

# Atlas funds

*Nurturing your investments*

Atlas Fund of Funds

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ANNUAL REPORT

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30 June 2011



Managed By

**Atlas Asset Management**

Rated AM2- 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 Rules 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 six mutual funds, five of which are open-ended, Atlas Money Market Fund, Atlas Income Fund, Atlas Stock Market Fund, Atlas Islamic Income Fund and Atlas Islamic Stock Fund and the sixth 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

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



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## Organisation

### Management Company

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Atlas Asset Management Limited

### Board of Directors of the Management Company

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<b>Chairman</b>	Mr. Yusuf H. Shirazi
<b>Directors</b>	Mr. Tariq Amin Mr. M. Ashraf Janjua Mr. Frahim Ali Khan Mr. Arshad P. Rana Mr. Ali H. Shirazi

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

**Company Secretary** Ms Lilly R. Dossabhoy

### Board Committees

#### Audit Committee

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<b>Chairman</b>	Mr. Tariq Amin
<b>Members</b>	Mr. M. Ashraf Janjua Mr. Frahim Ali Khan
<b>Secretary</b>	Mr. Imtiaz Ahmed Khan

#### Human Resource Committee

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<b>Chairman</b>	Mr. Frahim Ali Khan
<b>Members</b>	Mr. M. Habib-ur-Rahman Mr. Ali H. Shirazi
<b>Secretary</b>	Ms Maheen Fayyaz Khan

#### Investment Committee

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<b>Chairman</b>	Mr. M. Habib-ur-Rahman
<b>Members</b>	Mr. Ali H. Shirazi Mr. Muhammad Abdul Samad Mr. Khalid Mahmood
<b>Secretary</b>	Mr. Muhammad Umar Khan

### Management Committee

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<b>Chairman</b>	Mr. M. Habib-ur-Rahman
<b>Members</b>	Ms Lilly R. Dossabhoy Mr. Muhammad Abdul Samad Mr. Hassan Khan

**Secretary** Mr. M. Irfan Dhedhi

### Trustee

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MCB Financial Services Limited  
3rd Floor, Adamjee House, I. I. Chundrigar Road  
Karachi

### Chief Internal Auditor

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Ms Qurrat-ul-Ain Jafari

### Auditors

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Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

### Legal Advisers

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Mohsin Tayebaly & Co.

### Bankers

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Bank Alfalah Limited  
Faysal Bank Limited  
Summit Bank Limited  
The Bank of Punjab

### Registered Office

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Ground Floor, Federation House  
Sharae Firdousi, Clifton, Karachi - 75600  
Tel: (92-21) 111-MUTUAL (6-888-25)  
(92-21) 35379501-04  
Fax: (92-21) 35379280  
Email: info@atlasfunds.com.pk  
Website: www.atlasfunds.com.pk

The above information is as at 20 September 2011.



**Mr. Yusuf H. Shirazi**

Chairman

Mr. Shirazi is a Law graduate (L.L.B) with BA (Hons) and JD (Diploma in Journalism) Punjab University and AMP Harvard. He served in the Financial Services of the Central Superior Services of Pakistan for eight years. He is the author of five books including 'Aid or Trade' adjudged by the Writers Guild as the best book of the year NBP Award and continues to be a columnist, particularly on economy. Mr. Shirazi is the Chairman of the Atlas Group, which among others, has joint ventures with GS Yuasa International, Honda and MAN. He has been the president of Karachi Chamber of Commerce and Industries for two terms. He has been on the Board of Harvard Business School Alumni Association and is the Founder President of Harvard Club of Pakistan and Harvard Business School Club of Pakistan. He has been visiting faculty member of National Defence University, National School of Public Policy and Naval War College. He has been on the Board of Governors LUMS, GIK and FC College. Previously, he also served on the Board of Fauji Foundation Institute of Management and Computer Sciences (FFIMCS) and Institute of Space Technology - Space and Upper Atmosphere Research Commission (SUPARCO).



**Mr. Tariq Amin**

Director

Mr. Tariq Amin is the Chairman of Orkila Pakistan (Pvt.) Limited, a leading multinational company dealing in chemicals. He is also on the Boards of Pakistan Gum and Chemicals Limited and the Salim Habib Education Foundation. He has a vast experience in the financial and industrial sectors of Pakistan. He is a law graduate from the University of Karachi, also holds a Masters degree in English from the University of Karachi, and a Post Graduate Diploma in Development Administration from the University of Leeds.



**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. Frahim Ali Khan**

Director

Mr. Frahim Ali Khan has been associated with Atlas Group since 1967 and has over 40 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. 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 35 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 as 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.



**Mr. Ali H. Shirazi**

Director

Mr. Ali H. Shirazi graduated in Political Science from Yale University, U.S.A. in 2000 and thereafter completed his Masters in Law from Bristol University, U.K. in 2005. He is currently the President and Chief Executive Officer of Atlas Battery Limited. He has previously worked with the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California. He is an Atlas Group Director, and is responsible for Group's financial services. He is also on the Boards of Atlas Insurance Limited, Atlas Engineering Limited, Shirazi Trading Company (Pvt.) Limited and Techlogix International Limited.



**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 has been a founding member and past 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.



Management Committee



M. Habib-ur-Rahman  
Chief Executive Officer



Muhammad Abdul Samad  
Chief Investment Officer



Lilly R. Dossabhoy  
Chief Financial Officer &  
Company Secretary



Hassan Khan  
Head of Marketing & Sales

## Chairman's Review

It is my pleasure to present to you the Annual Report of Atlas Fund of Funds for the year ended 30 June 2011.

### THE ECONOMY

Pakistan's economy has performed reasonably well, despite considerable challenges that have emanated from unprecedented floods, unstable oil prices and energy shortages. The factors which have contributed to fast economic recovery after devastating floods include robust growth in exports and record remittances. Strong growth in exports and record remittances have helped offset the impact of the higher oil import bill, and sustained the build-up in foreign exchange reserves.

During the outgoing year, the current account witnessed a surplus of US\$ 542 million (0.3% of GDP) for the July-June FY11 period. The strength of the external sector has been depicted from record remittances and export growth of 28.7%. The foreign remittances have increased to record US\$ 11.2 billion during the July-June FY11 period, as compared to US\$ 8.9 billion for the last year corresponding period. During the period July-June FY11, the total exports stood at US\$ 24.8 billion, as compared to US\$19.3 billion last year. As a result of increase in exports, the trade deficit stood at US\$ 15.6 billion for the July-June FY11 period as against US\$ 15.4 billion for the last year corresponding period. The foreign exchange reserves currently stands at US\$ 17.8 billion (May 2011).

CPI inflation stood at 13.9% during July-June FY11 period, as compared to 11.7% for the previous corresponding year. The main factors behind high inflation were the supply disruptions due to flood witnessed earlier in the year, as well as spike in fuel and food prices. A growth of 15.89% was witnessed in the M2 (money supply) during July-June FY11 period, as compared to 12.46 % growth during the previous corresponding period. In FY11, M2 growth was attributable to rise in demand for private sector credit and government borrowings.

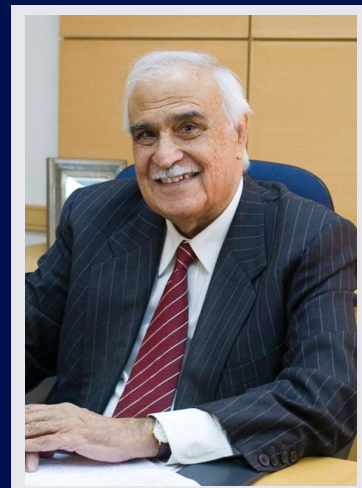
GDP growth rate for the period under review stood at 2.4% as compared to a growth of 3.8% in the preceding year. Prior to the floods, the GDP growth rate was projected at 4.5% for financial year 2010-11. However, the devastating floods, the worst ever humanitarian crisis of Pakistan's history, have affected the growth momentum. As a result, the agriculture sector growth reduced to 1.2% as against the target of 3.8%, whereas services sector grew by 4.1% as against the target of 5.4%. The manufacturing sector growth was also adversely affected due to reduction in output of textiles and petroleum products.

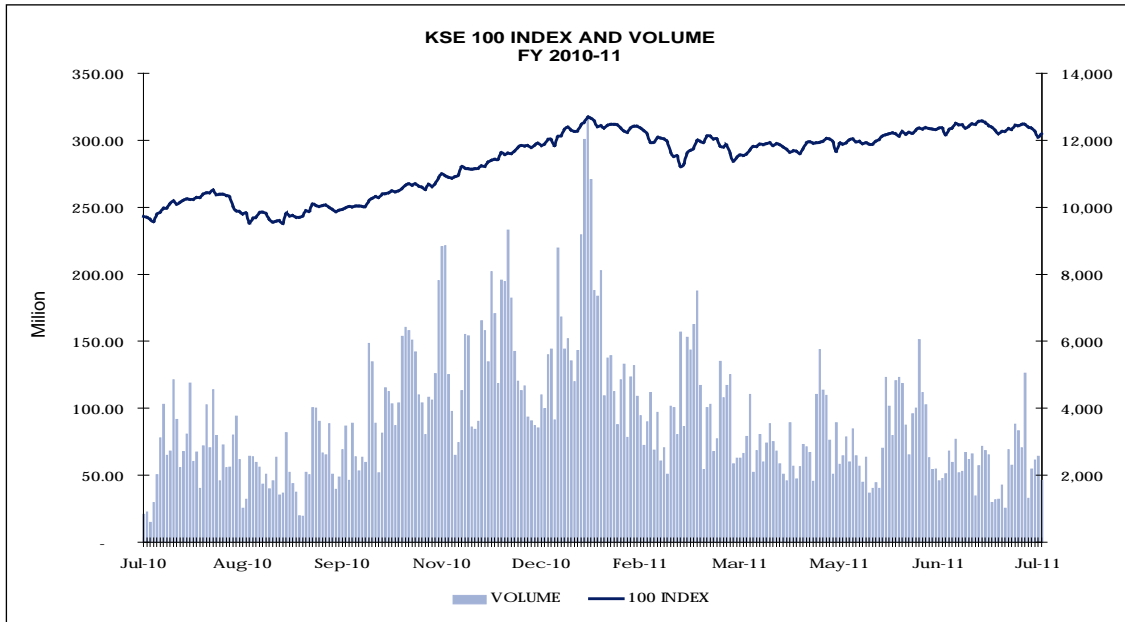
### THE STOCK MARKET

The KSE-100 index has increased from 9,721.91 points as on 30 June 2010 to 12,496.03 points as on 30 June 2011. The growth of 28.53% has been due to better corporate results and foreign buying activity in the local equity market. Top performing sectors were Oil & Gas, Fertilizer and Power. The foreign portfolio investment remained largely concentrated among index heavy weights in Oil & Gas sector. The foreign portfolio investors were net buyers of around US\$ 280 million. Foreign portfolio investors hold shares of worth US\$ 2.85 billion approximately, which is about 7.6% of the market capitalization and 31% of the free float.

During the period under review, the Oil & Gas sector has depicted a strong earnings growth due to high international crude oil prices and increased production levels. Despite gas curtailment, fertilizer companies were able to post higher earnings by passing on the impact of production losses in terms of higher fertilizer prices. Better purchasing power of farmers due to high commodity prices enhances the fertilizer companies' ability to pass on the rising cost. The average banking sector spreads remained stable, helping banks to earn higher interest margins. Banking sector has increased its exposure in T-bills and restricted its credit disbursement, with an objective to minimize NPLs losses and enhance its profitability. Power sector companies' shares have also performed well despite circular debt issue, which is affecting their liquidity position.

After the withdrawal of capital gain tax exemptions on sale of securities from July 2010, the average daily trading volumes have declined to 95 million shares a day for FY11 from 161 million shares for FY10. The much awaited Margin Trading System (MTS) was launched in March 2011 with expectation that volumes will increase, but it also failed to live up to the expectation.





The budgetary measures though having a neutral effect on most listed sectors carried an overall positive tone. Going forward, oil and gas exploration and fertilizer sectors are expected to post attractive earnings, where as banking sector is trading on attractive valuation and is also expected to yield decent returns. Pakistan equity market is currently trading at attractive multiples with next year PE of 6.6x and dividend yield of 8% and has strong potential to yield attractive returns.

### MUTUAL FUND INDUSTRY

The mutual fund industry has witnessed a growth of 24%. The total Assets under Management (AUM) increased to Rs.248 billion as on 30 June 2011 as against Rs.200 billion as last year. The Money Market Funds, for the second year in a row, led the industry in terms of fresh inflows, as the funds offered attractive returns. Thus, the Money Market Funds' AUM sharply increased from Rs.37 billion to Rs.84 billion. The Equity Funds' AUM, has increased to Rs.58 billion (including appreciation in value due to equity market performance) from Rs.44 billion last year. The investor's participation in equity funds remained on the lower side despite robust performance by the equity market during last two years.

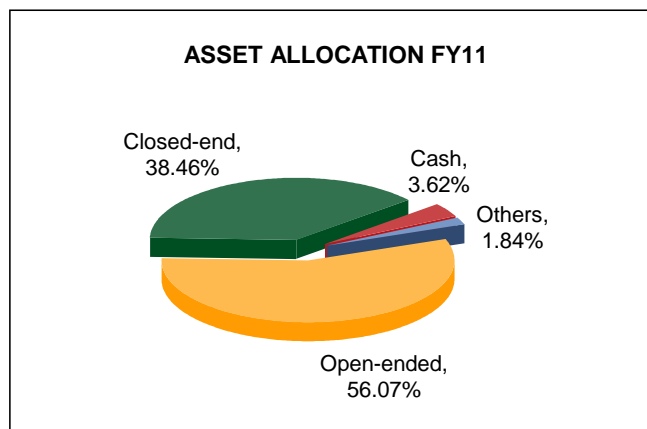
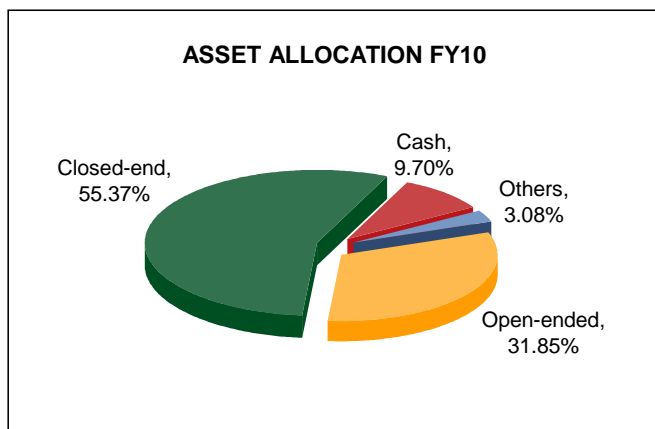
During the period under review, the Mutual Fund Association of Pakistan (MUFAP) developed its Medium Term Strategy / Five Years Plan July 2011- to June 2016. The overall theme of the plan is to promote collective investment to build wealth, define and maintain high professional and ethical standards in all areas of operation of the mutual fund industry, to promote education of investors on investment and investment management industry, to bring about improvement in the legal, regulatory and fiscal environment in which its members operate, to promote tax deferred long term savings opportunities and ensuring fair tax treatment for the fund investor, and to work with the Securities and Exchange Commission of Pakistan to promote best business practices and code of conduct.

A joint public awareness campaign has also kicked off by participating AMCs initially with an objective to create awareness and promote money market funds. A dedicated website has been launched for this purpose, besides advertisement in print and electronic media. MUFAP has organized workshops on Global Investment Performance Standards (GIPS) in order to standardize industry wide ethical principles that provide investment firms with guidance for calculation and reporting investment results to prospective investors.

On the recommendation of MUFAP, the investment limit to avail tax credit in new issues and mutual funds has been enhanced by introducing amendment in the Income Tax Ordinance, 2001 through Finance Act, 2011. The maximum ceiling for determining tax credit has been raised from 10% of the taxable income for the year or the monetary threshold of Rs.300,000 to 15% of the person's taxable income for the year or Rs.500,000, whichever is less. The mandatory retention period to avail tax credit has been enhanced to three years from prior requirement of one year, from the time of investment.

## FUND OPERATIONS

The Net Asset Value per certificate of the Fund has increased by 42.46% to Rs.9.73 as on 30 June 2011. During the period under review, the benchmark Closed End Funds Market Capitalization has increased by 40.78% from Rs.10.40 billion as on 30 June 2010 to Rs.14.64 billion as on 30 June 2011.



Dividend Income and Interest Income stood at Rs.38.11 million and Rs.5.48 million respectively for the period under review. The Net Assets of your Fund stood at Rs.434.53 million as of 30 June 2011. The ATFF's total exposure in mutual funds was 96.64% of the Net Assets. The total investment in closed - end funds that are trading at attractive discounts stood at 39.32% of the Net Assets.

During the period under review, the management company of a closed end scheme, namely AI Meezan Mutual Fund decided to convert the fund into an open- ended scheme. The news of conversion resulted in narrowing of gap between Net Asset Value per certificate and market price of these schemes. ATFF has a total exposure of 7.53% in the fund and the conversion will have a positive impact on the Net Asset Value per certificate of ATFF.

The Non Banking Finance Companies and Notified Entities Regulations, 2008, provide that a closed end fund may invest in its own certificates upto 20% of its issued certificates from the secondary market. During the period under review, the Board of Directors of AAML approved Third Repurchase Program. The Fund has repurchased 4,000,000 certificates during the Third Repurchase Program with an aggregate repurchase price of Rs.26,200,460 (Rs.6.55 per certificate). This is in addition to the First and Second Repurchase Programs, wherein total of 3,860,842 certificates worth Rs.12,213,886 (Rs.3.16 per certificate) were repurchased.

The Board of Directors of Atlas Asset Management Limited has declared a cash dividend of 15% on the par value of the certificates of Rs.10 each, i.e. Rs.1.50 per certificate.

## RATINGS

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the asset manager rating of Atlas Asset Management Limited (AAML) to "AM2-" (AM Two Minus), for FY 2009-10. The rating denotes the Company's very strong capacity to manage the risks inherent in asset management and meets high investment management industry standards and benchmarks.

The rating of the Fund is pending since FY 2007 -08 due to some issues in the categorization of the Fund. The Management Company has also referred the matter to the Mutual Funds Association of Pakistan, to enable resolution of the matter, however, there being no other fund in this category, rating is not presently facilitated by the rating agencies.

## FUTURE OUTLOOK

Pakistan's economic performance signifies the enormous potential and resilience as it was tested several times by one crisis after another. In order to achieve long term sustainable growth, stringent and sustainable fiscal measures are needed to reduce the stress on the economy. The recent measures taken in the Federal Budget FY 2011-12 will set directions to achieve these objectives. Withdrawal of tax exemptions focuses on bringing more people into the tax net, and stringent actions to curb tax leakages are steps in right direction. Overall, the Budget is embedded in a medium term macroeconomic strategy that will help create enabling environment for strong private sector investment and will push the economy on to a higher and sustainable growth path.

The Fund is committed to prudent investment procedures and will continue to provide consistent long term returns to the investors.

خیاباں خیاباں ارم دیکھتے ہیں

(We look forward to growth, growth and growth)

## 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 certificate holders for their help, support and the confidence reposed in the Fund and the Chief Executive Officer, Mr. M. Habib-ur-Rahman and his management team for their hard work, dedication, and sincerity of purpose.

Karachi: 20 September 2011

**Yusuf H. Shirazi**  
Chairman

## 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 Annual Report of the Fund alongwith the audited financial statements and Auditors' Report thereon for the year ended 30 June 2011.

### EARNINGS PER CERTIFICATE

Basic and Diluted earnings on the number of certificates issued as at 30 June 2011 work out to Rs.2.79 per certificate (2010: Rs.1.30 per certificate).

### FUND OPERATIONS AND DISTRIBUTION

As at 30 June 2011, the Net Assets of the Fund stood at Rs.434.53 million as compared to Net Assets of Rs.345.43 million as at 30 June 2011. The Board of Directors of the Management Company of the Fund has approved a cash dividend of 15% (2010: 2.20%) on the face value of Rs.10 per certificate, i.e. Rs.1.50 per certificate (2010: Re.0.22 per certificate). The Board has also approved the book closure of the certificate transfer books of the Fund from 12 October 2011 to 19 October 2011 both days inclusive.

During the year, the Fund repurchased 4,525,000 certificates (8.62% of the issued certificates) [2010:1,669,842 (3.18%) of the issued certificates] with an aggregate repurchase price of Rs. 28,300,460 (average Rs.6.25 per certificate), [2010: Rs.6,095,641 (average Rs.3.65 per certificate)] as of 30 June 2011, 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 Non-Banking Finance Companies Regulations, 2008 (NBFC Regulations, 2008), is presented in note 24 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, comprehensive income for the year, 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.
- 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 summarized is annexed.
- i) The statement as to the value of investments of provident fund is not applicable in the case of the Fund as these relate to retirement benefits to the employees of the Management Company, and are not chargeable to the Fund.

## **RATINGS UPDATE**

The Pakistan Credit Rating Agency Limited (PACRA), has upgraded the asset manager rating of the Management Company to AM2 - (AM Two Minus) for the FY 2009-10, from the previous AM3 + (AM Three Plus). The rating denotes the Company's very strong capacity to manage the risks inherent in asset management and meets high investment management industry standards and benchmarks.

The rating of the Fund is pending since FY 2007-08 due to some issues in the categorization of the Fund. The Management Company has also referred the matter to the Mutual Funds Association of Pakistan, to enable resolution of the matter, however, there being no other fund in this category, rating is not presently facilitated by the rating agencies.

## **BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

The Board comprises of one executive and six non-executive directors. No casual vacancy in the office of the Board of Directors occurred during the year.

During the year, eight 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 28 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 21 to the financial statements - "Transactions with Related Parties / Connected Persons."

## **AUDITORS**

The Audit Committee of the Board of Directors, in their meeting held on 20 September 2011, recommended the re-appointment of M/s. Ernst and Young Ford Rhodes Sidat Hyder, Karachi, as auditors of Atlas Fund of Funds for the financial year ending 30 June 2012. The Board approved the appointment.

## **ACKNOWLEDGEMENT**

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

For and on behalf of the Board

Karachi: 20 September 2011

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

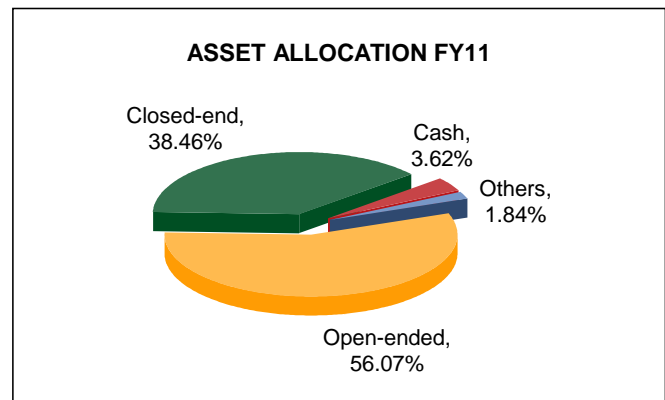
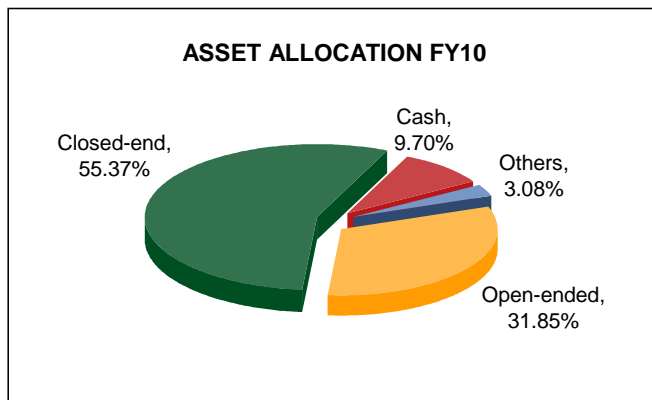
## Fund Manager's Report

Atlas Fund of Funds is a Closed-end Fund. 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 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 funds investment criteria entails discount to net asset value, quality of portfolio and growth prospects. By investing in closed end funds at discount to NAV, the return can be enhanced. Further conversion of close end funds into an open end funds, will result in appreciation in value of investment.

Market Capitalization of Closed- End Funds serves as the performance benchmark of Atlas Fund of Funds.

The KSE-100 index has increased from 9,721.91 points as on 30 June 2010 to 12,496.03 points as on 30 June 2011. The growth of 28.53% has been due to better corporate results and foreign buying activity in the local equity market. Top performing sectors were Oil & Gas, Fertilizer and Power. The foreign portfolio investment remained largely concentrated among index heavy weights in Oil & Gas sector. The foreign portfolio investors were net buyers of around US\$ 280 million. Foreign portfolio investors hold shares of worth US\$ 2.85 billion approximately, which is about 7.6% of the market capitalization and 31% of the free float.

The Net Asset Value per certificate of your Fund has increased by 42.46% to Rs.9.73 as on 30 June 2011. Your Fund has continued to provide for Workers' Welfare Fund (WWF). As on 30 June 2011, the provision stood at Rs.0.09 per unit. Certain Collective Investment Schemes and Asset Management Companies (AMCs), including your AMC, have obtained stay order from the Honorable High Court of Sindh against the demand raised by Commissioner of Income Tax on the ground that WWF is not applicable to collective investment schemes. The decision of Honorable High Court is pending. During the period under review, the benchmark Closed End Funds Market Capitalization has increased by 40.78% from Rs.10.40 billion as on 30 June 2010 to Rs.14.64 billion as on 30 June 2011.



Dividend Income and Interest Income stood at Rs.38.11 million and Rs.5.48 million respectively for the period under review. The Net Assets of your Fund stood at Rs.434.53 million as of 30 June 2011. The ATFF's total exposure in mutual funds was 96.64% of the Net Assets. The total investment in closed - end funds that are trading at attractive discounts stood at 39.32% of the Net Assets.

During the period under review, the management company of a closed end scheme, namely Al Meezan Mutual Fund has decided to convert the fund into Open- Ended Scheme. The news of conversion resulted in narrowing of gap between Net Asset Value per certificate and market price of these schemes. ATFF has a total exposure of 7.53% in the fund and the conversion will have positive impact on the Net Asset Value per certificate of ATFF.

The Non Banking Finance Companies and Notified Entities Regulations, 2008, provide that a closed end fund may invest in its own certificates upto 20% of its issued certificates from the secondary market. During the period under review, the Board of Directors of AAML approved Third Repurchase Program. Your Fund has repurchased 4,000,000 certificates with an aggregate repurchase price of Rs.26,200,460 (Rs.6.55 per certificate). This is in addition in first and second repurchase programs total of 3,860,842 certificates worth Rs.12,213,886 (Rs.3.16 per certificates) were repurchased.



Breakdown of certificate holding by size:

Type of investor	No. of Investors	Amount of Investment (Rs.)*	% of Total
Individuals	637	64,909,767	22.12%
Associated Companies / Directors	6	127,092,557	43.32%
Insurance Companies	2	1,535,625	0.52%
Banks/ DFIs	2	60,149,050	20.50%
NBFCs	7	937,469	0.32%
Retirement Funds	6	8,203,858	2.80%
Public Limited Companies	1	19,589,901	6.68%
Others	7	10,986,300	3.74%
<b>Total</b>	<b>668</b>	<b>293,404,527</b>	<b>100.00%</b>

\* Based on Market Value per certificate as on 30 June 2011.

The Board of Directors has approved a Cash Dividend of 15% on the face value of the certificate of Rs.10 each, i.e. Rs.1.50 (2010: Re.0.22) per certificate

During the year under review the Investment Committee held forty five meetings to review investment of the Fund.

Karachi: 20 September 2011

**Khalid Mehmood**  
Fund Manager

## Performance Table

### For the year ended 30 June 2011

	2011	2010	2009
Net assets (Rs. In "000)	434,532	345,429	282,659
Number of certificates in issue *	44,639,158	49,164,158	50,834,000
Net asset value per certificates (Rs.)	9.73	7.03	5.56
Net income / (loss) for the year (Rs. in "000")	134,841	65,990	(270,006)
Earnings / (loss) per certificate (Rs.)	2.79	1.30	(5.17)
Annual return of the Fund (%)	42.46	26.36	(47.19)
Dividend per certificate (Rs.)	1.50	0.22	-
Dividend as a % of face value per certificate	15.00	2.20	-
Date of distribution	20-Sep-11	12-Oct-10	-

Date of Launch : 16 December 2004

\* Net of purchase of own certificates by the Fund [7,860,842 (2010: 3,335,842) 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 2011

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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy in the office of the Board of Directors 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 have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the period. Written notes of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Management Company has established adequate procedures and systems for related party transactions vis-à-vis the pricing method for related party transactions. All the related party transactions are placed before the Audit Committee and the Board of Directors for their review and approval.
10. No new appointment of the Chief Financial Officer & Company Secretary was made during the year. The Board has approved the appointment of the Chief Internal Auditor made during the year. The terms of remuneration of the Chief Financial Officer & Company Secretary, and the Chief Internal Auditor have been approved by the Board.
11. 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.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before the approval of the Board.
13. The Directors, CEO and Executives do not hold units other than those disclosed in note 21 to the financial statements "Transactions with Related Parties/Connected Persons."
14. The Management Company has complied with the corporate and financial reporting requirements of the Code.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2011

15. The Directors of the Management Company are aware of their duties and responsibilities and had attended an orientation course in 2010.
16. The Board has formed an Audit Committee comprising of three members, all of whom are non-executive directors, including the Chairman of the Committee. Meetings of the Committee were held every quarter, prior to approval of the interim and annual results of the Fund, as required by the Code. The Board has approved the terms of reference of the Audit Committee.
17. The Board has set up an effective internal audit function headed by a full time Chief Internal Auditor who is considered suitably qualified and experienced, and is conversant with the policies and procedures of the Fund.
18. The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund, and that the Firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 20 September 2011

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

## TRUSTEE REPORT TO THE CERTIFICATE HOLDERS

### Report of the Trustee Pursuant to Regulation 41 (h) 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 May 29, 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 February 23, 2007 Central Depository Company of Pakistan Limited retired as the Trustee and MCB Financial Services 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 30th June 2011 in accordance with the provisions of the following:

- (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
- (ii) the valuation and pricing is carried out in accordance with the deed and any regulatory requirement;
- (iii) and any regulatory requirement.

Karachi: September 14, 2011

**Khawaja Anwar Hussain**  
Chief Executive Officer  
MCB Financial Services Limited

## **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 contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of the Management Company of 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 of Compliance 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 of Compliance 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 2011.

Karachi: 20 September 2011

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants

## 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 2011, 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 2011 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: 20 September 2011

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants

**Arslan Khalid**  
Audit Engagement Partner



## STATEMENT OF ASSETS AND LIABILITIES

### AS AT 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
<b>Assets</b>			
Bank balances	7	16,086,920	34,071,782
Investments	8	419,914,511	306,438,682
Interest accrued		451,996	107,896
Security deposits and other receivable	9	7,723,976	10,723,976
<b>Total assets</b>		<b>444,177,403</b>	<b>351,342,336</b>
<b>Liabilities</b>			
Payable against purchase of securities		3,312,271	2,711,132
Payable to the management company	10	679,297	550,878
Payable to the trustee	11	65,633	51,590
Payable to the SECP	12	389,781	323,606
Accrued and other liabilities	13	4,743,473	1,859,631
Dividend payable		455,282	416,165
<b>Total liabilities</b>		<b>9,645,737</b>	<b>5,913,002</b>
<b>Net assets</b>		<b>434,531,666</b>	<b>345,429,334</b>
<b>Represented by:</b>			
<b>Certificate holders' Fund</b>			
Issued, subscribed and paid up [52,500,000 (2010: 52,500,000) certificates of Rs.10/- each]	14	525,000,000	525,000,000
Repurchase of own certificates by the Fund [7,860,842 (2010: 3,335,842) certificates]	15	(38,414,346)	(10,113,886)
		<b>486,585,654</b>	<b>514,886,114</b>
Accumulated loss		(52,053,988)	(176,194,093)
Unrealised gain on revaluation of available-for-sale investment		-	6,737,313
		<b>434,531,666</b>	<b>345,429,334</b>
<b>Net asset value per certificate</b>	16	<b>9.73</b>	<b>7.03</b>

The annexed notes from 1 to 31 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

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
<b>Income</b>			
Dividend income		38,110,040	12,944,078
Interest income	17	5,483,273	3,165,534
Net gain on investments at fair value through income statement (held-for-trading)			
Net gain on sale of investments		27,366,613	5,847,839
Net unrealised gain on revaluation of investments		66,914,122	55,001,874
		<b>94,280,735</b>	<b>60,849,713</b>
Net gain on sale of available - for - sale investments		9,508,986	794,296
		<b>147,383,034</b>	<b>77,753,621</b>
<b>Expenses</b>			
Remuneration of the management company		6,960,130	8,339,688
Remuneration of the trustee		740,439	635,954
SECP annual fee		389,781	323,606
Annual rating fee		100,000	100,000
Annual listing fee		127,083	75,000
Securities transaction cost	18	775,415	268,384
Auditors' remuneration	19	240,000	242,098
Printing charges		383,500	358,163
CDC charges		67,500	67,500
Bank charges		6,615	6,225
Provision for Workers' Welfare Fund	13.1	2,751,851	1,346,740
		<b>12,542,314</b>	<b>11,763,358</b>
<b>Net income for the year</b>		<b>134,840,720</b>	<b>65,990,263</b>
<b>Earnings per certificate - basic and diluted</b>	20	<b>2.79</b>	<b>1.30</b>

The annexed notes from 1 to 31 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

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	----- Rupees -----	
Net income for the year	134,840,720	65,990,263
<b>Other comprehensive (loss) / income</b>		
Net unrealised gain on revaluation of available-for-sale investments arising during the year	2,771,673	3,670,270
Reclassification adjustment for gains included in income statement upon disposal of investments	(9,508,986)	(794,296)
	<b>(6,737,313)</b>	<b>2,875,974</b>
<b>Total comprehensive income for the year</b>	<b>128,103,407</b>	<b>68,866,237</b>

The annexed notes from 1 to 31 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

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	----- Rupees -----	
<b>Accumulated loss brought forward</b> [includes unrealised loss on investments of Rs.216,002,161] (2010: unrealised loss of Rs.275,006,569)	(176,194,093)	(242,184,356)
Cash dividend @ Rs.0.22 per certificate declared on 12 October 2010 (2010 : Nil)	(10,700,615)	-
Net income for the year	134,840,720	65,990,263
<b>Accumulated loss carried forward</b> [includes unrealised loss on investments of Rs.84,603,198] (2010: unrealised loss of Rs.216,002,161)	<u>(52,053,988)</u>	<u>(176,194,093)</u>

The annexed notes from 1 to 31 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

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 ----- Rupees -----	2010 ----- Rupees -----
<b>Cash flows from operating activities</b>			
Net income for the year		134,840,720	65,990,263
<b>Adjustments for:</b>			
Dividend income		(38,110,040)	(12,944,078)
Interest income		(5,483,273)	(3,165,534)
Net gain on sale of investments		(27,366,613)	(5,847,839)
Net unrealised gain on revaluation of investments		(66,914,122)	(55,001,874)
Net gain on sale of available for sale investments		(9,508,986)	(794,296)
		<b>(147,383,034)</b>	<b>(77,753,621)</b>
<b>Decrease / (increase) in assets</b>			
Security deposits and other receivable		3,000,000	(8,000,000)
<b>Increase / (decrease) in liabilities</b>			
Payable against purchase of securities		601,139	2,132,871
Payable to the management company		128,419	(138,719)
Payable to the trustee		14,043	6,840
Payable to the SECP		66,175	(5,779)
Accrued and other liabilities		2,883,842	1,414,781
		<b>3,693,618</b>	<b>3,409,994</b>
		<b>(5,848,696)</b>	<b>(16,353,364)</b>
Dividend received		38,110,040	12,944,078
Interest received		5,139,173	3,336,863
Investments made during the year		(372,272,269)	(85,458,351)
Investments sold / redeemed during the year		355,848,848	69,728,862
<b>Net cash inflow from / (used in) operating activities</b>		<b>20,977,096</b>	<b>(15,801,912)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(10,661,498)	(3,381)
Repurchase of own certificates		(28,300,460)	(6,095,641)
<b>Net cash used in financing activities</b>		<b>(38,961,958)</b>	<b>(6,099,022)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(17,984,862)</b>	<b>(21,900,934)</b>
Cash and cash equivalents at the beginning of the year		34,071,782	55,972,716
<b>Cash and cash equivalents at the end of the year</b>	7	<b>16,086,920</b>	<b>34,071,782</b>

The annexed notes from 1 to 31 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

## STATEMENT OF MOVEMENT IN CERTIFICATE HOLDERS' FUND FOR THE YEAR ENDED 30 JUNE 2011

	Fund	Repurchased certificates	(Accumulated losses) R u p e e s	Unrealised gain on revaluation of available-for- sale investment	Total
Note	-----				
<b>Net assets as at 30 June 2009</b> [Rs.5.56 per certificate]	525,000,000	(4,018,245)	(242,184,356)	3,861,339	282,658,738
Repurchase of own certificates	-	(6,095,641)	-	-	(6,095,641)
Net income for the year	-	-	65,990,263	-	65,990,263
Other comprehensive income	-	-	-	2,875,974	2,875,974
Total comprehensive income for the year	-	-	65,990,263	2,875,974	68,866,237
<b>Net assets as at 30 June 2010</b> [Rs.7.03 per certificate]	525,000,000	(10,113,886)	(176,194,093)	6,737,313	345,429,334
Cash dividend @ Rs. 0.22 per certificate declared on 12 October 2010	-	-	(10,700,615)	-	(10,700,615)
Repurchase of own certificates	-	(28,300,460)	-	-	(28,300,460)
Net income for the year	-	-	134,840,720	-	134,840,720
Other comprehensive loss	-	-	-	(6,737,313)	(6,737,313)
Total comprehensive income/(loss) for the year	-	-	134,840,720	(6,737,313)	128,103,407
<b>Net assets as at 30 June 2011</b> [Rs.9.73 per certificate]	<u>525,000,000</u>	<u>(38,414,346)</u>	<u>(52,053,988)</u>	<u>-</u>	<u>434,531,666</u>

The annexed notes from 1 to 31 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 2011

### 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 MCB Financial Services Limited (MCBFSL) 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, Shabrae 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, cash and/or near cash instruments including cash in bank accounts (excluding Term Deposit Receipts), and treasury bills not exceeding ninety days maturity. The investment objectives and policies are more fully defined in the Fund's offering document.

### 2. STATEMENT OF COMPLIANCE

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.

### 3. BASIS OF MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention except for investments which are valued as stated in note 4.2 below.
- 3.2 These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

#### **New and amended standards and interpretations**

The Fund has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 - Share Based Payment – Group Cash-settled Share based Payment Arrangements (Amendment)

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Improvements to various standards issued by IASB

*Issued in 2009*

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash flows Presentation of Financial Statements

IAS 17 - Leases

IAS 36 - Impairment of Assets

IAS 39 - Financial Instruments : Recognition and Measurement

*Issued in 2010*

IFRS 3 - Business Combinations

IAS 27 - Consolidated and Separate Financial Statements

The adoption of above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

### 4.2 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through income statement, held-for-trading investment 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 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 statement of comprehensive income until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in statement of comprehensive income is taken to the income statement.

### 4.3 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 is accounted for in the period in which it arises.

### 4.4 Expenses

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 4.5 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.

### 4.6 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.

### 4.7 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.

### 4.8 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount is 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.

### 4.9 Repurchase of own certificates by the Fund

The costs incurred on investment made by the Fund in its own certificates is shown as a deduction from equity (certificates holders' Fund). Upon resale of such certificates the proceeds are credited to the equity (certificate holders' Fund).

### 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 unit

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

### 4.12 Cash and cash equivalents

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

## 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.

The estimates and judgements that have a significant effect on the financial statements are in respect of the following:

	Notes
Investments	4.2 & 8
Provisions	4.5

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, interpretations and amendments with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard, interpretation or amendment:

Standard, interpretation or amendment		Effective date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	01 July 2012
IFRS 7	Financial Instruments : Disclosures (Amendments)	01 February 2010
IAS 12	Income Tax (Amendment)	1 January 2012
IAS 19	Employee Benefits (Amendment)	01 January 2013
IAS 24	Related Party Disclosures (Revised)	01 January 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	01 January 2011

The Fund expects that the adoption of the above revisions, interpretations and amendments of the standards will not effect the Fund's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date
IFRS 9 Financial Instruments	01 January 2013
IFRS 10 Consolidated Financial Statements	01 January 2013
IFRS 11 Joint Arrangements	01 January 2013
IFRS 12 Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 Fair Value Measurement	01 January 2013

	Note	2011 ----- Rupees -----	2010 ----- Rupees -----
<b>7. BANK BALANCES</b>			
In current accounts - dividend accounts		455,282	416,165
In PLS saving accounts	7.1	15,631,638	33,655,617
		<b>16,086,920</b>	<b>34,071,782</b>

7.1 The rate of return on these accounts ranges between 5% and 11.50% (2010: 5% and 11.00%) per annum.

### 8. INVESTMENTS

At fair value through income statement (held-for-trading)	8.1	419,914,511	265,613,884
Available-for-sale	8.2	-	40,824,798
		<b>419,914,511</b>	<b>306,438,682</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 8.1 Investments - at fair value through income statement (held-for-trading)

8.1.1 Closed-Ended Mutual Funds	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 investment	Net assets
<b>EQUITY INVESTMENT INSTRUMENTS</b> (Face value of Rs. 10/- each unless stated otherwise)								
<b>Managed by AKD Investment Management Limited</b>								
Golden Arrow Selected Stocks Fund Limited (Face value Rs. 5/- per share)	4,155,750	-	-	1,155,750	3,000,000	9,450,000	2.26	2.18
<b>Managed by AI-Meezan Investment Management Limited</b>								
AI-Meezan Mutual Fund Limited	1,440,525	1,508,470	-	-	2,948,995	32,733,845	7.80	7.53
Meezan Balanced Fund	2,602,500	1,047,500	-	-	3,650,000	34,310,000	8.17	7.90
	<b>4,043,025</b>	<b>2,555,970</b>	-	-	<b>6,598,995</b>	<b>67,043,845</b>	<b>15.97</b>	<b>15.43</b>
<b>Managed by JS Investments Limited</b>								
JS Value Fund Limited	1,580,000	300,000	-	555,000	1,325,000	7,287,500	1.74	1.68
JS Growth Fund	4,228,905	560,071	-	-	4,788,976	28,254,958	6.72	6.50
	<b>5,808,905</b>	<b>860,071</b>	-	<b>555,000</b>	<b>6,113,976</b>	<b>35,542,458</b>	<b>8.46</b>	<b>8.18</b>
<b>Managed by PICIC Asset Management Company Limited</b>								
PICIC Energy Fund	1,326,500	1,099,474	-	-	2,425,974	17,830,909	4.25	4.10
PICIC Growth Fund	1,313,550	-	-	-	1,313,550	17,575,299	4.19	4.04
PICIC Investment Fund	3,832,500	167,500	-	-	4,000,000	23,400,000	5.56	5.39
	<b>6,472,550</b>	<b>1,266,974</b>	-	-	<b>7,739,524</b>	<b>58,806,208</b>	<b>14.00</b>	<b>13.53</b>
						<b>170,842,511</b>	<b>40.69</b>	<b>39.32</b>
<b>OPEN-ENDED MUTUAL FUNDS</b> (Face value of Rs. 10/- each unless stated otherwise)								
<b>Managed by Arif Habib Investments Limited</b>								
Pakistan Premier Fund Limited	4,447,656	-	-	4,447,656	-	-	-	-
Pakistan Strategic Allocation Fund	6,240,000	-	-	6,240,000	-	-	-	-
	<b>10,687,656</b>	-	-	<b>10,687,656</b>	-	-	-	-
<b>Managed By Atlas Asset Management Limited (Related party)</b>								
Atlas Islamic Stock Fund (Related party) (Face value Rs. 500/- per unit)	-	19,904	-	-	19,904	8,142,512	1.94	1.87
Atlas Money Market Fund (Related party) (Face value Rs. 500/- per unit)	-	195,802	3,253	150,652	48,403	25,022,749	5.96	5.76
Atlas Stock Market Fund (Related party) (Face value Rs. 500/- per unit)	50,439	50,439	19,878	50,439	70,317	31,238,959	7.44	7.19
	<b>50,439</b>	<b>266,145</b>	<b>23,131</b>	<b>201,091</b>	<b>138,624</b>	<b>64,404,220</b>	<b>15.34</b>	<b>14.82</b>
<b>Managed By Habib Asset Management Limited</b>								
First Habib Cash Fund (Face value Rs. 100/- per unit)	-	328,742	1,243	-	329,985	33,998,370	8.10	7.82
<b>Managed By HBL Asset Management Limited</b>								
HBL Islamic Stock Fund (Face value Rs. 100/- per unit)	-	50,095	-	-	50,095	5,134,810	1.22	1.18
HBL Money Market Fund (Face value Rs. 100/- per unit)	-	396,636	18,108	171,863	242,881	25,028,942	5.96	5.76
HBL Stock Fund (Face value Rs. 100/- per unit)	-	350,923	-	167,917	183,006	19,014,501	4.53	4.38
	-	<b>797,654</b>	<b>18,108</b>	<b>339,780</b>	<b>475,982</b>	<b>49,178,253</b>	<b>11.71</b>	<b>11.32</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 investment	Net assets
<b>OPEN-ENDED MUTUAL FUNDS</b> (Face value of Rs. 10/- each unless stated otherwise)								
<b>Managed By JS Investments Limited</b>								
JS Cash Fund (Face value Rs. 100/- per unit)	224,334	340,881	20,844	375,884	210,175	22,131,443	5.27	5.09
JS Large Cap. Fund (Face value Rs. 100/- per unit)	592,850	-	-	592,850	-	-	-	-
	<b>817,184</b>	<b>340,881</b>	<b>20,844</b>	<b>968,734</b>	<b>210,175</b>	<b>22,131,443</b>	<b>5.27</b>	<b>5.09</b>
<b>Managed By Lakson Investments Limited</b>								
Lakson Income Fund (Face value Rs. 100/- per unit)	-	343,254	27,146	-	370,400	37,469,868	8.92	8.62
Lakson Money Market Fund (Face value Rs. 100/- per unit)	199,168	117,741	39,661	-	356,570	36,006,162	8.58	8.29
	<b>199,168</b>	<b>460,995</b>	<b>66,807</b>	<b>-</b>	<b>726,970</b>	<b>73,476,030</b>	<b>17.50</b>	<b>16.91</b>
<b>Managed By National Investment Trust Limited</b>								
NIT Government Bond Fund	500,000	-	29,256	-	529,256	5,883,684	1.39	1.35
<b>Managed By UBL Fund Managers Limited</b>								
United Stock Advantage Fund (Face value Rs. 100/- per unit)	-	401,070	-	401,070	-	-	-	-
						<b>249,072,000</b>	<b>59.31</b>	<b>57.32</b>
8.1.2						<b>419,914,511</b>	<b>100.00</b>	<b>96.64</b>

8.1.2 The cost of above investments is Rs.504,517,709 (2010: Rs.481,616,045).

### 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 investment	Net assets

### OPEN-ENDED MUTUAL FUNDS

#### Managed By Atlas Asset Management Limited (Related party)

Atlas Islamic Income Fund (Related party) (Face value Rs. 500/- per unit)	8.2.1	80,000	-	6,152	86,152	-	-	-
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## 9. SECURITY DEPOSITS AND OTHER RECEIVABLE

Note	2011	2010
	Rupees	
National Clearing Company of Pakistan Limited (NCCPL)	7,500,000	10,500,000
Central Depository Company of Pakistan Limited (CDC)	200,000	200,000
Other receivable	23,976	23,976
	<b>7,723,976</b>	<b>10,723,976</b>

9.1 Represents amount deposited with NCCPL against Institutional Delivery System Functionality for regular market trades amounting to Rs.2,500,000 (2010: Rs.2,500,000) and cash / exposure margin of Rs.5,000,000 (2010: Rs.8,000,000) against repurchase of own certificates. The cash / exposure margin carries interest at the rate of 8.5% per annum.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 10. PAYABLE TO THE MANAGEMENT COMPANY - Related Party

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. For the current year the management company has charged its remuneration at the rate of 1.90% per annum of the average net assets of the Fund (2010: From 1 July 2009 to 15 December 2009 at the rate of 3% per annum and from 16 December 2009 to 30 June 2010 at the rate of 2% of the average net assets of the Fund).

### 11. PAYABLE TO THE TRUSTEE - Related Party

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

### 12. PAYABLE TO THE SECP

In accordance with the NBFC Regulations, the Fund is required to pay SECP an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

### 13. ACCRUED AND OTHER LIABILITIES

	Note	2011 ----- Rupees -----	2010 -----
Auditors' remuneration payable		191,707	153,891
Printing charges payable		233,175	240,000
Settlement charges		20,000	19,000
Rating fee payable		200,000	100,000
Provision for Workers' Welfare Fund	13.1	4,098,591	1,346,740
		<b>4,743,473</b>	<b>1,859,631</b>

**13.1** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) / pension funds whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs / pension funds, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended 30 June 2010.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. In December 2010 the Ministry filed its response against the Constitutional Petition requesting the Court to dismiss the same, whereafter, show cause notices were issued by Federal Board of Revenue (FBR) to several mutual funds (CISs) / pension funds for the collection of WWF. In respect of such show cause notices, certain mutual funds (CISs)/ pension funds have been granted stay by Honorable SHC on the basis of the pending Constitutional Petition as referred above.

Subsequent to the year ended 30 June 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said Constitutional Petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs.4,098,591/- in these financial statements.

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

No. of certificates			2011	2010
2011	2010		----- 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
<b>52,500,000</b>	<b>52,500,000</b>		<b>525,000,000</b>	<b>525,000,000</b>

### 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. During the year, an aggregate of 4,525,000 certificates have been repurchased at a repurchase price ranging from Rs.4.00 to Rs.6.80 per certificate (2010: Rs.3.00 to Rs.4.15 per certificate), resulting in aggregate cost during the year of Rs.28,300,460 (2010: Rs.6,095,641). 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.

	2011	2010
	----- Rupees -----	
16. NET ASSET VALUE PER CERTIFICATE		
Net asset value as at year end (Rupees)	434,531,666	345,429,334
Number of certificates outstanding as at year end (Number of certificates)	44,639,158	49,164,158
Net asset value per certificate (Rupees)	9.73	7.03
17. INTEREST INCOME		
Bank balances and term deposits	5,194,912	3,070,849
Placement	-	9,644
Security deposit with NCCPL	288,361	85,041
	<b>5,483,273</b>	<b>3,165,534</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 18. SECURITIES TRANSACTION COST

Represent brokerage, Federal Exise Duty and settlement charges.

### 19. AUDITORS' REMUNERATION

	2011	2010
	----- Rupees -----	
Audit fee	90,000	90,000
Half yearly review of financial statements	45,000	45,000
Certification charges	15,000	15,000
Review of compliance with Code of Corporate Governance	40,000	40,000
Out of pocket expenses	50,000	52,098
	<b>240,000</b>	<b>242,098</b>

### 20. EARNINGS PER CERTIFICATE - basic and diluted

Net income for the year (Rupees)	<b>134,840,720</b>	65,990,263
Weighted average number of certificates outstanding during the year (Number of certificates)	<b>48,263,270</b>	50,615,878
Earnings per certificate (Rupees) - basic and diluted	<b>2.79</b>	1.30

### 21. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

#### Atlas Asset Management Limited (Management Company)

Remuneration charged	6,960,130	8,339,688
Remuneration paid	6,831,711	8,478,407
Dividend paid	1,353,556	-
Certificates held 6,152,525 (2010: 6,152,525) at market value	39,991,413	24,610,100

#### MCB Financial Services Limited (Trustee)

Trustee fee	740,439	635,954
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#### Atlas Islamic Income Fund (under common management)

Redemption 86,152 (2010: 13,189) units	43,596,472	6,706,809
Bonus units 6,152 (2010: 8,470) units	3,084,901	4,255,497

#### Atlas Islamic Stock Fund (under common management)

Investment 19,904 (2010: Nil) units	8,000,000	-
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#### Atlas Money Market Fund (under common management)

Investments 195,802 (2010: 19,900) units	100,000,000	10,000,000
Redemption 150,652 (2010: 19,900) units	75,969,839	10,186,070
Bonus 3,253 (2010: Nil) units	1,637,694	-

#### Atlas Stock Market Fund (under common management)

Investments 50,439 (2010: Nil) units	18,121,706	-
Redemption 50,439 (2010: 19,561) units	18,121,706	10,000,000
Bonus units 19,878 (2010: Nil) units	6,304,869	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 21. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS (Continued...)

Key Management Personnel of the Management Company	2011	2010
	----- Rupees -----	
<b>Chief Executive Officer</b>		
Dividend paid	8,140	-
Certificates held 37,000 (2010: 37,000) at market value	240,500	148,000
<b>Directors</b>		
Dividend paid	22,660	-
Certificates held 284,676 (2010: 284,676) at market value	1,850,394	1,138,704

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

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

### 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

**22.1** 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.

#### **22.2 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 2011, the Fund is exposed to such risk in respect of bank balances and investment in income / money market based mutual funds. The bank balances are subject to interest rates as declared by the respective banks 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.2,011,729 (2010: Rs.1,232,573) 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 financial instruments 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) Price risk**

Price risk is a risk of volatility in the net asset values / quoted prices of fund's investment in open ended and closed ended mutual funds resulting from dependence on the financial markets. Management of the Fund estimates that a 10% increase in the net asset values / quoted prices of respective mutual funds with all other factors remaining constant would increase the Fund's income by Rs.41,991,451 (2010: Rs. 30,643,868) 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 2011

### 22.3 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, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

2011	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Financial instruments without maturity	Total
----- Rupees -----						
<b>Assets</b>						
Bank balances	16,086,920	-	-	-	-	16,086,920
Investments	-	-	-	-	419,914,511	419,914,511
Interest accrued	451,996	-	-	-	-	451,996
Security deposits and other receivable	5,000,000	-	23,976	-	2,700,000	7,723,976
	<b>21,538,916</b>	<b>-</b>	<b>23,976</b>	<b>-</b>	<b>422,614,511</b>	<b>444,177,403</b>
<b>Liabilities</b>						
Payable against purchase of securities	3,312,271	-	-	-	-	3,312,271
Payable to the management company	679,297	-	-	-	-	679,297
Payable to the trustee	65,633	-	-	-	-	65,633
Payable to the SECP	-	389,781	-	-	-	389,781
Accrued and other liabilities	20,000	191,707	4,531,766	-	-	4,743,473
Dividend payable	455,282	-	-	-	-	455,282
	<b>4,532,483</b>	<b>581,488</b>	<b>4,531,766</b>	<b>-</b>	<b>-</b>	<b>9,645,737</b>
<b>Net assets / (liabilities)</b>	<b>17,006,433</b>	<b>(581,488)</b>	<b>(4,507,790)</b>	<b>-</b>	<b>422,614,511</b>	<b>434,531,666</b>
----- Rupees -----						
<b>2010</b>						
<b>Assets</b>						
Bank balances	34,071,782	-	-	-	-	34,071,782
Investments	-	-	-	-	306,438,682	306,438,682
Interest accrued	107,896	-	-	-	-	107,896
Security deposits and other receivable	8,000,000	-	23,976	-	2,700,000	10,723,976
	<b>42,179,678</b>	<b>-</b>	<b>23,976</b>	<b>-</b>	<b>309,138,682</b>	<b>351,342,336</b>
<b>Liabilities</b>						
Payable against purchase of securities	2,711,132	-	-	-	-	2,711,132
Payable to the management company	-	550,878	-	-	-	550,878
Payable to the trustee	51,590	-	-	-	-	51,590
Payable to the SECP	-	323,606	-	-	-	323,606
Accrued and other liabilities	19,000	253,891	1,586,740	-	-	1,859,631
Dividend payable	416,165	-	-	-	-	416,165
	<b>3,197,887</b>	<b>1,128,375</b>	<b>1,586,740</b>	<b>-</b>	<b>-</b>	<b>5,913,002</b>
<b>Net assets / (liabilities)</b>	<b>38,981,791</b>	<b>(1,128,375)</b>	<b>(1,562,764)</b>	<b>-</b>	<b>309,138,682</b>	<b>345,429,334</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 22.4 Credit risk

Credit risk arises from the inability of the issuers of the instruments or the counter party to fulfill 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 2011 amounts to Rs.273,310,916 (2010: Rs.156,784,451).

#### 22.4.1 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

Rating	% of financial assets exposed to credit risk	
	2011	2010
AA+	38.86	-
AA	21.22	5.16
AA-	13.71	42.40
A	0.04	-
A-	0.11	0.27
4 Star	14.41	-
3 Star	-	14.23
Others	11.65	37.94
	<b>100.00</b>	<b>100.00</b>

### 22.5 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.

Fair value of investments is determined as follows:

- Open end fund units are valued by reference to the net asset value declared by the respective Fund.
- Closed end fund certificates / shares are valued by reference to the prices quoted on the stock exchange.

### 22.6 Fair value hierarchy

Following hierarchy is used in determining and disclosing the fair value of financial instruments by the following valuation technique:

- Level 1: quoted prices in active markets for identical assets.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As the Fund only invests in listed mutual funds, the fair value of the investments is based on level 1 valuation technique.

### 22.7 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.

## 23. SUBSEQUENT EVENT - DISTRIBUTION TO CERTIFICATE HOLDERS PER CERTIFICATE

The Board of Directors of management company, in their meeting held on 20 September 2011, approved a cash dividend of Rs.1.50 (2010: Re. 0.22) per certificate on the face value of Rs.10 each, i.e. 15% (2010: 2.2 %), amounting to Rs.66,958,737 (2010: Rs.10,700,615).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 24. CERTIFICATE HOLDING PATTERN OF THE FUND

Category	2011			2010		
	Number of certificate holders	Amount Rupees	% of total	Number of certificate holders	Amount Rupees	% of total
Individuals	637	64,909,767	22.12%	666	27,551,448	13.83%
Associated Companies / Directors	6	127,092,557	43.32%	6	78,210,804	39.25%
Insurance Companies	2	1,535,625	0.52%	2	945,000	0.47%
Banks/ DFIs	2	60,149,050	20.50%	3	50,243,256	25.21%
NBFCs	7	937,469	0.32%	13	11,225,700	5.63%
Retirement Funds	6	8,203,858	2.80%	10	5,904,528	2.96%
Public Limited Companies	1	19,589,901	6.68%	2	21,920,000	11.00%
Others	7	10,986,300	3.74%	6	3,258,700	1.65%
	<b>668</b>	<b>293,404,527</b>	<b>100.00%</b>	<b>708</b>	<b>199,259,436</b>	<b>100.00%</b>

### 25. LIST OF TOP TEN BROKERS BY PERCENTAGE OF THE COMMISSION PAID

2011		2010	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Next Capital Limited*	34.20%	Topline Securities (Private) Limited**	56.39%
Topline Securities (Private) Limited*	21.98%	Al-Habib Capital Markets (Private) Limited**	43.25%
Al-Habib Capital Markets (Private) Limited	10.47%	Al-Falah Securities (Private) Limited	0.36%
BURJ Capital Pakistan (Private) Limited	8.58%		
IGI Finex Securities Limited	6.95%		
Invisor Securities (Private) Limited	6.84%		
Taurus securities (Private) Limited	5.74%		
BMA Capital Management Limited	4.34%		
First Capital Equities Limited	0.90%		

\* This represents brokerage incurred in respect of the 2nd and 3rd Repurchase Program of the Fund, for which M/s. Topline Securities (Private) Limited and M/s. Next Capital (Private) Limited were approved by the Board of Directors of the management company as authorized brokers for the 2nd and 3rd Repurchase Programs respectively.

\*\* This represents brokerage incurred in respect of the 1st and 2nd Repurchase Programs of the Fund, for which M/s. Al-Habib Capital Markets (Private) Limited and M/s. Topline Securities (Private) Limited were approved by the Board of Directors of the management company as authorized brokers for the 1st and 2nd Repurchase Programs respectively.

### 26. 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	43 Years
Mr. Ali H. Shirazi	Director	Masters in Law	7.5 Years
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance)-UK	11 Years
Mr. Khalid Mehmood	Fund Manager - Equity Markets	MBA - Finance	7 Years

### 27. NAME AND QUALIFICATION OF FUND MANAGER

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 28. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

Name of Directors	Meeting held on							
	08 July 2010	20 Aug 2010	12 Oct 2010	27 Oct 2010	11 Jan 2011	22 Feb 2011	07 Apr 2011	26 Apr 2011
Mr. Yusuf H. Shirazi	P	P	P	P	P	P	P	P
Mr. M. Habib-ur-Rahman	P	P	P	P	P	P	P	P
Mr. Tariq Amin	P	P	P	P	P	P	P	P
Mr. Frahim Ali Khan	P	P	L	P	L	P	P	P
Mr. Ali H. Shirazi	P	P	P	P	P	P	P	P
Mr. M. Ashraf Janjua	P	P	P	P	P	P	P	P
Mr. Arshad P. Rana	L	P	P	P	L	L	P	P

**P Present**

**L Leave of absence**

### 29. RATING OF THE FUND AND THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the asset manager rating of the Management Company to AM2- (AM Two Minus) for the FY 2009-10, from the previous AM3 + (AM Three Plus).

The rating of the Fund is pending since FY 2007-08 due to certain issues in the categorization of the Fund. The Management Company has also referred the matter to the Mutual Funds Association of Pakistan, to enable resolution of the matter; however, there being no other Fund in this category, rating is not presently facilitated by the rating agencies.

### 30. GENERAL

**30.1** Figures have been rounded off to the nearest Rupee.

**30.2** Certain prior year's figures have been reclassified / rearranged for the purpose of comparison. However, there were no material reclassifications to report.

### 31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the management company on 20 September 2011.

**For Atlas Asset Management Limited  
(Management Company)**

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

**Yusuf H. Shirazi**  
Chairman

**Tariq Amin**  
Director

**Head Office**

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