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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
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



TRUSTEE

MCB Financial Services Limited
3rd Floor, Adamjee House,
I.I.Chundigar Road,
Karachi - 74000
Phone: (9221) 32419770
Fax: (9221) 32416371

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants
First Floor, Sheikah Sultan Trust Buliding,
No.2 Beamount Road, Karachi-75530
Pakiatan

BANKERS TO THE FUND

Bank Al-Falah Ltd- Islamic Banking
Dubai Islamic Bank
Bank Islamic
Al-Barka Islamic
MCB Bank Limited - Islamic Banking
UBL Bank Limited - Islamic Banking
Faysal Bank Limited - Islamic Banking

SHARIAH ADVISER

Dr. Muhammad Najeeb Khan

LEGAL ADVISER

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

TRANSFER AGENT

JWAFFS Registrar Services (Pvt.) Limited
Kashif Center, Room No. 505,
Near Hotel Mehran,
Shahrah-e-Faisal, Karachi
Phone: (9221) 36543871-72
Fax: (9221) 35643873

RATING OF THE FUND

AA-(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 (POAIIF)** 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. 43.177mn .The income for the period comprised mainly profit earned on Sukuk certificates amounting to PKR. 28.664mn and deposits with banks amounting to PKR. 9.520mn. After accounting for expenses of PKR.9.331mn, the net income for the period was Rs. 31.452mn. The net assets of the fund as at June 30, 2012 were PKR 276.218mn and PKR 52.14 per unit. The fund also declared a final dividend of PKR 0.7128/unit (Total PKR 4.3589/unit during the year) for the year ended June 30, 2012.

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.

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.



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 any departure there from has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored: and
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- The Directors, Executives of the Management Company including their spouse and minor children do not hold any interest in the shares of the Company other than those disclosed in the financial statements.
- Pattern of units holding is given on note 21.3 of the financial statements.
- Key financial data for the year ended June 30, 2012 and previous years are given in note 21.2 of the financial statements.
- 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
Mr. Agha Ahmed Shah,	Director	5	5	1	1	3	3
Mr. Humayun Murad	Director	5	4	4	3	0	0
Mr. Parveiz 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 KPMG Taseer Hadi & 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.

Rating of the Fund and the Management Company

In accordance with criteria specified by the rating agency, the ranking of the fund is 'AA-' (Double A Minus) as assigned by The Pakistan Credit Rating Agency (PACRA). Further, Quality Rating of the Management Company is 'AM3'; by the Credit Rating Agency JCR-VIS which is defined as stable management quality.



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

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 – MCB Financial Services 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



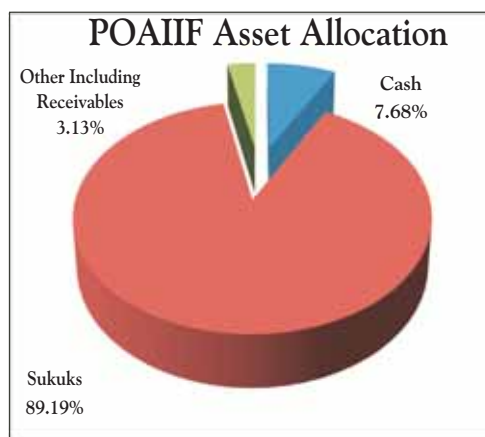
REPORT OF THE FUND MANAGERS OF THE MANAGEMENT COMPANY

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, 2012.

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 30th, 2008
Face Value	PKR 50 per Unit
Fund Size	PKR 276.22mn
NAV (June 30th, 2012)	PKR 52.1398 per Unit
Benchmark	6-month average deposit rate of 4 Islamic Banks with minimum rating of A- or above.
Listing	KSE (Guaranteed) Limited
Trustee	MCB Financial Services Limited
Shariah Advisor	Mr. Muhammad Najeeb Khan
Auditor	KPMG Taseer Hadi & Co.
Legal Advisor	Mohsin Tayebaly & Co.
Transfer Agent	JWAFFS Registrar Services Pvt Ltd.
Management Fee	1.75% p.a.
Fund Stability Rating	AA- (f) (PACRA)
AMC Rating	AM3 (JCR – VIS)
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



Unit Holding Pattern		
Units	# of Unit Holders	
0 – 1,000	260	
1,001 – 50,000	168	
50,001 – 500,000	9	
500,001 – 1,000,000	1	
1000,001 - Above	1	

Asset Allocation (% of Assets)	June 2012	June 2011
Sukuks/GoP Ijara	89.19	59.28
Cash	7.68	37.95
Others Including Receivables	3.13	2.77

POAIIF Performance	
Yield since inception(%)	9.32
Year to date return (FY12)(%)	10.92
Risk free rate (1 Yr TB)(%)	12.30
Sharpe Ratio	-0.13
Distribution(FY'12)(PKR)	4.36

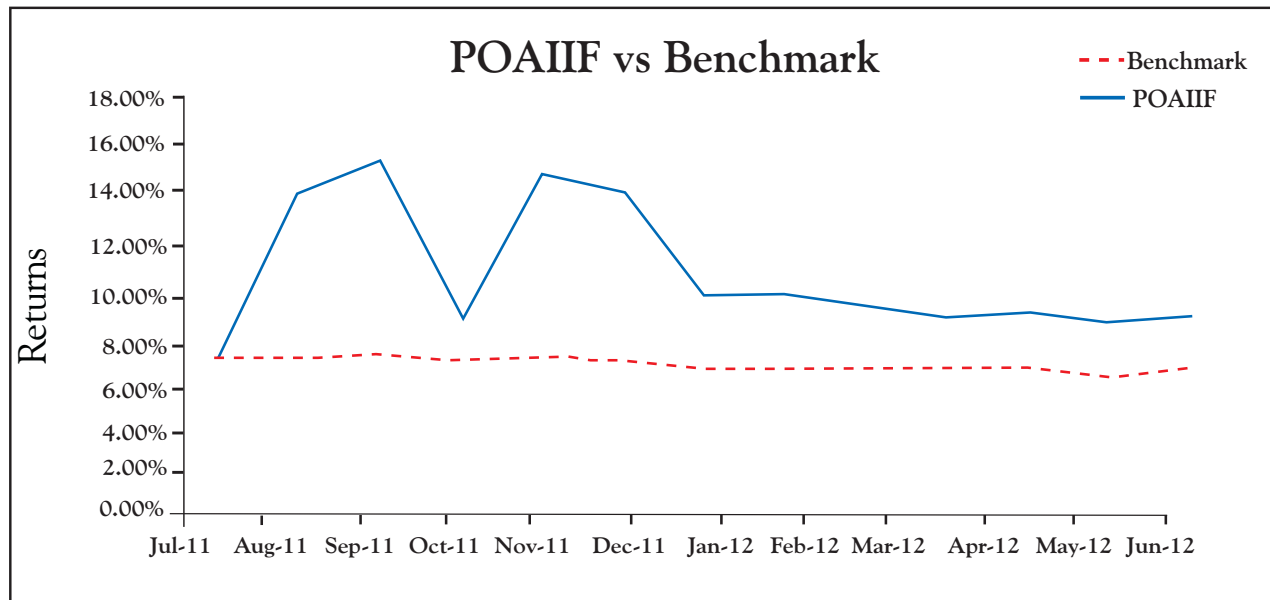
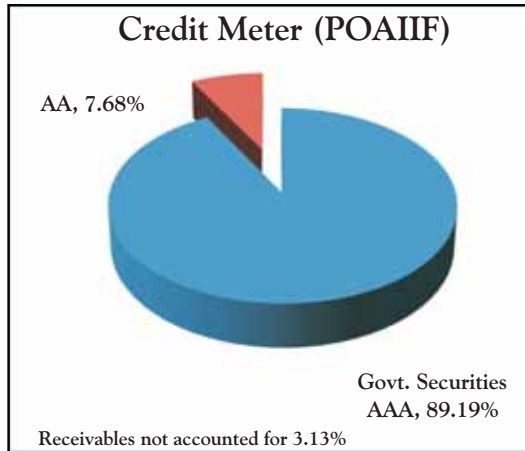
FUND REVIEW

During the year under review, Pak Oman Advantage Islamic Income Fund generated a return of 10.92%. The return was due to active allocation of the funds. The fund maintained its high position in Government of Pakistan Ijara Sukuk portfolio over the year which not only improved fund’s returns but also improved credit quality.



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

Funds Return	POAIF	Benchmark
Year-to-Date (YTD)	10.92%	7.21%



August 30, 2012
Karachi

Imran Rahim Khan
Fixed Income Fund Manager



REPORT OF THE SHARIAH ADVISOR

Karachi
July 13, 2012

Alhamdulillah, the period from July 1, 2011 to June 30, 2012 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.
- (ii) 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.
- (iii) On the basis of information provided by the management, all operations of the POAIIF for the year ended June 30, 2012 have been in compliance with the Shar'iah principles.

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



**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**

We Central Depository Company of Pakistan Limited, being the Trustee of Pak Oman Advantage Islamic Income 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 period from July 1, 2011 to June 13, 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;
- (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.

October 18, 2012
Karachi.

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



**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**

Pak Oman Advantage Islamic Income Fund, an open end scheme established under a Trust Deed dated May 27, 2008 executed between Pak Oman Asset Management Company Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

During the year, MCB Financial Services Limited was appointed as a new trustee in place of CDC under third supplemental Trust Deed dated 15 May 2012. Accordingly the Trust Deed was approved by SECP on 17 January 2012 under the Rules. However, the assets of the Fund were transferred on June 13, 2012.

- 1 Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage Islamic Income Fund has, in all material respects, managed Pak Oman Advantage Islamic Income Fund during the period from June 14, 2012 to 30th June 2012 in accordance with the provisions of the following:
 - (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

October 08, 2012
Karachi.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited



STATEMENT OF COMPLIANCE WITH 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 Islamic Income 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:

1. 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.

2. The directors of the Management Company have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy had occurred on the Board of the Management Company during the year which the Management Company intends to fill shortly. At present there are seven directors on the Board of the Management Company.
5. 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.
6. 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions including the appointment and determination of the remuneration and terms and conditions of the employment of the Chief Executive Officer and other executives and non-executive directors have been taken by the Board. However there has been no new appointment of the Chief Executive Officer.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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.
9. The Board of the Management Company arranged a training program for its directors during the year.



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

10. During the year, there was no change of Head of Internal Audit. A new Company Secretary was appointed during the year, however the appointment of Chief Financial Officer (in place of earlier CFO who had resigned) is in process and the selection of the CFO is in final stages. The remuneration and terms and condition of employment of Company Secretary and Head of Internal Audit were approved by the Board of Management Company. Unit Head Finance has been appointed to oversee the finance department till the time a CFO has been appointed.
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 Unit Head Finance 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 of the Management Company is in process of forming Human Resource and Remuneration Committee which will be confirmed and approved by the Board in their next meeting scheduled on 14 October 2012 (in which the financial statements of the Fund for the year ended 30 June 2012 shall also be presented for approval).
18. The Board of Management Company has set up an effective internal audit function and is conversant with the policies and procedures of the Management Company.
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



**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 the Management Company of **Pak Oman Advantage Islamic Income Fund** (“the Fund”) to comply with the listing regulations of the Karachi Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code 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 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 Fund personnel and review of various documents prepared by the Fund to comply with the Code.

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

Further sub-regulation (xiii-a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited requires the Fund to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

We draw attention to paragraphs 4 and 17 which more fully explains the progress being made to seek compliance with Code of Corporate Governance for the appointment of a director as a result of casual vacancy and the formation of Human Resource and Remuneration Committee before the next financial year end.

Based on our review, except for the following matters nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’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 30 June 2012.

October 14, 2012
Karachi.

KPMG Taseer Hadi & 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 of the statement of assets and liabilities as at 30 June 2012, and the income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unit holders' fund for the year ended 30 June 2012 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of 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.

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2012, and of its financial performance, cash flows and transactions for the year ended 30 June 2012 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

The comparative figures (for the year ended 30 June 2011) have been extracted from the audited financial statements of the Fund for the year then ended. Those financial statements were audited by another firm of Chartered Accountants who vide their report dated 29 September 2011 issued an unqualified report thereon

October 14, 2012
Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyr Pirani



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 30 June 2012.

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, and for such internal control as the Management Company determines is necessary 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 Engagements (ISAE 3000) 'Assurance Engagement other than Audits or Review 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 Shariah 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 Shariah Guidelines in order to design our procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence that the Fund was not materially non-compliant with the Shariah Guidelines. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Conclusion

In our opinion, the Fund was in all material respects, in compliance with the Shariah Guidelines issued by the Shariah Advisor of the Fund for the year ended 30 June 2012.

September 14, 2012
Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012

	Note	30 June 2012 (Rupees in '000)	30 June 2011
Assets			
Bank balances	6	21,443	166,212
Investments	7	249,116	259,604
Profit receivables	8	5,856	8,159
Deposit, prepayment and other receivables	9	894	1,450
Formation cost	10	2,000	2,500
Total assets		<u>279,309</u>	<u>437,925</u>
Liabilities			
Payable to the Management Company of the Fund	11	452	3,700
Remuneration payable to the Trustee of the Fund	12	38	59
Annual fee payable to the Securities and Exchange Commission of Pakistan	13	239	209
Accrued expense and other payables	14	2,362	2,400
Total liabilities		<u>3,091</u>	<u>6,368</u>
Net assets		<u>276,218</u>	<u>431,557</u>
Unit holders' fund		<u>276,218</u>	<u>431,557</u>
(Number of units)			
Number of units in issue	17	<u>5,297,651</u>	<u>8,255,730</u>
(Rupees)			
Net assets value per unit (face value per unit Rs. 50/-)		<u>52.14</u>	<u>52.27</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	30 June 2012 (Rupees in '000)	30 June 2011
Income			
Gain from disposal of marketable securities - net		360	345
Profit on bank deposit accounts		9,520	15,721
Profit on placements		-	7,160
Profit on sukuk certificates		28,664	9,807
Unrealised appreciation on remeasurement of investment 'at fair value through profit or loss' - upon initial recognition	7.1	4,633	236
		<u>43,177</u>	<u>33,269</u>
Expenses			
Remuneration to the Management Company of the Fund		5,586	5,565
Remuneration to the Trustee of the Fund		593	663
Annual fee to the Securities and Exchange Commission of Pakistan		239	209
Auditors' remuneration	15	480	505
Fees and subscription		189	180
Amortisation of formation cost	10	500	500
Provision for Workers' Welfare Fund	14.2	629	635
Bank, settlement and other charges	16	1,115	157
Total expenses		<u>9,331</u>	<u>8,414</u>
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - net		(2,394)	6,918
Net income for the year		<u><u>31,452</u></u>	<u><u>31,773</u></u>

The annexed notes from 1 to 23 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 COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
Net income for the year	31,452	31,773
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>31,452</u>	<u>31,773</u>

The annexed notes from 1 to 23 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, 2012**

	30 June 2012	30 June 2011
	(Rupees in '000)	
Undistributed Income at beginning of the year		
- Realised income	18,534	9,536
- Unrealised income	236	4,024
	18,770	13,560
Final distribution at the rate of Rs.1.9777 (2011: Rs. 2.80) per unit		
- Cash distribution	(8,023)	(8,705)
- Issue of 165,119 (2011: 84,342) bonus units	(8,305)	(4,228)
First interim distribution at the rate of Rs. 1.0275 (2011: Rs. 0.60) per unit		
- Cash distribution	(4,168)	(1,865)
- Issue of 38,107 (2011: 18,438) bonus units	(1,964)	(931)
Second interim distribution at the rate of Rs. 1.2965 (2011: Rs. 1.7813) per unit		
- Cash distribution	(5,259)	(7,226)
- Issue of 43,044 (2011: 70,713) bonus units	(2,223)	(3,608)
Third interim distribution at the rate of Rs. 1.3221 (2011: Rs. nil) per unit		
- Cash distribution	(5,363)	
- Issue of 53,026 (2011: nil) bonus units	(2,724)	
Net income for the year	31,452	31,773
Net (loss) / income for the year less distribution	(6,577)	5,210
Undistributed income at end of the year	12,193	18,770
Represented by:		
- Realised income	7,560	18,534
- Unrealised income	4,633	236
	12,193	18,770

The annexed notes from 1 to 23 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, 2012**

	30 June 2012	30 June 2011
	(Rupees in '000)	
Net assets at beginning of the year	431,557	244,515
Amount received on issue of 7,408,439 (2011: 10,772,872) units	324,224	557,745
Amount paid on redemption of 10,665,815 (2011: 7,309,728) units	(490,596)	(377,762)
	(166,372)	179,983
Final distribution at the rate of Rs. 1.9777 (2011: Rs. 2.80) per unit		
- Issue of 165,119 (2011: 84,342) bonus units	8,305	4,228
First interim distribution at the rate of Rs.1.0275 (2011: Rs. 0.60) per unit		
- Issue of 38,107 (2011: 18,438) bonus units	1,964	931
Second interim distribution at the rate of Rs.1.2965 (2011: Rs. 1.7813) per unit		
- Issue of 43,044 (2011: 70,713) bonus units	2,223	3,608
Third interim distribution at the rate of Rs.1.3221 (2011: Rs. nil) per unit		
- Issue of 53,026 (2011: nil) bonus units	2,724	-
	15,216	8,767
Element of loss / (income) and capital losses / (gains) in prices of units sold less those in units redeemed - net	2,394	(6,918)
Net (loss) / income for the year less distribution	(6,577)	5,210
Net assets at end of the year	276,218	431,557
Net asset value per unit (face value per unit Rs. 50/-)	52.14	52.27

The annexed notes from 1 to 23 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, 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	31,452	31,773
Adjustments for		
Profit on bank deposit accounts	(9,520)	(15,721)
Profit on placements	-	(7,160)
Profit on sukuk certificates	(28,664)	(9,807)
Unrealised appreciation on remeasurement of investment 'at fair value through profit or loss' upon initial recognition	(4,633)	(236)
Amortisation of formation cost	500	500
Element of loss / (income) included in prices of units sold less those in units redeemed - net	2,394	(6,918)
	<u>(8,471)</u>	<u>(7,569)</u>
Decrease / (increase) in assets		
Investments	15,121	(259,368)
Placements with banks	-	140,000
Deposit, prepayment and other receivables	556	15,889
	<u>15,677</u>	<u>(103,479)</u>
(Decrease) / increase in liabilities		
Payable to the Management Company of the Fund	(3,248)	(363)
Remuneration payable to the Trustee of the Fund	(21)	2
Annual fee payable to the Securities and Exchange Commission of Pakistan	30	44
Accrued expenses and other payables	(38)	474
	<u>(3,277)</u>	<u>157</u>
Profit received on bank deposit accounts	10,749	15,203
Profit received on placements	-	8,344
Profit received on Sukuk Certificates (investments)	29,738	3,293
Net cash generated from operating activities	<u>44,416</u>	<u>(84,051)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of 7,408,439 (2011: 10,772,872) units	324,224	557,745
Amount paid on redemption of 10,665,815 (2011: 7,309,728) units	(490,596)	(377,762)
Dividend paid during the year	(22,813)	(17,796)
Net cash used in financing activities	<u>(189,185)</u>	<u>162,187</u>
Net (decrease) / increase in cash and cash equivalents during the year	<u>(144,769)</u>	<u>78,136</u>
Cash and cash equivalents at beginning of the year	166,212	88,076
Cash and cash equivalents at end of the year	<u>21,443</u>	<u>166,212</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, a company incorporated under the companies ordinance 1984, and Central Depository Company of Pakistan Limited (CDC) as the trustee. The Trust Deed was executed on 27 May 2008 and was approved by the Securities and Exchange Commission of Pakistan (the SECP) on 2 June 2008 under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the Rules). During the year, MCB Financial Services Limited was appointed as a new trustee in place of CDC under third supplemental Trust Deed dated 15 May 2012. Accordingly the Trust Deed was approved by the SECP on 17 January 2012 under the rules. The Fund is registered as a notified entity under NBFC regulations, 2008.
- 1.2 The registered office of the Management Company is situated at First Floor, Tower A, Finance and Trade Centre, Sharah-e-Faisal, Karachi.
- 1.3 The Fund is a Shariah compliant open-end mutual Fund and is listed on the Karachi Stock Exchange. Its 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 unit holder. Title to the assets of Fund is held in the name of MCB Financial Services Limited as the Trustee of the Fund.
- 1.4 The Fund is categorised as an Income Fund in accordance with the requirements of the SECP's circular No. 7 dated 6 March 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.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- 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 Shariah Advisor (refer note 1.4 above). This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

2.3 Basis of Measurement

These financial statements have been prepared under historical cost convention, except that investment are stated at fair value.

2.4 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest rupee in thousand.

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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.

During the year the Fund revised the calculation of element of income and capital gains included in the prices of units issued less those in the units redeemed ("element") in the Financial Statements. As per the revised calculation element is recognised in the Financial Statements to the extent that it is represented by income earned during the year. Previously, the element represented by income carried forward from previous years was also recognised in the Financial Statements.

The revised calculation, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. Had the calculation not been changed, the net income for the year ended 30 June 2012 would have been lower by Rs. 0.859 million.



Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

Classification and valuation of investments.

For details please refer note 5.1 and 20.6 to these financial statements.

Provision for taxation.

For details please refer note 5.7 to these financial statements.

Amortisation of formation cost.

For detail please refer note 5.8 and 10 to these financial statements.

Provision for Workers' welfare fund liability.

For detail please refer note 14.2 to these financial statements.

Other Asset.

For detail please refer note 5.15 to these financial statements.

Judgment is involved in assessing the realisability of other assets balances.

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

- Amendments to IAS 12 - deferred tax on investment property (effective for annual periods beginning on or after 01 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

The amendment has no impact on financial statements of the Fund.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 01 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Fund.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 01 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments would result in increased disclosures in the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 01 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 01 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Fund.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 01 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after 01 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on Fund's financial statements.



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

- Annual Improvements 2009-2011 (effective for annual periods beginning on or after 01 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations:
 - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.
 - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
 - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
 - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 01 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied to all the years presented.

5.1 Investment

- 5.1.1 All investments are initially recognized at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the income statement.

The Fund classifies its investments as fair value through profit or loss - upon initial recognition:

5.1.2 Financial assets at fair value through profit or loss - upon initial recognition

Investment designated at " fair value through profit or loss-upon initial recognition" include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management / investment strategy.

After initial recognition, these investments are remeasured at fair values, determined with reference to the year end rates quoted on a widely used electronic quotation system.

Gains or losses on remeasurement of these investments are recognised in income statement.

5.1.3 Valuation of debt securities

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.

The fair value of other debt securities is 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 6 January 2009 (the Circular No. 1) and circular No. 3/2010 dated 20 January 2010 (the Circular No. 3) issued by the SECP.

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.

5.1.4 Trade date accounting

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Fund.

5.2 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for purchase of units are issued (however units are issued on realisation of cheques). The offer price represents the net asset value of units at the end of the day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load, if any, is payable to the distributors and the management company as processing fee.



Units redeemed are recorded at the redemption price prevailing at the end of the day in which the units are redeemed. The redemption price represents the net assets value per unit less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

5.3 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed

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

5.4 Payables and accruals

Payables and accruals are carried at cost which is the fair value of the consideration to be paid in the future for the services received, whether billed or not to the Fund.

5.5 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed 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 as disclosed in the statement of assets and liabilities of the Fund is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

5.7 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its income, excluding realised and unrealised capital gains for the year, is distributed amongst the unit holders.

5.8 Formation Cost

Preliminary expenses and floatation cost represent expenditure incurred prior to the commencement of the operations of the Fund. Effective 1 July 2010 these cost are being amortised at the rate of 16.67% on a straight line basis.

5.9 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Fund loses control of the contractual rights that comprises that financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Transaction costs are included in the initial measurement of all financial assets and liabilities except for transaction costs incurred for the acquisition of held for trading investments. The particular recognition method adopted for measurement of financial assets and financial liabilities subsequent to the initial recognition is disclosed in the individual policy statement associated with each item.

5.10 Offsetting of financial instruments

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

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 is determined in accordance with the provisioning criteria for non performing debt securities specified by the Securities and Exchange Commission of Pakistan (SECP) vide its Circulars 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 4 May 2009. Amount of impairment is the higher of the amount determined under the above provisioning criteria. The Fund's policy for provision against impaired debt securities essentially is the same as prescribed by the Securities and Exchange Commission of Pakistan (SECP) in its circular no. 1 of 2009.

In respect of other financial assets, at each balance sheet date an assessment is carried out to determine whether there is any objective evidence of impairment. The Financial assets are 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.

Impairment losses are recognised in the income statement.

5.12 Dividend distributions and appropriations

Dividend (including the bonus units) declared subsequent to the balance sheet date are recorded in the period in which they are approved.

5.13 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss - upon initial recognition are included in the income statement in the period in which they arise.
- Income on debt securities and bank balances are recognised in the income statement at rate of return implicit in the instrument balance on a time proportionate basis.

5.14 Cash and cash equivalents

Cash and cash equivalent for cash flow purposes comprise of bank balances including term deposits with banks which have maturities of less than three months from the date of deposit.

5.15 Other assets

Other assets are stated at cost less impairment losses, if any.

6. BANK BALANCES

		30 June 2012	30 June 2011
		(Rupees in '000)	
In profit and loss sharing accounts	6.1	21,439	166,208
In current account		4	4
		<u>21,443</u>	<u>166,212</u>

6.1 These accounts carry mark-up ranging from 5% to 12.15% (2011: 5% to 12.15%) per annum.



7 INVESTMENTS

At fair value through profit or loss upon initial recognition (Government of Pakistan securities - GoP)

7.1 GoP Ijarah Sukuk certificates

Name of the investee company	Maturities	Mark-up rate	Holding as at 01 July 2011	Purchases during the year	Disposed / matured during the year	Balance as at 30 June 2012	Carrying value (before revaluation as of the year ended 30 June 2012)	Market value as of year ended 30 June 2012 (revised carrying value)	Unrealised appreciation / (diminution)	Market value as % of total investments	Market value as % of net assets
						(Number of certificates)	(Rupees in '000)				
Gop Ijara Sukuk Certificates - V	15 November 2013	Weighted average 6 months T-Bills	400	-	150	250	25,052	25,275	223	10	9
Gop Ijara Sukuk Certificates - VI	20 December 2013	Weighted average 6 months T-Bills	940	-	-	940	94,143	96,369	2,226	39	35
Gop Ijara Sukuk Certificates - VII	7 March 2014	Weighted average 6 months T-Bills	1,250	-	250	1,000	100,286	102,470	2,184	41	37
Gop Ijara Sukuk Certificates - X	2 March 2015	Weighted average 6 months T-Bills	-	250	-	250	25,002	25,002	-	10	9
Total as at 30 June 2012							244,483	249,116	4,633	100	90
Cost of investments							244,229				
Total as at 30 June 2011							259,368	259,604	236		

GoP Ijarah Sukuk Certificates have face value of Rs. 100,000 each.

As 30 June 2012, the Fund had an investment of Rs. 249.12 million in the Government of Pakistan, Ijarah Sukuk Certificates and have been classified in the financial statements at fair value through profit or loss account. These certificates are due for maturity between 2013 to 2015 and carries profit rate at weighted average 6 months T-Bills per annum. Upto 31 December 2011, these certificates were revalued by the Fund at the average of rates quoted by certain Banks on the Reuters page. However, the banks have since then discontinued their quotations and the rates are currently being quoted by certain brokers of the Financial Market Association (FMA), which the management considers, is not indicative of the fair value of the above instruments and trade rates of these securities are not quoted by Mutual Fund Association of Pakistan (MUFAP).

The management company had written to MUFAP regarding the above matter, who in response has mentioned that the matter has been under discussion in their pricing committee over the past few months and that the said committee has also been monitoring the prices quoted on Reuters by FMA. However they have recommended that these rates should be considered by the Fund only after the acceptance of the FMA's rates by SBP for Banks. Accordingly they have advised that status quo should be maintained by the Fund.

Accordingly the values of these certificates are being maintained at the values as of 31 December 2011. However, the sukuk certificates purchased after 31 December 2011 are carried at cost.

	30 June 2012	30 June 2011
(Rupees in '000)		
8. PROFIT RECEIVABLES		
On deposit accounts	417	1,645
On GoP Ijarah Sukuk certificates	5,439	6,514
	5,856	8,159



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

		30 June 2012	30 June 2011
		(Rupees in '000)	
9. DEPOSIT, PREPAYMENT AND OTHER RECEIVABLES			
Receivable against issuance of units	9.1	658	1,320
Security deposit with Trustee		100	100
Prepaid expense		36	30
Other receivable		100	-
		<u>894</u>	<u>1,450</u>
9.1 This was received subsequent to the year end.			
10. FORMATION COST			
Formation cost		2,500	3,000
Amortization for the year		(500)	(500)
		<u>2,000</u>	<u>2,500</u>
11. PAYABLE TO THE MANAGEMENT COMPANY OF THE FUND			
Remuneration payable	11.1	452	700
Formation cost payable		-	3,000
		<u>452</u>	<u>3,700</u>

11.1 Under regulation 61 of the NBFC Regulations 2008, the Asset Management Company is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. During the year, the rate has been revised to 1.75 percent from 2 percent of average annual net assets of the Fund for management remuneration.

12. REMUNERATION PAYABLE TO THE TRUSTEE OF THE FUND

During the year (on 15 May 2012), MCB Financial Services Limited was appointed as a new trustee in place of Central Depository Company of Pakistan Limited (CDC) under third supplemental Trust Deed dated 15 May 2012. The remuneration of CDC as Trustee was being charged at higher of 0.6 million or 0.17 percent on average annual net assets of the Fund .

MCB Financial Services Limited as Trustee is entitled to monthly remuneration at the rate of 0.12 percent for services rendered to the Fund under the provision of third supplemental Trust Deed in accordance with the tariff specified therein.

13. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under regulation 62 of the NBFC Regulations 2008, the Fund is required to pay annual fee to SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.



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14. ACCRUED EXPENSES AND OTHER PAYABLES

		30 June 2012	30 June 2011
		(Rupees in '000)	
Audit fee		354	354
Payable against redemption of units	14.1	7	725
Provision for workers' welfare fund	14.2	1,873	1,232
Others	14.3	128	89
		2,362	2,400

14.1 This was paid subsequent to the year end.

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

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

During the current year, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional. 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. 1.873 million up to 30 June 2012 (30 June 2011: Rs. 1.232 million). If the above recognition had not been made, the net asset value per unit of the Scheme would be higher by 0.35 per unit / 0.68 percent.

14.3 During the current year, an amount of Rs. 0.894 million was charged on account of sales tax on Management fee levied through Sindh Sales Tax Services Act, 2011. As at the year end, sales tax of Rs. 0.073 million on Management Company remuneration was due, which was paid subsequent to the year end.

15. AUDITORS' REMUNERATION

		30 June 2012	30 June 2011
		(Rupees in '000)	
Statutory audit fee		200	200
Half-yearly review fee		100	100
Fee for review of code of corporate governance		75	75
Other certification		50	50
Out of pocket expenses		55	80
		480	505



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		30 June 2012	30 June 2011
16. BANK, SETTLEMENT AND OTHER CHARGES		(Rupees in '000)	
Printing charges		71	33
Sindh Sales Tax on management remuneration	14.3	894	-
CDC charges		9	5
Bank charges		15	17
Brokerage		10	102
Amortisation of premium on GoP ijara sukuku		116	-
		<u>1,115</u>	<u>157</u>

		30 June 2012	30 June 2011
17. NUMBER OF UNITS IN ISSUE		(Number of Units)	
Total outstanding at beginning of the year		8,255,730	4,619,093
Issuance during the year		7,408,439	10,772,872
Bonus units issued		299,297	173,493
Redemption during the year		(10,665,815)	(7,309,728)
Total units in issue at the end of the year		<u>5,297,651</u>	<u>8,255,730</u>

Face value of the unit is Rs. 50 each.

18. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these financial statements. Refer note 22 for the details of distribution.

19. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons include Pak Oman Asset Management Limited, being the asset management company of the Fund, MCB Financial Services Limited being the trustee, Pak Oman Investment Company Limited, being the holding company of the management company, other collective investment schemes managed by the management company, key management personnel of the Management Company and also includes entities holding 10% or more in the units of the Fund as at 30 June 2012

Remuneration payable to the management company and trustee is determined in accordance with the provisions of the NBFC Regulations and Trust Deed respectively. The rate has been revised to 1.75% from 2% of average annual net assets of the Fund during the year for management remuneration. Units are sold or repurchased at the net asset value per unit as applicable on the date of transaction. Other transactions are at agreed rates.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

Pak Oman Investment Company Limited Units outstanding - 2,003,976 (June 2011: 2,003,976)	<u>104,487</u>	<u>104,755</u>
Pak Oman Asset Management Company Limited - Employees Provident Fund Units outstanding - 19,814 (June 2011: 17,776)	<u>1,033</u>	<u>929</u>
Central Depository Company of Pakistan - Former Trustee Remuneration payable	<u>32</u>	<u>59</u>
MCB Financial Services Limited - Trustee Remuneration payable	<u>6</u>	<u>-</u>
Bank Alfalah Limited Units outstanding - 600,000 (June 2011: 600,000)	<u>31,284</u>	<u>31,364</u>
Key Management Personnel of Management Company Units outstanding - nil (June 2011: 9,318)	<u>-</u>	<u>487</u>

20. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

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

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the management company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

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.



20.1 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. At the year-end it arises principally from bank balances, profit/ mark-up receivable and dividend receivables etc.

Management of credit risk

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

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- Where the investment committee makes an investment decision, with in the approval of shariah Compliance the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analyzing 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 a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Investment transactions are carried out with a large number of brokers, whose credit worthiness is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.

Exposure to credit risk

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk at 30 June was as follows:

	30 June 2012		30 June 2011	
	Statement of assets and liabilities (Rupees in '000)	Maximum exposure	Statement of assets and liabilities (Rupees in '000)	Maximum exposure
Bank balances including profit receivable	21,860	21,860	167,857	167,857
Investments - GoP Ijara Sukuk including profit receivable	254,555	-	266,118	-
Deposits and other receivables	858	858	1,320	1,320
	<u>277,273</u>	<u>22,718</u>	<u>435,295</u>	<u>169,177</u>

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investment in GoP Ijarah Sukuk of Rs. 249.116 (2011: Rs. 259.604) million and profit receivable / accrued interest there on is not exposed to credit risk.

Past due / impaired assets

None of the financial assets of the Fund were past due or impaired as at 30 June 2012.

Credit ratings and Collaterals

Details of the credit ratings of the bank balances and profit due are as follows:

Ratings	Bank balances (including profit due)	
	30 June 2012	30 June 2011
	(% of balance)	
AA+	0.05	0.29
AA	99.94	99.71
A	0.01	-
Total	<u>100</u>	<u>100</u>

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS as of 30 June 2012.



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Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of exposure. Portfolio of financial assets is broadly diversified and transactions are entered into with counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk. Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	30 June 2012		30 June 2011	
	Rs ('000)	(%)	Rs ('000)	(%)
Bank Balances including profit receivable	21,860	96.22	167,857	99.16
Others	858	3.78	1,420	0.84
	<u>22,718</u>	<u>100.00</u>	<u>169,277</u>	<u>100.00</u>

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.

20.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests.

The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, during the year no such option was exercised or considered necessary.

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows.

	Carrying amount	Less than 1 month	1 to 3 months	Total
	(Rupee in 000)			
30 June 2012				
<i>Non-derivative liabilities</i>				
Payable to the Management Company	452	452	-	452
Remuneration payable to the Trustee	38	38	-	38



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	Carrying amount	Less than 1 month	1 to 3 months	Total
	(Rupee in 000)			
Annual fee payable to Securities and Exchange Commission of Pakistan	239	-	239	239
Accrued expenses and other liabilities (excluding WWF)	482	482	-	482
Payable against redemption of units	7	7	-	7
	<u>1,218</u>	<u>979</u>	<u>239</u>	<u>1,218</u>
Unit holders' fund	<u>276,218</u>	<u>276,218</u>	<u>-</u>	<u>276,218</u>
30 June 2011				
<i>Non-derivative liabilities</i>				
Payable to the Management Company	3,700	3,700	-	3,700
Remuneration payable to the Trustee	59	59	-	59
Annual fee payable to Securities and Exchange Commission of Pakistan	209	-	209	209
Accrued expenses and other liabilities (excluding WWF)	55	55	-	55
Payable against redemption of units	725	725	-	725
	<u>4,748</u>	<u>4,539</u>	<u>209</u>	<u>4,748</u>
Unit holders' fund	<u>431,557</u>	<u>431,557</u>	<u>-</u>	<u>431,557</u>

Above financial liabilities do not carry any mark-up.

20.3 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 effect the Fund's income or the fair 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.

20.3.1 Interest rate risk

20.3.1.1 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.

As the Fund has no significant interest-bearing assets, the Fund's income and operating cash flows are substantially independent of changes in market interest rates. The management company through investment committee monitors the Fund's overall interest

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

	30 June 2012	30 June 2011
	(Rupees in '000)	
Variable rate instruments		
Bank balances - in profit and loss sharing accounts	21,439	166,208
GoP Ijarah Sukuk certificates	249,116	259,604
	<u>270,555</u>	<u>425,812</u>



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Cash flow Sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the year end, unit holder fund would have increased / (decreased) by Rs. 1.104 (2011: 1.297) million. The analysis assumes that all other variables remain constant.

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect net asset of the Fund and income statement.

20.3.13A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

30 June 2012						
	Mark-up/ profit rate (%)	Less than one month	One to three months	Three months to one year	One Year to three years	Total
(Rupees in '000)						
Assets						
Bank balances	5 to 12.15	21,439	-	-	-	21,439
Investments	11.81. to 11.94	-	-	-	249,116	249,116
Total assets		21,439	-	-	249,116	270,555
30 June 2011						
	Mark-up/ profit rate (%)	Less than one month	One to three months	Three months to one year	One Year to three years	Total
(Rupees in '000)						
Assets						
Bank balances	5 to 12.15	166,208	-	-	-	166,208
Investments	12.40 to 15.44	62,203	259,604	-	52,835	374,642
Total assets		228,411	259,604	-	52,835	540,850

None of the Fund's liability is subject to interest rate risk.

20.4 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 externally at the Fund's service providers, and 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 while 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. 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;
- 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;
- risk mitigation, including insurance where this is effective.

20.5 Unit holder's fund risk management

Management's objective when managing unit 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 unit holders' and to ensure reasonable safety of unit 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. The capital structure depends on the issuance and redemption of units and the Fund is not subject to any externally imposed minimum Fund maintenance requirement.

20.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements is discussed in note 5.1.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using 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: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
30 June 2012				
Ijarah Sukuk Certificates	-	-	249,116	249,116
	-	-	249,116	249,116
30 June 2011				
Ijarah Sukuk Certificates	-	259,604	-	259,604
	-	259,604	-	259,604

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

	30 June 2012	30 June 2011
	(Rupees in '000)	
Opening balance	-	-
Transferred from level 2 to level 3 during the year	259,604	-
Unrealised appreciation on remeasurement of investment 'at fair value through profit or loss' - upon initial recognition	4,633	-
Purchase during the year	25,002	-
Sale during the year	(40,005)	-
Amortization of premium for the year	(118)	-
Closing balance	249,116	-

21. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit 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:

21.1 List of brokers by percentage of commission paid	Commission Paid (Percentage %)	
	30 June 2012	30 June 2011
Invest Capital Market Limited	48.00	-
Al Falah Securities (Private) Limited	-	18.72
JS Global Capital Limited	52.00	17.12
KASB Securities Limited	-	42.69
Elixir Securities Pakistan (Private) Limited	-	10.84
Summit Capital (Private) Limited	-	10.63
	100.00	100.00



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21.2 Performance table	2012	2011	2010
Total net assets value - Rupees in '000	276,218	431,557	244,515
Net assets value per unit - Rupees	52.14	52.27	52.94
Net (loss) / income for the year - Rupees in '000	31,452	31,773	9,095
Income distribution - Rupees in '000	(22,813)	(17,796)	(11,932)
Distribution per unit - Rupees	4.36	4.36	2.90
Selling price as at 30 June - Rupees	52.67	58.80	58.83
Repurchase price as at 30 June - Rupees	52.14	52.27	55.27
Highest selling price during the year - Rupees	52.94	54.86	55.83
Lowest repurchase price during the year - Rupees	50.94	49.42	49.79
	Last three years	Last two years	Last one year
Average annual return of the Fund	8.97%	9.23%	3.55%

The income distribution have been shown against the year to which they relate although these were declared and distributed subsequently to the year end.

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

The portfolio composition of the Fund has been disclosed in note 7 to the financial statements.

21.3 Unit holding pattern of the Fund

Category	No. of Unit Holders	Units held	Investment amount (Rupees in '000)	% of total
30 June 2012				
Individuals	421	1,645,029	85,771	31.05
Asset management company	1	106,954	5,577	2.02
Associated companies / Directors	-	-	-	-
Banks / DFIs	2	2,603,977	135,771	49.15
Insurance companies	1	11,676	609	0.22
Retirement funds	7	623,507	32,510	11.77
Others	7	306,508	15,981	5.79
	439	5,297,651	276,219	100.00
30 June 2011				
Individuals	501	1,378,821	72,076	16.70
Asset management company	1	3,053,853	159,636	36.99
Associated companies / Directors	2	-	-	-
Banks / DFIs	4	3,223,575	168,508	39.05
Insurance companies	-	-	-	-
Retirement funds	6	456,943	23,886	5.53
Others	11	142,538	7,451	1.73
	525	8,255,730	431,557	100.00

21.4 Particulars of the Fund manager and Investment Committee

Following is the details of the fund manager:



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Name of fund manager	Designation	Qualification
Mr. Imran Rahim Khan	MBA & MA Eco.	Pak Oman Advantage Fund Pak Oman Advantage Islamic Income Fund

Following are the members of the investment committee of the Management Company:

Name of members	Designation	Qualification
Ms. Hina Ghazanfar	MD & CEO	MBA
Mr. Ahmed Nabeel	CIA	MBA
Mr. Imran Rahim Khan	Fund Manager	MBA & MA Eco.

21.5 Details of attendance at meetings of Board of Directors of the Management Company

Name of Directors	Designation	Meeting Attended	30 June 2012					
			05 July 2011	23 August 2011	26 October 2011	1 February 2012	28 April 2012	
H. E. Yahya Bin Said Bin □								
Abdullah Al-Jabri	Chairman	5	P	P	P	P	P	
Agha Ahmed Shah, Esq.	Director	5	P	P	P	P	P	
Mr. Humayun Murad	Director	4	P	r	P	P	P	
Mr. Parveiz Usman *	Director	-	r	r	r	r	r	
Mr. Sulaiman Hammad Al Harty	Director	4	r	P	P	P	P	
Mr. Ali Said Ali	Director	5	P	P	P	P	P	
Mr. Saif Said Salim Al Yazidi	Director	4	r	P	P	P	P	
Ms. Hina Ghazanfar	MD and CEO	5	P	P	P	P	P	
			<u>5</u>	<u>6</u>	<u>7</u>	<u>7</u>	<u>7</u>	

* Resigned w.e.f. 28 April 2012.

21.6 Rating of the Fund and the Management Company

In accordance with criteria specified by the rating agency, the ranking of the Fund is 'AA-', as assigned by PACRA.

JCR-VIS has assigned an AM3 rating to the Management Company which is defined as stable management quality.

22. DISTRIBUTIONS BY THE FUND

22.1 Distributions during the year

30 June 2012	Distribution per unit	Bonus		Cash	Total
		Units	Amount		
<i>Date of distributions</i>		----- (Rupees in '000) -----			
26 October 2011	1.0275	38,107	1,964	4,168	6,132
1 February 2012	1.2965	43,044	2,223	5,259	7,482
30 April 2012	1.3221	53,026	2,724	5,363	8,087
			<u>6,911</u>	<u>14,790</u>	<u>21,701</u>
30 June 2011	Distribution per unit	Units	Bonus Amount	Cash	Total
<i>Date of distributions</i>		----- (Rupees in '000) -----			
4 October 2010	0.60	18,438	931	1,865	2,796
5 April 2011	1.7813	70,713	3,608	7,226	10,834
			<u>4,539</u>	<u>9,091</u>	<u>13,630</u>



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

All the distributions made by the Fund is recommended and approved by the Board of Directors of the Management Company.

22.2 Non-adjusting event after the reporting date

The Board of Directors of the management company has approved bonus units of Rs. 0.7128 per unit (on 04 July 2012) for the year ended 30 June 2012 amounting to Rs. 3.776 (2011: 16.327) million in total. These financial statements do not include the effect of the above final distribution that will be accounted for subsequent to the year end.

23. GENERAL

These financial statements were 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