

Atlas funds

Nurturing your investments

Atlas Fund of Funds

ANNUAL REPORT

30 June 2012

OPENING
to new **Horizons**

 Managed By
Atlas Asset Management

Rated AM2- by PACRA

*Planting the
seed of investment!*



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, as well as between Atlas Islamic Income Fund and Atlas Islamic Stock Fund, and the Systematic Payout and Systematic Withdrawal Plan under 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.





*Managing
to the Core*

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.



A close-up photograph of a yellow tulip flower, showing the texture of its petals. The flower is the central focus, with other tulips blurred in the background. A circular graphic overlay, consisting of several thin, concentric lines, is positioned around the flower. The text is overlaid on the flower's petals.

*Sustainable growth through strong
commitment*

Contents

Organisation	09
Board of Directors of the Management Company	10
Management Committee	12
Chairman's Review	13
Directors' Report	17
Fund Manager's Report	23
Performance since inception	25
FINANCIAL STATEMENTS	
Statement of Compliance with the Code of Corporate Governance	28
Trustee Report to the Certificate Holders	30
Review Report to the Certificate Holders on the Statement of Compliance with the best practices of Code of Corporate Governance	31
Independent Auditors' Report to the Certificate Holders	32
Statement of Assets and Liabilities	33
Income Statement	34
Statement of Comprehensive Income	35
Distribution Statement	36
Cash Flow Statement	37
Statement of Movement in Certificate Holders' Fund	38
Notes to the Financial Statements	39



A close-up photograph of several bright yellow tulips in a field. The tulips are in various stages of bloom, with some fully open and others as buds. The background is a soft-focus green field with some purple flowers visible. A decorative graphic consisting of several overlapping, glowing circular lines in shades of yellow and green is superimposed over the image, framing the text.

*It's all about
rewarding
your Investment*



Reaping
Better Tomorrows

Organisation

Management Company

Atlas Asset Management Limited

Board of Directors of the Management Company

Chairman	Mr. Yusuf H. Shirazi <i>(Non-Executive Director)</i>
Directors	Mr. Tariq Amin <i>(Independent Director)</i> Mr. M. Ashraf Janjua <i>(Independent Director)</i> Mr. Frahim Ali Khan <i>(Non-Executive Director)</i> Mr. Arshad P. Rana <i>(Non-Executive Director)</i> Mr. Ali H. Shirazi <i>(Non-Executive Director)</i>
Chief Executive Officer	Mr. M. Habib-ur-Rahman <i>(Executive Director)</i>

Company Secretary Ms Lilly R. Dossabhoy

Board Committees

Audit Committee

Chairman	Mr. Tariq Amin
Members	Mr. M. Ashraf Janjua Mr. Frahim Ali Khan
Secretary	Ms Qurrat-ul-Ain Jafari

Human Resource & Remuneration Committee

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

Investment Committee

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

Management Committee

Chairman	Mr. M. Habib-ur-Rahman
Members	Ms Lilly R. Dossabhoy Mr. Muhammad Abdul Samad Mr. Abbas Sajjad

Secretary Mr. M. Irfan Dhedhi

Risk Management Committee

Chairman	Mr. Muhammad Abdul Samad
Members	Mr. Khalid Mahmood Ms Qurrat-ul-Ain Jafari Mr. Muhammad Umar Khan

Secretary Ms Zainab Hussain

Trustee

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

Chief Internal Auditor

Ms Qurrat-ul-Ain Jafari

Auditors

FY 2011-12
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

FY 2012-13
A. F. Ferguson & Co.
Chartered Accountants

Legal Advisers

Mohsin Tayebaly & Co.

Bankers

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

Registered Office

Ground Floor, Federation House
Sharaf 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 2012.

Board of Directors of the Management Company



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 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 Motor Company and MAN, to name a few. 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 over 45 years of experience in General Management, Finance, Investment and Taxation. He graduated in Commerce from the Karachi University in 1965 and also obtained a degree in law from the same University.

He has also attended the Senior Managers' Program from Harvard University, USA, Financial Management from Stanford University, USA, and General Management Program from Insead University, France.

He joined the Atlas Group in 1967 and has served in different senior positions. Currently, his other directorships include Atlas Insurance Limited, Atlas Engineering Limited, Atlas Power Limited, Shirazi Trading Company (Pvt.) Limited, and Atlas Foundation. Earlier, he has also served on the Boards of Atlas Honda Limited and Atlas Battery Limited, and has been the CEO of Shirazi Investments (Pvt) Limited, Shirazi Trading Company (Pvt) Limited, and former Atlas Investment Bank Limited.

Board of Directors of the Management Company



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 to 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 has 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 Board of Atlas Insurance Limited, Atlas Engineering Limited, Shirazi Trading Company (Pvt.) Limited, Techlogix International Limited, Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (as alternate director), and National Management Foundation (sponsoring body of LUMS).



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 / Director 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



Abbas Sajjad
Head of Marketing, Sales &
Investor Services

Chairman's Review

It is my pleasure to present to you the Annual Report of Atlas Fund of Funds for the financial year ended 30 June 2012.

THE ECONOMY

The economy of Pakistan has been showing greater stability led by strong exports, higher remittance and decline in inflation. Despite global slowdown, Pakistan managed to maintain its exports during July-June 2012 period to last year's level. Remittances remained upbeat and reached the record level of US\$ 13.2 billion, an increase of 17.7%, as compared to last year. CPI inflation during July - June 2012 period averaged 11%, as compared to 13.7% during July - June 2011. The SBP lowered its policy rate by a cumulative 200 basis points (bps) during the FY, i.e. 50 bps in July 2011 and 150 bps in October 2011 with an objective to support revival of private investment in the economy.

Exports during July - June 2012 were US\$ 23.6 billion, as compared to US\$ 24.8 billion last year. Imports grew by 11.1% and stood at US\$ 44.9 billion during July-June 2012. The current account deficit stood at US\$ 4.5 billion in the same period. It was largely as a result of increasing trade deficit. Remittances have increased to record level of US\$ 13.2 billion during the July - June 2012 period, as compared to US\$ 11.2 billion for the last year corresponding period. Pakistan's foreign exchange reserves stood at US\$ 15.3 billion at the end of June 2012 compared to US\$ 18.2 billion at end of June 2011.

CPI was 11% during July - June, 2012, as compared to 13.7% for the corresponding previous year. This has been achieved despite sharp increase in international oil prices, supply disruptions due to natural calamities, and effect of upward adjustment in the administered prices of electricity and gas. Food and non-food inflation averaged 11% each against 18% and 10.7% respectively in the same period of last year. A growth of 14.1% was witnessed in the M2 (money supply) during July-June 2012 period, as compared to 15.9% growth during the previous corresponding period. In FY12, M2 witnessed deceleration as compared to corresponding period of last year, which was primarily due to decline in the Net Foreign Assets of the banking system.

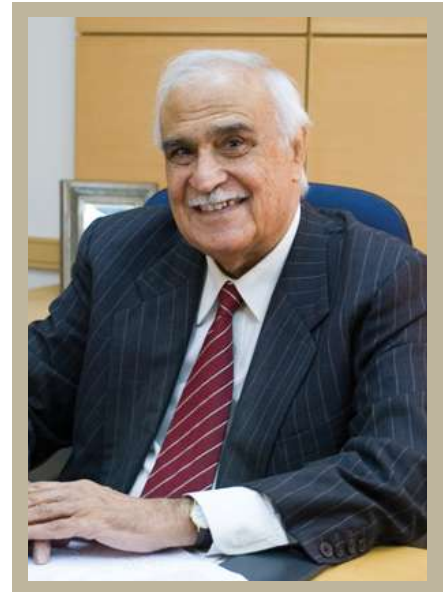
GDP growth for the FY 2011-12 stood at 3.7%, as compared to a growth of 3% in the preceding year. The Agriculture sector recorded a growth of 3.1% against a target of 3.4% and previous year's growth rate of 2.4%. Large Scale Manufacturing (LSM) recorded a growth of 1.1% against 1% last year. Overall, the commodity producing sectors and especially the Agriculture sector have performed better. The Services sector recorded growth of 4% in FY 2011-12.

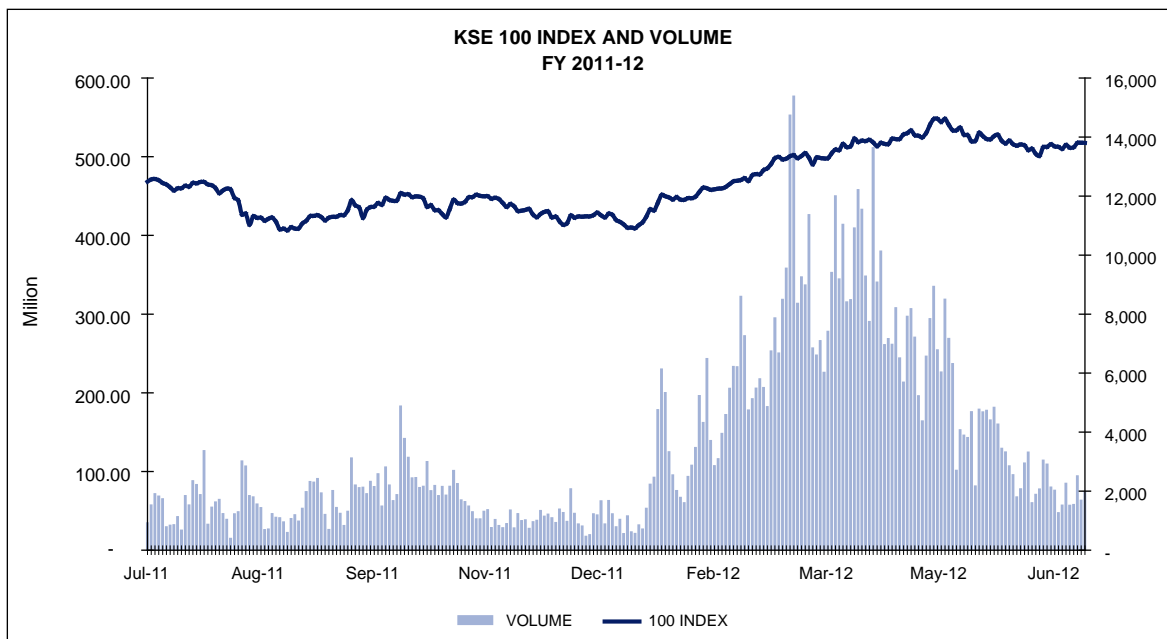
THE STOCK MARKET

The KSE-100 index increased from 12,496.03 points as on 30 June 2011 to 13,801.41 points as on 30 June 2012, showing a growth of 10.45%. The first half of the outgoing financial year depicted a dull activity period, with a decline of 9.18% in KSE -100 index and 60 mn shares average daily trading volume. However, the second half of outgoing financial year witnessed sharp recovery in equity prices mainly driven by anticipated announcement of various measures which were later implemented through a Presidential Ordinance. As a result the KSE -100 index not only managed to recover its lost points but ended the year with a growth of 10.45%. The average daily trading volume also increased to 196 million shares during the second half of the FY.

Changes recommended by the Securities and Exchange Commission of Pakistan (SECP) to simplify and facilitate the implementation of capital gains tax (CGT) were promulgated through a Presidential Ordinance on 26 April 2012, which later on became a part of the Finance Act. The significant changes include 26-month investment window (until June, 2014) with non disclosure of source and nature of funds if invested for a minimum period of four months in the stock market; automated tax collection mechanism in which NCCPL will calculate and collect CGT, and issue a tax certificate at the end of the year to the investor; and the rate of capital gains tax that will be frozen until June 2014 at 10% for less than six months holding period and 8% for 6 to 12 months holding period.

During the period under review, the Cement sector has depicted strong earnings growth due to better cement prices and decline in fuel cost. The strong banking sector spreads and the lower provisioning helped banks to earn decent profits. Banking sector continues with investment in Government Securities and restricted credit disbursement, as a result of which the ADR showed decline while the IDR depicted increase. Oil & Gas Exploration & Production companies showed strong earning growth driven high oil prices and production growth. Fertilizer Sector reaped the benefit of high fertilizer prices during the first half of the outgoing FY. The second half saw some pressure due to aggressive fertilizer import, continued gas curtailment, inventory build up and resultant price cut.





The budgetary measures, though having a neutral effect on most listed sectors, carried an overall positive tone. Going forward, Cement, Exploration & Production and Banking sectors are expected to post strong earnings growth, where as Fertilizer sector is also expected to yield decent returns due to non implementation of additional Gas Infrastructure Development Cess (GIDC) that was previously proposed in the budget. Pakistan's equity market is currently trading at attractive multiples with next year PE of 6.2x and dividend yield of 8%, and has strong potential to yield attractive returns.

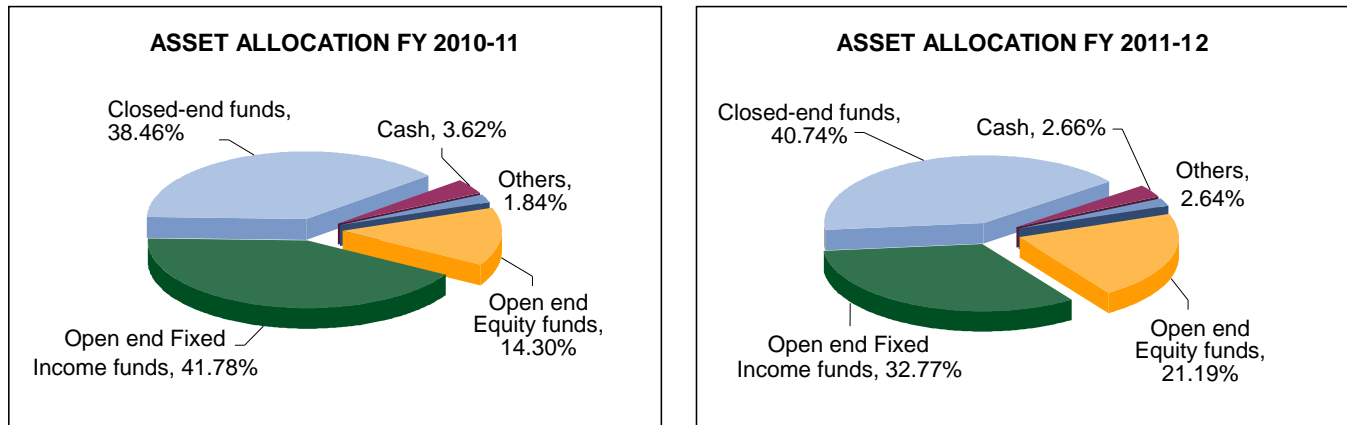
MUTUAL FUND INDUSTRY

Local mutual fund industry with Rs.380 billion in assets under management as on 30 June 2012 witnessed a growth of 52%. Money Market Funds were Rs.150 billion of the total assets under management. The Money Market Funds, for the third year in a row, led the industry, in terms of fresh inflows. Income fund category reached Rs.87 billion as compared to Rs.38 billion in June 2011. The Equity Funds' AUM remained flat at Rs.52 billion. Other categories held the remainder of total mutual fund assets. The following amendments related to mutual fund industry were introduced in the Income Tax Ordinance, 2001 through Finance Bill 2012, which was later adopted by the National Assembly.

- The limit of investment eligible for tax credit has been enhanced from 15% to 20% of the taxable income. The existing limit on investment of Rs.500,000 in securities or insurance premium has also been increased to Rs.1,000,000/-. The retention period of securities is reduced from three to two years.
- Dividend received by banks from investment in securities is subject to tax at 10%, whereas capital gains tax on gain on disposal of securities held for less than one year is subject to capital gains tax at 35% and for more than one year is at 10%. To eliminate the tax arbitrage, the dividend received by banks from money market funds and income funds are to be taxed progressively over a period of two years. For Tax Year 2013 @ 25% and for Tax Year 2014 and onwards @ 35%.
- Capital Gains Tax applicable on disposal of listed securities had a progressively increasing tax rate. A new Eighth Schedule has been introduced, wherein the tax rates for Tax Year 2013 & Tax Year 2014 have been frozen at the rates prescribed for Tax Year 2012. Capital gains on securities with less than 6 months holding period will be taxed at 10% (as against 12.5% & 15%), whilst capital gain on securities with holding period of more than 6 months and less than 12 months will be taxed at 8% as against 8.5% & 9% respectively.
- Retrospective exemption of Federal Excise Duty (FED) on services rendered by Asset Management Companies enforced through amendment in Table-II of Third Schedule to the Federal Excise Act, 2005, effective from the 1 July 2012. However, from 1 July 2011, this has become a provincial subject and sales tax at 16% is being levied on asset management services.

FUND OPERATIONS

The Net Asset Value per certificate of the Fund increased by 21.34% to Rs.10.09 as on 30 June 2012. During the period under review, the benchmark Closed End Funds Market Capitalization has increased by 7.7% from Rs.13.1 billion as on 30 June 2011 to Rs.14.11 billion as on 30 June 2012.



Dividend Income and Interest Income stood at Rs.32.06 million and Rs.3.27 million respectively for the period under review. The Net Assets of the Fund stood at Rs.423.65 million as of 30 June 2012. The ATFF's total exposure in mutual funds was 96.57% which includes closed-end funds that are trading at attractive discounts.

The Non Banking Finance Companies and Notified Entities Regulations, 2008, provide that a closed end fund may invest in its own certificates up to 20% of its issued certificates from the secondary market. During the year, an aggregate of 2,639,158 certificates were repurchased at a repurchase price ranging from Rs.7.90 to Rs.8.24 per certificate, resulting in aggregate cost during the year of Rs.21,374,866. This is in addition 7,860,842 certificates repurchased in previous years under earlier repurchase programs. The total quantity repurchased is 10,500,000 certificates, i.e., 20% of the issued certificates of the Fund.

As per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, an Asset Management Company managing a closed end fund shall, from the expiry of every five years from 21 November 2007 or the date of launch of the fund whichever is later, hold within one month of such period a meeting of the certificate holders to seek their approval (by special resolution) to convert the closed end fund into an open end scheme or revoke the closed end scheme. Accordingly, the Management Company of the Fund has decided to hold such meeting of the certificate holders tentatively on 18 December 2012.

The Board of Directors has approved a Cash Dividend of 9% on the par value of certificate of Rs.10 each, i.e., Re.0.90 per certificate.

RATINGS

- **Asset Manager Rating**

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of Atlas Asset Management Limited (AAML) at "AM2-" (AM Two Minus). 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.

- **Fund Rating**

The rating of the Fund is pending since FY 2007-08 due to some issues in the categorization of the Fund. During FY 2007-08, PACRA had proposed to place the Fund under "balanced closed end funds" category, wherein those funds are placed, which invest in a combination of equity and debt instruments. The investment objective of Atlas Fund of Funds is to invest in other closed end funds to take advantage of discount to NAV at which these funds are traded at the stock exchange. Under circular 7 of 2009 dated 6 March 2009 issued by the Securities and Exchange Commission of Pakistan on the categorization of open ended collective investment schemes (also applicable for closed end schemes in the absence of any separate circular on the categorization of closed end schemes), the proper placement of the Fund is under the category of "Fund of Funds Scheme", with the objective of investing in closed end schemes. Atlas Fund of Funds is the only fund in this category. The Management Company is of the view that in absence of other funds available in the

• **Fund Rating (Continued...)**

category; the Fund should be rated against the bench mark, which in this case is the market capitalization of closed end funds. Comparing with balanced funds, which also had not been done in past, is like comparing performance of two different category of entities with different objectives. Had the investment objective of the Fund been to make investment in other open-end balanced funds or combination of open-end equity and debt funds, the categorization as balanced fund would have been justified. The Management Company had 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

The objective of achieving sustainable growth requires focus on structural reforms, which includes tax legislation, energy sector reforms, trade reforms, privatization of State Owned Enterprises, and human resource development. Energy sector reforms should focus on improving governance, resolution of circular debt issue, and reduction in distribution and transmission losses. The EU approval of duty waiver on textile along with softening international oil prices will bode well for the current account. While the external and fiscal pressures remain a concern, the real challenge lies in reviving private investment in the economy and limiting budgetary borrowings from the banking system. The US dollar has strengthened significantly in the recent past against almost all currencies, and the Pakistan rupee was no exception. The exchange rate is kept under close watch by the SBP, however, the economy would need substantial external inflows to preserve and build foreign exchange reserves.

The Fund is committed to prudent investment procedures and will continue to provide consistent long term returns to the investors. The future of the Fund will be decided in the meeting of the certificate holders on 18 December 2012. The certificate holders are likely to benefit in two ways. The Fund has an investment of 39% in closed end funds. The total investments are valued at Rs.409.17 million, as against their net asset value of Rs.480.83 million. As these closed end funds are likely to be converted into open end or wound up, the value is likely to be released for the benefit of the certificate holders. Secondly, certificates of the Fund are quoted at about 15% discount which will also be released, depending on the decision of the certificate holders. The management will act in the best interest of the certificate holders.

گیسوئے تابدار کو اور بھی تابدار کر
(Let us brighten the future)

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: 05 September 2012

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 along with the audited financial statements and Auditors' Report thereon for the year ended 30 June 2012.

MANAGEMENT'S REVIEW

FY 2011-12 has been an important one for Atlas Asset Management Limited (the Company), recording a growth of 29% in aggregate AUM. Commencing from an AUM of Rs.6.15 billion on 1 July 2011, the year closed at an aggregate AUM of Rs.7.93 billion, the increase was spread over all the categories of mutual funds and voluntary pension schemes under the VPS Rules, 2005, ensuring long term AUM and growth.

Highlights of the major operational activities during the year under review are given below:

RISK MANAGEMENT

The Risk Management (RM) function, which was implemented in the last quarter of FY 2010-11, became fully functional during the year under review, after requisite Board approval of the Risk Management Policy Manual on 7 July 2011. Risk Management is based on enterprise-wide risk management (ERM), implemented at all levels of management to enable identification of potential risks that the Company or the funds may be exposed to, and the steps that may be taken by the management to mitigate and manage those risks.

Portfolio Risk Management (PRM) and Operational Risk Management (ORM) are two broad sub-sets of ERM that are being applied generically to the Company and the funds under its management. PRM includes coverage of market risk, liquidity risk and credit risk. For every Fund managed by the Company, the risk profile is managed as per the NBFC Rules, 2003, the NBFC Regulations, 2008, and the Investment Mandates of each fund. For PRM, the RM Committee reports their findings to the Investment Committee, which advises further measures that may be necessary to mitigate any risks. For ORM, the RM Committee reports their findings to the Management Committee of the Company, enabling all the Heads of Department to give their input to the findings or recommendations and for necessary measures to mitigate any risks. During the year under review, the RM Committee held thirty one meetings.

For the purpose of ensuring compliance to all the various applicable laws, rules, and regulations, the designated Compliance Officer, in coordination with the Risk Management team, utilizes a system based Compliance System. The system monitors adherence to the various limits and restrictions prescribed in the NBFC Regulations and other applicable laws and statutes, as well as internal control limits as approved in the investment mandates of the Investment Committee, Board approvals, or other internal limits set by the management. Any breaches occurring are immediately notified to the concerned departments for necessary rectification thereof.

GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS)

During FY 2011-12, the Company took the initiative of taking another step forward towards transparency in investment processes and investment performance reporting by engaging professional consultants, M/s. Ernst & Young Ford Rhodes Sidat Hyder (EYFRSH) to carry out the assessment of the Company's policies and procedures regarding various areas of investment performance processes for achieving compliance with the Global Investment Performance Standards (GIPS). This is explained in detail in the Fund Manager's Report.

MARKETING & SALES

Whilst the Company's marketing activities continue to be focused on one to one meetings, it simultaneously continued its market presence during FY 2011-12 in terms of a press campaign for Atlas Pensions, event sponsorships towards charitable causes and product brochures to complement the sales meetings and to create public awareness. Following the success of the Perpetual Islamic Calendar in the previous FY 2010-11, in the current year, the Company focused on the Atlas Pensions for its Calendar 2012, highlighting the benefits of investing in a long term retirement scheme. To promote investors' awareness about mutual funds and voluntary pension schemes, the Company also had Kiosk activities and presentations at various prestigious multinational and local companies, highlighting the importance of savings to their employees and assisting them in answering their investment related queries, besides participating in activities at the MUFAP forum. The Company intends to continue such events on an on going basis.

INVESTOR SERVICES

Superior investor services and customer relationship has been a hallmark, and continues to be a key objective of the Company. During FY 2011-12, the Company had the privilege of launching on its website for a "Pensions Simulator", certified by professional consultants that calculates the amount to be accumulated in pension schemes, upon retirement, under different allocation schemes, based on various assumptions. The simulator serves as a tool for prospective investors and pension fund industry players to generate financial forecasts on the basis of assumptions in the light of market conditions.

In addition to the above, the Company has also developed and uploaded on its website, a "Tax Savings Calculator" which facilitates calculation of tax savings in terms of rebate under sections 62 and 63 of the Income Tax Ordinance, 2001, on investment in mutual funds and voluntary pension schemes, based on certain assumed inputs by the user.

The above tools are in addition to the Online Account Statement facilities for mutual funds and voluntary pension schemes managed by the Company, which have been available on the Company's website for nearly three years. The online account statements facilitate the users to generate at any time suited to their convenience the statement of account for any period of activity desired by them. The Company intends to further promote superior client services by developing efficient ways of serving its valued investors.

HUMAN RESOURCE (HR) DEVELOPMENT

As defined in its mission statement, the Company believes that its success comes from its people. Embodied in the HR system is the Atlas Group's philosophy of 3 Rs, i.e. respect, recognition and reward for all employees, based on merit. The Company continues to invest in the development of all its employees in terms of technical skills, managerial skills, communication and presentation skills, behavioral and human aspects, and overall grooming of all team members. During the year, the first Company nominee to the prestigious Atlas - IBA DBM program successfully completed his Diploma in Business Management. Additionally, the Company provided a training platform to all its human resources for various seminars and workshops on a variety of subjects covering fund management, finance, audit, taxation, marketing, customer relations and services, IT, human resources etc. at forums like ICAP, ICMAP, IBA, ACCA, IBP, PIMS, PSTD, OCTARA, etc., and intends to continue the same in future.

INFORMATION TECHNOLOGY & SOFTWARE DEVELOPMENT

On the IT front, the Company continues to place significant emphasis on system based applications, as the business is heavily reliant on the smooth electronic data management. During the FY 2011-12, on the hardware side, up gradation and replacement of various IT equipment including servers, server racks, security enhancements and internet bandwidth enhancements, continued through the year.

Amongst the major IT achievements was the successful launch of the Atlas Group's IT Resource Centre / Disaster Recovery Site (DR Site), spearheaded by the holding company, Shirazi Investments (Pvt.) Limited, and participated by all the Atlas Group Companies, including Atlas Asset Management Limited. In the last quarter of FY 2011-12, the DR Site became live, where the Company's critical system applications are all available to ensure continuity of business activities from the alternate location of the DR Site, in case of any unforeseen event at the head office premises. The Company also achieved progress on its Business Continuity Plan (BCP), which by now has been completed for majority of the departments and is expected to be completed in FY 2012-13.

On the software applications side, the Company achieved progress in respect of automation of the monthly Fund Manager Report (FMR), development and implementation of the Stock Selection Methodology, Performance Calculations/ Graphs, linking of general ledger and automated modules, and continued emphasis on automation of various operational processes with the ultimate aim of a paperless environment, efficiency and transparency. Towards this end, the Company has also strengthened its software development team.

FINANCE & INTERNAL CONTROLS

The Company, over the years, has developed an internal control environment, incorporating therein, financial controls, regulatory compliance, and reporting to stakeholders. The core financial system used by the Company was further enhanced during the year, in coordination with the software consultants for various modules related to the accounting processes of funds. Additionally, in coordination with IT department, certain accounting processes used by the management company were automated during the year, whilst other processes are currently underway and at various stages of development / testing, during the FY 2012-13. The Company puts strong emphasis on timely and accurate financial reporting, and utilizes the available technology in this regard, for the purpose of reporting to the SECP, the investors, trustees, as well as management reporting. The Company's progress in terms of operations, financial position and positioning within peer group competing asset management companies is also closely monitored.

INTERNAL AUDIT

The Internal Audit function, headed by the Chief Internal Auditor (CIA), is a full time function which reviews the operational activities of all the departments. The internal audit function proceeds on the basis of an annual internal audit plan which is approved by the Board's Audit Committee at the commencement of each year, and covers regularly, the functions of each department. The internal audit function reports functionally to the Audit Committee, and issues the internal audit report on a quarterly basis, with recommendations for improvement to the management.

CORPORATE GOVERNANCE

The Company places great emphasis on corporate governance, ethics, and good business practices. The Board of directors and the management welcome the implementation of the Code of Corporate Governance, 2012 (CCG, 2012) by the SECP, and the initiatives taken therein by the SECP therein. Whilst the new Code makes it mandatory to have a Human Resource & Remuneration Committee, the Board of Directors of the Company had formed such committee earlier in January 2007, with the terms of reference approved by the Board.

In terms of progress on measures implemented in the CCG 2012 towards increased corporate governance, the Board of Directors have taken the following measures:

- Approval and implementation of the Code of Conduct for the Company and its employees, defining the obligations and responsibilities of the Board members, the employees, and the Company towards the various stakeholders, each other, and the society as a whole. This is also uploaded on the Company's website for ready reference and guidance of all employees. The Code replaces the Statement of Ethics and Business Practices which was earlier enforced in the Company at all levels.
- Approval of the Donations / CSR policy of the Company and the funds under its management, where applicable. During FY 2011-12, the Company formalized its donations policy in terms of an allocation of 1% of after tax comprehensive profit of the Company to the Atlas Foundation, a charitable project of the Atlas Group, towards promoting the cause of education in the society.
- The terms of reference of both, the Audit Committee and the Human Resource & Remuneration Committee have been suitably amended in the light of the requirements of the CCG, 2012.

CORPORATE SOCIAL RESPONSIBILITIES (CSR) & DONATIONS

The Company endorses the views of its Chairman, Mr. Yusuf H. Shirazi that the Company belongs to the society, and believes that what has come from the society should be shared with the society. The CSR activities of the Company are focused towards donations to the cause of education and medical care in the society, of which there is a dearth. In addition to the 1% allocation of after tax comprehensive profit to donations, the Company also participates from time to time in event sponsorships for charitable causes, hosted by approved charitable institutions, as also done in the FY 2011-12.

The Shariah Compliant Atlas Islamic Stock Fund and the Equity Sub Fund of the Atlas Pension Islamic Fund, as per their Constitutive documents, are required to purify their Shariah Non Compliant (Haram) income from the Fund. Such income, in accordance with the certification by the Shariah Advisor of these funds, is also donated to charitable institutions approved by the Shariah Advisor, on quarterly basis.

FUTURE OUTLOOK & UPCOMING MEETING OF CERTIFICATE HOLDERS

The Company foresees a strong performance for overall growth of AUM in FY 2012-13, based on the performance of the current financial year, as well as the positive tax amendments through the Finance Act, 2012. The management is hopeful that these amendments will contribute to long term retail investment, thereby increasing overall AUM.

As explained in detail in the Chairman's Review, future of the Fund will be decided in the meeting of the certificate holders on 18 December 2012 as required under Regulation 65 of the NBFC Regulations, 2008, wherein, they are likely to benefit in two ways - the investments in closed end funds, currently valued at market price, upon conversion or winding up, will be valued on NAV basis, further, their discount on NAV will also be released. The management will act in the best interest of the certificate holders.

EARNINGS PER CERTIFICATE

Basic and Diluted earnings on the number of certificates issued as at 30 June 2012 work out to Rs.1.75 per certificate (2011: Rs.2.79 per certificate).

FUND OPERATIONS AND DISTRIBUTION

As at 30 June 2012, the Net Assets of the Fund stood at Rs.423.65 million as compared to Net Assets of Rs.434.53 million as at 30 June 2011. The Board of Directors of the Management Company of the Fund approved a cash dividend of 9% (2011: 15%) on the face value of Rs.10 per certificate, i.e. Re.0.90 per certificate (2011: Rs.1.50 per certificate). The Board has also approved the book closure of the certificate transfer books of the Fund from 27 September 2012 to 4 October 2012, both days inclusive.

During the year, the Fund repurchased 2,639,158 certificates (5.03% of the issued certificates) [2011:4,525,000 (8.62%) of the issued certificates] with an aggregate repurchase price of Rs.21,374,866 average Rs.8.10 per certificate), as of 30 June 2012, [2011: Rs.28,300,460 (average Rs.6.25 per certificate)], as allowed under the NBFC Regulations, 2008, after complying with all requirements laid down by the Securities and Exchange Commission of Pakistan. This is explained in detail in note 14 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:

- 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.
- Proper books of account of the Fund have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The future operations of the Fund are dependent on the approval from the Certificate holders of the Fund as described in the foregoing paragraphs, who may decide in favour of the conversion or revocation of the Fund. The Management Company believes that the revocation of the Fund will not have any material impact on the carrying amounts of the assets and liabilities for the reason that such values are not materially different from the expected realizable / settlement amounts of the assets and liabilities of the Fund. Accordingly the financial statements have been prepared on a going concern basis.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- A summary of key financial data/ performance table is annexed on page 25 of the Annual Report.
- 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.
- The pattern of certificate holdings is appended as note 24 to the financial statements.

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY & COMMITTEES THEREOF

The Board of Directors of the Management Company comprises of one executive and six non-executive directors. There was no casual vacancy in the Board during the year.

During the year, five Board Meetings were held. The particulars of the dates of meetings, and the directors attending, as required under the NBFC Regulations, 2008, are appended as note 28 to the financial statements.

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY & COMMITTEES THEREOF (Continued...)

Committees of the Board comprise the Audit Committee, the Human Resource & Remuneration Committee, and the Investment Committee (which includes executive management personnel as required under the NBFC Regulations, 2008). These meetings were attended by the Directors as per the following details:

Audit Committee (AC) - four AC meetings were held during the year, and attended as follows:

Serial no.	Name of Director	Status	Meetings attended
1	Mr. Tariq Amin	Independent Director	4
2	Mr. M. Ashraf Janjua	Independent Director	3
3	Mr. Frahim Ali Khan	Non-Executive Director	4

Human Resource & Remuneration Committee (HR& RC) - two meetings were held during the year and attended as follows:

Serial no.	Name of Director	Status	Meetings attended
1	Mr. Frahim Ali Khan	Non-Executive Director	2
2	Mr. Ali H. Shirazi	Non-Executive Director	2
3	Mr. M. Habib-ur-Rahman	Chief Executive Officer	2

Investment Committee (IC) - 52 meetings were held during the year and attended as follows:

Serial no.	Name of Director	Status	Meetings attended
1	Mr. Ali H. Shirazi	Non-Executive Director	34
2	Mr. M. Habib-ur-Rahman	Chief Executive Officer	51
3	Mr. M. Abdul Samad (executive management)	Chief Investment Officer - Member IC	45
4	Mr. Khalid Mahmood (executive management)	Fund Manager - Equity Markets - Member IC	52
5	Mr. M. Umar Khan (executive management)	Fund Manager - Fixed Income (Member IC w.e.f. 8 June 2012)	5

DIRECTORS' TRAINING PROGRAM REQUIREMENTS

Four members of the Board of the Management Company are exempt from the requirements of the Directors' Training Program on the basis of their education and experience on the Boards of listed companies, as per the proviso to Clause xi of the Code. Additionally, one Board member is currently undergoing a Directors' Certification Program from one of the institutes meeting the criteria specified by the SECP for conducting such programs.

TRANSACTIONS IN CERTIFICATES OF THE FUND

The Directors, CEO, executives 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."

RATINGS UPDATE

The Pakistan Credit Rating Agency Limited (PACRA), has maintained the asset manager rating of the Management Company at AM2 - (AM Two Minus). 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.

As explained in detail in the Chairman's Review, the rating of the Fund is pending since FY 2007-08 due to some issues in the categorization of the Fund. The Management Company had 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, and rating is not presently facilitated by the rating agency.

AUDITORS

The external auditors of the Fund, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Karachi have completed their five years' term permissible under the NBFC Regulations, 2008 and retire. The Audit Committee of the Board of Directors, in their meeting held on 03 September 2012, recommended the appointment of M/s. A. F. Ferguson & Co., Chartered Accountants, Karachi, as the external auditors of the Fund for the FY ending 30 June 2013. 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: 05 September 2012

M. Habib-ur-Rahman
Chief Executive Officer

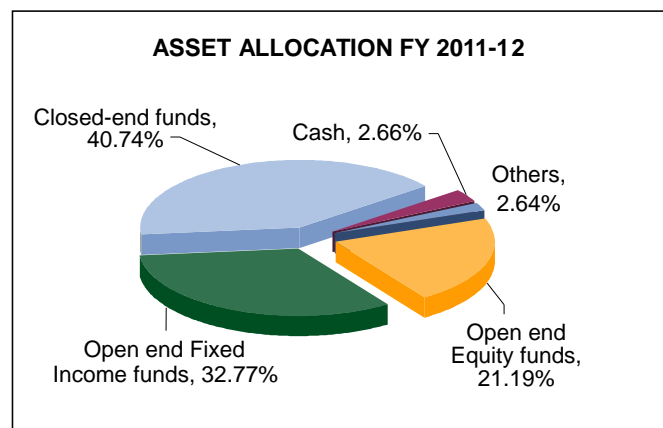
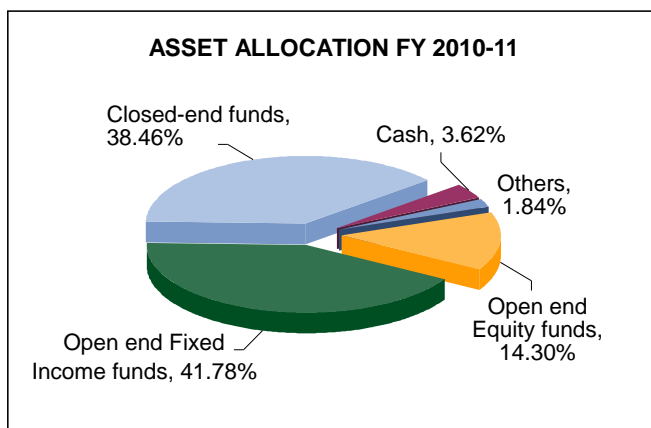
Fund Manager's Report

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

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

The KSE-100 index has appreciated from 12,496.03 points as on 30 June 2011 to 13,801.41 points as on 30 June 2012, showing a growth of 10.45%. The first half of the outgoing financial year depicted a dull activity period, with a decline of 9.18% in KSE-100 index and 60 million shares average daily trading volume. However, the second half of outgoing financial year witnessed sharp recovery in equity prices mainly driven by anticipated announcement of various measures which were later implemented through an ordinance and later incorporated in the Finance Act. The KSE-100 index not only managed to recover its lost points but ended the year with an appreciation of 10.45%. The average daily trading volume also improved to 196 million shares during the second half of the financial year.

The Net Asset Value per certificate of the Fund has appreciated by 21.34% to Rs.10.09 as on 30 June 2012. During the period under review, the benchmark Closed End Funds Market Capitalization has improved by 7.7% from Rs.13.1 billion as on 30 June 2011 to Rs.14.11 billion as on 30 June 2012.



During the year ended 30 June 2012, ATFF earned dividend income and Interest income of Rs.32.06 million and Rs.3.27 million respectively as compared to Rs.38.11 million and Rs.5.48 million respectively during previous year. ATFF income from capital gains and appreciation in value of investment stood at Rs.15.86 million and Rs.39.23 million respectively as compared to Rs.36.88 million and Rs.66.91 million respectively during previous year.

The Net Assets of your Fund stood at Rs.423.65 million as of 30 June 2012. The ATFF total exposure in mutual funds was 94.70%, as compared to 94.54% in the previous year. The break-up of the investment is given as under:

Investment category	As at 30 June 2012	As at 30 June 2011
Closed end funds	40.74%	38.46%
Open end funds - Equity category	21.19%	14.30%
Open end funds - Fixed income / Money Market categories	32.77%	41.78%
Total	94.70%	94.54%

As on 30 June 2012, the investments in closed end funds were at 29% discount to NAV, as compared to 21% discount on 30 June 2011.

The NBFC Regulations, 2008, provide that a closed end fund may invest in its own certificates up to 20% of its issued certificates from the secondary market. During the year, an aggregate of 2,639,158 certificates were repurchased at a repurchase price ranging from Rs.7.90 to Rs.8.24 per certificate, resulting in aggregate cost during the year of Rs.21,374,866. This is in addition 7,860,842 certificates repurchased in previous years under the previous repurchase programs. The total quantity repurchased is 10,500,000 certificates, or 20% of the issued certificates of the Fund, at a total cost of Rs.59,789,212.

As per clause 65 of the NBFC Regulations, 2008, an Asset Management Company managing a closed end fund shall, from the expiry of every five years from 21 November 2007 or the date of launch of the fund whichever is later, hold within one month of such period a meeting of the certificate holders to seek their approval (by special resolution) to convert the closed end fund into an open end scheme or revoke the closed end scheme. Accordingly, the Management Company of the Fund has decided to hold the meeting of the certificate holders on 18 December 2012.

Breakdown of certificate holdings by size:

Type of investor	No. of Investors	Amount of Investment (Rs.)*	% of total
Individuals	642	75,755,960	20.61%
Associated Companies/ Directors	5	64,128,733	17.45%
Insurance Companies	2	2,067,188	0.56%
Banks/ DFIs	2	74,119,028	20.17%
NBFCs	5	1,259,781	0.34%
Retirement Funds	4	7,543,681	2.05%
Others	12	142,625,630	38.81%
Total	672	367,500,000	100.00%

* Based on Market Value per certificate as on 30 June 2012.

The Scheme has maintained provision against WWF liability of Rs.5,679,308. If the same were not made, the NAV per certificate/ return of the scheme would be higher by Rs.0.14/1.63%. For details please refer to Note 13.1 of the financial Statements.

The Board of Directors has approved a Dividend of Re.0.90 per certificate.

Global Investment Performance Standards (GIPS):

During FY 2011-12, Atlas Asset Management Limited (AAML) has engaged Ernst & Young Ford Rhodes Sidat Hyder (EYFRSH) to carry out the assessment of the AAML policies and procedures for achieving compliance with the Global Investment Performance Standards (GIPS®). This entailed the assessment of the policies and procedures over various areas of investment performance process. The objective in implementing GIPS® is to establish them as the recognized standard for calculating and presenting investment performance around the world and for the GIPS® standard to become a firm "passport" to market investment management services globally. The implementation of GIPS® is expected to be completed by FY 2012-13.

In order to strengthen the Risk Management System, AAML has formed Risk Committee with an objective to provide an integrated process for overall risk management i.e. Operational Risk Management and Portfolio Risk Management. During the year under review, the Risk Committee held thirty-one meetings to review risk management.

During the year under review, the Investment Committee held fifty two meetings to review the investment of the Fund.

Karachi: 05 September 2012

Khalid Mehmood
Fund Manager

Performance Since Inception

	2012	2011	2010	2009	2008	2007	2006	For the period from 2 August 2004 to 30 June 2005
Net assets (Rs. In "000)	423,653	434,532	345,429	282,659	592,196	646,274	628,660	526,583
Number of certificates in issue (net of repurchase)	42,000,000	44,639,158	49,164,158	50,834,000	52,500,000	52,500,000	52,500,000	500,000,000
Number of own certificates re-purchased during the year	2,639,158	4,525,000	1,669,842	1,666,000	-	-	-	-
Net asset value per certificate (Rs.)	10.09	9.73	7.03	5.56	11.28	12.32	11.97	10.53
Net income/(loss) for the year (Rs. In "000")	77,455	134,841	65,990	(270,006)	29,992	96,364	102,077	26,583
Earnings/ (loss) per certificate (Rs.)	1.75	2.79	1.30	(5.17)	0.57	1.84	1.94	0.71
Annual return of the Fund (%)	21.34	42.46	26.44	(45.64)	5.41	17.32	19.23	5.30*
Dividend / Bonus per certificate (Rs.)	0.90	1.50	0.22	-	0.75	1.60	1.50	5.00**
Dividend / Bonus as a % of face value per certificate	9.00	15.00	2.20	-	7.50	16.00	15.00	0.50**
Date of distribution	5-Sep-12	20-Sep-11	12-Oct-10	-	18-Aug-08	26-Jul-07	19-Jul-06	15-Jul-05

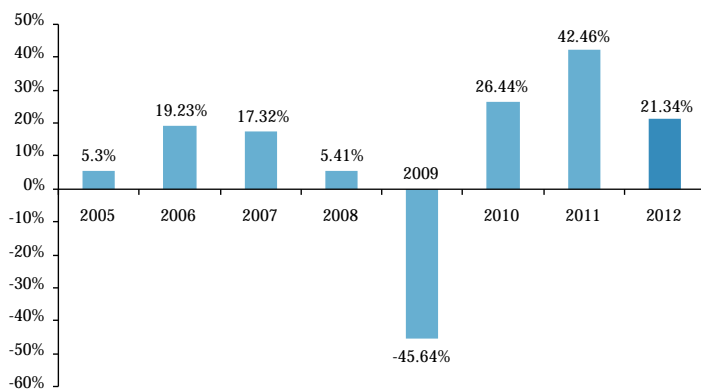
Date of Launch: 16 December 2004.

* Return for the period from 16 December 2004 to 30 June 2005.

** Bonus distribution for the period from 2 August 2004 to 30 June 2005, and cash dividend for FY 2005-06 to FY 2011-12.

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.

Yearly Performance



Payout History







Atlas Fund of Funds
Financial
Statements

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) 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 includes:

Category	Name of Director
Independent Directors	Mr. Tariq Amin Mr. M. Ashraf Janjua
Non-Executive Directors	Mr. Yusuf H. Shirazi Mr. Frahim Ali Khan Mr. Ali H. Shirazi Mr. Arshad P. Rana
Executive Director (CEO)	Mr. M. Habib-ur-Rahman

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven 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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The Management Company has prepared a "Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of the particulars of significant policies 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. Four members of the Board of the Management Company are exempt from the requirements of the Directors' Training Program on the basis of their education and experience on the Boards of listed companies, as per the proviso to Clause xi of the Code. Additionally, one Board member is currently undergoing a Directors' Certification Program from one of the institutes meeting the criteria specified by the SECP for conducting such programs.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2012

10. No new appointment of the Chief Financial Officer & Company Secretary and Chief Internal Auditor was 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 certificates other than those disclosed in note 21 to the financial statements "Transactions with Related Parties/Connected Persons", and as disclosed in the pattern of certificate holdings in note 24 to the financial statements.
14. The Management Company has complied with the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee comprising of three members, all of whom are non-executive directors and the Chairman of the Committee is an independent director.
16. Meetings of the Audit Committee were held every quarter, prior to approval of the interim and annual results of the Fund, as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the committee is a non-executive director.
18. 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.
19. The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 ICAP.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/financial results, and business decisions, which may materially affect the market price, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through the Stock Exchange.
23. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 05 September 2012

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 2012 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 or pricing is carried out in accordance with the deed and any regulatory requirement;
- (iii) and any regulatory requirement.

For the purpose of information, the attention of certificate holder's is drawn towards auditor's report and note 1.4 to the financial statements which states that the Management Company of the fund is required to hold a meeting of the certificate holders within the time framework prescribed under the Non Banking Finance Companies and Notified Entities Regulations, 2008 to seek approval regarding conversion of the fund into an open end collective investment scheme or revoke the fund. However, the financial statements have been prepared on a going concern basis for the reasons given in the above referred note.

Karachi: August 28, 2012

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, the Listing Regulations of The Karachi Stock Exchange (Guarantee) Limited require 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 2012.

Karachi: 05 September 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

Report on the financial statements

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 2012, and the related statements of income, comprehensive 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 approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of matter

We draw attention to note 1.4 of the financial statements which states that the Management Company of the Fund is required to hold a meeting of certificate holders within the time frame prescribed under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 to seek approval regarding conversion of the Fund into an open end collective investment scheme or revoke the Fund. However, these financial statements have been prepared on a going concern basis for the reasons given in the above referred note.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Karachi: 05 September 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Arslan Khalid
Audit Engagement Partner

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2012

	Note	2012	2011
		Rupees	
Assets			
Bank balances	7	11,509,118	16,086,920
Receivable against sale of securities		3,348,504	-
Investments	8	409,172,937	419,914,511
Interest accrued		302,229	451,996
Security deposits and other receivable	9	7,723,976	7,723,976
Total assets		432,056,764	444,177,403
Liabilities			
Payable against purchase of securities		37,240	3,312,271
Payable to the management company	10	575,743	679,297
Payable to the trustee	11	62,013	65,633
Payable to the SECP	12	396,970	389,781
Accrued and other liabilities	13	6,360,098	4,743,473
Dividend payable		971,507	455,282
Total liabilities		8,403,571	9,645,737
Net assets		423,653,193	434,531,666
Represented by:			
Certificate holders' Fund			
Issued, subscribed and paid up [52,500,000 (2011: 52,500,000) certificates of Rs. 10/- each]	14	525,000,000	525,000,000
Repurchase of own certificates by the Fund [10,500,000 (2011: 7,860,842) certificates]	15	(59,789,212)	(38,414,346)
		465,210,788	486,585,654
Accumulated loss		(41,557,595)	(52,053,988)
		423,653,193	434,531,666
Net asset value per certificate	16	10.09	9.73

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 2012

	Note	2012 Rupees	2011 Rupees
Income			
Dividend income		32,055,351	38,110,040
Interest income	17	3,272,077	5,483,273
Net gain on investments at fair value through income statement (held-for-trading)			
Net gain on sale of investments		15,861,519	27,366,613
Net unrealised gain on revaluation of investments		39,230,746	66,914,122
		55,092,265	94,280,735
Net gain on sale of available -for- sale investments		-	9,508,986
Other income		200,000	-
		90,619,693	147,383,034
Expenses			
Remuneration of the management company		7,220,034	6,960,130
Sindh Sales Tax on Remuneration of the Management Company	13.1	1,155,205	-
Remuneration of the trustee		751,781	740,439
SECP annual fee		396,970	389,781
Annual rating fee		-	100,000
Annual listing fee		172,970	127,083
Securities transaction cost	18	962,624	775,415
Auditors' remuneration	19	240,000	240,000
Printing charges		606,562	383,500
CDC charges		67,500	67,500
Bank charges		10,200	6,615
Provision for Workers' Welfare Fund	13.2	1,580,717	2,751,851
		13,164,563	12,542,314
Net income for the year		77,455,130	134,840,720
Earnings per certificate - basic and diluted	20	1.75	2.79

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 2012

	2012	2011
	----- Rupees -----	
Net income for the year	77,455,130	134,840,720
Other comprehensive income / (loss)		
Net unrealised gain on revaluation of available-for-sale investments arised during the year	-	2,771,673
Reclassification adjustment for gains included in income statement upon disposal of investments	-	(9,508,986)
	-	(6,737,313)
Total comprehensive income for the year	77,455,130	128,103,407

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 2012

	2012	2011
	----- Rupees -----	
Accumulated loss brought forward [includes unrealised loss on investments of Rs.84,603,198] (2011: unrealised loss of Rs.216,002,161)	(52,053,988)	(176,194,093)
Cash dividend at the rate of Rs.1.50 per certificate declared on 20 September 2011 (2011: Rs.0.22 per certificate declared on 12 October 2010)	(66,958,737)	(10,700,615)
Net income for the year	77,455,130	134,840,720
Accumulated loss carried forward [includes unrealised loss on investments of Rs.3,954,451] (2011: unrealised loss of Rs.84,603,198)	<u>(41,557,595)</u>	<u>(52,053,988)</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 2012

Note	2012 ----- Rupees -----	2011 ----- Rupees -----
Cash flows from operating activities		
Net income for the year	77,455,130	134,840,720
Adjustments for:		
Dividend income	(32,055,351)	(38,110,040)
Interest income	(3,272,077)	(5,483,273)
Net gain on sale of investments	(15,861,519)	(27,366,613)
Net unrealised gain on revaluation of investments	(39,230,746)	(66,914,122)
Net gain on sale of available for sale investments	-	(9,508,986)
	(90,419,693)	(147,383,034)
(Increase) / decrease in assets		
Receivable against sale of securities	(3,348,504)	-
Security deposits and other receivable	-	3,000,000
	(3,348,504)	3,000,000
(Decrease) / increase in liabilities		
Payable against purchase of securities	(3,275,031)	601,139
Payable to the management company	(103,554)	128,419
Payable to the trustee	(3,620)	14,043
Payable to the SECP	7,189	66,175
Accrued and other liabilities	1,616,625	2,883,842
	(1,758,391)	3,693,618
	(18,071,458)	(5,848,696)
Dividend received	32,055,351	38,110,040
Interest received	3,421,844	5,139,173
Investments made during the year	(376,150,067)	(372,272,269)
Investments sold / redeemed during the year	441,983,906	355,848,848
Net cash inflow from operating activities	83,239,576	20,977,096
Cash flows from financing activities		
Dividend paid	(66,442,512)	(10,661,498)
Repurchase of own certificates	(21,374,866)	(28,300,460)
Net cash used in financing activities	(87,817,378)	(38,961,958)
Net decrease in cash and cash equivalents	(4,577,802)	(17,984,862)
Cash and cash equivalents at the beginning of the year	16,086,920	34,071,782
Cash and cash equivalents at the end of the year	11,509,118	16,086,920

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 2012

Note	Fund	Repurchased certificates	(Accumulated losses) R u p e e s	Unrealised gain on revaluation of available-for-sale investment	Total
Net assets as at 30 June 2010 [Rs.7.03 per certificate]	525,000,000	(10,113,886)	(176,194,093)	6,737,313	345,429,334
Cash dividend at the rate of 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
Net assets as at 30 June 2011 [Rs.9.73 per certificate]	525,000,000	(38,414,346)	(52,053,988)	-	434,531,666
Cash dividend @ of Rs.1.50 per certificate declared on 20 September 2011	-	-	(66,958,737)	-	(66,958,737)
Repurchase of own certificates	15	(21,374,866)	-	-	(21,374,866)
Net income for the year	-	-	77,455,130	-	77,455,130
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	77,455,130	-	77,455,130
Net assets as at 30 June 2012 [Rs.10.09 per certificate]	525,000,000	(59,789,212)	(41,557,595)	-	423,653,193

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 2012

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, Shahrae Firdousi, Clifton, Karachi.
- 1.2** The certificates of the Fund were offered for public subscription in December 2004. The certificates of the Fund are listed on the Karachi Stock Exchange (Guarantee) Limited.
- 1.3** According to the Trust Deed, the objective of the Fund is to provide investors one window facility to invest in a diversified portfolio of securities offering consistent return and growth. The Fund aims to deliver this objective mainly by investing in closed end mutual funds to take advantage of availability of such securities at discount to Net Asset Value (NAV). Depending upon the market opportunity, the management company may defer investment in closed end mutual funds and invest in open ended mutual funds, 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.
- 1.4** As per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, an Asset Management Company managing a closed end fund shall, from the expiry of every five years from 21 November 2007 or the date of launch of the fund whichever is later, hold within one month of such period a meeting of the certificate holders to seek their approval (by special resolution) to convert the closed end fund into an open end scheme or revoke the closed end scheme. Accordingly, the Management Company of the Fund has decided to hold the meeting of the certificate holders tentatively on 18 December 2012.

The future operations of the Fund are dependent on the above referred approval from the Certificate holders of the Fund, who may decide in favour of conversion to open end fund, or revocation of the Fund. The Management Company believes that the revocation of the Fund will not have any material impact on the carrying amounts of assets and liabilities for the reason that such values are not materially different from the expected realizable / settlement amounts of the assets and liabilities of the Fund. Accordingly, these financial statements have been prepared on a going concern basis.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

During the year, following amendments and improvements to the accounting standards became effective:

IFRS 7 – Financial Instruments: Disclosures (Amendment)

IAS 24 – Related Party Disclosures (Revised)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

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

There are other amended standards and interpretations that are mandatory for the current accounting period but are considered not to be relevant for the Fund's operations and are, therefore, not detailed in these 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 2012

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 2012

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

The following revised standards 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 and amendment:

Standard or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments)	01 July 2012
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 - Presentation of Financial Statements – Presentation of items of comprehensive income	01 July 2012
IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014

The Fund expects that the adoption of the above revisions or amendments of the standards will not affect the Fund's financial statements in the period of initial application except for certain additional disclosures.

There are certain other amended standards and interpretation that are mandatory for accounting periods beginning on or after 01 January 2012 but are considered not to be relevant for the Fund's operations and are, therefore, not detailed in these financial statements.

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	Effective date (annual periods beginning on or after)
IFRS 9 Financial Instruments: Classification and Measurement	01 January 2015
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

7. BANK BALANCES	Note	2012 ----- Rupees -----	2011 ----- Rupees -----
In current accounts - dividend accounts		971,507	455,282
In PLS saving accounts	7.1	10,537,611	15,631,638
		11,509,118	16,086,920

7.1 The rate of return on these accounts ranges between 6% and 12% (2011: 5% and 11.50%) per annum.

8. INVESTMENTS

At fair value through income statement (held-for-trading)	8.1	409,172,937	419,914,511
---	-----	--------------------	-------------

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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
EQUITY INVESTMENT INSTRUMENTS								
(Face value of Rs. 10/- each unless stated otherwise)								
Managed by AKD Investment Management Limited								
Golden Arrow Selected Stocks Fund Limited (Face value Rs. 5/- per share)	3,000,000	-	-	-	3,000,000	14,400,000	3.52	3.40
Managed by AI-Meezan Investment Management Limited								
Meezan Balanced Fund	3,650,000	517,903	-	-	4,167,903	43,179,475	10.55	10.19
Managed by JS Investments Limited								
JS Value Fund Limited	1,325,000	3,752,957	-	-	5,077,957	37,475,323	9.16	8.85
JS Growth Fund	4,788,976	738,412	-	-	5,527,388	40,902,671	10.00	9.65
	6,113,976	4,491,369	-	-	10,605,345	78,377,994	19.16	18.50
Managed by PICIC Asset Management Company Limited								
PICIC Energy Fund	2,425,974	2,718,186	-	-	5,144,160	40,073,006	9.79	9.46
PICIC Growth Fund	1,313,550	536,450	-	1,850,000	-	-	-	-
PICIC Investment Fund	4,000,000	300,000	-	4,300,000	-	-	-	-
	7,739,524	3,554,636	-	6,150,000	5,144,160	40,073,006	9.79	9.46
						176,030,475	43.02	41.55
OPEN-ENDED MUTUAL FUNDS								
(Face value of Rs. 10/- each unless stated otherwise)								
Managed by AI-Meezan Investment Management Limited								
AI-Meezan Mutual Fund Limited	2,948,995	200,000	-	-	3,148,995	37,962,709	9.28	8.96
Managed By Atlas Asset Management Limited (Related party)								
Atlas Income Fund (Related party) (Face value Rs. 500/- per unit)	-	20,523	1,176	-	21,700	10,893,236	2.66	2.57
Atlas Islamic Income Fund (Related party) (Face value Rs. 500/- per unit)	-	48,678	1,602	50,280	-	-	-	-
Atlas Islamic Stock Fund (Related party) (Face value Rs. 500/- per unit)	19,904	261,728	6,873	215,092	73,412	28,464,956	6.96	6.72
Atlas Money Market Fund (Related party) (Face value Rs. 500/- per unit)	48,403	132,804	2,178	109,536	73,849	37,122,411	9.07	8.76
Atlas Stock Market Fund (Related party) (Face value Rs. 500/- per unit)	70,317	220,167	23,140	252,458	61,166	25,136,969	6.14	5.93
	138,624	683,900	34,969	627,366	230,127	101,617,572	24.83	23.98
Managed By Habib Asset Management Limited								
First Habib Cash Fund (Face value Rs. 100/- per unit)	329,985	97,314	16,849	339,882	104,266	10,535,185	2.57	2.49
Managed By HBL Asset Management Limited								
HBL Islamic Stock Fund (Face value Rs. 100/- per unit)	50,095	45,433	769	96,297	-	-	-	-
HBL Money Market Fund (Face value Rs. 100/- per unit)	242,881	-	7,408	250,288	-	-	-	-
HBL Stock Fund (Face value Rs. 100/- per unit)	183,006	-	19,813	202,820	-	-	-	-
	475,982	45,433	27,990	549,405	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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
OPEN-ENDED MUTUAL FUNDS (Continued...) (Face value of Rs. 10/- each unless stated otherwise)								
Managed By JS Investments Limited								
JS Cash Fund (Face value Rs. 100/- per unit)	210,175	288,878	24,865	523,918	-	-	-	-
Managed By Lakson Investments Limited								
Lakson Income Fund (Face value Rs. 100/- per unit)	370,400	-	40,651	29,691	381,360	38,642,338	9.44	9.12
Lakson Money Market Fund (Face value Rs. 100/- per unit)	356,570	-	39,502	19,857	376,215	37,928,444	9.27	8.95
	726,970	-	80,153	49,548	757,575	76,570,782	18.71	18.07
Managed By National Investment Trust Limited								
NIT Government Bond Fund	529,256	-	53,472	-	582,728	6,456,214	1.59	1.52
						233,142,462	56.98	55.02
8.1.2						409,172,937	100.00	96.57

8.1.2 The cost of above investments is Rs.413,127,388 (2011: Rs.504,517,709).

Note	2012	2011
	Rupees	
9. SECURITY DEPOSITS AND OTHER RECEIVABLE		
National Clearing Company of Pakistan Limited (NCCPL)	7,500,000	7,500,000
Central Depository Company of Pakistan Limited (CDC)	200,000	200,000
Other receivable	23,976	23,976
	7,723,976	7,723,976

9.1 Represents amount deposited with NCCPL against Institutional Delivery System Functionality for regular market trades amounting to Rs.2,500,000 (2011: Rs.2,500,000) and cash / exposure margin of Rs.5,000,000 (2011: Rs.5,000,000) against repurchase of own certificates. The cash / exposure margin carries interest at the rate of 8.5% per annum.

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 2% (2011: 1.90%) per annum of the average net assets of the Fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 Rs.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 Rs.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 Rs.2.075 million plus 0.06% per annum of the net assets exceeding Rs.2,000 million
- exceeding Rs.5,000 million	Maximum of Rs.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	2012 ----- Rupees -----	2011 -----
Auditors' remuneration payable		191,171	191,707
Printing charges payable		373,000	233,175
Settlement charges		24,500	20,000
Rating fee payable		-	200,000
Sindh Sales Tax on remuneration of the Management Company	13.1	92,119	-
Provision for Workers' Welfare Fund	13.2	5,679,308	4,098,591
		6,360,098	4,743,473

13.1 During the year, an amount of Rs.1,155,205 (2011: nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011, out of which Rs.1,063,086/- has already been paid to the management company which acts as a collecting agent. The remaining amount of Rs.92,119/- has been paid subsequent to the year end.

13.2 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 2012

In the year 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.

During the year, 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.5,679,308 (30 June 2011: Rs.4,098,591) in these financial statements. Had the same not been made the net asset value per unit of the Fund would have been higher by Re.0.14 per unit.

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

No. of certificates			2012	2011
2012	2011		----- Rupees -----	
50,000,000	50,000,000	Certificates of Rs.10 each fully paid in cash	500,000,000	500,000,000
2,500,000	2,500,000	Bonus certificates of Rs.10 each	25,000,000	25,000,000
52,500,000	52,500,000		525,000,000	525,000,000

15. REPURCHASE OF OWN CERTIFICATES

This represents investment made by the Fund in its own certificates, as permitted under Regulation 55(11) of the NBFC Regulations, read with SECP's Circular 14 of 2009 dated 04 May 2009, and as approved by the SECP vide their letter no.NBFC/MF-RS/AFOF/221/2009 dated 13 February 2009. During the year, an aggregate of 2,639,158 certificates (2011: 4,525,000 certificates) have been repurchased at a repurchase price ranging from Rs.7.90 to Rs.8.24 per certificate (2011: Rs.4.00 to Rs.6.80 per certificate), resulting in aggregate cost during the year of Rs.21,374,866 (2011: Rs.28,300,460).

	2012	2011
	----- Rupees -----	
16. NET ASSET VALUE PER CERTIFICATE		
Net asset value as at year end (Rupees)	423,653,193	434,531,666
Number of certificates outstanding as at year end (Number of certificates)	42,000,000	44,639,158
Net asset value per certificate (Rupees)	10.09	9.73
17. INTEREST INCOME		
Bank balances and term deposits	2,856,916	5,194,912
Security deposit with NCCPL	415,161	288,361
	3,272,077	5,483,273

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

18. SECURITIES TRANSACTION COST

Represents brokerage, Federal Excise Duty, Capital Value Tax and settlement charges.

	2012	2011
	----- Rupees -----	
19. AUDITORS' REMUNERATION		
Audit fee	100,000	90,000
Half yearly review of financial statements	50,000	45,000
Certification charges	15,000	15,000
Review of statement of compliance with Code of Corporate Governance	44,000	40,000
Out of pocket expenses	31,000	50,000
	240,000	240,000
20. EARNINGS PER CERTIFICATE - basic and diluted		
Net income for the year (Rupees)	77,455,130	134,840,720
Weighted average number of certificates outstanding during the year (Number of certificates)	44,230,315	48,263,270
Earnings per certificate (Rupees) - basic and diluted	1.75	2.79
21. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS		
Atlas Asset Management Limited (Management Company)		
Remuneration charged	7,220,034	6,960,130
Remuneration paid	7,323,588	6,831,711
Sindh Sales Tax on Remuneration of the Management Company	1,155,205	-
Dividend paid	9,228,788	1,353,556
Certificates held 7,139,822 (2011: 6,152,525) at market value	62,473,443	39,991,413
MCB Financial Services Limited (Trustee)		
Trustee fee	751,781	740,439
Atlas Income Fund (Fund under common management)		
Investment 20,523 (2011: Nil) units	10,000,000	-
Bonus 1,176 (2011: Nil) units	590,046	-
Atlas Islamic Income Fund (Fund under common management)		
Investment 48,678 (2011: Nil) units	25,000,000	-
Redemption 50,280 (2011: 86,152) units	25,447,895	43,596,472
Bonus 1,602 (2011: 6,152) units	807,846	3,084,901
Atlas Islamic Stock Fund (Fund under common management)		
Investment 261,728 (2011: 19,904) units	88,000,000	8,000,000
Redemption 215,092 (2011: Nil) units	76,543,202	-
Bonus 6,873 (2011: Nil) units	2,089,916	-
Atlas Money Market Fund (Fund under common management)		
Investments 132,804 (2011: 195,802) units	67,000,000	100,000,000
Redemption 109,536 (2011: 150,652) units	55,196,594	75,969,839
Bonus 2,718 (2011: 3,253) units	1,093,647	1,637,694

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 2011
----- Rupees -----

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

Atlas Stock Market Fund (Fund under common management)

Investments 220,167 (2011: 50,439) units	75,577,840	18,121,706
Redemption 252,458 (2011: 50,439) units	86,813,328	18,121,706
Bonus 23,140 (2011: 19,878) units	7,734,852	6,304,869

Key Management Personnel of the Management Company

Dividend paid	504,264	30,800
Certificates held 396,176 (2011: 321,676) at market value	3,466,540	2,090,894

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 balances due from / to 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 the 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 2012, 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 bank on periodic basis. The earnings and valuation of the income / money market mutual funds investments is dependent on the market interest rates and distribution declared by the respective fund. Management of the Fund estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Fund's income by Rs.1,521,154 (2011: Rs.2,011,729) 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.40,917,294 (2011: Rs.41,991,451) 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 2012

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:

2012	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Financial instruments without maturity	Total
----- Rupees -----						
Assets						
Bank balances	11,509,118	-	-	-	-	11,509,118
Receivable against sale of securities	3,348,504	-	-	-	-	3,348,504
Investments	-	-	-	-	409,172,937	409,172,937
Interest accrued	302,229	-	-	-	-	302,229
Security deposits and other receivable	5,000,000	-	23,976	-	2,700,000	7,723,976
	20,159,851	-	23,976	-	411,872,937	432,056,764
Liabilities						
Payable against purchase of securities	37,240	-	-	-	-	37,240
Payable to the management company	575,743	-	-	-	-	575,743
Payable to the trustee	62,013	-	-	-	-	62,013
Payable to the SECP	-	396,970	-	-	-	396,970
Accrued and other liabilities	116,619	564,171	5,679,308	-	-	6,360,098
Dividend payable	971,507	-	-	-	-	971,507
	1,763,122	961,141	5,679,308	-	-	8,403,571
Net assets / (liabilities)	18,396,729	(961,141)	(5,655,332)	-	411,872,937	423,653,193
----- Rupees -----						
2011	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Financial instruments without maturity	Total
Assets						
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
	21,538,916	-	23,976	-	422,614,511	444,177,403
Liabilities						
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
	4,532,483	581,488	4,531,766	-	-	9,645,737
Net assets / (liabilities)	17,006,433	(581,488)	(4,507,790)	-	422,614,511	434,531,666

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 2012 amounts to Rs.256,002,313 (2011: Rs.273,310,916).

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	
	2012	2011
AA+	14.69	38.86
AA	26.03	21.22
AA-	15.30	13.71
A +	4.31	-
A	0.21	0.04
A-	0.05	0.11
BBB	0.12	-
4 Star	21.22	14.41
Others	18.07	11.65
	100.00	100.00

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 5 September 2012, approved a cash dividend of Re.0.90 (2011: Rs.1.50) per certificate on the face value of Rs.10 each, i.e. 9% (2011:15%), amounting to Rs.37,800,000 (2011: Rs.66,958,737).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24. CERTIFICATE HOLDING PATTERN OF THE FUND

Category	2012			2011		
	Number of certificate holders	Value at Market Price Rupees	% of total	Number of certificate holders	Value at Market Price Rupees	% of total
Individuals	642	75,755,960	20.61%	637	64,909,767	22.12%
Associated Companies / Directors	5	64,128,733	17.45%	4	42,082,306	14.34%
Insurance Companies	2	2,067,188	0.56%	2	1,535,625	0.52%
Banks/ DFIs	2	74,119,028	20.17%	2	60,149,050	20.50%
NBFCs	5	1,259,781	0.34%	7	937,469	0.32%
Retirement Funds	4	7,543,681	2.05%	6	8,203,858	2.80%
Public Limited Companies	-	-	-	1	19,589,901	6.68%
Others	12	142,625,630	38.81%	9	95,996,551	32.72%
	672	367,500,000	100.00%	668	293,404,527	100.00%

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

2012		2011	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Next Capital Limited*	17.73%	Next Capital Limited**	34.20%
Habib Metropolitan Financial Securities Limited	8.83%	Topline Securities (Private) Limited **	21.98%
Optimus Capital Management (Private) Limited	8.77%	Al-Habib Capital Markets (Private) Limited	10.47%
BMA Capital Management Limited	8.64%	BURJ Capital Pakistan (Private) Limited	8.58%
Al-Habib Capital Markets (Private) Limited	8.28%	IGI Finex Securities Limited	6.95%
Topline Securities (Private) Limited	8.12%	Invisor Securities (Private) Limited	6.84%
Summit Capital (Private) Limited	7.86%	Taurus Securities (Private) Limited	5.74%
Invest Capital Markets Limited	7.52%	BMA Capital Management Limited	4.34%
Standard Capital Securities (Private) Limited	7.41%	First Capital Equities Limited	0.90%
Taurus Securities Limited	6.44%		

* This represents brokerage incurred in respect of the 3rd and 4th Repurchase Programs of the Fund, for which M/s. Next Capital (Private) Limited were approved by the Board of Directors of the management company as authorized brokers for the 3rd and 4th Repurchase Programs.

** This represents brokerage incurred in respect of the 2nd and 3rd Repurchase Programs 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.

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	44 Years
Mr. Ali H. Shirazi	Director	Masters in Law	8.5 Years
Mr. M. Abdul Samad	Chief Investment Officer	MBA (Finance)-UK, M. Com.	12 Years
Mr. Khalid Mehmood	Fund Manager - Equity Markets	MBA - Finance	8 Years
Mr. Muhammad Umar Khan	Fund Manager - Fixed Income	MSc - Finance - UK	4 Years

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

27. NAME AND QUALIFICATION OF FUND MANAGER

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

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				
	07 July 2011	20 Sep 2011	26 Oct 2011	23 Feb 2012	24 Apr 2012
Mr. Yusuf H. Shirazi	P	P	P	P	P
Mr. M. Habib-ur-Rahman	P	P	P	P	P
Mr. Tariq Amin	P	P	P	P	P
Mr. Frahim Ali Khan	L	P	P	P	P
Mr. Ali H. Shirazi	P	P	P	P	P
Mr. M. Ashraf Janjua	P	P	P	P	P
Mr. Arshad P. Rana	P	L	P	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 maintained the asset manager rating of the Management Company at AM2- (AM Two Minus).

The rating of the Fund is pending since FY 2007-08 due to certain issues in the categorization of the Fund. The Management Company had 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 5 September 2012.

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

M. Habib-ur-Rahman
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Tariq Amin
Director

Head Office

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

Lahore Office

C/o. Atlas Honda Limited,
1-Mcleod Road, Lahore.
Ph: (92-42) 37225015-17
Fax: (92-42) 37351119

Rawalpindi Office

C/o. Atlas Honda Limited,
60, Bank Road, Saddar, Rawalpindi.
Tel: (92-51) 5856411
Fax: (92-51) 5120497