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Our Mission

“To provide KIBOR linked floating rate returns to investors with limited investment tenure on a very low risk basis”.

Our Vision

“POAF aims to provide a return based on very low risk profile that suits conservative investors who aim to preserve the principal and earn over the normal bank rate of return”.



FUND INFORMATION

MANAGEMENT COMPANY

Pak Oman Asset Management Company Limited
 Horizon Vista, Mezzanine Floor - 2
 Plot No Commercial – 10 Scheme – 5,
 Block 4, Clifton, Karachi – 75600,
 Phone: (9221) 35361465-68
 Fax: (9221) 35361469
 Web site: www.pakomanfunds.com

BOARD OF DIRECTOR OF THE MANAGEMENT COMPANY

H.E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman
Mr. Humayun Murad	Director
Mr. Agha Ahmed Shah	Director
Mr. Sulaiman Hamad Al Harthy	Director
Mr. Ali Said Ali	Director
Mr. Saif Said Salim Al Yazidi	Director
Ms. Hina Ghazanfar	MD & CEO

AUDIT COMMITTEE

H.E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman
Mr. Humayun Murad	Member
Mr. Sulaiman Hamad Al Harthy	Member

INVESTMENT COMMITTEE

Mr. Ali Said Ali	Chairman
Mr. Agha Ahmed Shah	Member
Mr. Sulaiman Hamad Al Harthy	Member
Mr. Saif Said Salim Al Yazidi	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Saif Said Salim Al Yazidi	Chairman
Mr. Humayun Murad	Member
Ms. Hina Ghazanfar	Member

UNIT HEAD FINANCE

Mr. Syed Raheel Ahmed Shah

COMPANY SECRETARY

Mr. Asif Javed



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TRUSTEE

Central Depository Company of Pakistan Limited
CDC House, 99-B Block -B, Main Shahrah -e-Faisal,
Karachi

AUDITORS

A.F.Fergusons & Co.
Chartered Accountants
State Life Building No. 1C,
Off I.I.Chundrigar Road,
Karachi-4716, Pakistan

BANKER TO THE FUND

Bank Al-Falah Ltd
The Bank of Punjab
Albarka Islamic Bank
NIB Bank Limited
MCB Bank Limited

LEGAL ADVISER

Mohsin Tayebaly & Co.
2nd Floor, Dime Center, BC-4, Block 9
KDA Scheme 5, Clifton, Karachi.
Phone: (9221) 35375658-9

TRANSFER AGENT

THK Associated (Pvt) Ltd.
Ground Floor, State Life Building -3
Dr. Ziauddin Ahmed Road,
Karachi-75530
Phone: (9221) 111-000-322

RATING OF THE FUND

A+ (f) (PACRA)



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors (BOD) of Pak Oman Asset Management Company Limited, the Management Company of **Pak Oman Advantage Fund (POAF)** is pleased to present the audited financial statements of the Fund for the year ended **June 30, 2012**.

Economic Review

The fiscal year closed with improvement in Pak-US ties which were strained, as NATO supplies was restored by the government. The political scenario of the country remained volatile as Prime Minister Gilani was dismissed by the Supreme Court. Political uncertainty and poor economic indicators portrayed a gloomy picture of the country which forced the foreign investors to remain on the side line.

The country witnessed current account deficit of USD 4.52bn in FY12 against surplus of USD 214mn in FY11. The trade deficit enhanced to 46% which was mainly due to the increase in import bill of oil products and agro-chemical products. On the other hand, exports of the country further worsened the condition and declined by 3% to USD 24.7bn, food items was the major culprit showing decline of 8% during the year whereas textiles remained almost stagnant despite of suffering from gas curtailments.

In spite of gloomy picture of the economy, few factors of the economy which showed remarkable improvements such as foreign remittances which crossed the USD 13bn mark for the first time in the history. Inflation for the year remained at 11% which is well below the target of 12% set by government. The tax collection increased by 23% accumulating PKR 1,920bn in FY12 against last year increase of 17.4% with total tax collection of PKR 1,584bn.

Money Market:

The discount rate was cut by 2% to 12% from 14% in FY12. The average overnight rate stood at 11.77% for the year ended June 30, 2012. The State Bank of Pakistan conducted twenty six T-bill auctions during the year and assimilated PKR 3,093.88bn collectively from all the auctions. The breakup of which is as follows: PKR 917.05bn in the 3-month tenor, PKR 954.78bn in the 6-month tenor and PKR 1,222.05bn in the 12-month tenor. Eight PIB auctions were also conducted during the year. SBP accepted PKR 184.95bn against the participation of PKR 279.92bn. Besides T-bill and PIB auctions three Government of Pakistan Ijara Sukuks auctions were also conducted by SBP of which collective amount accepted equaled to PKR 186.79bn against participation of PKR 248.29bn all at 6 Month T-Bill weighted average yield.

Operating Performance

The Fund during the year ended June 30, 2012, earned a total income of PKR 130.683mn (2011, 131.632mn). The income for the year comprised mainly of profit on Sukuk and TFCs amounting to PKR89.241mn (2011, 95.516mn), profit on government securities amounting to PKR17.257mn (2011, 12.244), profit on placements with financial institutions amounting to PKR1.10mn (2011, 2.104mn), loss on sale of investments of PKR0.659mn (2011, 17.329mn), profit earned on deposits with banks amounting to PKR33.335mn (2011, 35.047) and other income amounting to PKR 0.214 (2011 Nil). The unrealized gain on investments at fair value through profit or loss and the provision against debt securities for the year were PKR1.432mn (2011 4.05mn) and PKR11.237mn (2011 Nil) respectively. After accounting for expenses of PKR22.112mn (2011, 20.499mn), the net income for the year was PKR108.571mn (2011 111.133 mn) which translates into the gain of PKR1.09/certificate (2011 PKR 1.11/certificate) outstanding as at June 30, 2012. The net assets of the fund as at June 30, 2012 were PKR1, 141.672mn (2011 1,124.798mn), resulting in a net asset value of PKR11.42/certificate (PKR 11.25/certificate). The fund also declared a dividend of PKR 1.0178/certificate for the year ended June 30, 2012 (2011 1.0173/ certificate).

Future Outlook

During the year economy was faced with a number of challenges which included increased Government borrowing from the banking system, continuous injections by the SBP to maintain liquidity in the system, rising current account deficient positions worse law and order situation along with NATO supply issues.

However despite these entire issues thing improved in the later part of the year with declining oil prices which will help in reducing import bill and inflation as well. Going forward with the latest movement in the interest rates we anticipate a possibility of a cut in discount rate.



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Investment Policy

Investment Policy of the Fund is stated in Clause 2.2 of the Offering Document. The Investment Policy of the Scheme is constructed to help ensure overall compliance with the investment objective stated above. The Investment Policy shall focus on selecting investments, executing transactions and constructing a portfolio to match the investment objective. The Investment Policy of the Scheme shall select instruments from within the specified Authorized Investments as stated in Clause 2.3 of the Offering Document.

Statement on Corporate and Financial Reporting Framework

- These financial statements, prepared by the management of the Fund, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Fund have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there has been no departure there from.
- The system of internal control is sound in design and has been effectively implemented and monitored
- The matter relating to the Fund's ability to continue as a going concern is explained in note 1.4 to the financial statements.
- Pattern of certificates holding is given on note 24.1 of the financial statements.
- Key financial data for the year ended June 30, 2012 and previous years are given in annexure A.
- The number of board and committees` meeting held during the year and attendance by each director is as follows

	Designation	Board		Audit Committee		Investment Committee	
		Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
H. E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman	5	5	4	4	0	0
Agha Ahmed Shah,	Director	5	5	1	1	3	3
Mr. Humayun Murad	Director	5	4	4	3	0	0
Mr. Parvez Usman*	Director	5	0	4	0	0	0
Mr. Sulaiman Hammad Al Harty	Director	5	4	3	3	4	4
Mr. Ali Said Ali	Director	5	5	0	0	4	4
Mr.Saif Said Salim Al Yazidi **	Director	4	4	0	0	4	3
Ms. Hina Ghazanfar	MD & CEO	5	5	4	4	4	4

* Vacated office of Director w.e.f. April 28, 2012.

** Appointed Director w.e.f. July 11, 2011

- Mr. Agha Ahmed Shah is a certified director from Pakistan Institute of Corporate Governance. In addition H. E. Yahya Bin Said Bin Abdullah Al-Jabri, Chairman and Mr. Humayun Murad, Director meet the criteria of exemption under clause (xi) of CCG and are accordingly exempted from directors` training program.

Re-Appointment of Auditors

The present auditors M/s A.F. Ferguson & Co. Chartered Accountants retired and being eligible offered themselves for re-appointment. The Audit Committee of the Management Company recommended and the Board of Directors approved their re-appointment as auditors for the year ending June 30, 2013.



Mutual Fund Rating

The Pakistan Credit Rating Agency (PACRA) has assigned a stability rating of 'A+ (f)' to the Fund. Further, Quality Rating of the Management Company is 'AM3'; by the Credit Rating Agency JCR-VIS which is defined as stable management quality.

Acknowledgement

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Trustee – Central Depository Company of Pakistan Limited and the management of the Karachi Stock Exchange. We also wish to place on record our appreciation for the personnel of the Management Company.

October 14, 2012
Muscat, Oman

For and on behalf of the Board
Hina Ghazanfar
MD & CEO



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REPORT OF THE FUND MANAGERS OF THE MANAGEMENT COMPANY

Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage (the fund) is pleased to present the Fund Manager's Report of the Fund for the year ended June 30, 2012.

INVESTMENT OBJECTIVE:

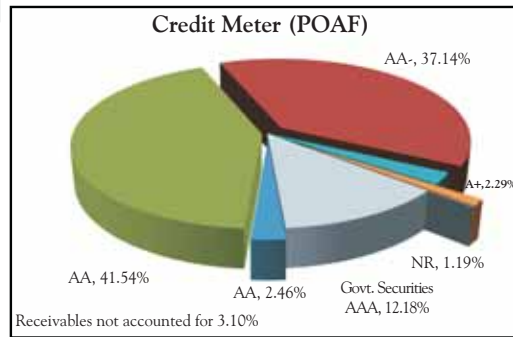
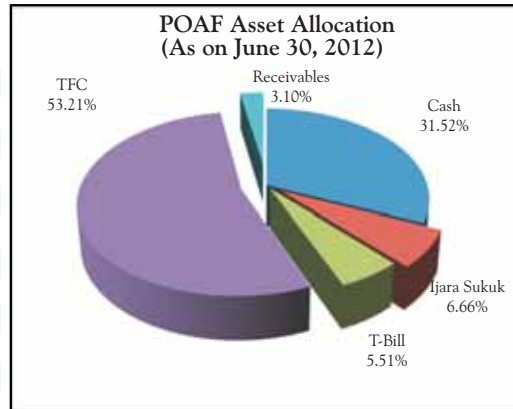
The Basic Objective of Fund is to provide low risk fixed income returns to investors by investing in instruments that carry minimal credit, liquidity and price risks.

Terms and Structure

Type of Scheme	Closed – End Fund
Nature of Scheme	Fixed Income
Inception Date	May 10th, 2007
Face Value	PKR 10 per Certificate
Fund Size	PKR 1.14bn
NAV (Jun 30th, 2012)	PKR 11.4167 per Unit
Benchmark	3 – Month KIBOR
Duration	8 Years
Fund Stability Rating	A+ (f) (PACRA)
AMC Rating	AM3 (JCR – VIS)
Listing	KSE (Guaranteed) Limited
KSE Symbol	POAF
Trustee	CDC Pakistan Limited
Auditor	A.F. Ferguson & Co.
Legal Advisor	Mohsin Tayebaly & Co.
Registrar	THK Associates (Pvt.) Limited
Management Fee	1.25% p.a.
Fund Manager	Mr. Imran Rahim Khan,
Investment Committee	Ms. Hina Ghazanfar, CEO Mr. Ahmed Nabeel, Chief Investment Advisor Mr. Imran Rahim Khan, Fixed Income Fund Manager

Fund Returns	POAF	Benchmark
Year-to-Date (YTD)	10.52%	11.97%

Asset Allocation (% of Assets)	June 2012	June 2011
TFCs	53.21	67.01
Cash	31.52	30.61
Ijara/Sukuk	6.66	~
T-Bill	5.51	~
Others including receivables	3.10	2.38



POAF Performance

Yield since inception (%)	10.78
Year to date return (FY12) (%)	10.52
Risk free rate (1 Yr TB) (%)	12.30
Sharpe Ratio	-0.13
Distribution(FY'12)(PKR)	1.02

Fund Review

Pak Oman Advantage Fund yielded a return of 10.52% for the year ended on 30th June 2012 the fund posted a decent return which signifies a very strong asset quality and effective fund management. As the fund is required maintain 70% of its portfolio in Banking TFC, the fund was faced with revaluation losses during the year however fund maintained its return due to active allocation of its portfolio.

For the compliance of clause 65 of the NBFC Regulations, the Management Company has to hold a meeting of the certificate holders of the closed end scheme to seek their approval to convert the fund into an open end scheme or revoke the closed end scheme within one month of November 21, 2012 as aforesaid which at present it intends to conduct on December 17, 2012.

August 30, 2012
Karachi.



Pak Oman Advantage Fund

Mr. Imran Rahim Khan
Fixed Income Fund Manager

TRUSTEE REPORT TO THE CERTIFICATE HOLDERS PAKOMAN ADVANTAGE FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pak Oman Advantage Fund (the Fund) are of the opinion that Pak Oman Asset Management Company Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund; and
- (ii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

October 18, 2012
Karachi.

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



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

This statement is being presented to comply with the Code of Corporate Governance ('the Code') contained in Listing Regulations of Karachi Stock Exchange where Pak Oman Advantage Fund (the Fund) is listed. The purpose of the Code is to establish a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

Pak Oman Asset Management Company Limited (the Management Company) which manages the affairs of the Fund has applied the principles contained in the Code in the following manner:

- The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present the Board includes:

Category	Names
Independent Directors	Mr Humayun Murad Mr. Saif Said Salim Al Yazidi
Executive Directors	Ms. Hina Ghazanfar (Chief Executive Officer and Managing Director)
Non-Executive Directors	H.E. Yahya Bin Said Abdullah Al-Jabri Mr. Agha Ahmed Shah Mr. Sulaiman Hammad Al Harthy Mr. Ali Said Ali

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

- The directors of the Management Company have confirmed that none of them is serving as a director on more than ten listed companies, including the Management Company.
- All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- A casual vacancy had occurred on the Board of the Management Company on April 28, 2012 which the Management Company intends to fill shortly. At present there are seven directors on the Board of the Management Company.
- The Management Company has prepared a "Code of Conduct", and has ensured that appropriate steps have taken place to disseminate it throughout the company along-with its supporting policies and procedures.
- The Board of Management Company has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions including the determination of the remuneration and terms and conditions of the employment of the Chief Executive Officer have been taken by the Board. There has been no new appointment of the Chief Executive Officer.
- The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- One of the directors on the Board have obtained certification from the directors' training program offered by a local institution that meet the criteria specified by the Securities and Exchange Commission of Pakistan. In addition, two directors meet the criteria of exemption under clause (xi) of CCG and are accordingly exempted from directors' training program.



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10. During the year, there was no change of Head of Internal Audit, however, a new Company Secretary was appointed during the year. The remuneration and terms and condition of employment of Company Secretary and Head of Internal Audit were approved by the Board of Management Company. Further, during April 2012 the Chief Financial Officer has resigned and, therefore, the Unit Head Finance has been given additional responsibilities to oversee the finance department. The appointment of a Chief Financial Officer in accordance with the qualification criteria given in the Code is in process.
11. The Directors' Report for this 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 Chief Executive Officer and Chief Financial Officer before the approval of the board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the units of the Fund other than those disclosed in the Directors' Report.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board of Management Company has formed an Audit Committee. It comprises of three members, two of them are non-executive directors and chairman of the committee is non independent director. Appointment of an independent director as the chairman of the committee is due at the time of next election.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund and 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 an HR and Remuneration Committee in its meeting held on October 14, 2012. It comprises of three members, two of whom are non-executive directors and the chairman of the committee is an independent director.
18. The Board of Management Company has set up an effective internal audit function.
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 spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on 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 / final results, and business decisions, which may materially affect the unit price of Fund's was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other applicable material principles enshrined in the Code have been complied with.

October 14, 2012
Muscat, Oman

Hina Ghazanfar
MD & CEO



Pak Oman Advantage Fund

REVIEW REPORT TO THE UNIT 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 prepared by the Board of Directors of Pak Oman Asset Management company Limited, the Management Company of Pak Oman Advantage Fund, to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange where the Fund is listed.

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

As part of our audit of the 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Listing Regulation 35(x) requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements 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 prices 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 status of the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2012.

As stated in paragraphs 4 and 17 of the annexed statement requirements of clauses (iii) and (xxv) of the Code of Corporate Governance with respect to filling up a casual vacancy and Human Resource and Remuneration Committee respectively have not been complied with upto June 30, 2012.

Karachi, October 19, 2012

A.F.Fergusons & Co.
Chartered Accountants



Pak Oman Advantage Fund

INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pak Oman Advantage Fund, which comprise the statement of assets and liabilities as at June 30, 2012, and the related income statement, statement of comprehensive income, distribution statement, statement of changes in equity, statement of movement in equity and reserves per certificate and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 financial position of the Fund as at June 30, 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Emphasis of matter paragraph

We draw attention to note 1.4 to the accompanying financial statements which inter alia states that the Management Company has to hold a meeting of the certificate holders of the Fund within one month of November 21, 2012 to seek their approval in accordance with clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Our opinion is not qualified in respect of this matter.

Other matter

The Fund's financial statements for the year ended June 30, 2011 were audited by another firm of Chartered Accountants whose report dated August 23, 2011 expressed an unqualified opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

October 19, 2012
Karachi.

Chartered Accountants
Audit Engagement Partner: Saad Kaliya



Pak Oman Advantage Fund

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012

	Note	2012 ----- (Rupees in '000) -----	2011
Assets			
Balances with banks	6	368,179	347,618
Investments	7	754,189	760,974
Profit receivable	8	27,183	26,243
Deposits	9	3,702	700
Total assets		<u>1,153,253</u>	<u>1,135,535</u>
Liabilities			
Payable to Pak Oman Asset Management Company Limited (POAMCL) - management company of the Fund	11	1,349	2,773
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund	12	113	113
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	830	803
Dividend payable		253	237
Accrued expenses and other liabilities	14	9,036	6,811
Total liabilities		<u>11,581</u>	<u>10,737</u>
Net assets		<u>1,141,672</u>	<u>1,124,798</u>
Certificate holders' equity (as per statement attached)			
Issued, subscribed and paid-up capital			
100,000,000 ordinary certificates of Rs 10 each issued as fully paid-up in cash (June 30, 2011: 100,000,000 certificates of Rs 10 each)		1,000,000	1,000,000
Revenue reserves			
Undistributed income		142,894	136,053
Deficit on revaluation of 'available for sale' investments		(1,222)	(11,255)
		<u>1,141,672</u>	<u>1,124,798</u>
Net assets value per certificate - (Rupees)		<u>11.42</u>	<u>11.25</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

Chief Executive



Pak Oman Advantage Fund

Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
Income			
Net realised gain / (loss) on sale of investments	15	(659)	(17,329)
Profit on:			
- term finance and sukuk certificates	16	89,241	95,516
- government securities		17,257	12,244
- savings accounts with banks		33,335	35,047
- placement with financial institutions		1,100	2,104
Other Income		214	-
		140,488	127,582
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' (net)		1,432	4,050
Provision on investments	7.2.1.3	(11,237)	4,050
		(9,805)	4,050
Total income		130,683	131,632
Expenses			
Remuneration to POAMCL - management company of the Fund	11.1	16,046	13,386
Remuneration to CDC - trustee of the Fund	12	1,361	1,332
Annual fee to the SECP	13	830	803
Auditors' remuneration	17	611	547
Fees and subscription		394	277
Amortisation of preliminary expenses and floatation costs	10	-	1,624
Bank and settlement charges		598	291
Other expenses	18	2,272	2,239
Total expenses		22,112	20,499
Net income for the year		108,571	111,133
Earnings per certificate - basic (Rupees)	19	1.09	1.11

The annexed notes 1 to 27 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

Chief Executive

Director



Pak Oman Advantage Fund

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	----- (Rupees in '000) -----	
Net income for the year	108,571	111,133
Other comprehensive income:		
Surplus on revaluation of 'available for sale investments' (net)	765	3,863
(Surplus) / Deficit released to income statement on disposal of 'available for sale investments'	(1,969)	1,154
Provision against non performing debt security included in income statement	11,237	-
Other comprehensive income for the year	10,033	5,017
Total comprehensive income for the year	118,604	116,150

The annexed notes 1 to 27 form an integral part of these financial statements.

**For Pak Oman Asset Management Company Limited
(Management Company)**

Chief Executive

Director



Pak Oman Advantage Fund

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	----- (Rupees in '000) -----	
Undistributed income brought forward	136,053	128,690
Net income for the year	108,571	111,133
Less: Final distribution for the year ended June 30, 2011 in the form of cash dividend @10.173% (June 30, 2010: 10.377%)	(101,730)	(103,770)
	6,841	7,363
Undistributed income carried forward	142,894	136,053

The annexed notes 1 to 27 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

Chief Executive

Director



Pak Oman Advantage Fund

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

	Issued, subscribed and paid-up capital	Undistributed income	(Deficit) / surplus on revaluation of investments (Rupees in '000)	Total
Balance as at July 1, 2010	1,000,000	128,690	(16,272)	1,112,418
Comprehensive income for the year				
Net income for the year ended June 30, 2011	-	111,133	-	111,133
<i>Other comprehensive income</i>				
- Surplus on revaluation of 'available for sale investments' (net)	-	-	3,863	3,863
- Deficit released to income statement on disposal of 'available for sale investments'	-	-	1,154	1,154
<i>Total other comprehensive income</i>	-	-	5,017	5,017
Total comprehensive income for the year ended June 30, 2011	-	111,133	5,017	116,150
<i>Transactions with owners</i>				
Final distribution in the form of cash dividend @ 10.377%	-	(103,770)	-	(103,770)
Balance as at 30 June 2011	<u>1,000,000</u>	<u>136,053</u>	<u>(11,255)</u>	<u>1,124,798</u>
Balance as at July 1, 2011	1,000,000	136,053	(11,255)	1,124,798
Comprehensive income for the year				
Net income for the year ended June 30, 2012	-	108,571	-	108,571
<i>Other comprehensive income</i>				
- Surplus on revaluation of 'available for sale investments' (net)	-	-	765	765
- Surplus released to income statement on disposal of 'available for sale investments'	-	-	(1,969)	
- Provision against non performing debt security included in income statement	-	-	11,237	11,237
<i>Total other comprehensive income</i>	-	-	10,033	12,002
Total comprehensive income for the year ended June 30, 2012	-	108,571	10,033	118,604
<i>Transactions with owners</i>				
Final distribution for the year ended June 30, 2011 in the form of cash dividend @10.173%	-	(101,730)	-	(101,730)
Balance as at 30 June 2012	<u>1,000,000</u>	<u>142,894</u>	<u>(1,222)</u>	<u>1,141,672</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

Chief Executive



Pak Oman Advantage Fund

Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 (Rupees in '000)	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		108,571	111,133
Adjustments for:			
Profit on:			
- term finance and sukuk certificates		(89,241)	(95,516)
- government securities		(17,257)	-
- savings accounts with banks		(33,335)	(35,047)
- placement with financial institutions		(1,100)	(2,104)
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' (net)		(1,432)	(4,050)
Provision against Investments		11,237	
Amortisation of preliminary expenses and floatation cost		-	1,624
		<u>(22,557)</u>	<u>(23,960)</u>
Decrease / (increase) in assets			
Investments (net)		7,013	26,514
Deposits		(3,002)	(500)
		4,011	26,014
(Decrease) / increase in liabilities			
Payable to POAMCL - management company of the Fund		(1,424)	(665)
Payable to CDC - trustee of the Fund		-	1
Payable to the SECP		27	(6)
Accrued expenses and other liabilities		2,225	2,201
		828	1,531
Profit received on			
- term finance and sukuk certificates		88,290	95,909
- government securities		17,379	-
- savings accounts with banks		33,224	32,377
- placement with financial institutions		1,100	2,104
Net cash inflow from operating activities		<u>122,275</u>	<u>133,975</u>
CASH FLOW FROM FINANCING ACTIVITY			
Dividend paid		(101,714)	(103,770)
Net cash outflow from financing activity		(101,714)	(103,770)
Net increase / (decrease) in cash and cash equivalents during the year		<u>20,561</u>	<u>30,205</u>
Cash and cash equivalents at the beginning of the year		347,618	317,413
Cash and cash equivalents at the end of the year	6	<u>368,179</u>	<u>347,618</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Executive

For Pak Oman Asset Management Company Limited
(Management Company)

Director



Pak Oman Advantage Fund

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STATEMENT OF MOVEMENT IN EQUITY AND RESERVE PER CERTIFICATE FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	----- (Rupees in '000) -----	
Net assets value per certificate at the beginning of the year	11.25	11.12
Net realised gain / (loss) on sale of investments	(0.01)	(0.17)
Profit on:		
- term finance and sukuk certificates	0.90	0.96
- government securities	0.17	0.12
- savings accounts with banks	0.34	0.35
- placement with financial institutions	0.01	0.02
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' (net)	0.01	0.04
Provision on investments	(0.11)	
Expenses	(0.22)	(0.20)
Net income for the year	1.09	1.12
Final distribution for the year ended June 30, 2011 in the form of cash dividend @10.173% (June 30, 2010: 10.377%)	(1.02)	(1.04)
Surplus on revaluation of 'available for sale investments' (net)	0.10	0.05
Net assets value per certificate at the end of the year	<u>11.42</u>	<u>11.25</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

Chief Executive

Director



Pak Oman Advantage Fund

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

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Pak Oman Advantage Fund (the Fund) was established as a closed-end scheme under a Trust Deed executed between Pak Oman Asset Management Company Limited (the Management Company) as the management company and the Central Depository Company of Pakistan Limited (the Trustee) as the trustee of the Fund. The Trust Deed was executed on February 12, 2007 and was approved by the Securities and Exchange Commission of Pakistan (the SECP) on March 16, 2007 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). At present the Non-Banking Finance Companies and Notified Entities Regulation, 2008 issued by the SECP through SRO No. 1203(I)/2008 dated November 21, 2008 (NBFC Regulations) are also applicable on the Fund. The registered office of the Management Company is situated at First Floor, Tower 'A', Finance and Trade Centre, Sharah-e-Faisal, Karachi, Pakistan.

1.2 The Fund is a closed-end scheme and its certificates are listed on the Karachi Stock Exchange. The investment objective of the Fund is to provide low risk fixed income returns to investors by investing in instruments that carry minimal credit, liquidity and price risks. The Fund invests in term finance certificates issued by commercial banks, sukuk certificates, government securities, short term placements in financial institution, etc. The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under NBFC Rules and NBFC Regulations.

1.3 Title to the assets of the Fund are held in the name of the Trustee.

1.4 In accordance with clause 65 of the NBFC Regulations an asset management company managing a closed end fund shall, upon expiry of every five years from November 21, 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 of a closed end scheme to seek their approval to convert the fund into an open end scheme or revoke the closed end scheme, subject to applicable provisions of the NBFC Rules and the NBFC Regulations. Accordingly, the Management Company has to hold a meeting of the certificate holders of the Fund within one month of November 21, 2012 as aforesaid which at present it intends to conduct on December 17, 2012. The Management Company is confident that the Fund would not be revoked as is the market trend and, therefore, these financial statements have been prepared on a 'going concern' basis .

2. BASIS OF PRESENTATION AND ACCOUNTING CONVENTION

These financial statements are presented in Pakistani Rupees which is the functional currency of the Fund and the figures have been rounded off to the nearest thousand Rupees. These financial statements have been prepared under the historical cost convention, unless otherwise specifically stated.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP.

Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives take precedence.



3.2 Standards, amendments to approved accounting standards and new interpretations becoming effective during the year ended June 30, 2012:

There were certain amendments to approved accounting standards that became effective during the year but were considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

3.3 Standards, amendments to approved accounting standards and new interpretations published but are not effective:

There are certain revised standards, amendments to approved accounting standards and a new interpretation that are mandatory for accounting periods beginning after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of these financial statements in conformity with the approved accounting standards requires the Management Company to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgment in applying accounting policies that have significant effect on the amounts recognised in this report are as follows:

- (a) Classification and valuation of financial instruments (notes 5.1 and 7)
- (b) Amortisation of preliminary expenses and floatation cost (note 5.3)
- (c) Recognition of provision for current and deferred taxation (note 5.4)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied from previous year, unless otherwise specifically stated.

5.1. Financial instruments

5.1.1 Classification

The Fund classifies its financial instruments in the following categories:

- (a) Investments 'at fair value through profit or loss'
 - Financial instruments categorised as 'held for trading'

These include financial instruments acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.



- Financial instruments designated 'at fair value through profit or loss upon initial recognition'.

Any financial asset within the scope of IAS 39 'Financial instruments: Recognition and measurement' may be designated when initially recognised as a 'financial asset at fair value through profit or loss' except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

All purchases and sales of investments in this category are recognised using trade date accounting.

- (b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

All purchases and sales of investments in this category are recognised using trade date accounting.

- c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'fair value through profit or loss' or 'available for sale'.

All purchases and sales of investments in this category are recognised using trade date accounting.

- d) Available for sale

These financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

All purchases and sales of investments in this category are recognised using trade date accounting.

5.1.2 Recognition

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

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

5.1.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at 'fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial asset or financial liability at 'fair value through profit or loss' are expensed immediately.



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Subsequent to initial recognition, instruments classified as 'financial assets at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the profit and loss for the year. Changes in the fair value of instruments classified as 'available for sale' are recognised in the 'statement of comprehensive income' as 'other comprehensive income' until derecognised or impaired, while the accumulated fair value adjustments in 'other comprehensive income', upon sale of investments are included in profit and loss for the year.

Financial assets classified as loans and receivables and held-to-maturity are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those at 'fair value through profit or loss', are measured at amortised cost using the effective yield method.

5.1.4 Fair value measurement principles

- (a) The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system which are based on the remaining tenor of the securities.
- (b) The fair value of other debt securities and derivatives are based on the value determined and announced by Mutual Funds Association of Pakistan (MUFAP) in accordance with the criteria laid down in circular No. 1/2009 dated January 6, 2009 (the Circular No. 1) and circular No. 3/2010 dated January 20, 2010 (the Circular No. 3) issued by the SECP.
- (c) The fair value of equity securities is based on the prices quoted by the relevant stock exchanges.

5.1.5 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with the IAS 39.

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with the IAS 39.

The Fund uses weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

5.2. Provisions

A provision is recognised in the balance sheet when the Fund has a legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.



5.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. In accordance with the Trust Deed approved by the SECP, these costs are being amortised over a period of five years commencing from May 10, 2007.

5.4 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the certificate holders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current period as the Fund intends to avail this exemption.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount of deferred tax in this report as the Fund intends to continue availing the tax exemption in future years by distributing at least 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised to its certificate holders every year.

5.5 Performance statement

The Fund presents two performance statements (i.e. the income statement and the statement of comprehensive income) in accordance with the requirements of IAS 1 (revised) 'Presentation of financial statements'.

5.6 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'at fair value through profit or loss' are included in the income statement in the period in which these arise.
- Income from placements, bank deposits and investments in debt and government securities are recognised at rate of return implicit in the instrument on a time proportionate basis.

5.7 Expenses

All expenses, including Management Company fee and custodian fee, are recognised in the income statement on an accrual basis.



5.8 Offsetting financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the 'statement of assets and liabilities' if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5.9 Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents for cash flow purposes are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

5.10 Dividend and bonus certificates

Dividends declared (including distribution in the form of bonus certificates) subsequent to the balance sheet date are considered as a non-adjusting event and are recognised in the period in which they are authorised or approved. In accordance with the regulation No. 63 of the NBFC Regulation the Fund is required to distribute 90% of its net accounting income other than unrealised capital gain to the certificate holders.

5.11 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment for investments in debt securities is determined in accordance with the provisioning criteria for non performing debt securities specified by the SECP vide its Circular No. 1 of 2009 dated January 6, 2009, Circular No.3 of 2010 dated January 20, 2010 and the provisioning criteria / policy for non performing exposures approved by the Board of Directors of the Management Company in accordance with the requirements of SECP vide its Circular No. 13 of 2009 dated May 4, 2009. Amount of impairment is the higher of the amount determined under the above provisioning criteria.

In accordance with the policy approved by the Board of Directors of the Management Company, the debt security will be further provided, in addition to the minimum criteria defined in the above circulars, if any singly event and / or together with the group of events in relation to the financial assets and the investee institution, materially corroborates the objective evidence of the continuity of non performance. The provision criteria for restructured issues would be the same as given in the above circulars of SECP.

In respect of other financial assets, assessment of impairment is carried out at each balance sheet date to determine whether there is any objective evidence of impairment. It is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in income statement.



6. BALANCES WITH BANKS

	Note	2012	2011
(Rupees in '000)			
In savings accounts	6.1	368,146	347,268
In current accounts		33	350
		<u>368,179</u>	<u>347,618</u>

- 6.1 The savings accounts carry profit rates ranging from 2.5% to 12.30% (2011: 2.5% to 12.30%) per annum. The balance includes Rs 367,764 million (2011: Rs 219,033 million) with a related party on which return is earned at 2.5% to 12.30% (2011: 2.5% to 11%) per annum.

7. INVESTMENTS

	Note	2012	2011
(Rupees in '000)			
Investments - at 'fair value through profit or loss'	7.1	445,866	284,661
Investments - 'available for sale'	7.2	308,323	476,313
		<u>754,189</u>	<u>760,974</u>

7.1 Investments - at 'fair value through profit or loss'

Listed term finance certificates	7.1.1	304,306	156,247
Unlisted term finance certificates	7.1.2	-	50,000
Unlisted sukuk certificates	7.1.3	1,133	3,227
Government securities	7.1.4	140,427	75,187
		<u>445,866</u>	<u>284,661</u>

7.1.1 Listed term finance certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2011	Purchases during the year	Sales / redemptions during the year	As at June 30, 2012	Amortised cost as at June 30, 2012	Fair value as at June 30, 2012	Unrealised (loss) / gain as at June 30, 2012	Percentage in relation to Net assets of the fund on the basis of investments (See note 7.1.1.2 below)	Total market value of investments
-----Number of certificates-----						----- (Rupees in '000) -----			%		
Commercial Banks											
Allied Bank Limited - I	December 6, 2014	6 months KIBOR + 1.90%	1,000	-	-	1,000	5,098	5,035	(63)	0.44	0.67
Askari Bank Limited - II	October 31, 2013	6 months KIBOR + 1.50%	12,589	-	-	12,589	63,536	62,967	(569)	5.52	8.35
Bank Alfalah Limited - II	November 23, 2012	6 months KIBOR + 1.50%	2,100	10,000	-	12,100	20,530	20,196	(334)	1.77	2.68
Bank Alfalah Limited - III	November 25, 2013	6 months KIBOR + 1.50%	6,400	-	-	6,400	32,232	32,042	(190)	2.81	4.25
Faysal Bank Limited	February 10, 2013	6 months KIBOR + 1.93%	2,971	-	-	2,971	3,786	3,728	(58)	0.33	0.49
Soneri Bank Limited	May 5, 2013	6 months KIBOR + 1.60%	7,600	3,000	-	10,600	25,885	26,414	529	2.31	3.50
United Bank Limited - II	March 15, 2013	Fixed 9.49%	-	1,330	-	1,330	6,140	6,320	180	0.55	0.84
Bank Al Habib Ltd. - TFC	February 7, 2015	6 Months Kibor+ 1.95%	-	3,000	-	3,000	15,449	15,473	24	1.36	2.05
Askari Commercial Bank - February 4, 2013	6 Months Kibor+ 1.50%	-	6,000	-	6,000	30,290	29,910	(380)	2.62	3.97	
Bank Alfalah Ltd - TFC	November 23, 2012	6 Months Kibor+ 1.50%	-	14,135	-	14,135	73,796	73,953	157	6.48	9.81
Leasing											
Orix Leasing Pakistan	June 30, 2014	3 months Kibor + 2.15%	-	350	-	350	28,000	28,268	268	2.48	3.75
Total							<u>304,742</u>	<u>304,306</u>	<u>(436)</u>		
Total cost of investment							<u>344,412</u>				

All term finance certificates have a nominal value of Rs 5,000 each, other than term finance certificates of Orix Leasing Pakistan Limited which have a face value of Rs 100,000 each.

Net assets are defined in regulation 66 of NBFC Regulations.



7.1.2 Unlisted term finance certificates

Name of the investee company	Maturity date	As at July 1, 2011	Purchases / received during the year	Sales / redemptions during the year	As at June 30, 2012	Amortised cost as at June 30, 2012	Fair value as at June 30, 2012	Unrealised (loss) / gain as at June 30, 2012	Percentage in relation to	
									Net assets of the Fund on the basis of investments (See note 7.1.1.2 above)	Total market value of investments
			-----Number of certificates-----			----- (Rupees in '000) -----			%	
Commercial Banks										
Bank Al-Habib Limited IV	June 30, 2021	10,000	-	10,000	-	-	-	-	-	-
Others										
Agritech Limited - (formerly Pak American Fertilizers Limited) - note 7.1.2.2	January 1, 2017	-	168	-	168	-	-	-	-	-
			10,000	168	10,000	168	-	-	-	-

7.1.2.1 This term finance certificate had a nominal value of Rs 5,000 each.

7.1.2.2 On May 29, 2010, i.e. the scheduled redemption, the accrued profit aggregating Rs 0.84 million was not received by the Fund. In accordance with the requirements of the Circular No. 1 the TFCs were classified as 'non performing assets' and the profit receivable of Rs 0.84 million was provided for, and no further profit was accrued thereafter. The Fund disposed off its investment in such TFCs on December 20, 2010. During the year on January 11, 2012, Agritech Limited transferred its zero coupon TFCs to the Fund's security account maintained with the Central Depository Company of Pakistan Limited against the overdue markup due as of May 29, 2010. However, the same are being carried at nil value in the enclosed financial statements as the Management Company is of the view that such additional TFCs represent markup for the period when the TFCs of Agritech Limited were classified as non-performing and such markup shall only be recognised on a receipt basis.

7.1.3 Unlisted sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2011	Purchases during the year	Sales / redemptions during the year	As at June 30, 2012	Amortised cost as at June 30, 2012	Fair value as at June 30, 2012	Unrealised (loss) / gain as at June 30, 2012	Percentage in relation to	
										Net assets of the Fund on the basis of investments (See note 7.1.1.2 above)	Total market value of investments
			-----Number of certificates-----			----- (Rupees in '000) -----			%		
Cement											
Kohat Cement Company Limited (note 7.1.3.2)	September 20, 2016	3 months KIBOR + 1.50%	1,000	-	-	1,000	884	1,133	249	0.10	0.15
Maple Leaf Cement Factory Limited - additional sukuk certificates (note 7.1.3.3)	March 31, 2013	3 months KIBOR + 1%	214	-	-	214	-	-	-	-	-
Total						884			1,133	249	
Total cost of investment									703		

7.1.3.1 All term finance certificates have a nominal value of Rs 5,000 each.

7.1.3.2 The sukuk certificates of Kohat Cement Company Limited were restructured in May 2009, February 2010 and September 2011. Under the latest revised terms, the first principal was due on September 20, 2011, which was received accordingly. The security will mature on September 20, 2016. Under the latest revised terms the profit rate is 3 months KIBOR plus 1.5% which shall be accrued from June 20, 2011. The profit for the period September 20, 2011 to June 20, 2012 shall be taken to a frozen account and the profit for the period commencing from June 20, 2012 to September 20, 2016 will be charged and disbursed regularly on quarterly basis. The frozen account will be adjusted through payments to be made from June 20, 2014 to September 20, 2016.

7.1.3.3 On time of signing of the first addendum on March 30, 2010 between Maple Leaf Cement Factory Limited (MLCFL) and the investment agents of the sukuk certificates, the Fund received an amount of Rs. 1.069 million representing approximately 50% of the markup due upto March 3, 2010 and the repayment of the balance markup till the said date was settled by issuance of additional sukuk certificates. During the year those additional sukuk certificates have been transferred to the Fund's security account maintained with CDC, however the same are being carried at nil value in the books of the fund as in view of the management company, such additional sukuk certificates represent markup accrued during the year where MLCFL was being classified as non performing and such markup shall only be recognised on receipt basis in accordance with the requirements of circular No. 1 of SECP dated January 6, 2009.



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7.1.4 Government Securities

Name of the investee	Maturity date	Profit rate	As at July 1, 2011	Purchases during the year	Sales / redemptions during the year	As at June 30, 2012	Amortised cost as at June 30, 2012	Fair value as at June 30, 2012	Unrealised (loss) / gain as at June 30, 2012	Percentage in relation to	
										Net assets of the Fund on the basis of investments (See note 7.1.1.2 above)	Total market value of investments
-----Number of certificates-----						----- (Rupees in '000) -----			%		
Treasury bills - Government of Pakistan	September 22, 2011	13.31%	-	250	250	-	-	-	-	-	-
-do-	October 6, 2011	13.49%	-	700	700	-	-	-	-	-	-
-do-	October 20, 2011	12.00%	-	700	700	-	-	-	-	-	-
-do-	October 20, 2011	12.50%	-	10	10	-	-	-	-	-	-
-do-	November 3, 2011	12.50%	-	10	10	-	-	-	-	-	-
-do-	November 17, 2011	12.50%	-	5	5	-	-	-	-	-	-
-do-	December 29, 2011	11.80%	-	100	100	-	-	-	-	-	-
-do-	September 20, 2012	11.90%	-	250	250	-	-	-	-	-	-
-do-	October 4, 2012	11.90%	-	600	600	-	-	-	-	-	-
-do-	November 1, 2012	11.85%	-	850	850	-	-	-	-	-	-
-do-	August 9, 2012	11.76%	-	750	750	-	-	-	-	-	-
-do-	September 6, 2012	11.85%	-	650	-	650	63,621	63,544	(77)	5.57	8.43
-do-	February 9, 2012	11.55%	-	250	250	-	-	-	-	-	-
-do-	August 9, 2012	11.76%	-	250	250	-	-	-	-	-	-
-do-	March 22, 2012	11.60%	-	250	250	-	-	-	-	-	-
-do-	November 1, 2012	11.73%	-	500	500	-	-	-	-	-	-
GoP Ijara Sukuk VI	December 20, 2013	11.94%	600	-	-	600	60,150	61,512	1,362	5.39	8.16
GoP Ijara Sukuk VII	March 7, 2014	13.68%	150	-	-	150	15,037	15,371	334	1.35	2.04
Total							<u>138,808</u>	<u>140,427</u>	<u>1,619</u>	<u>12.31</u>	<u>18.63</u>
Total cost of Investment							<u>140,000</u>				

7.1.4.1 All treasury bills have a nominal value of Rs 100,000 each.

7.1.4.2 All GoP Ijara sukuks have a nominal value of Rs 100,000 each.

7.2 Investments - 'available for sale'

Listed term finance certificates

Note	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
7.2.1	<u>308,323</u>	<u>476,313</u>

7.2.1 Listed term finance certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2011	Purchases during the year	Sales / redemptions during the year	As at June 30, 2012	Amortised cost as at June 30, 2012	Fair value as at June 30, 2012	Unrealised (loss) / gain as at June 30, 2012	Percentage in relation to	
										Net assets of the Fund on the basis of investments (See note 7.1.1.2)	Total market value of investments
-----Number of certificates-----						----- (Rupees in '000) -----			%		
Commercial											
Allied Bank	December 6, 2014	6 months KIBOR + 1.90%	8,000	-	-	8,000	40,676	40,276	(400)	3.53	5.34
Askari Bank	February 4, 2013	6 months KIBOR + 1.50%	19,400	-	-	19,400	96,863	96,710	(153)	8.47	12.82
Bank Alfalah	November 23, 2012	6 months KIBOR + 1.50%	5,000	-	-	5,000	8,329	8,349	20	0.73	1.11
Bank Alfalah	November 25, 2013	6 months KIBOR + 1.50%	11,000	-	-	11,000	55,026	55,073	47	4.82	7.30
Bank Al-Habib (note)	July 15, 2012	See note 7.2.1.1	12,000	-	-	12,000	19,940	19,853	(87)	1.74	2.63
Faysal Bank	November 12, 2014	6 months KIBOR + 1.40%	19,001	-	19,001	-	-	-	-	-	-
United Bank	September 8, 2014	6 months KIBOR + 1.70%	18,000	-	-	18,000	74,978	74,329	(649)	6.51	9.86
Miscellaneous											
PACE (Pakistan) (note 7.2.1.3 and	February 15, 2013	6 months KIBOR + 1.50%	5,000	-	-	5,000	13,733*	13,733	-	1.20	1.82
Total							<u>309,545</u>	<u>308,323</u>	<u>(1,222)</u>		
Total cost of Investment							<u>309,545</u>				

*Provision of Rs 11.237 million has been netted off from the amortised cost of the investment amounting to Rs 24.970 million.

7.2.1.1 Term finance certificate of Bank Al Habib Limited carry a profit equal to 6 months KIBOR plus 1.5% per annum, receivable semi annually in arrears with 3.5% floor, 10% cap per annum.



Pak Oman Advantage Fund

7.2.1.2 On August 15, 2011 i.e. the scheduled redemption date, principal repayment alongwith the accrued profit aggregating Rs 0.005 million and Rs 1.962 million respectively were not received by the Fund. In accordance with the requirements of the Circular No. 1 of 2009, the term finance certificates were classified as 'non performing assets' and principal repayment and profit receivable of Rs 0.005 million and Rs 1.962 million were provided for, and no further profit has been accrued thereafter. As at June 30, 2012, in accordance with the provisioning policy of the Fund, an amount of Rs 11.237 million is being carried as provision against the outstanding principal.

7.2.1.3 Provision against impairment	Note	2012	2011
(Rupees in '000)			
Balance as at July 1		-	8,502
Provision for the year	7.2.1	(11,237)	-
Reversal during the year		-	(8,502)
Balance as on June 30		<u>(11,237)</u>	<u>-</u>

7.3 The following investments of the Fund are below 'investment grade' securities:

Name of investee company	Type of Investment	Value of investment before provision	Provision held as at June 30, 2012	Value of investment after provision	Percentage of net assets	Percentage of total assets
-----Rs '000'-----				-----%-----		
Kohat Cement Company Limited	Non- traded sukuk	884	-	884	0.08	0.08
PACE (Pakistan) Limited	Non performing TFC	24,970	11,237	13,733	1.20	1.19
Maple Leaf Cement Factory Limited - additional sukuk certificates	Non- traded sukuk	-	-	-	-	-
		<u>25,854</u>	<u>11,237</u>	<u>14,617</u>		

	Note	2012	2011
(Rupees in '000)			
8 PROFIT RECEIVABLE			
Profit receivable on term finance certificates		23,956	23,127
Profit receivable on balances with banks		3,227	3,116
		<u>27,183</u>	<u>26,243</u>
9 DEPOSITS			
Security deposits with Central Depository Company of Pakistan Limited	9.1	200	200
Security deposits with National Clearing Company Pakistan Limited		3,502	500
		<u>3,702</u>	<u>700</u>

9.1 These deposits are interest free and are expected to be recovered at the end of Fund's life.



	Note	2012	2011
(Rupees in '000)			
10 PRELIMINARY EXPENSES AND FLOATATION COST			
Total preliminary expenses and floatation cost incurred		8,120	8,120
Amortisation			
- Opening balance		8,120	6,496
- For the year		-	1,624
- Closing balance		8,120	8,120
Net book value		-	-
11 PAYABLE TO PAK OMAN ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY OF THE FUND			
Remuneration	11.1	1,349	1,149
Preliminary expenses and floatation costs		-	1,624
		1,349	2,773

11.1 In accordance with the Offering Document, management fee is calculated at the rate of 1.25% on Net Asset Value at the end of each day which may increase to 3% with approval from the Commission during first 5 years of the scheme and 2% of such thereafter.

12 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE OF THE FUND

The Trustee is entitled to monthly remuneration for services under the provision of Trust Deed. Effective from January 17, 2008 the Trustee has revised the trustee fee as under.

Upto 250 million

Rs 0.2% per annum of the daily average net assets of the Fund.

Net assets ranging between Rs 250 million to Rs 500 million

Rs 0.5 million plus 0.15% per annum of the daily average net assets of the Fund exceeding Rs 250 million.

Net assets ranging between Rs 500 million to Rs 2,000 million

Rs 0.875 million plus 0.08% per annum of the daily average net assets of the Fund exceeding Rs 500 million.

Net assets ranging between Rs 2,000 million to Rs 5,000 million

Rs 2.075 million plus 0.06% per annum of the daily average net assets of the Fund exceeding Rs 2,000 million.

Exceeding Rs 5,000 million

Rs 3.875 million plus 0.05% per annum of the daily average net assets of the Fund exceeding Rs 5,000 million.

13 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Rule 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, whereby the Fund is required to pay annual fee to SECP at the rate of 0.075% of the average daily net assets of the Fund.



	Note	2012 (Rupees in '000)	2011
14 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditor's remuneration		379	300
Workers' Welfare Fund	14.1	8,590	6,419
Others		67	92
		<u>9,036</u>	<u>6,811</u>

14.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) 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, which is pending adjudication.

During the year ended June 30, 2011, 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. Further, in December 2010 the Ministry filed its responses against the Constitutional Petition requesting SHC to dismiss the same. However, thereafter, show cause notices were issued by the Federal Board of Revenue (FBR) to certain mutual funds for the collection of WWF. In respect of such show cause notices, mutual funds have been granted stay by SHC on the basis of the pending Constitutional Petition as referred above.

During the year period the Lahore High Court (LHC) in another Constitutional Petition relating to the amendments brought in the WWF Ordinance through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional. While, the Constitutional Petition filed in the SHC is still pending.

As the matter relating to levy of WWF is currently pending in SHC, the Management Company, as a matter of prudence, has decided to record the provision for WWF amounting to Rs 8.590 million in these financial statements.

Had the above recognition not been made, the net asset value per unit of the Fund would have been higher by Rs 0.0859 per certificate (i.e. 0.75% of the net assets value).

	2012 (Rupees in '000)	2011
15 NET GAIN / (LOSS) ON SALE OF INVESTMENTS		
Classified as 'available-for-sale financial assets'	(1,969)	714
Classified as 'at fair value through profit or loss'	<u>1,310</u>	<u>16,615</u>
	<u>(659)</u>	<u>17,329</u>
16 PROFIT ON TERM FINANCE AND SUKUK CERTIFICATES		
Classified as 'available-for-sale financial assets'	55,921	69,968
Classified as 'at fair value through profit or loss'	<u>33,320</u>	<u>25,548</u>
	<u>89,241</u>	<u>95,516</u>
17 AUDITORS' REMUNERATION		
Audit Fee	275	275
Fee for the review of half yearly condensed interim financial statements	125	125
Fee for the review of statement of compliance with the Code of Corporate Governance	75	75
Out of pocket expenses	<u>136</u>	<u>72</u>
	<u>611</u>	<u>547</u>



18 OTHER EXPENSES

Workers' Welfare Fund	2,171	2,176
Others	101	63
	<u>2,272</u>	<u>2,239</u>

19 BASIC AND DILUTED EARNINGS PER CERTIFICATE

Net income for the year	<u>108,571</u>	<u>111,133</u>
	(Number of certificates)	
Number of certificates in issue	<u>100,000,000</u>	<u>100,000,000</u>
Basic earnings per certificate	<u>1.09</u>	<u>1.11</u>

There is no dilutive effect on the basic earnings per certificate of the Fund.

20 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Pak Oman Asset Management Company Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee and Pak Oman Investment Company Limited being the Holding Company of Management Company. Bank Alfalah Limited and National Insurance Corporation Limited having certificate holdings of 15% and 10% respectively. Other Connected persons are Collective Investment schemes managed by the Management Company i.e. Pak Oman Advantage Asset Allocation Fund (POAIF), Pak Oman Islamic Asset Allocation Fund (POIAAF), Pak Oman Advantage Islamic Income Fund (POAIIIF) and Pak Oman Government Securities Fund (POGSF).

Other transactions with connected persons are at mutually agreed rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulation and the Trust Deed respectively.

20.1 Transactions and balances with connected persons / related parties

Details of transactions with connected persons / related parties and balances with them at the year end are as follows:

	2012	2011
	(Rupees in '000)	
20.1.1 Pak Oman Asset Management Company Limited -		
Management Company of the Fund		
Balance payable at beginning of the year	2,773	3,438
Remuneration for the year	16,046	13,386
	<u>18,819</u>	<u>16,824</u>
Payments made during the year	(17,470)	(14,051)
Balance at the of the year	<u>1,349</u>	<u>2,773</u>
Investment of Pak Oman Asset Management Company Limited in the certificates of the Fund	<u>2,500</u>	<u>2,500</u>
Dividend paid	<u>254</u>	<u>259</u>



	2012	2011
	(Rupees in '000)	
20.1.2 Central Depository Company of Pakistan Limited - Trustee of the Fund		
Balance payable at beginning of the year	113	112
Trustee remuneration for the year	1,361	1,332
Central Depository System charges for the year	325	218
	<u>1,799</u>	<u>1,662</u>
Amount paid during the year	(1,686)	(1,549)
Balance at the end of the year (Trustee fees)	<u>113</u>	<u>113</u>
20.1.3 Bank Alfalah Limited		
Deposit with bank as at year end	<u>367,399</u>	<u>221,550</u>
Profit due from bank deposits as at year end	<u>3,227</u>	<u>1,640</u>
Profit for the year on bank deposits	<u>29,129</u>	<u>11,770</u>
Bank charges for the year	<u>20</u>	<u>14</u>
	<u>2012</u>	<u>2011</u>
	(Rupees in '000)	
Investment in Term Finance Certificates of Bank Alfalah Limited	<u>See note 7.1.1</u>	
Profit on TFCs for the year	<u>19,002</u>	<u>18,087</u>
Profit receivable against TFCs as at year end	<u>7,637</u>	<u>1,895</u>
Investment of Bank Alfalah Limited in certificates of the Fund	<u>150,000</u>	<u>150,000</u>
Dividend paid	<u>15,260</u>	<u>15,566</u>
20.1.4 National Insurance Company Limited		
Investment of National Insurance Company Limited in certificates of the Fund	<u>100,000</u>	<u>100,000</u>
Dividend paid	<u>10,173</u>	<u>10,377</u>
20.1.5 Pak Oman Investment Company Limited		
Investment of Pak Oman Investment Company Limited in certificates of the Fund	<u>271,090</u>	<u>271,090</u>
Dividend paid	<u>27,578</u>	<u>28,131</u>



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21 NET ASSET VALUE PER CERTIFICATE

Total net assets	1,141,672	1,124,798
	No. of certificates	
Total certificates in issue	100,000,000	100,000,000
	Rs	
Net assets value per certificate	11.42	11.25

22 RISK MANAGEMENT

The Fund invests primarily in a portfolio of high quality debt securities. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

22.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. In the Fund's case it arises principally from debt securities held, bank balances, profit / mark up recoverable etc.

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations.

Credit risk is managed by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account alongwith the financial background so as to minimise the risk of default.
- Assignment of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by periodic review of trade reports, credit ratings and financial statements on regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.

Exposure to credit risk

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk as at June 30, 2012 is as follows:

	2012		2011	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
----- (Rupees in '000) -----				
Investments				
- Available-for-sale investments	308,323	308,323	476,313	476,313
- At fair value through profit or loss-upon initial recognition	445,866	305,439	284,661	209,474
Profit receivable	27,183	27,183	26,243	26,243
Deposits	3,702	3,702	700	700
Bank balances	368,179	368,179	347,618	347,618
	<u>1,153,253</u>	<u>1,012,826</u>	<u>1,135,535</u>	<u>1,060,348</u>



22.1.1 The Management Company believes that the credit risk associated with such financial assets is minimal because such balances are held with reputable counter parties.

22.2 Concentration of credit risk

Concentration of credit risk exists when changes in economic and industry factors similarly effect group of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentration of credit risk.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution / economic sectors are as follows:

	2012		2011	
	(Rs in '000)	Percentage	(Rs in '000)	Percentage
Commercial banks	570,628	92.97	1,037,917	97.88
Leasing	28,268	4.61	-	-
Cement	1,133	0.18	3,472	0.33
Miscellaneous	13,733	2.24	18,959	1.79
	<u>613,762</u>	<u>100.00</u>	<u>1,060,348</u>	<u>100.00</u>

22.3 Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

22.4 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

Maturity analysis for financial liabilities

The analysis below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts below represent the contractual undiscounted cash flows.

	2012			
	Carrying amount	Less than 1 month	1 to 3 months	3 months to 1 year
	----- (Rupees in '000) -----			
Financial liabilities				
Payable to Management Company	1,349	1,349	-	-
Remuneration payable to Trustee	113	113	-	-
Annual fee payable to Securities and Exchange Commission of Pakistan	830	-	830	-
Accrued expenses and other liabilities	446	67	379	-
Dividend payable	253	253	-	-
	<u>2,991</u>	<u>1,782</u>	<u>1,209</u>	<u>-</u>



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	2011			
	Carrying Amount	Less than 1 month	1 to 3 months	3 months to 1 year
	----- (Rupees in '000) -----			
Financial liabilities				
Payable to Management Company	2,773	1,149	-	1,624
Remuneration payable to Trustee	113	113	-	-
Annual fee payable to Securities and Exchange Commission of Pakistan	803	-	803	-
Accrued expenses and other liabilities	392	92	300	-
Dividend payable	237	237	-	-
	<u>4,318</u>	<u>1,591</u>	<u>1,103</u>	<u>1,624</u>

22.5 Fair value of financial assets and liabilities

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

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted price (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table analysis within the fair value hierarchy the Fund's financial assets (by class) measured at fair value at June 30, 2012:

Financial assets	2012			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
At fair value through profit or loss initial recognition				
Term finance certificates	-	304,306	-	304,306
Sukuk certificates	-	1,133	-	1,133
Government securities	-	140,427	-	140,427
Available-for-sale				
Term Finance Certificates	-	294,590	13,733	308,323
	-	<u>740,456</u>	<u>13,733</u>	<u>754,189</u>

Financial assets	2011			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
At fair value through profit or loss initial recognition				
Term finance certificates	-	206,247	-	206,247
Sukuk certificates	-	3,227	-	3,227
Government securities	-	75,187	-	75,187
Available-for-sale				
Term Finance Certificates	-	476,313	-	476,313
	-	<u>760,974</u>	-	<u>760,974</u>

During the year an investment amounting to Rs 13.733 million transferred from level 2 to level 3.



22.6 Financial instruments by category

	2012				Total
	Loans and receivables	Financial assets at fair value through profit or loss - upon initial	Available for sale	Financial liabilities measured at amortised cost	
(Rupees in '000)					
On balance sheet - financial assets					
Balances with banks	368,179	-	-	-	368,179
Investments	-	445,866	308,323	-	754,189
Profit receivable	27,183	-	-	-	27,183
Deposits	3,702	-	-	-	3,702
	<u>399,064</u>	<u>445,866</u>	<u>308,323</u>	<u>-</u>	<u>1,153,253</u>
On balance sheet - financial liabilities					
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	-	-	-	1,349	1,349
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	-	-	-	113	113
Dividend payable	-	-	-	253	253
Accrued expenses and other liabilities	-	-	-	446	446
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,161</u>	<u>2,161</u>
(Rupees in '000)					
On balance sheet - financial assets					
Balances with banks	347,618	-	-	-	347,618
Investments	-	284,661	476,313	-	760,974
Profit receivable	26,243	-	-	-	26,243
Deposits	700	-	-	-	700
	<u>374,561</u>	<u>284,661</u>	<u>476,313</u>	<u>-</u>	<u>1,135,535</u>
On balance sheet - financial liabilities					
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	-	-	-	2,773	2,773
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	-	-	-	113	113
Dividend payable	-	-	-	237	237
Accrued expenses and other liabilities	-	-	-	392	392
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,515</u>	<u>3,515</u>

22.7 Certificate Holder's Fund Risk Management

Management's objective when managing certificate holders' funds is to safeguard 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 certificate holders' funds.



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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 markets' conditions. In order to maintain or adjust capital structure, the Fund may adjust the amount of dividend paid to certificate holders or issue of new certificate. The Fund is not exposed to the externally imposed minimum certificate capital maintenance requirement.

22.8 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The fund is exposed to interest rate risk only.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate exposure arises on investment in debt securities, government securities and saving accounts maintained with banks. Most of the Fund's interest bearing assets carry variable interest rates (and mature within a period ranging from one month to five years), except for the exposure in fixed rate instruments in certain term finance certificates and government securities aggregating Rs 69.864 million. However, to enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. The Fund monitors the interest rate environment on a regular basis and may also alter the portfolio mix of fixed and floating rate securities. Other risk management procedures are the same as those mentioned in the credit risk management.

At 30 June 2012, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	(Rs 'in '000)
Fixed rate	
Financial assets	<u>69,864</u>
Variable rate instruments	
Financial assets	<u>1,052,504</u>

The composition of the Fund's investment portfolio, KIBOR rates and the trade rates announced by MUFAP is expected to change over time. Accordingly, the actual trading results may differ from the below sensitivity analysis and the difference could be material.

Fair value sensitivity analysis for fixed rate instruments

A change of 50 basis points in interest rates at the year end would have increased / (decreased) the income for the year by Rs 0.053 million primarily due to mark up income. The analysis assumes that all other variables remain constant.



Cash flow value sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the year end would have increased / (decreased) the income for the year by Rs 5.262 million (2011: Rs 5.577 million) primarily due to mark up income. The analysis assumes that all other variables remain constant.

A summary of the Fund's interest rate position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

	2012					Total
	Mark-up / profit %	Up to one month	One to three months	Three months to six months	Above six months	
----- (Rupees in '000) -----						
Bank balances	2.5 to 12.3		368,179			368,179
Investments	10 to 15			613,762	140,427	754,189
Total assets		-	368,179	613,762	140,427	1,122,368

	2011					Total
	Mark-up / profit %	Up to one month	One to three months	Three months to six months	Above six months	
----- (Rupees in '000) -----						
Bank balances	2.5 to 12.3		347,618			347,618
Investments	10 to 15.7			685,787	75,187	760,974
Total assets		-	347,618	685,787	75,187	1,108,592

22.9 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the management company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;



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- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

23. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting used by the Chief Operating Decision Maker (CODM). The investment committee of the Management Company has been identified as the CODM, which is responsible for allocating resources and assessing performance of the operating segments. The Fund manager works under the supervision of the investment committee and follows the direction given by the committee.

The investment committee is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The investment committee's asset allocation decisions are based on a single integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The internal reporting provided to the investment committee for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There are no change in the reportable segments during the year.

The Fund is domiciled in Pakistan. The Fund's income is generated from resources invested in the term finance certificates, government securities, short term placements and balances maintained with the bank which are based in Pakistan. Revenue from counterparties which exceed 10% of the Fund's total revenue aggregates Rs 72.02 million (2011: Rs 62.2 million).

24. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding certificate holding pattern, top brokers, members of the Investment Committee, Fund Manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

24.1 Certificate holding pattern of the fund

Category	2012			2011		
	Number of investors	Investment face value (Rupees in '000)	% of total	Number of investors	Investment face value (Rupees in '000)	% of total
Individuals	119	10,353	1.03%	113	2,342	0.23%
Insurance Companies	3	107,858	10.79%	3	107,881	10.79%
Banks / DFIs	13	738,427	73.84%	12	709,625	70.96%
Public Limited Companies	3	78,265	7.83%	3	78,265	7.83%
Others	14	65,097	6.51%	14	101,887	10.19%
	152	1,000,000	100.00%	145	1,000,000	100.00%



24.2. List of top brokers by percentage of commission

2012	2011
Alafalah Securities (Private) Limited	Alafalah Securities (Private) Limited
KASB Securities Limited	KASB Securities Limited
IGI Finex Securities	IGI Finex Securities
JS Global Capital Limited	JS Global Capital Limited

24.3. Details of members of investment committee of the management company

Members	Designation	Qualification
Ms. Hina Ghazanfar	MD & CEO	MBA
Mr. Ahmed Nabeel	CIA	MBA
Mr. Imran Rahim Khan	Fund Manager	MBA & MA Economics

24.4 Details of fund manager

Name	Qualification	Funds managed
Mr. Imran Rahim Khan	MBA & MA Economics	Pak Oman Government Securities Fund Pak Oman Advantage Fund Pak Oman Advantage Islamic Income Fund

24.5 Details of attendance at meetings of board of directors of the management company

	Designation	Dates of Board of Directors meetings and directors present therein				
		July 5, 2011	August 23, 2011	October 26, 2011	February 1, 2012	April 28, 2012
H. E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman	P	P	P	P	P
Agha Ahmed Shah, Esq.	Director	P	P	P	P	P
Mr. Humayun Murad	Director	P	O	P	P	P
Mr. Parvez Usman*	Director	O	O	O	O	O
Mr. Sulaiman Hammad Al Harty	Director	O	P	P	P	P
Mr. Ali Said Ali	Director	P	P	P	P	P
Mr. Saif Said Salim Al Yazidi	Director	-	P	P	P	P
Ms. Hina Ghazanfar	MD & CEO	P	P	P	P	P

* Office vacated w.e.f. April 28, 2012



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24.6 Rating of the fund and the management company

PACRA has assigned an A+(f) (Single A Plus ; fund) Fund stability rating to the Fund which reflect the moderate degree of stability and returns at moderate risk level.

Further JCR-VIS has assigned an AM3 rating to the management company which is defined as good management quality.

25. PERFORMANCE TABLE

	2012	2011	2010	2009
Net assets (Rupees in '000) *	1,141,672	1,124,798	1,110,794	1,083,658
Net income (Rupees in '000)	108,571	111,133	104,272	106,718
Net assets value (NAV) per certificate as (Rupees) *	11.42	11.25	11.12	10.84
Basic earnings per certificate (Rupees)	1.09	1.11	1.04	1.07
Dividend distribution:				
- Final distribution	-	10.17%	10.38%	9.60%
- Distribution dates	14-Oct-2012	23-Aug-11	18-Aug-10	18-Aug-09
Highest NAV per certificate during the year (Rupees)	11.53	11.26	11.24	11.42
Lowest NAV per certificate during the year (Rupees)	10.15	10.01	10.24	9.35
Weighted average portfolio duration (years)	1.16	2.99	3.23	4.43
Total return	10.86%	11.11%	10.43%	10.67%
	One year	Two years	Three years	Four years
Average annual return as at June 30, 2012	10.86%	10.99%	10.80%	10.77%

Note: Past performance is not necessarily indicative of future performance and that certificate prices and investment returns may go down, as well as up.

* The distribution for the year ended is made subsequent to the year end, therefore, is not accounted for in the respective statements as also explained in note 27.

26. SUBSEQUENT EVENTS

The Board of Directors of the Management Company in its meeting held on 14th October, 2012 has announced a dividend of 10.18% (2011: 10.17%) amounting to Rs. 101.78 million (2011: Rs 101.73 million). These financial statements do not include the effect of the appropriations for such dividend as such will be accounted for in the financial statements for the year ending June 30, 2013.

27. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 14th October 2012 by the Board of Directors of the Management Company.

For Pak Oman Asset Management Company Limited

(Management Company)

MD & CEO

Director



Pak Oman Advantage Fund

PATTERN OF CERTIFICATE HOLDING
AS AT 30 JUNE 2012

NO. OF SHAREHOLDERS	< -- HAVING SHARES -- >		SHARES HELD	PERCENTAGE
	FROM	TO		
26	1	100	325	0.0003
64	101	500	30542	0.0305
12	501	1000	11700	0.0117
13	1001	5000	42224	0.0422
3	5001	10000	20985	0.0210
4	10001	15000	45204	0.0452
1	20001	25000	24700	0.0247
1	65001	70000	69323	0.0693
1	95001	100000	96000	0.0960
2	240001	245000	481000	0.4810
1	245001	250000	250000	0.2500
1	285001	290000	286199	0.2862
1	495001	500000	499599	0.4996
1	795001	800000	800000	0.8000
2	960001	965000	1923000	1.9230
2	995001	1000000	2000000	2.0000
1	1695001	1700000	1700000	1.7000
2	1920001	1925000	3846000	3.8460
1	1995001	2000000	2000000	2.0000
2	2400001	2405000	4807000	4.8070
1	2880001	2885000	2883499	2.8835
1	3495001	3500000	3500000	3.5000
1	4985001	4990000	4990000	4.9900
3	4995001	5000000	15000000	15.0000
1	7580001	7585000	7583700	7.5837
2	9995001	10000000	20000000	20.0000
1	12105001	12110000	12109000	12.1090
1	14995001	15000000	15000000	15.0000
152	Company Total		100000000	100.0000

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO



Pak Oman Advantage Fund

Director

CATEGORIES OF CERTIFICATE HOLDERS
AS AT 30 JUNE 2012

PARTICULARS	No. of holders	No. of Certificates held	PERCENTAGE
BANKS, DFI & NBFI	13	73842699	73.8427
INSURANCE COMPANIES	3	10785798	10.7858
GENERAL PUBLIC (LOCAL)	118	1034303	1.0343
GENERAL PUBLIC (FORGEIN)	1	1000	0.0010
OTHERS	14	6509700	6.5097
PUBLIC SECTOR COS. & CORP.	3	782650	7.8265
Company Total	152	100000000	100.0000

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO



Pak Oman Advantage Fund

Director

**PATTERN OF CERTIFICATE HOLDINGS AS PER REQUIREMENTS OF
CODE OF CORPORATE GOVERNANCE
AS AT 30 JUNE 2012**

Particulars	No. of Certificates held
Individuals	1,035,303
Non-resident	-
Associated companies	-
- Pak Oman Investment Company Limited	27,109,000
- Pak Oman Microfinance Bank Limited	2,403,500
- National Logistic Cell - SRBF	5,423,000
Chief Executive & his spouse	-
Directors and their spouses	500
Executives	-
Public sector companies and corporations	3,403,500
Banks	12,583,700
Development financial institutions	9,796,499
Non-banking finance companies	6,950,000
Non-banking finance institutions	-
Insurance companies	785,798
Provident and Gratuity Fund	5,500,000
Others	9,200
Shareholders holding ten percent or more other than associated companies and directors	
- Bank Alfalah Limited	15,000,000
- National Insurance Company Limited	10,000,000
Total	100,000,000

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO



Pak Oman Advantage Fund

Director

**STATEMENT OF INCOME & EXPENDITURE OF MANAGEMENT
COMPANY IN RELATION TO THE FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	(Rupees in '000)
INCOME	
Management Company's remuneration	13,386
OPERATING EXPENSES	
Salaries and allowances	9,296
Travelling and accommodation	827
Rent, rates and taxes	1,465
Utilities	399
Communication	25
Fees and subscriptions	671
Printing, stationery and periodicals	360
Depreciation	937
Amortisation	7
Legal and professional charges	792
Repairs and maintenance	59
Transportation	780
Insurance	251
Entertainment	89
Advertising	-
	15,957
Net income for the year	(2,571)

Note: The above expenses are allocated based on the income earned by the Management Company. Other revenue and expense not relating to the fund has not been included in the above statement.

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO



Pak Oman Advantage Fund

Director

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Annexure A

	2012	2011	2010	2009	2008	For the period from May 10, 2007 to June 30, 2007
Net assets (Rupees in '000) *	1,141,672.00	1,124,798.00	1,110,794.00	1,083,658.00	1,114,720.00	1,026,673.00
Net income (Rupees in '000)	108,571.00	111,133.00	104,272.00	106,718.00	101,943.00	23,307.00
Net assets value (NAV) per certificate as (Rupees) *	11.42	11.25	11.12	10.84	11.15	10.27
Basic earnings per certificate (Rupees)	1.09	1.11	1.04	1.07	1.02	0.23
Dividend distribution:						
- Final distribution	10.18%	10.17%	10.38%	9.60%	10.84%	15.09%
- Distribution dates	18-Sep-12	23-Aug-11	18-Aug-10	18-Aug-09	20-Aug-08	25-Aug-07
Highest NAV per certificate during the year (Rupees)	11.53	11.26	11.24	11.42	11.15	11.42
Lowest NAV per certificate during the year (Rupees)	10.15	10.01	10.24	9.35	10.26	9.35
Total return	10.86%	11.11%	10.43%	10.67%	10.68%	10.04%

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO



Pak Oman Advantage Fund

Director