future performance, and the price and investment return may go down, as well as up.

Atlas Fund of Funds

Financial Statements

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of the Karachi 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 Fund of Funds, being listed at the Karachi Stock Exchange, comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), and Chief Financial Officer (CFO)/Company Secretary and other necessary personnel to manage the affairs of the Fund.

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of seven directors, including two independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.

3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred during the year.

5. The Management Company has adopted a “Statement of Ethics and Business Practices”, which has been distributed to, and acknowledged by 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 and Executive Director 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. No new appointments of Chief Financial Officer, Company Secretary, and Chief Internal Auditor were made during the year. The Board has approved the terms of remuneration of the Chief Financial Officer / Company Secretary, and the Chief Internal Auditor.

10. The Directors’ Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.

12. The Directors, CEO and Executives do not hold units other than those disclosed in note 20 to the financial statements “Transactions with Related Parties / Connected Persons”.

13. The Management Company has complied with the corporate and financial reporting requirements of the Code.

14. The Directors of the Management Company are aware of their responsibilities and had attended an orientation course in 2007.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2009

15. The Board has formed an Audit Committee comprising of three members, all of whom are non-executive directors, including the Chairman of the Committee. Meetings of the Committee were held every quarter, prior to approval of the interim and annual results of the Fund, as required by the Code. The Board has approved the terms of reference of the Audit Committee.

16. The Board has set up an effective internal audit function headed by a full time Chief Internal Auditor who is considered suitably qualified and experienced, and is conversant with the policies and procedures of the Fund.

17. The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund, and that the Firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

18. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 26 August 2009

M. Habib-ur-Rahman
Chief Executive Officer

TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non Banking Finance Companies and Notified Entities Regulations, 2008

Atlas Fund of Funds, a close-end Scheme established under a Trust Deed dated 29 May 2004 - executed between Atlas Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

As per the Deed of change of Trustee and amendment of Trust Deed dated 23 February 2007, Central Depository Company of Pakistan Limited retired as the Trustee and Muslim Commercial Financial Services (Private) Limited was appointed as the Trustee of Atlas Fund of Funds.

Atlas Asset Management Limited, the Management Company of Atlas Fund of Funds has, in all material respects, managed Atlas Fund of Funds during the year ended 30 June 2009 in accordance with the provisions of the following:

(i) The limitations imposed on the investment powers of the Management Company under the Constitutive Documents;

(ii) The valuation and pricing of Certificates are carried out in accordance with The requirements of the Trust Deed and the Offering Document;

(iii) The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008; and the constitutive documents.

Khawaja Anwar Hussain
Acting Chief Executive Officer
Muslim Commercial Financial Services (Private) Limited

Karachi: 26 August 2009

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of the Management Company of the Atlas Fund of Funds (the Fund) to comply with the Listing Regulations of the Karachi Stock Exchange where the Fund is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, Sub - Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N - 269 dated 19 January 2009 requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2009.

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Karachi: 26 August 2009

INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of Atlas Fund of Funds (the Fund), which comprise the statement of assets and liabilities as at 30 June 2009, and the related statements of income, distribution, cash flows and movement in certificate holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2009 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, the NBFC Rules and the NBFC Regulations.

Karachi: 26 August 2009

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Arslan Khalid
Audit Engagement Partner

STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2009

	Note	2009	2008
		---------- Rupees ----------	
Assets			
Bank balances and term deposits	7	55,972,716	76,653,212
Receivable against sale of securities		-	2,038,260
Investments	8	226,189,210	512,303,645
Dividends receivable		-	4,041,405
Advances and other receivables		23,976	23,976
Interest accrued		279,225	1,733,648
Security deposits	9	2,700,000	3,700,000
Total assets		**285,165,127**	**600,494,146**
Liabilities			
Payable against purchase of securities		578,261	4,338,155
Payable to the management company	10	689,597	2,314,676
Payable to the trustee	11	44,750	77,286
Payable to SECP	12	329,385	851,877
Accrued and other liabilities	13	444,850	407,815
Dividends payable		419,546	308,110
Total liabilities		**2,506,389**	**8,297,919**
Net assets		**282,658,738**	**592,196,227**
Represented by:			
Certificate holders' Fund			
Issued subscribed and paid up			
[52,500,000 (2008: 52,500,000) certificates of Rs. 10/- each]	14	525,000,000	525,000,000
Repurchase of own certificates by the Fund			
[1,666,000 (2008:Nil) certificates]	15	(4,018,245)	-
		520,981,755	**525,000,000**
(Accumulated loss) / undistributed income		(242,184,356)	67,196,227
Unrealized gain on revaluation of available-for-sale investment		3,861,339	-
		282,658,738	**592,196,227**
Net asset value per certificate	16	**5.56**	**11.28**

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman	**Yusuf H. Shirazi**	**Tariq Amin**
Chief Executive Officer	Chairman	Director

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009	2008
		---------- Rupees ----------	
Income			
Dividend income		18,347,509	49,212,405
Interest income	17	5,813,052	10,961,326
Net loss on investments at fair value through income statement (held-for-trading)			
Net (loss) / gain on sale of investments		(11,908,080)	9,327,005
Net unrealised loss on revaluation of investments		(270,411,403)	(21,794,874)
		(282,319,483)	**(12,467,869)**
		(258,158,922)	**47,705,862**
Expenses			
Remuneration of the management company	10.1	10,136,084	14,303,441
Remuneration of the trustee	11.1	628,514	957,802
SECP annual fee		329,385	601,877
(Reversal of provision) / provision for SECP monitoring fee		(250,000)	250,000
Brokerage and capital value tax		160,537	839,166
Auditors' remuneration	18	210,330	229,850
Printing charges		350,000	258,162
Settlement charges		47,954	110,457
Annual rating fee		100,000	100,000
Annual listing fee		60,000	60,000
CDC charges		67,500	67,500
Bank charges		6,357	5,420
		11,846,661	**17,783,675**
Net (loss) / income for the year		**(270,005,583)**	**29,922,187**
(Loss) / earnings per certificate - basic and diluted	19	**(5.17)**	**0.57**

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman	**Yusuf H. Shirazi**	**Tariq Amin**
Chief Executive Officer	Chairman	Director

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	---------- Rupees ----------	
Undistributed income brought forward	67,196,227	121,274,040
[includes unrealised loss on investments of Rs. 2,221,476]		
(2008: unrealised gain of Rs. 33,191,577)		
Distribution of cash dividend at the rate of Rs.0.75 per certificate declared on 18 August 2008 (2008: Rs.1.60 per certificate declared on 26 July 2007)	(39,375,000)	(84,000,000)
Net (loss) / income for the year	(270,005,583)	29,922,187
(Accumulated loss) / undistributed income carried forward	**(242,184,356)**	**67,196,227**
[includes unrealised loss on investments of Rs. 275,006,569]		
(2008: unrealised loss of Rs. 2,221,476)		

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman	**Yusuf H. Shirazi**	**Tariq Amin**
Chief Executive Officer	Chairman	Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009	2008
		---------- Rupees ----------	
Cash flows from operating activities			
Net (loss) / income for the year		(270,005,583)	29,922,187
Adjustments for:			
Net loss / (gain) on sale of investments		11,908,080	(9,327,005)
Net unrealised loss on revaluation of investments		270,411,403	21,794,874
		282,319,483	**12,467,869**
Decrease / (increase) in assets			
Receivable against sale of securities		2,038,260	(2,038,260)
Dividends receivable		4,041,405	10,033,155
Interest accrued		1,454,423	(354,143)
Security deposit		1,000,000	(2,500,000)
		8,534,088	**5,140,752**
(Decrease) / increase in liabilities			
Payable against purchase of securities		(3,759,894)	(312,072)
Payable to the management company		(1,625,079)	(12,827,600)
Payable to the trustee		(32,536)	(3,883)
Payable to SECP		(522,492)	267,769
Accrued and other liabilities		37,035	197,415
		(5,902,966)	**(12,678,371)**
		14,945,022	**34,852,437**
Investments made during the year		(132,928,088)	(289,245,675)
Investments sold / redeemed during the year		140,584,379	205,522,216
Net cash inflow from / (used in) operating activities		**22,601,313**	**(48,871,022)**
Cash flows from financing activities			
Dividend paid		(39,263,564)	(83,855,157)
Repurchase of own certificates		(4,018,245)	-
Net cash used in financing activities		**(43,281,809)**	**(83,855,157)**
Net decrease in cash and cash equivalents		**(20,680,496)**	**(132,726,179)**
Cash and cash equivalents at the beginning of the year		76,653,212	209,379,391
Cash and cash equivalents at the end of the year	7	**55,972,716**	**76,653,212**

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman	**Yusuf H. Shirazi**	**Tariq Amin**
Chief Executive Officer	Chairman	Director

STATEMENT OF MOVEMENT IN CERTIFICATE HOLDERS' FUND
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Fund	Repurchased certificates	Undistributed income	Unrealised gain on revaluation of available-for-sale investment	Total
				Rupees		
Net assets as at 30 June 2007 [Rs.12.31 per certificate]		**525,000,000**	-	**121,274,040**	-	**646,274,040**
Net income for the year		-	-	29,922,187	-	29,922,187
Cash dividend @ Rs.1.60 per certificate declared on 26 July 2007		-	-	(84,000,000)	-	(84,000,000)
Net assets as at 30 June 2008 [Rs.11.28 per certificate]		**525,000,000**	-	**67,196,227**	-	**592,196,227**
Repurchase of own certificates	15	-	(4,018,245)	-	-	(4,018,245)
Net loss for the year		-	-	(270,005,583)	-	(270,005,583)
Cash dividend @ Rs.0.75 per certificate declared on 18 August 2008		-	-	(39,375,000)	-	(39,375,000)
Unrealised gain on revaluation of available-for-sale investment to fair value		-	-	-	3,861,339	3,861,339
Net assets as at 30 June 2009 [Rs. 5.56 per certificate]		**525,000,000**	**(4,018,245)**	**(242,184,356)**	**3,861,339**	**282,658,738**

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Atlas Fund of Funds (the Fund), is a closed end mutual fund established under a Trust Deed executed between Atlas Asset Management Limited (AAML) as management company and Central Depository Company of Pakistan Limited (CDC) as trustee on 29 May 2004. CDC voluntarily resigned on 23 February 2007 as trustee and Muslim Commercial Financial Services (Private) Limited (MCFSL) was appointed as the trustee with effect from that date. The Trust Deed was revised through the Deed of Change of Trustee and First Supplemental Trust Deed dated 23 February 2007 with the approval of SECP. The investment activities and administration of the Fund are managed by Atlas Asset Management Limited situated at Ground Floor, Federation House, Shahrae Firdousi, Clifton, Karachi.

1.2 The certificates of the Fund were offered for public subscription in December 2004 . The certificates of the Fund are listed on the Karachi Stock Exchange (Guarantee) Limited.

1.3 According to the Trust Deed, the objective of the Fund is to provide investors one window facility to invest in a diversified portfolio of securities offering consistent return and growth. The Fund aims to deliver this objective mainly by investing in closed end mutual funds to take advantage of availability of such securities at discount to Net Asset Value (NAV). Depending upon the market opportunity, the management company may defer investment in closed end mutual funds and invest in open ended mutual funds, money market instruments, reverse repurchase agreements and spread transactions or deposit with scheduled banks. The investment objectives and policies are more fully defined in the Fund's offering document.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

2.2 During the year, the Fund has adopted IFRS 7 “Financial Instruments – Disclosures”, which resulted in certain additional disclosures relating to financial instruments in these financial statements. Further, interpretations of accounting standards, namely IFRIC 12 “Service Concession Arrangements”, IFRIC 13 “Customer Loyalty Programs” and IFRIC 14 “IAS 19 – The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interactions” also became effective during the year. However, these interpretations do not affect the Fund’s financial statements.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in notes 4.1 and 4.2 below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the year unless otherwise stated.

4.1 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through income statement or available-for-sale investment, as appropriate.

All investments, are initially measured at fair value plus, in the case of investments not at fair value through income statement, transaction costs that are directly attributable to acquisition.

All regular way purchases / sales of investments are recognised on the trade date, i.e. the date on which the Fund commits to purchase / sell the investment. Regular way purchases / sales of investments require delivery of securities within two days after transaction date as per the stock exchange regulations.

Investments at fair value through income statement

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and gains or losses on revaluation are recognised in the income statement.

Available-for-sale

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealised gain or loss recognised directly in the certificate holders' fund until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in certificate holders' fund is taken to the income statement.

Fair value of investments is determined as follows:

Fair value of open end fund units are valued by reference to the net asset values declared by the respective Fund.

Closed end fund certificates / shares are valued by reference to the prices quoted on stock exchange.

4.2 Derivatives

These are measured at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of assets and liabilities. The resultant gains and losses are included in the income currently.

4.3 Securities under repurchases / resale agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included as receivables in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investment. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

4.4 Revenue recognition

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

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

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

4.5 Expenses

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

4.6 Provisions

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

4.7 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the year is distributed amongst the Fund's certificate holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

4.8 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

4.9 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.10 Distribution to certificate holders

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

4.11 Net asset value per certificate

The net asset value per certificate disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of certificates outstanding at the year end.

4.12 Cash and cash equivalents

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

4.13 Earnings / loss per certificate

Earnings / loss per certificate is calculated by dividing the net income / loss of the Fund for the period by the weighted average number of certificates in issue at the end of the period.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes in the financial statements.

6. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

6. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (Continued...)

Standard or Interpretation		Effective date (accounting periods beginning on or after)
IAS - 1	Presentation of Financial Statements (Revised)	01 January 2009
IAS - 23	Borrowing Costs (Revised)	01 January 2009
IAS - 27	Consolidated and Separate Financial Statements (Revised)	01 July 2009
IAS - 32	Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	01 January 2009
IAS - 39	Financial Instruments: Recognition and measurement - Amendments regarding Eligible Hedge items	01 July 2009
IFRS - 2	Share based payment - Amendments regarding Vesting Conditions and Cancellations	01 January 2009
IFRS - 3	Business Combinations (Revised)	01 July 2009
IFRS - 8	Operating Segments	01 January 2009
IFRIC - 15	Agreements for the Construction of Real Estate	01 January 2009
IFRIC - 16	Hedges of a Net Investment in Foreign Operation	01 October 2008
IFRIC - 17	Distributions on Non - Cash Assets to Owners	01 July 2009
IFRIC - 18	Transfers of Assets from Customers	01 July 2009

The Fund considers that the above standards and interpretations, are either not relevant or will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments and improvements to the various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after 1 January 2009. The management considers that such amendments and improvements will not have any significant effect on the Fund's financial statements for the ensuing periods.

	Note	2009	2008
		---------- Rupees ----------	
7. BANK BALANCES AND TERM DEPOSITS			
In Current accounts - dividend accounts	7.1	419,546	308,110
In PLS saving accounts	7.2	55,553,170	16,345,102
In Term deposit accounts		-	60,000,000
		55,972,716	**76,653,212**

7.1 This includes balance of Rs. 119,811 (2008: Rs Nil) with Atlas Bank Limited (a related party).

7.2 The rate of return on these accounts ranges from 5% and 12.5% (2008: 1.30% to 11.25%) per annum and includes balance of Rs. 5,691 (2008: Rs. 1,079,075) with Atlas Bank Limited (a related party).

8. INVESTMENTS			
At fair value through income statement (held-for-trading)	8.1	182,327,871	512,303,645
Available-for-sale	8.2	43,861,339	-
		226,189,210	**512,303,645**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Number of shares /certificates/units					Rupees	Percentage of	
		At the beginning of the year	Acquired during the year	Bonus during the year	Disposed/ Redeemed during the year	At the end of the year	Market value	Total investments	Net assets
8.1 Investment in mutual funds - listed									
CLOSED-END MUTUAL FUNDS									
(Face value of Rs. 10/- each unless stated otherwise)									
Managed by AKD Investment Management Limited									
Golden Arrow Selected Stocks Fund Limited		3,694,000	-	461,750	-	4,155,750	9,391,995	4.15	3.32
(Face value Rs. 5/- per share)									
Managed by Al-Meezan Investment Management Limited									
Al-Meezan Mutual Fund Limited		1,840,025	145,500	-	545,000	1,440,525	7,490,730	3.31	2.65
Meezan Balanced Fund		2,599,500	3,000	-	-	2,602,500	15,042,450	6.65	5.32
		4,439,525	148,500	-	545,000	4,043,025	22,533,180	9.96	7.97
Managed by Arif Habib Investments Limited									
Pakistan Premier Fund Limited		4,447,656	-	-	-	4,447,656	18,235,390	8.06	6.45
Pakistan Strategic Allocation Fund		6,166,000	74,000	-	-	6,240,000	21,403,200	9.46	7.57
		10,613,656	74,000	-	-	10,687,656	39,638,590	17.52	14.02
Managed by JS Investments Limited									
JS Value Fund Limited		1,500,000	80,000	-	-	1,580,000	7,031,000	3.11	2.49
JS Growth Fund		4,203,405	25,500	-	-	4,228,905	16,154,417	7.14	5.72
JS Large Cap. Fund		5,316,000	612,500	-	-	5,928,500	18,437,635	8.15	6.52
		11,019,405	718,000	-	-	11,737,405	41,623,052	18.40	14.73
Managed by PICIC Asset Management Company Limited									
PICIC Energy Fund		812,500	514,000	-	-	1,326,500	5,969,250	2.64	2.11
PICIC Growth Fund		1,313,550	-	-	-	1,313,550	11,033,820	4.88	3.90
PICIC Investment Fund		3,832,500	-	-	-	3,832,500	14,601,825	6.45	5.17
		5,958,550	514,000	-	-	6,472,550	31,604,895	13.97	11.18
OPEN-ENDED MUTUAL FUNDS									
(Face value of Rs. 10/- each unless stated otherwise)									
Managed by AKD Investment Management Limited									
AKD Opportunity Fund		165,323	-	14,978	180,301	-	-	-	-
(Face value Rs. 50/ - per unit)									
Managed by Al-Meezan Investment Management Limited									
Meezan Islamic Fund		156,345	218,128	31,237	187,582	218,128	7,695,561	3.40	2.72
(Face value Rs. 50/- per unit)									
Managed by Arif Habib Investments Limited									
Pakistan International Element Islamic Fund		19	-	-	19	-	-	-	-
(Face value Rs. 50/- per unit)									
Managed By Atlas Asset Management Limited (Related party)									
Atlas Income Fund (Related party)		-	29,038	1,235	30,273	-	-	-	-
(Face value Rs. 500/- per unit)									
Atlas Islamic Fund (Related party)		18,000	20,858	323	39,181	-	-	-	-
(Face value Rs. 500/- per unit)									
Atlas Stock Market Fund (Related party)		76,870	30,282	5,570	42,722	70,000	24,789,101	10.96	8.77
(Face value Rs. 500/- per unit)		94,870	80,178	7,128	112,176	70,000	24,789,101	10.96	8.77
Managed By BMA Asset Management Company Limited									
BMA Chundrigar Road Savings Fund		-	965,121	-	965,121	-	-	-	-

	Note	Number of shares /certificates/units					Rupees	Percentage of	
		At the beginning of the year	Acquired during the year	Bonus during the year	Disposed/ Redeemed during the year	At the end of the year	Market value	Total investments	Net assets
(Face value of Rs. 10/- each unless stated otherwise)									
Managed By HBL Asset Management Limited									
HBL Stock Fund (Face value Rs. 100/- per unit)		100,000	-	6,312	106,312	-	-	-	-
HBL Multi Asset Fund (Face value Rs. 100/- per unit)		100,000	-	4,289	104,289	-	-	-	-
		200,000	-	10,601	210,601	-	-	-	-
Managed By JS Investments Limited									
JS Income Fund (Face value Rs. 100/- per unit)		192,938	-	5,767	198,705	-	-	-	-
Managed By KASB Funds Limited									
KASB Liquid Fund (Face value Rs. 100/- per unit)		-	195,925	-	195,925	-	-	-	-
Managed By UBL Fund Managers Limited									
UBL Stock Advantage Fund (Face value Rs. 100/- per unit)		-	78,027	-	-	78,027	5,051,497	2.23	1.79
	8.1.2						**182,327,871**	**80.61**	**64.50**

8.1.2 The cost of above investments is Rs. 457,334,440 (2008: Rs. 514,525,121)

8.1.3 The above investments include 1,000,000, 750,000 and 2,000,000 certificates of JS Value Fund Limited, PICIC Growth Fund and Pakistan Premier Fund Limited respectively, pledged with NCCPL.

8.2 Investment - available - for - sale

	Note	Number of units					Rupees	Percentage of	
		At the beginning of the year	Acquired during the year	Bonus during the year	Disposed/ Redeemed during the year	At the end of the year	Market value	Total investments	Net assets
OPEN-ENDED MUTUAL FUNDS									
Managed By Atlas Asset Management Limited (Related party)									
Atlas Islamic Income Fund (Related party)	8.2.1 & 8.2.2	-	80,000	4,719	-	**84,719**	**43,861,339**	**19.39**	**15.52**

8.2.1 This represents seed capital investment. In accordance with the requirements of NBFC Regulations, this investment is not redeemable for a period of two years.

8.2.2 The cost of this investment is Rs. 40,000,000 (2008: Nil).

9. SECURITY DEPOSITS

	2009	2008
	Rupees	
National Clearing Company of Pakistan Limited (NCCPL)	2,500,000	3,500,000
Central Depository Company of Pakistan Limited	200,000	200,000
	2,700,000	**3,700,000**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009	2008
		Rupees	

10. PAYABLE TO THE MANAGEMENT COMPANY - Related Party

Management fee	10.1	689,597	1,314,676
Formation cost payable		-	1,000,000
		689,597	**2,314,676**

10.1 In accordance with the provisions of the NBFC Regulations, the management company is entitled to receive a remuneration during the first five years of the Fund, at the rate not exceeding 3% per annum of the average annual net assets of the Fund and thereafter, at the rate equal to 2% of such assets. The management company has charged its remuneration at the rate of 3% per annum of the average net assets of the Fund (2008: For the period from 01 July 2007 to 31 December 2007 at the rate of 2% per annum and from 01 January 2008 to 30 June 2008 at the rate of 2.75% per annum).

11. PAYABLE TO THE TRUSTEE - Related Party

11.1 The trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as follows:

On net assets:

- up to Rs.250 million	Maximum of 0.2% per annum of the daily net assets of the Fund
- Rs.250 million up to Rs.500 million	Maximum of 0.5 million plus 0.15% per annum of the net assets exceeding Rs. 250 million
- Rs.500 million up to Rs.2,000 million	Maximum of 0.875 million plus 0.08% per annum of the net assets exceeding Rs. 500 million
- Rs.2,000 million up to Rs.5,000 million	Maximum of 2.075 million plus 0.06% per annum of the net assets exceeding Rs. 2,000 million
- exceeding Rs.5,000 million	Maximum of 3.875 million plus 0.05% per annum of the net assets exceeding Rs. 5,000 million

	Note	2009	2008
		Rupees	

12. PAYABLE TO SECP

Annual fee	12.1	329,385	601,877
Monitoring fee		-	250,000
		329,385	**851,877**

12.1 Represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP an amount on following basis:

Upto 20 November 2008
- 0.1% of the average annual net assets of the Fund.

From 21 November 2008 onwards
- 0.095% of the average annual net assets of the Fund.

13. ACCRUED AND OTHER LIABILITIES

Auditors' remuneration payable	135,050	185,000
Brokerage payable	-	7,815
Printing charges payable	204,800	200,000
Settlement charges	5,000	15,000
Rating fee payable	100,000	-
	444,850	**407,815**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

14. ISSUED, SUBSCRIBED AND PAID UP CERTIFICATE HOLDERS' FUND

No. of certificates			2009	2008
2009	2008		Rupees	
50,000,000	50,000,000	Certificates of Rs. 10 each fully paid in cash	500,000,000	500,000,000
2,500,000	2,500,000	Bonus certificates of Rs. 10 each	25,000,000	25,000,000
52,500,000	**52,500,000**		**525,000,000**	**525,000,000**

15. REPURCHASE OF OWN CERTIFICATES

This represents investment made by the Fund in its own certificates, as permitted under Regulation 55(11) of the NBFC Regulations, read with SECP's Circular 14 of 2009 dated 04 May 2009, and as approved by the SECP vide their letter no.NBFC/MF-RS/AFOF/221/2009 dated 13 February 2009 . The investments in own certificates were made in the months of February and March 2009 as per the approval of the SECP, and in June 2009, as per the requirements of Circular 14 of 2009. The certificates have been repurchased at a repurchase price ranging from Rs.1.50 to Rs.3.00 per certificate, resulting in aggregate cost of Rs.4,018,245. These certificates shall be available for resale subsequently, in accordance with the requirements prescribed under Circular 14 of 2009, with the approval of board of directors of the management company.

	2009	2008
	Rupees	
16. NET ASSET VALUE PER CERTIFICATE		
Net asset value as at year end (Rupees)	**282,658,738**	592,196,227
Number of certificates outstanding as at year end (Number of certificates)	**50,834,000**	**52,500,000**
Net asset value per certificate (Rupees)	**5.56**	**11.28**
17. INTEREST INCOME		
Bank balances and term deposits	5,773,326	10,912,288
Placement	39,726	-
Interest income on IPO investments	-	49,038
	5,813,052	**10,961,326**
18. AUDITORS' REMUNERATION		
Audit fee	90,000	90,000
Half yearly review of financial statements	45,000	45,000
Taxation services	-	44,850
Other services	40,000	40,000
Out of pocket expenses	35,330	10,000
	210,330	**229,850**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	---------- Rupees ----------	
19. (LOSS) / EARNINGS PER CERTIFICATE - basic and diluted		
Net (loss) / income for the year (Rupees)	**(270,005,583)**	29,922,187
Weighted average number of certificates outstanding during the year (Number of certificates)	**52,178,030**	**52,500,000**
(Loss) / earnings per certificate (Rupees) - basic and diluted	**(5.17)**	**0.57**

20. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Atlas Asset Management Limited (Management Company)		
Remuneration charged	10,136,084	14,303,441
Remuneration paid	10,761,163	26,131,041
Formation expense paid	1,000,000	1,000,000
Dividend paid	4,614,394	9,844,040
Certificates held 6,152,525 (2008: 6,152,525) at market value	18,457,575	54,818,998
Muslim Commercial Financial Services (Private) Limited (Trustee)		
Trustee fee	628,514	957,802
Atlas Income Fund (under common management)		
Investments 29,038 (2008: Nil) units	15,000,000	-
Redemption 30,273 (2008: Nil) units	15,591,240	-
Bonus 1,235 (2008: Nil) units	693,347	-
Atlas Islamic Income Fund (under common management)		
Investments 80,000 (2008: Nil) units	40,000,000	-
Bonus 4,719 (2008: Nil) units	2,400,000	-
Atlas Islamic Fund (under common management)		
Investment 20,858 (2008: Nil) units	10,000,000	-
Redemption 39,181 (2008: 11,734) units	17,742,801	6,474,587
Bonus 323 (2008: 861) units	161,966	433,083
Atlas Stock Market Fund (under common management)		
Investments 30,283 (2008: Nil) units	15,000,000	-
Redemption 42,722 (2008: Nil) units	15,735,853	-
Bonus 5,570 (2008: 11,047) units	2,882,616	6,582,271
Atlas Bank Limited (Group Company)		
Interest income on bank balances	640,228	6,072,838
Bank Charges	425	325
Atlas Capital Markets (Private) Limited (Group Company)		
Brokerage commission	27,475	27,325

	2009	2008
	---------- Rupees ----------	
Key Management Personnel of the Management Company		
Chief Executive Officer		
Dividend paid	27,750	59,200
Certificates held 37,000 (2008: 37,000) at market value	111,000	329,670
Directors		
Dividend paid	152,250	232,000
Certificates held 203,000 (2008: 203,000) at market value	609,000	1,807,730

20.1 The transactions with related parties / connected persons are in the normal course of business at contracted rates.

20.2 The outstanding balances of related parties / connected persons are included in the respective notes to the financial statements.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

21.1 The Fund's objective in managing risk is the creation and protection of certificate holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the management company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds.

21.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. As of 30 June 2009, the Fund is exposed to such risk in respect of bank balances and term deposits and investment in income / money market based mutual funds. The bank balances are subject to interest rates as declared by the respective bank on periodic basis. The earnings and valuation of the income / money market mutual funds investments is dependent on the market interest rates and distribution declared by the respective fund. Management of the Fund estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Fund's income by Rs.998,341 and a 1% decrease would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Equity price risk

Equity price risk is the risk of volatility in unit / certificate prices resulting from their dependence on equity market sentiments, speculative activities, supply and demand and liquidity in the market. The fund is exposed to such risk in respect of its investments in equity based mutual funds. Management of the Fund estimates that a 10% increase in the overall equity prices in the market with all other factors remaining constant would increase the Fund's income by Rs.18,232,787 and a 10% decrease would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

21.3 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, for investments, the period in which those assets are assumed to mature is taken as the expected date on which these assets will be realised.

2009	Within 1 month	Less than 3 months	3 to 12 months	1 to 5 Years	Total
	---------- Rupees ----------				
Assets					
Bank balances and term deposits	55,972,716	-	-	-	55,972,716
Investments	184,771,026	-	-	41,418,184	226,189,210
Advances and other receivables	-	-	23,976	-	23,976
Interest accrued	279,225	-	-	-	279,225
Security deposits	-	-	2,700,000	-	2,700,000
	241,022,967	**-**	**2,723,976**	**41,418,184**	**285,165,127**
Liabilities					
Payable against purchase of securities	578,261	-	-	-	578,261
Payable to the management company	-	689,597	-	-	689,597
Payable to the trustee	44,750	-	-	-	44,750
Payable to SECP	-	329,385	-	-	329,385
Accrued and other liabilities	105,000	135,050	204,800	-	444,850
Dividends payable	419,546	-	-	-	419,546
	1,147,557	**1,154,032**	**204,800**	**-**	**2,506,389**
Net assets / (liabilities)	**239,875,410**	**(1,154,032)**	**2,519,176**	**41,418,184**	**282,658,738**

2008	Within 1 month	Less than 3 months	3 to 12 months	1 to 5 Years	Total
	---------- Rupees ----------				
Assets					
Bank balances and term deposits	76,653,212	-	-	-	76,653,212
Receivable against sale of securities	2,038,260	-	-	-	2,038,260
Investments	512,303,645	-	-	-	512,303,645
Dividends receivables	4,041,405	-	-	-	4,041,405
Advances and other receivables	-	-	23,976	-	23,976
Interest accrued	1,733,648	-	-	-	1,733,648
Security deposits	-	-	3,700,000	-	3,700,000
	596,770,170	**-**	**3,723,976**	**-**	**600,494,146**
Liabilities					
Payable against purchase of securities	4,338,155	-	-	-	4,338,155
Payable to the management company	-	2,314,676	-	-	2,314,676
Payable to the trustee	77,286	-	-	-	77,286
Payable to SECP	-	851,877	-	-	851,877
Accrued and other liabilities	22,815	185,000	200,000	-	407,815
Dividend payable	308,110	-	-	-	308,110
	4,746,366	**3,351,553**	**200,000**	**-**	**8,297,919**
Net assets / (liabilities)	**592,023,804**	**(3,351,553)**	**3,523,976**	**-**	**592,196,227**

21.4 Credit risk

Credit risk arises from the inability of the issuers of the instruments or the counter party to fulfil their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund's maximum exposure to credit risk as of 30 June 2009 amounts to Rs.140,349,439 (2008: Rs.199,028,070).

21.5 Capital management

The Fund's objective when managing certificate holders fund is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market's conditions.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

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

23. CERTIFICATE HOLDING PATTERN OF THE FUND

	2009			2008		
Category	Number of Certificate holders	Amount Rupees	% of total	Number of Certificate holders	Amount Rupees	% of total
Individuals	748	24,225,600	15.83%	702	71,640,186	15.32%
Associated Companies / Directors	6	58,413,075	38.17%	4	230,054,641	49.18%
Insurance Companies	3	888,750	0.58%	4	2,755,418	0.59%
Banks/ DFIs	3	34,961,100	22.84%	4	63,516,717	13.58%
NBFCs	22	10,839,450	7.08%	22	29,666,959	6.34%
Retirement Funds	9	4,704,000	3.07%	9	13,881,780	2.97%
Public Limited Companies	2	16,500,000	10.78%	2	49,005,000	10.48%
Others	7	2,522,025	1.65%	5	7,254,299	1.55%
	800	**153,054,000**	**100.00%**	**752**	**467,775,000**	**100.00%**

24. LIST OF TOP TEN BROKERS BY PERCENT OF THE COMMISSION PAID

2009		2008	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
IGI Finex Securities (Private) Limited	18.16%	JS Global Capital Limited	20.47%
Aziz Fida Hussain & Co. (Private) Limited	17.80%	Invisor Securities (Private) Limited	10.74%
Taurus Securities Limited	15.63%	Al-Hoqani Securities & Investment Corporation (Private) Limited	10.48%
Al-Hoqani Securities & Investment Corporation (Private) Limited	9.58%	Al-Habib Capital Markets (Private) Limited	9.49%
Invisor Securities (Private) Limited	8.90%	Taurus Securities Limited	7.63%
JS Global Capital Limited	8.20%	Al-Falah Securities (Private) Limited	7.60%
Live Securities (Private) Limited	7.12%	BMA Capital Management Limited	5.38%
Atlas Capital Markets (Private) Limited	5.32%	IGI Finex Securities (Private) Limited	4.83%
Global Securities Pakistan Limited	4.91%	Invest Capital Investment Bank Limited	4.73%
Al-Falah Securities (Private) Limited	4.36%	Atlas Capital Markets (Private) Limited	2.88%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

25. THE MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Mr. M. Habib-ur-Rahman	Chief Executive Officer	FCA	41 Years
Mr. Frahim Ali Khan	Director	B. Com./LLB	42 Years
Mr. Ali H. Shirazi	Executive Director	Masters in Law	5.5 years
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance)-UK	9 Years
Mr. Khurram Aftab Ahmed	Fund Manager - Fixed Income	MBA - Finance	7 Years
Mr. Khalid Mahmood	Fund Manager - Equity Markets	MBA - Finance	5 Years

26. NAME AND QUALIFICATION OF FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Mr. Khalid Mahmood	Fund Manager - Equity Markets	MBA - Finance	Atlas Islamic Fund Atlas Stock Market Fund

27. ATTENDANCE AT BOARD MEETINGS

The details of dates of Board meetings of the management company of the Fund, and the attendance of the Board members are given below:

	Meeting held on				
Name of Directors	04 July 2008	18 Aug. 2008	25 Oct. 2008	23 Feb. 2009	24 April 2009
Mr. Yusuf H. Shirazi	P	P	L	P	P
Mr. M. Habib-ur-Rahman	P	P	P	P	P
Mr. Tariq Amin	P	P	P	P	P
Mr. Frahim Ali Khan	P	L	L	L	L
Mr. Ali H. Shirazi	P	P	P	P	P
Mr. Michael Vergara Ferrer*	P	P	L	L	L
Mr. M. Ashraf Janjua (w.e.f. 11 September 2008)	-	-	P	P	P

* Attended through teleconference call.

P Present

L Leave of absence

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

28. RATING OF THE FUND AND THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of "AM3+" assigned to the management company for FY 2007-08.

The rating of the Fund for FY 2007-08 is presently under discussion with the PACRA officials, due to certain issues in the categorization of the Fund. On the basis of the latest finalized rating for FY 2006-07, PACRA had assigned a "5 Star" rating to the Fund.

29. GENERAL

29.1 Figures have been rounded off to the nearest Rupee.

29.2 Certain prior year's figures have been reclassified for the purposes of comparison. However, there are no material reclassifications to report.

30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the management company on 26 August 2009.

For Atlas Asset Management Limited
(Management Company)

M. Habib-ur-Rahman	**Yusuf H. Shirazi**	**Tariq Amin**
Chief Executive Officer	Chairman	Director

DISTRIBUTION NETWORK

Atlas Asset Management Limited's Offices

Southern Region

Head Office
Ground Floor, Federation House
Sharae Firdousi, Clifton, Karachi-75600
Contact Person: Manager Investor Services
UAN: (92-21) 111-MUTUAL (6-888-25)
Tel: (92-21) 5379501-04
Fax: (92-21) 5379280
Email: apz@atlasfunds.com.pk

Northern Region

1. **Regional Office - Lahore**
   C/o Atlas Honda Limited
   1-Mcleod Road, Lahore
   Contact Person: Malik Asjad Ali
   Tel: 042-7225015-17
   Fax: 042-7351119
   Cell: 0321-4181292
   Email: maa@atlasfunds.com.pk

2. **Regional Office - Rawalpindi**
   C/o Atlas Bank Limited
   Bank Road Branch
   60, Bank Road, Rawalpindi
   Contact Person: Chaudhri Mohsin Sarwar
   Tel: (92-51) 5566671, 5564123, 5856411
   Fax: (92-51) 5528148
   Cell: 0334-5167035
   Email: cms@atlasfunds.com.pk

Atlas Asset Management Limited

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