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Our Mission

“To provide higher risk adjusted returns to investors at large by investing into a diversified range of investment assets on consistent basis.”

Our Vision

“Pak Oman Advantage Islamic Income Fund aims to provide diversified portfolio and return that is risk adjusted to suit investors at large, on a consistent basis.”



FUND INFORMATION

MANAGEMENT COMPANY

Pak Oman Asset Management Company Limited
1st Floor, Tower 'A', Finance & Trade Center,
Shara-e-Faisal, Karachi -74400, Pakistan
Phone: (9221) 5631020-24
Fax: (9221) 5631025
Web site: www.pakomanfunds.com
E-mail: info@pakomanfunds.com

BOARD OF DIRECTOR OF THE MANAGEMENT COMPANY

H.E. Yahya Bin Said Bin Abdullah Al-Jabri
Mr. Humayun Murad
Mr. Agha Ahmed Shah
Mr. Sulaiman Hamad Al Harthy
Mr. Ali Said Ali
Mr. Parveiz Usman
Mr. Saif Said Salim Al Yazidi
Ms. Hina Ghazanfar

Chairman
Director
Director
Director
Director
Director
Director
MD & CEO

AUDIT COMMITTEE

H.E. Yahya Bin Said Bin Abdullah Al-Jabri
Mr. Humayun Murad
Mr. Agha Ahmed Shah
Mr. Parveiz Usman

Chairman of the Committee
Member
Member
Member

CHIEF FINANCIAL OFFICER

Mr. Najm-ul- Hassan

COMPANY SECRETARY

Mr. Asif Javaid

TRUSTEE

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



AUDITORS

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

BANKERS TO THE FUND

Bank Al-Falah Ltd- Islamic Banking
Dubai Islamic Bank
Bank Islami Pakistan
Al-Barka Islami Bank
MCB Bank Limited - Islamic Banking
UBL Bank Limited - Islamic Banking
Faysal Bank Limited - Formerly Royal Bank of Scotland

SHARIAH ADVISER

Dr. Muhammad Najeeb Khan

LEGAL ADVISER

Mandviwalla & Zafar
Advocates and legal Consultants
C-15 Block 2, Clifton,
Karachi

TRANSFER AGENT

Gangjees Registrar Services (Pvt.) Limited
513, Clifton Centre, Khayaban-e-Roomi
Block 5, Clifton,
Karachi-75600

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 Islamic Income Fund (POAIIIF)** is pleased to present the audited financial statements of the Fund for the year ended June 30, 2011.

Economic Review

Economic conditions of the country showed a positive sign despite of political challenges, higher international oil prices and disastrous floods during the year. Pakistan's real GDP stood at USD180bn in FY11 against USD176bn in FY10, which translates into a positive growth of 2.4%. In terms of economic growth, the country has underperformed than the previous year's GDP growth rate of 4.8%. Lower economic growth was derived primarily due to the severe energy shortfall and floods in the country. During the current year, demand for the product in the manufacturing sector, particularly textiles, autos, fertilizer and cement remained strong. Despite of this higher demand, supply remained limited due to the energy crisis. Due to the higher international oil prices, yearly CPI has risen to 13.9% in FY11 as compared to 11.7% in FY10.

The country's current account balance posted a surplus of USD542mn in FY11. Surplus was witnessed primarily due to the hike in cotton prices during March 2011 along with higher remittances of USD11.20bn during the year as compared to USD8.91bn in FY10. Impact of increase in import bill due to the higher international oil prices was laid off by all time high exports of USD25.5bn due to said increase in cotton prices during the year.

On tax revenue side, Federal Board of Revenue has collected tax of PKR1,552bn against its target of PKR1,588bn which showed a shortfall of PKR36bn. Moreover, recently imposed Capital Gain Tax (CGT) has not broadened the tax base to great deal and Pakistan's Tax-to-GDP ratio still stood at around 10% which is very low as compared to other countries.

The average overnight rate stood at 12.33% for the year ended June 30, 2011, while the discount rate was held at 14% by the State Bank of Pakistan. The State Bank of Pakistan conducted twenty six T-bill auctions during the year and assimilated PKR 3,604.84bn collectively from all auctions combined, the breakup of which is as PKR1,487.57bn in the 3-month tenor, PKR1,544.37bn in the 6-month tenor and PKR572.90bn in the 12-month tenor. Eight PIB auctions were also conducted during the year, of which two were rejected while SBP accepted PKR 126.90bn against the participation of PKR235.27bn in the rest. Beside T-bill and PIB auctions, four Government of Pakistan Ijara Sukuks auctions were also conducted by SBP of which collective amount accepted equaled PKR182.35bn against participation of PKR230.56bn all at 6 Month T-Bill weighted average yield.

Operating Performance

The Fund during the year ended June 30, 2011, earned a total income of PKR 33.27mn. The income for the period comprises of mainly profit earned on deposits with banks amounting to PKR 15.72mn ,profit earned on sukuks amounting to PKR 9.81mn and profit on placement with banks amounting to PKR 7.16mn. Gain on investments amounting to PKR 0.35mn. After accounting for expenses of PKR 8.41mn, the net income for the period was PKR 31.77mn. The net assets of the fund as at June 30, 2011 were 431.56mn and PKR 52.2736 per unit. The fund also declared a final dividend of PKR 1.9777 unit (Total PKR 4.3590 during the year) for the year ended June 30, 2011.

Future Outlook

Overall, economic performance of the country did not prove to be as weak as was anticipated due to the flood losses faced as well as the highly volatile political conditions, not only on the national but also on the international front. During FY11, the country faced a whole bunch of hardships including numerous terror attacks, power outages, worse floods in the history.

Keeping the fairly better position of current account in view, we anticipate the currency to remain stable during FY12 which will further enhance the foreign exchange reserves. However, the recent cut in discount rate by 50 basis point (bps) to 13.5% is likely to remain stagnant in near future.

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 17.6 of the Offering Document.



Compliance with Code of Corporate Governance

The Management Company always strives to maintain the highest standards of corporate governance. In compliance with the code of corporate governance, the BOD declares that:

- These financial statements present fairly the state of affairs of the Fund, the result of its operations, cash flows and changes in equity.
- The Fund maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Karachi Stock Exchange (KSE) listing regulations.
- The Board has formulated a Statement of Ethics and Business Practices which has been signed by existing directors and employees of the management company.
- The Directors, CEO, CFO and Company Secretary of the Management Company including their spouse and minor children do not hold any interest in the shares of the Company.
- Pattern of units holding is given on note 20 of the financial statements.
- Key financial data for the years ended June 30, 2011 and 2010 and for the period October 30, 2008 to June 30, 2009 is given in note 26 to the financial statements.

Board Meetings

During the period five board meetings were held. The details of the attendance by each director in the board meetings are given in note 24 to the financial statements.

Re-appointment of Auditors

The Audit Committee of the Management Company has recommended appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as auditors of the fund for the year ending June 30, 2012 in place of retiring auditors M/s A.F. Ferguson & Co. Chartered Accountants. The Board of Directors has approved their appointment as auditors for the year ending June 30, 2012.

Mutual Fund Rating

The Pakistan Credit Rating Agency (PACRA) has assigned a stability rating of 'A+' (Single A Plus – fund rating) to the Fund, which denotes a strong capacity to manage relative stability in returns and low exposure to risks. Further, Quality Rating of the Management Company is 'AM3'; by the Credit Rating Agency JCR-VIS.

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.

August 23, 2011
Muscat, Oman

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



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

REPORT OF THE FUND MANAGERS OF THE MANAGEMENT COMPANY

Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage Islamic Income Fund (the Fund) is pleased to present the Fund Manager's Report of the Fund for the year ended June 30, 2011.

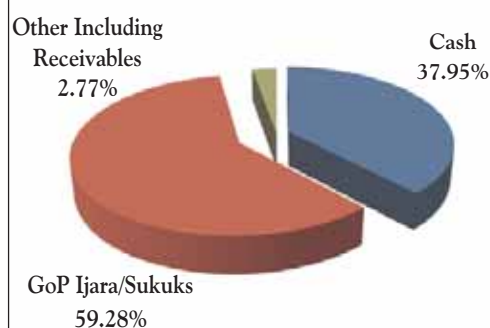
INVESTMENT OBJECTIVE

The primary investment objective is to provide investor(s) with competitive current income and long-term capital growth primarily by investing in a diversified portfolio of Shariah Compliant investment instruments, including Shariah compliant securities available for investments outside Pakistan, subject to applicable laws.

Terms and Structure	
Type of Scheme	Open-End Fund
Nature of Scheme	Shariah Compliant Income
Inception Date	Oct 30, 2008
Face Value	PKR 50 per Unit
Fund Size (June 30, 2011)	PKR 431.56mn
NAV (June 30, 2011)	PKR 52.2736 per Unit
Benchmark	6-month average deposit rate of 4 Islamic banks with minimum rating of A- and above.
Listing	KSE (Guarantee) Limited
Trustee	CDC Pakistan Limited.
Shariah Advisor	Mr. Muhammad Najeeb Khan
Auditor	A.F. Ferguson & Co. Chartered Accountants
Legal Advisor	Mandviwalla & Zafar Advocates & Legal Consultants.
Transfer Agent	Gangjees Registrar Services(Pvt.) Limited
Management Fee	2.00% p.a
Fund Stability Rating	A+ (f) PACRA
AMC Rating	AM3 by JCR- VIS
Investment Committee	Ms. Hina Ghazanfar, CEO Mr. Ahmed Nabeel, Chief Investment Advisor Mr. Najam Ul Hasan, CFO Mr. Nabeel Malik, Fixed Income Fund Manager

Asset Allocation (% of Assets)	
Cash	37.95
Sukuks/GoP Ijara	59.28
Others Including Receivables	2.77

POAIIF Asset Allocation



Unit Holding Pattern

Units	# of Unit Holders
0 – 1,000	347
1,001 – 50,000	162
50,001 – 500,000	10
500,001 – 1,000,000	3
1000,001 - Above	3

POAIIF Performance

Yield since inception	8.15%
Year to date return (FY11)	9.01%
Risk free rate (12M T-Bill)	13.91%
Sharpe Ratio (x)	-7.7271

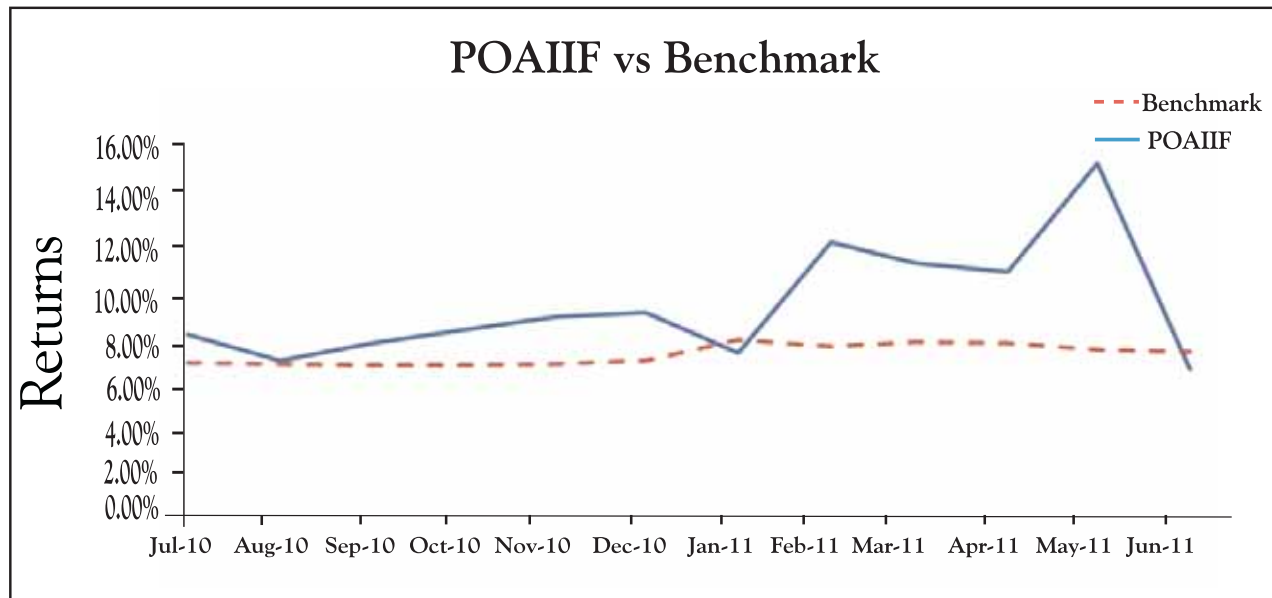
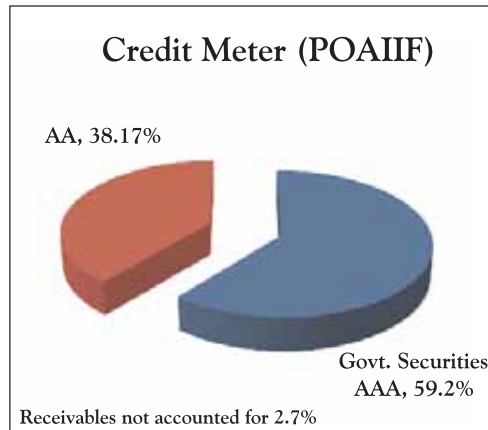
FUND REVIEW

During the year under review Pak Oman Advantage Islamic Income Fund generated a return of 9.01%. The return was due to active allocation of the funds. The fund gradually increased its Government of Pakistan Ijara Sukuk portfolio over the year and enhanced it up to 59.28% at the end of the year which not only improved fund's returns but also improved credit quality. The net assets of the fund increased gradually during the year and stood at PKR431.56mn at the year end.



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

Funds Return	POAIF	Benchmark
Year-to-Date (YTD)	9.01%	7.44%



July 22, 2011
Karachi.

Nabeel Malik
Fixed Income Fund Manager



REPORT OF THE SHARIAH ADVISOR

Karachi
July 13, 2011

Alhamdulillah, the period from July 1, 2010 to June 30, 2011 was the third year of operations of Pak Oman Advantage Islamic Income Fund (POAIIF). This report is being issued in accordance with clause 3.A.4 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shar'iah Compliance of Fund's activity.

It is responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shar'iah compliance with the Shar'iah policies & guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- (i) I have reviewed and approved the modes of investments of POAIIF in light of Shar'iah requirements. I have checked the investments of POAIIF as on June 30, 2011 and their evaluation according to the screening criteria established by us. (December 31, 2010 accounts of the investee companies have been used)

In light of above, I hereby certify that all the provisions of the Scheme and investments made on account of POAIIF by POAMCL are Shar'iah compliant and are in accordance with the Shar'iah policies & guidelines issued by the Shar'iah Advisor and Shar'iah Technical Services and Support Provider.

- (ii) On the basis of information provided by the management, all operations of the POAIIF for the year ended June 30, 2011 have been in compliance with the Shar'iah principles.
- (iii) There are investments made by POAIIF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income). In such cases, the management company has been directed to set a side as charity such proportion of the Income from Investee companies in order to purify the earning of the Fund.

May Allah bless us with best Tawfeeq to accomplish His Cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Dr. Muhammad Najeeb Khan
Shariah Advisor / Consultant



**TRUSTEE REPORT TO THE UNIT HOLDERS
PAKOMAN ADVANTAGE ISLAMIC INCOME 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**

The Pak Oman Advantage Islamic Income Fund (the Fund), an open-end fund was established under a trust deed dated June 02, 2008, executed between Pak Oman Asset Management Company Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 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;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) 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.

September 15, 2011
Karachi.

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



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

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The board of directors (the Board) of Pak Oman Asset Management Company Limited, the management company, which is an unlisted public company and manages the affairs of Pak Oman Advantage Islamic Income Fund (the Fund). The Fund being an open-end scheme does not have its own Board of Directors. The management company has applied the principles contained in the code to the Fund whose units are listed on the Karachi Stock Exchange, in the following manner:

- 1 The management company encourages representation of non-executive directors. All the directors except MD & CEO are non-executive directors.
- 2 The existing directors have confirmed that none of them is serving as a director in more than ten listed companies, including the management company.
- 3 All the existing resident directors of the management company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4 A casual vacancy occurred in the Board which was filled up by the directors during the period. The said replacement was approved by the Securities and Exchange Commission of Pakistan on July 11, 2011.
- 5 The management company has prepared a Statement of Ethics and Business Practices for the current year.
- 6 The board of the management company has developed a vision and mission statement, overall corporate strategy and significant policies. The investment policy of the Fund has been disclosed in the offering document while other significant policies & procedures manuals have also been being approved by the Board and adopted by the management company.
- 7 All the powers of the Board have been duly exercised and decisions on material transactions, have been taken by the Board.
- 8 The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9 The management company has arranged an orientation course for its directors in the current year to apprise them of their duties and responsibilities and the requirements of the code of corporate governance.
- 10 The directors' report relating to the Fund, for the year ended June 30, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 11 The financial statements of the Fund were duly endorsed by the MD & CEO and the CFO of the management company before approval by the Board.
- 12 The Directors, MD & CEO and executives do not hold any interest in the units of the Fund.
- 13 The management company has complied with all the applicable corporate and financial reporting requirements of the code.
- 14 The Board has an audit committee. It comprises of four non-executive directors of the management company as its members including chairman of the audit committee.



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

- 15 The meetings of the audit committee were held once in every quarter prior to the approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the audit committee have been framed and approved by the Board of the management company and advised to the committee for compliance.
- 16 The Board has set-up an effective internal audit function and personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures and they are involved in the internal audit function on a full time basis.
- 17 The related party transactions entered during the year ended June 30, 2011 have been placed before the audit committee along with their basis and approved by the Board of directors in their respective meetings.
- 18 The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- 19 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20 We confirm that all other material principles contained in the Code have been complied with.

August 23, 2011
Muscat, Oman.

Hina Ghazanfar
MD & CEO



REVIEW REPORT TO THE UNITHOLDERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF 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 Islamic Income Fund (the Fund) to comply with the Listing Regulation No. 35 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 of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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.

Further, Sub - Regulation (xiii a) of the Listing Regulations No. 35 of the Karachi Stock Exchange requires the company to place before the Board of Directors for their consideration and approval the related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail on arm's length and those which are not executed at arm's length prices and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are required to be separately placed before the audit committee. We are only required and have ensured compliance of the subject requirement to the extent of approval of the 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 the status of the Management Company's compliance, 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, 2011.

September 29, 2011
Karachi.

A.F. Ferguson & Co.
Chartered Accountants



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the accompanying financial statements of Pak Oman Advantage Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in unitholders' fund 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 the 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 auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material 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 judgement, 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, 2011 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.

Other matters

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.

September 29, 2011
Karachi.

A.F. Ferguson & Co.
Chartered Accountants



INDEPENDENT ASSURANCE PROVIDER'S REPORT ON SHARIAH COMPLIANCE TO THE UNITHOLDERS

We have performed our independent assurance engagement of Pak Oman Advantage Islamic Income Fund (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by the Shariah Advisor of the Fund for the year ended June 30, 2011.

Management Company's responsibility

Management Company of the Fund is responsible for the appointment of Shariah Advisor of the Fund and for compliance with the Shariah guidelines prescribed by the Shariah Advisor. This responsibility includes: designing, implementing and maintaining internal control to ensure compliance with the Shariah guidelines issued by the Shariah Advisor of the Fund.

Responsibility of independent assurance providers

Our responsibility is to express our conclusion on the compliance based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the Fund has complied with the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah guidelines. In making those risk assessments, we have considered internal controls relevant to the entity's compliance with the guidelines in order to design our procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the guidelines. Our engagement was not for the purpose of expressing an opinion on the effectiveness of entity's internal control.

Conclusion

In our opinion, the Fund was, in all material respect, in compliance with the Shariah guidelines issued by the Shariah Advisor of the Fund for the year ended June 30, 2011.

September 29, 2011
Karachi.

A.F. Ferguson & Co.
Chartered Accountants



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011

	Note	2011 (Rupees in '000)	2010
Assets			
Balances with banks	6	166,212	88,076
Placements with financial institutions		-	140,000
Investments	7	259,604	-
Profit receivable	8	8,159	2,311
Deposits and other receivables	9	1,450	17,339
Preliminary expenses and floatation cost	10	2,500	3,000
Total assets		437,925	250,726
Liabilities			
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	11	3,700	4,063
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	12	59	57
Payable to Securities and Exchange Commission of Pakistan	13	209	165
Accrued expenses and other liabilities	14	2,400	1,926
Total liabilities		6,368	6,211
Net assets		431,557	244,515
Unitholders' fund (as per statement attached)		431,557	244,515
		(Units)	
Number of units in issue	15	8,255,730	4,619,093
		(Rupees)	
Net asset value per unit		52.2736	52.9356

The annexed notes 1 to 28 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	(Rupees in '000)	
Income		
Profit on deposit accounts with banks	15,721	13,853
Profit on placements with financial institutions	7,160	4,392
Profit on sukuk certificates	9,807	6,833
Gain / (loss) on sale of investments	345	(12,141)
Other income	-	90
	33,033	13,027
Unrealised gain on investments 'at fair value through profit or loss'		
- upon initial recognition	236	-
Reversal of provision on an investment	-	5,850
	236	5,850
Total income	33,269	18,877
Expenses		
Remuneration to Pak Oman Asset Management Company Limited - Management Company of the Fund	5,565	4,398
Remuneration to Central Depository Company of Pakistan Limited - Trustee of the Fund	663	700
Securities and Exchange Commission of Pakistan - annual fee	209	165
Auditors' remuneration	505	475
Fees and subscription	180	150
Amortisation of preliminary expenses and floatation cost	500	1,000
Workers' welfare fund - current year	635	182
- prior period	-	415
Brokerage	102	36
Bank and settlement charges	55	170
Total expenses	8,414	7,691
Element of gain / (loss) included in prices of units sold less those in units redeemed	6,918	(2,091)
Net income / Total comprehensive income	31,773	9,095

The annexed notes 1 to 28 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	(Rupees in '000)	
Undistributed income brought forward		
- Realised income	9,536	22,987
- Unrealised income / (loss)	4,024	(1,826)
	13,560	21,161
Net income for the year	31,773	9,095
Final distribution in the form of issuance of 84,342 bonus units for the year ended June 30, 2010 @ Rs 2.80 per unit (2009: 230,821 units @ Rs 4.0531 per unit)	(4,228)	(11,822)
Final distribution in the form of cash for the year ended June 30, 2010 @ Rs 2.80 per unit (2009: Rs 4.0531 per unit)	(8,705)	(4,458)
First interim distribution of 18,438 bonus units for the year ended June 30, 2011 @ Rs 0.60 per unit (2010: 6,080 bonus units @ Rs 0.10 per unit)	(931)	(306)
Second interim distribution of 70,713 bonus units for the year ended June 30, 2011 @ Rs 1.7813 per unit	(3,608)	-
First interim distribution in the form of cash for the year ended June 30, 2011 @ Rs 0.60 per unit (2010: Rs 0.10 per unit)	(1,865)	(110)
Second interim distribution in the form of cash for the year ended June 30, 2011 @ Rs 1.7813 per unit	(7,226)	-
Net income / (loss) less distribution for the year	5,210	(7,601)
Undistributed income carried forward	18,770	13,560
Undistributed income carried forward		
- Realised income	18,534	9,536
- Unrealised income	236	4,024
Undistributed income carried forward	18,770	13,560

The annexed notes 1 to 28 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

**STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	(Rupees in '000)	
Net assets at the beginning of the year	244,515	221,994
Issue of 10,772,872 units (2010: 8,597,177 units) during the year	557,745	438,728
Redemption of 7,309,728 units (2010: 8,231,647) during the year	(377,762)	(422,825)
	179,983	15,903
Element of (gain) / loss included in prices of units sold less those in units redeemed	(6,918)	2,091
Net income / (loss) less distribution for the year	5,210	(7,601)
Final distribution in the form of issuance of 84,342 bonus units for the year ended June 30, 2010 @ Rs 2.80 per unit (2009: 230,821 units @ Rs 4.0531 per unit)	4,228	11,822
First interim distribution of 18,438 bonus units for the year ended June 30, 2011 @ Rs 0.60 per unit (2010: 6,080 bonus units @ Rs 0.10 per unit)	931	306
Second interim distribution of 70,713 bonus units for the year ended June 30, 2011 @ Rs 0.10 per unit	3,608	-
Net assets as at the end of the year	431,557	244,515
Net asset value per unit	52.2736	52.9356

The annexed notes 1 to 28 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 (Rupees in '000)	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		31,773	9,095
Adjustments for non-cash and other items			
Profit on deposit accounts with banks		(15,721)	(13,853)
Profit on placements with financial institutions		(7,160)	(4,392)
Profit on sukuk certificates		(9,807)	(6,833)
(Gain) / loss from sale of investments		(345)	12,141
Unrealised gain on investments 'at fair value through profit or loss' - upon initial recognition		(236)	-
Reversal of provision on an investment		-	(5,850)
Amortisation of preliminary expenses and floatation cost		500	1,000
Element of (gain) / loss included in prices of units sold less those in units redeemed		(6,918)	2,091
		<u>(7,914)</u>	<u>(6,601)</u>
(Increase) / decrease in assets			
Investments (net)		(259,368)	79,234
Placements with financial institutions		140,000	(140,000)
Deposits and other receivables		15,889	(12,239)
		<u>(103,479)</u>	<u>(73,005)</u>
Increase / (decrease) in liabilities			
Payable to Pak Oman Asset Management Company Limited		(363)	(1,347)
Payable to Central Depository Company of Pakistan Limited		2	(2)
Payable to Securities and Exchange Commission of Pakistan		44	31
Accrued expenses and other liabilities		474	1,552
		<u>157</u>	<u>234</u>
Profit received on deposit accounts with banks		15,203	13,778
Profit received on placement with financial institutions		8,344	3,208
Profit received (net) on sukuk certificates		3,293	8,765
Gain / (loss) from sale of investments		345	(12,141)
Cash flow from operating activities		<u>(84,051)</u>	<u>(65,762)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net of payments and receipts against issue and redemption of units		179,983	15,903
Dividend paid		(17,796)	(4,568)
		<u>162,187</u>	<u>11,335</u>
Net increase / (decrease) in cash and cash equivalents during the year		<u>78,136</u>	<u>(54,427)</u>
Cash and cash equivalents at beginning of the year		<u>88,076</u>	<u>142,503</u>
Cash and cash equivalents at the end of the year	6	<u><u>166,212</u></u>	<u><u>88,076</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pak Oman Advantage Islamic Income Fund (the Fund) was established as an open-end scheme under a trust deed (the Trust Deed) executed between Pak Oman Asset Management Company Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the trustee. The Trust Deed was approved for execution by the Securities and Exchange Commission of Pakistan (the SECP) on May 27, 2008 and was executed on June 2, 2008 and under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules). On November 21, 2008 Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) were notified through S.R.O. 1203(I)/2008. The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company. The registered office of the Management Company is situated at First Floor, Tower A, Finance and Trade Centre, Sharah-e-Faisal, Karachi.
- 1.2 The Fund is a shariah compliant open-end fund listed on the Karachi Stock Exchange and was launched on October 30, 2008. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unitholders.
- 1.3 The Fund is categorised as an income fund in accordance with the requirements of the SECP's circular No. 7 dated March 6, 2009 and accordingly its investments comprise of shariah compliant income securities, so as to ensure a riba-free return on investments. All investments of the Fund are as per the guidelines of the shariah principles provided by the Shariah Advisor of the Fund and comprise the investments permissible as 'Authorised Investments' under the Trust Deed. Mr. Muhammad Najeeb Khan has been appointed as Shariah Advisor of the Fund with effect from July 14, 2010 in place of Dr. Imran Ashraf Usmani.
- 1.4 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

2. BASIS OF PRESENTATION AND ACCOUNTING CONVENTION

- 2.1 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.
- 2.2 The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah Advisor are accounted for on substance rather than the form prescribed by the earlier referred guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

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 Amendments to the approved accounting standards and initial application of new interpretations effective during the year ended June 30, 2011:

There are certain amendments to the approved accounting standards and new interpretations that became effective during the year ended June 30, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

- 3.3 Amendments to the approved accounting standards and existing interpretations that are not yet effective:



There are certain amendments to the approved accounting standards and existing interpretations that are mandatory for the Fund's accounting periods beginning on or 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 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 judgement in applying accounting policies that have significant effect on the amounts recognised in these financial statements are as follows:

- (a) Classification and valuation of financial instruments (notes 5.1 and 7)
- (b) Amortisation of preliminary expenses and floatation cost (note 5.8)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

5.1 Financial instruments

5.1.1 Classification

The Fund classifies its financial assets in the following categories:

(a) Investments 'at fair value through profit or loss':

- Financial assets 'held-for-trading'

These include financial assets 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 assets 'at fair value through profit or loss upon initial recognition'

Any financial asset within the scope of IAS 39 - 'Financial Instruments: Recognition and Measurement' (IAS 39) may be designated when initially recognised as a financial asset 'at fair value through profit or loss'.

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 up to 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 at 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.



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

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 assets and financial liabilities 'at fair value through profit or loss' are expensed immediately.

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 'income statement' for the year. Changes in the fair value of instruments classified as 'available for sale' are recognised in the 'income statement' 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.

5.1.5 Impairment

Financial assets not carried 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective yield rate.

If in a subsequent period, the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the impairment is reversed through the income statement.

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under the Circulars No.1 and 3 issued by the SECP. The Management Company may also make provision against non-performing debt securities over and above the minimum provision requirements prescribed in the aforesaid circular, in accordance with the provisioning policy approved by its board of directors.

5.1.6 Derecognition

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



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

5.2 Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivative financial instruments entered into by the Fund do not meet the hedging criteria as defined by IAS 39, consequently hedge accounting is not used by the Fund.

5.3 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors before cut off time on the date when the application is received. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the Management Company.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption application before cut off time on that date. The redeemed price represents the net asset value per unit less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

5.4 Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed.

An equalisation account called the 'element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed' is set up in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accounting period is taken to the income statement.

5.5 Provisions

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

5.6 Net asset value per unit

The net asset value (NAV) per unit is calculated by dividing the net assets of the Fund by the number of units in issue at period end.

5.7 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 unitholders. 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 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 these financial statements 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 unitholders every year.



5.8 Preliminary expenses and floatation cost

Preliminary expenses and floatation cost represent expenditure incurred prior to the commencement of the operations of the Fund. Effective July 1, 2010 these cost are being amortised at the rate of 16.67% on a straight line basis. Previously these cost were being amortised at the rate of 20% on a straight line basis. Had there been no change in the rate of amortisation, the net income of the Fund for the current year and years ending June 30, 2012 and 2013 would have been lower by Rs 0.5 million each while the net income for the years ending June 30, 2014, 2015 and 2016 would have been higher by Rs 0.5 million each.

5.9 Distributions

Distributions are recognised in the Fund's financial statements in the period in which these are approved.

5.10 Offsetting of financial assets and liabilities

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 assets and to settle the liabilities simultaneously.

5.11 Zakat

Units held by resident Pakistani unitholders are subject to Zakat at 2.5% of the face value or redemption value, whichever is lower, of units under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), except those exempted. Zakat is deducted at source from the distribution amount or from the redemption payment, if units are redeemed during the Zakat year before payment of distribution after it becomes leviable.

5.12 Revenue recognition

- (i) Gains / (losses) arising on disposal of investments are included in the income statement currently and are recognised on the date when the transaction takes place.
- (ii) Income on debt instruments is recognised on an accrual basis using the effective interest rate method except for income on non-performing assets which is recognised when cash is received.
- (iii) Profits on bank deposits are recorded on an accrual basis.
- (iv) Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.

5.13 Expenses

All expenses, including management fee and trustee fee, are recognised in the income statement on an accrual basis.

5.14 Cash and cash equivalents

Cash and cash equivalents comprise of deposits with banks and short-term highly liquid investments, with original maturity of three months or less, 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.

5.15 Performance statement

Consistent with prior year the Fund presents one performance statement (i.e. the income statement) in accordance with the requirements of IAS 1 (revised) 'Presentation of financial statements'.

	2011	2010
	(Rupees in '000)	
6 BALANCES WITH BANKS		
Balances with banks - Deposit accounts	<u>166,212</u>	<u>88,076</u>

6.1 These carry mark up rates ranging from 5% to 12.15% (2010: 5% to 10.25%).



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

7. INVESTMENTS

	Note	2011	2010
		(Rupees in '000)	
Financial assets at fair value through profit or loss' - upon initial recognition			
Sukuk certificates	7.1	<u>259,604</u>	<u>-</u>

7.1 Sukuk certificates

Name of the investee company	Maturity	Markup rate	Balance as at July 1, 2010	Purchases during the period	Sales / redemptions during the period	Balance as at June 30, 2011	Amortised cost as at June 30, 2011	Fair value as at June 30, 2011 (see note 5.1.4)	Percentage of total investments
			-----Number of certificates-----			--(Rupees in '000)--			
Sitara Chemical Limited - secured	January 2, 2013	3 months KIBOR plus base rate of 1.00%	-	11,700	11,700	-	-	-	-
GOP Ijara Sukuk Certificates - V	November 15, 2013	Weighted average 6 months T- Bills	-	950	550	400	40,021	40,063	15.43
GOP Ijara Sukuk Certificates - VI	December 20, 2013	Weighted average 6 months T- Bills	-	940	-	940	94,259	94,235	36.30
GOP Ijara Sukuk Certificates - VII	March 7, 2014	Weighted average 6 months T- Bills	-	1,250	-	1,250	125,088	125,306	48.27
			<u>14,840</u>	<u>12,250</u>	<u>2,590</u>	<u>259,368</u>	<u>259,604</u>	<u>100</u>	

8. PROFIT RECEIVABLE

	2011	2010
(Rupees in '000)		
On sukuk certificates	6,514	-
On deposit accounts with banks	1,645	1,127
On placements with financial institutions	-	1,184
	<u>8,159</u>	<u>2,311</u>

9. DEPOSITS AND OTHER RECEIVABLES

Security deposits with Central Depository Company of Pakistan Limited	100	100
Receivable against sale of investments	-	9,170
Receivable against sale of units	1,320	8,044
Other receivables	30	25
	<u>1,450</u>	<u>17,339</u>

10. PRELIMINARY EXPENSES AND FLOATATION COST

Preliminary expenses and floatation cost	3,000	4,000
Less: amortisation for the period	(500)	(1,000)
	<u>2,500</u>	<u>3,000</u>



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

11. PAYABLE TO PAK OMAN ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY OF THE FUND

	Note	2011 (Rupees in '000)	2010
Remuneration	11.1	700	63
Preliminary expenses and floatation cost		3,000	4,000
		<u>3,700</u>	<u>4,063</u>

11.1 The remuneration of the Management Company is being charged at a rate of 2% on average annual net assets of the Fund.

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

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of the Trust Deed in accordance with the tariff specified therein.

13. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents proportionate annual fee at a rate of 0.075% of the average annual net assets of the Fund payable to the SECP under regulation 62 of the NBFC Regulations.

	Note	2011 (Rupees in '000)	2010
14. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		354	325
Workers' welfare fund payable	14.1	1,232	597
Payable against redemption of units		725	933
Others		89	71
		<u>2,400</u>	<u>1,926</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 (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year 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. This clarification was forwarded by Federal Board of Revenue (FBR), being the collecting agency of WWF on behalf of the Ministry, to its members for necessary action.

On December 14, 2010, the Ministry has filed its response against the constitutional petition requesting the Court to dismiss the petition. As per the legal counsel who is handling the case, there is contradiction between the above referred clarification issued by the Ministry and the response filed by the Ministry in the Court.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of prudence, has decided to retain the provision for WWF amounting to Rs 1.232 million (2010: Rs 0.597 million) in these financial statements.

15. CLASSES OF UNITS IN ISSUE

15.1 The Fund has issued the following classes of Units:

Class	Description
-------	-------------

A	Units issued to the core investor (Pak Oman Investment Company Limited) with no sales load. These units were not redeemable for a period of two years from the date of closure of Initial Offer.
B	Units issued to Pre-IPO and IPO investors with no front-end load.
C	Units issued after the IPO.



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

15.2 As per the Trust Deed, the Management Company of the Fund may issue the following classes of units:

- Growth units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to growth unitsholders shall also be the growth units.
- Income units which shall be entitled to cash dividend in case of any distribution by the Fund.

15.3 The units in issue as at year end in each class and their par values weer as follows:

Class	2011		2010	
	Number of units in issue	(Rs in '000)	Number of units in issue	(Rs in '000)
A				
- Income Units	2,003,976	100,199	2,003,976	100,199
B				
- Growth Units	5,133	257	324,385	16,219
- Income Units	600,000	30,000	600,000	30,000
C				
- Growth Units	4,194,101	209,705	1,185,805	59,290
- Income Units	1,452,520	72,626	504,927	25,246
Total	8,255,730	412,787	4,619,093	230,954

The par value of each unit is Rs 50. The Management Company of the Fund has set a minimum initial investment limit of Rs 1,000. All units carry equal rights and are entitled to distribution and payment of net asset value on liquidation.

16. AUDITORS' REMUNERATION

	2011	2010
	(Rupees in '000)	
Annual audit fee	200	200
Half year review fee	100	100
Others	125	125
Out of pocket expenses	80	50
	505	475

17. TRANSACTIONS WITH CONNECTED PERSONS

The connected persons include Pak Oman Asset Management Company Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Pak Oman Investment Company Limited being the holding company of Management Company (core investor), The Bank of Azad Jammu and Kashmir and Meezan Bank Limited being unitholders of more than ten percent of the units of the Fund outstanding as on June 30, 2011, provident fund trust and executives of the Management Company and other funds being managed by the Management Company.

Transactions with connected persons are entered into in the normal course of business, at contracted rates and terms determined in accordance with market rates. The remuneration to the Management Company and the Trustee is payable in accordance with the NBFC Regulations.

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

	2011		2010	
	(Units)	(Rs in '000)	(Units)	(Rs in '000)
Units outstanding as at the beginning of the year				
Pak Oman Investment Company Limited	2,003,976	106,082	2,000,000	110,537



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

	2011		2010	
	(Units)	(Rs in '000)	(Units)	(Rs in '000)
Pak Oman Asset Management Company Limited	201,890	10,687	-	-
Pak Oman Asset Management Company Limited - Employees Provident Fund	16,077	851	14,868	822
Bank Al-Falah Limited	600,000	31,761	600,000	33,161
Bank Al-Habib Limited	504,927	26,729	-	-
The Bank of Punjab	-	-	500,000	27,634
The Bank of Azad Jammu and Kashmir	324,385	17,172	300,000	16,580
Executives	15,002	794	75,445	4,170
Units sold to:				
Pak Oman Asset Management Company Limited	1,906,410	98,799	201,489	10,100
Bank Al-Habib Limited	-	-	504,927	25,000
The Bank of Azad Jammu and Kashmir	3,082,562	159,781	-	-
Meezan Bank Limited	947,592	50,000	-	-
Executives	9,198	475	50,095	2,568
Bonus units issued to:				
Pak Oman Investment Company Limited	-	-	162,253	8,306
Pak Oman Asset Management Company Limited	27,088	1,371	401	20
Pak Oman Asset Management Company Limited - Employees Provident Fund	1,699	86	1,209	62
The Bank of Azad Jammu and Kashmir	29,208	1,472	24,385	1,248
Executives	1,032	52	5,971	306
Units redeemed by:				
Pak Oman Investment Company Limited	-	-	158,277	8,308
Pak Oman Asset Management Company Limited	1,103,287	57,022	-	-
The Bank of Punjab	-	-	500,000	26,408
The Bank of Azad Jammu and Kashmir	2,265,107	117,710	-	-
Executives	15,914	816	116,509	5,993



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	2011		2010	
	(Units)	(Rs in '000)	(Units)	(Rs in '000)
Units outstanding as at end of the year:				
Pak Oman Investment Company Limited	2,003,976	104,755	2,003,976	106,082
Pak Oman Asset Management Company Limited	1,032,101	53,952	201,890	10,687
Pak Oman Asset Management Company Limited - Employees Provident Fund	17,776	929	16,077	851
Bank Al-Falah Limited (see note 17.1)	600,000	31,364	600,000	31,761
Bank Al-Habib Limited (see note 17.1)	504,927	26,394	504,927	26,729
The Bank of Azad Jammu and Kashmir	1,171,048	61,215	324,385	17,172
Meezan Bank Limited	947,592	49,534	-	-
Executives	9,318	487	15,002	794

	2011	2010
	(Rupees in '000)	
Pak Oman Asset Management Company Limited - Management Company of the Fund		
Remuneration for the period	<u>5,565</u>	<u>4,398</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the period	<u>663</u>	<u>700</u>
CDS charges	<u>5</u>	<u>6</u>
Bank Al-Falah Limited Islamic Banking		
Deposit with bank	<u>-</u>	<u>178</u>
Profit on bank deposit	<u>-</u>	<u>5,470</u>
Meezan Bank Limited		
Dividend	<u>1,688</u>	<u>-</u>
Pak Oman Investment Company Limited		
Dividend	<u>10,383</u>	<u>-</u>

The status of outstanding balances with connected persons as at June 30, 2011 and 2010 is stated in 'Statement of assets and liabilities' and notes thereto.

17.1 These counterparties are not connected person of the Fund as at June 30, 2011.



18 RISK MANAGEMENT

The Fund invests primarily in a portfolio of shariah compliant income securities as per Shariah Advisor's approval. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

18.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market prices of securities due to a change in credit rating of the issuer or the instrument, changes in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Management Company manages market risk exposure of the Fund by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by its Investment Committee and regulations laid down by the SECP.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

18.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

18.1.2 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.

• Cash flow sensitivity analysis for variable rate instruments

The Fund held mark up bearing sukuk certificates that exposed the Fund to cash flow risk. In case of 50 basis points increase / decrease in markup rate on June 30, 2011, with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 1.297 million (2010: Rs 0.376 million) primarily as a result of profit income.

The composition of the Fund's investment portfolio, profit rates and rates being used to value debt securities are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

18.1.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Fund is not exposed to other price risk, as investments made by the Fund as at June 30, 2011 comprise of debt securities issued by the Government of Pakistan.

18.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions, to fulfill their obligations. The risk is generally limited to principal amounts and accrued mark up thereon, if any.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by its Investment Committee and Shariah Advisor. In addition, the risk is managed through assignment of credit limits, obtaining adequate collaterals and by following strict credit evaluation criteria laid down by the Management Company.

An analysis of the financial assets of the Fund as per their respective credit ratings are as follows:

Head of Account	Credit Rating	Percentage of financial assets	
		2011	2010
Government securities	See note 18.2.1	59.62	-
Profit receivable on sukuk certificates	See note 18.2.1	1.50	-



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Head of Account	Credit Rating	Percentage of financial assets	
		2011	2010
Balances with banks	AA+	0.11	33.54
- do -	AA	38.06	0.07
- do -	A	-	1.94
Placements with financial institutions	A - 1 +	-	56.52
Profit receivable on deposit accounts with banks	AA+	-	0.35
- do -	AA	0.38	-
- do -	A	-	0.10
Others	See note 18.2.2	0.33	7.48
		100	100

182.1 This represents the Fund's investment in sukuk certificates issued by the Government of Pakistan which are considered free from credit risk.

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

182.3 The maximum exposure to credit risk before any credit enhancements as at June 30, 2011 is the carrying amount of the financial assets as set out in note 18.6.

183 Concentration of credit risk

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. As at June 30, 2011, 38.06% of the financial assets of the Fund are being kept with one bank. However, the Management Company is of the view that the related credit risk is minimal since the bank has a strong credit rating of 'AA'.

184 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund is exposed to daily cash redemptions, if any. 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.

The maximum amount of borrowing available to the Fund is restricted by the NBFC Regulations to fifteen percent of the net assets upto 90 days and should be secured by the assets of the Fund. The facility would bear mark up at commercial rates.

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.

	2011 Total (upto three months) (Rupees in '000)	2010 Total (upto three months)
Financial liabilities		
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	3,700	4,063
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	59	57
Accrued expenses and other liabilities	2,400	1,926
	6,159	6,046



18.5 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 Management company believes that the carrying values of the Fund's financial assets approximates their respective fair values due to the fact that either those are measured at fair values or are of short term nature.

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 of the Fund's financial assets (by class) are measured at fair value as at June 30, 2011:

Financial asset

	Level 1 -----	Level 2 (Rupees in '000)	Level 3 -----
Financial assets 'at fair value through profit or loss upon initial recognition' - debt securities	259,604	-	-
	<u>259,604</u>	<u>-</u>	<u>-</u>

18.6 Financial instruments by category

	2011			
	Loans and receivables	Financial assets at fair value through profit or loss - upon initial recognition	Financial liabilities measured at amortised cost	Total
	----- (Rupees in '000) -----			
On balance sheet - financial assets				
Balances with banks	166,212	-	-	166,212
Investments	-	259,604	-	259,604
Profit receivable	8,159	-	-	8,159
Deposits and other receivables	1,450	-	-	1,450
	<u>175,821</u>	<u>259,604</u>	<u>-</u>	<u>435,425</u>
On balance sheet - financial liabilities				
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	-	-	3,700	3,700
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	-	-	59	59
Accrued expenses and other liabilities	-	-	2,400	2,400
	<u>-</u>	<u>-</u>	<u>6,159</u>	<u>6,159</u>



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	2010			Total
	Loans and receivables	Financial assets at fair value through profit or loss upon initial recognition	Financial liabilities measured at amortised cost	
----- (Rupees in '000) -----				
On balance sheet - financial assets				
Balances with banks	88,076	-	-	88,076
Placements with financial institutions	140,000	-	-	140,000
Profit receivable	2,311	-	-	2,311
Deposits and other receivables	17,339	-	-	17,339
	<u>247,726</u>	<u>-</u>	<u>-</u>	<u>247,726</u>
On balance sheet - financial liabilities				
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	-	-	4,063	4,063
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	-	-	57	57
Accrued expenses and other liabilities	-	-	1,926	1,926
	<u>-</u>	<u>-</u>	<u>6,046</u>	<u>6,046</u>

19. CAPITAL RISK MANAGEMENT

The capital of the Fund is represented by the net assets attributable to the unitholders of the Fund. The amount of net assets attributable to the unitholders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of the unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund performs the following:

- (i) Monitors the level of daily issuance and redemptions relative to the liquid assets.
- (ii) Primarily invest in liquid assets easily convertible in cash to mitigate liquidity risk.

20. UNIT HOLDING PATTERN OF THE FUND

Category	No. of unitholders	Investment (Rs in '000) 2011	Percentage of total investments
Individuals	501	72,076	16.70
Associated companies / directors	3	159,636	36.99
Banks / DFIs	4	168,508	39.05
Retirement funds	6	23,886	5.53
Others	11	7,451	1.73
Total	<u>525</u>	<u>431,557</u>	<u>100.00</u>
2010			
Individuals	245	33,685	13.78
Associated companies / directors	3	117,620	48.10
Banks / DFIs	3	75,662	30.94
Retirement funds	3	9,732	3.98
Others	6	7,816	3.20
Total	<u>260</u>	<u>244,515</u>	<u>100.00</u>



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

21. LIST OF TOP BROKERS BY PERCENTAGE OF COMMISSION 2011

Al Falah Securities (Private) Limited
 JS Global Capital Limited
 Atlas Capital Markets (Private) Limited
 KASB Securities Limited
 Elixir Securities Pakistan (Private) Limited
 Summit Capital (Private) Limited

2010

Al Falah Securities (Private) Limited
 First Capital Securities Corporation Limited
 JS Global Capital Limited
 Atlas Capital Markets (Private) Limited
 KASB Securities Limited

22. DETAILS OF MEMBERS OF INVESTMENT COMMITTEE

Members	Qualification	Experience
Ms. Hina Ghazanfar	MBA	10 years
Mr. Ahmed Nabeel	MBA	20 years
Mr. Najam Ul Hassan	MBA and ACMA	17 years
Mr. Nabeel Malik	MBA	10 years

23. DETAILS OF FUND MANAGER

Name	Qualification	Funds managed
Mr. Nabeel Malik	MBA	Pak Oman Advantage Fund Pak Oman Advantage Islamic Income Fund

24. 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, 2010	August 18, 2010	October 27, 2010	February 19, 2011	April 5, 2011
H. E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman	✓	✓	✓	✓	✓
Mr. Javed Mahmood *	Director	✗	✗	✗	-	-
Agha Ahmed Shah, Esq.	Director	✗	✗	✓	✓	✓
Mr. Humayun Murad	Director	✗	✗	✓	✓	✓
Mr. Zafar Iqbal **	Director	✓	✓	✗		-
Maj. General Imtiaz Ahmed, Esq. *	Director	✗	✗	✗		-
Mr. Parveiz Usman	Director	✗	✗	✗	✗	✗
Mr. Sulaiman Hammad Al Harty	Director	✗	✓	✓	✗	✗
Mr. Ali Said Ali	Director	✓	✓	✓	✓	✓
Mr. Saif Said Salim Al Yazidi ***	Director	-	-	-	-	-
Ms. Hina Ghazanfar	MD & CEO	✓	✓	✓	✓	✓

* Retired and did not consent for re-election

** Resigned w.e.f. January 7, 2011

*** Appointed w.e.f. July 11, 2011 after obtaining SECP's approval.



25. RATING OF THE FUND AND THE MANAGEMENT COMPANY

In accordance with criteria specified by the rating agency the ranking of the Fund is 'A+', as assigned by PACRA. JCR-VIS has assigned an AM3 rating to the Management Company which is defined as stable management quality.

26. PERFORMANCE TABLE

	2011	2010	2009
Details of total net assets and net asset value per unit			
- Net assets as at period end (Rupees in '000)	431,557	244,515	221,994
- Net asset value per unit as at period end (Rupees)	52.2736	52.9356	55.2683
Selling price per unit as at period end (Rupees)	52.8017	53.4703	55.8266
Repurchase price per unit as at period end (Rupees)	52.2736	52.9356	55.2683
Highest selling price per unit during the period (Rupees)	53.3241	54.8632	55.8297
Lowest selling price per unit during the period (Rupees)	50.7226	49.9229	49.7917
Highest repurchase price per unit during the period (Rupees)	52.7909	54.3146	55.2714
Lowest repurchase price per unit during the period (Rupees)	50.2154	49.4237	49.7917
Return of the Fund annualised	9.01%	3.55%	15.76%
Total distribution (Rupees in '000)	29,957	13,349	16,280
First interim distribution per unit (Rupees)	0.60	0.10	-
First interim distribution date	October 4, 2010	April 18, 2010	-
Second interim distribution per unit (Rupees)	1.7813	-	-
Second interim distribution date	April 5, 2011	-	-
Final distribution per unit (Rupees)	1.9777	2.8000	4.0531
Final distribution date	July 5, 2011	July 5, 2010	July 6, 2009
Fund's launch date		October 30, 2008	
	Three years	Two years	One year
Average annual return (%) as at period end	8.70%	8.51%	15.76%

Investment portfolio composition of the Fund

	2011	2010
	Carrying value (Rs '000)	Percentage of total investment
	Carrying value (Rs '000)	Percentage of total investment
Sukuk certificates		
- GoP Ijara Sukuks	259,604	100
	259,604	100

26.1 Past performance of the Fund is not necessarily indicative of future performance and that unit prices and investment returns may go down as well as up.

26.2 Weighted average portfolio duration of the Fund is 19.03 months.



27. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The board of directors of the Management Company in their meeting held on July 5, 2011 has approved distribution of Rs 1.9777 per unit (2010: Rs 2.8 per unit) for the year ended June 30, 2011 which aggregates Rs 16.327 million (2010: 12.933 million). Out of the approved distribution Rs 8.022 million has been distributed as cash dividend and Rs 8.305 million as bonus units. The distribution will be accounted for in the financial statements for the year ending June 30, 2012.

28. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on August 23, 2011 by the board of directors of the Management Company.

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director