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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.”



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
Mr. Parveiz Usman	Director
Ms. Hina Ghazanfar	MD & CEO

AUDIT COMMITTEE

Mr. Humayun Murad	Chairman
Mr. Sulaiman Hamad Al Harthy	Member
Mr. Saif Said Salim Al Yazidi	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,
L.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
Pakdattan

BANKERS TO THE FUND

Bank Al-Falah Ltd- 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, 2013.

Economic Review

The financial year 2013 witnessed the successful democratic transformation of political power. As a result of which PML-N came into power with Mr. Nawaz Sharif becoming the new premier of the country. During the first month of power, the new government took important economic measures by drafting energy policy, resolution of circular debt and announcing the budget for the year FY14. The new government looked serious in its resolve to revive the economy by addressing the most important issues and increasing the investment in development of infrastructure to facilitate the public and business community.

On the macroeconomic front, the country recorded a GDP growth of 3.6% during the period FY13 as against a growth of 4.4% in the year FY12. The current account deficit of the country stood at USD 2.3bn which is 51% down on YoY basis. The main contributors to the decline were 64% in services deficit (which was supported by Coalition Support Fund inflows of USD 1.8bn) and 4% lower trade deficit. The country repaid the loans of USD 4.8bn during the year, of which IMF installments comprised of USD 2.9bn. Such heavy repayments exerted pressure on foreign exchange reserves, which declined to USD 11.02bn from the level of USD 15.28bn at the beginning of the year. As a result the local currency devalued by 5.4% against USD during the year.

The average CPI inflation was 7.4% against the target of 9.5%. The lower inflation supported the monetary policy decision to cut the discount rate four times during the year from 12% to 9%.

The country attracted USD 1.45bn worth foreign direct investment during the year as compared to FDI of USD 820.6mn last year, showing an upsurge of 76% YoY. The oil & gas, food and financial sectors attracted the major portion of the foreign investment. Remittances posted a growth of 5.56% and reached the level of USD 13.9bn against remittances of USD 13.2bn in the last fiscal year.

IMF loan, which is due in September, will provide some relief to foreign reserves and will help stabilize the currency. We anticipate that focus on privatization, sale of 3G license and foreign investment in infrastructural projects will remain the lifeline in the betterment of the economy in the coming one year.

Money Market:

The average overnight repo rate stood at 9.32% for the year ended June 30, 2013. The State Bank of Pakistan conducted twenty six T-bill auctions during the year and assimilated PKR 5,073.82bn collectively from all the auctions. The breakup of which is as follows: PKR 903.69bn in the 3-month tenor, PKR 2,242.75bn in the 6-month tenor and PKR 1,927.38bn in the 12-month tenor. Twelve PIB auctions were also conducted during the year. SBP accepted PKR 248.70bn against the participation of PKR 603.04bn. Besides T-bill and PIB auctions, two Government of Pakistan Ijara Sukuks auctions were also conducted by SBP of which collective amount accepted equaled to PKR 90.04bn against participation of PKR 196.85bn all at 6 Month T-Bill weighted average yield.

Operating Performance

The Fund during the year ended June 30, 2013, earned a total income of PKR. 27.229mn. The income for the period comprised mainly profit earned on Sukuk certificates amounting to PKR. 20.796mn and deposits with banks amounting to PKR. 6.031mn. After accounting for expenses of PKR.7.815mn, the net income for the period was Rs. 19.276mn. The net assets of the fund as at June 30, 2013 were PKR 298.610mn and PKR 52.01 per unit. The fund also declared a final dividend of PKR 0.4128 unit.

Future Outlook

During the year, the inflation remained in single digit despite heavy government borrowing, which provided policy makers room for monetary easing. However, the trend of inflation will revert back to double digit in the next fiscal year, which may trigger gradual increment of discount rate.

Going forward, agreement with IMF will be crucial in determining interest rate direction as this may turn tides towards monetary tightening of around 50-100 basis points in the next fiscal year.



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 units of the Fund 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, 2013 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	4	2	2	0	0
Agha Ahmed Shah	Director	5	3	0	0	2	1
Mr. Humayun Murad	Director	5	4	4	4	0	0
Mr. Parveiz Usman*	Director	0	0	0	0	0	0
Mr. Sulaiman Hammad Al Harty	Director	5	4	4	4	2	2
Mr. Ali Said Ali	Director	5	4	0	0	2	2
Mr. Saif Said Salim Al Yazidi	Director	5	5	2	2	2	2
Ms. Hina Ghazanfar	MD & CEO	5	5	4	4	2	2

* Mr. Parveiz Usman was appointed as Director of the Management Company on 11 June 2013.

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 meets the criteria of exemption under clause (xi) of CCG and is 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, 2014.



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.

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 21, 2013
Karachi

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



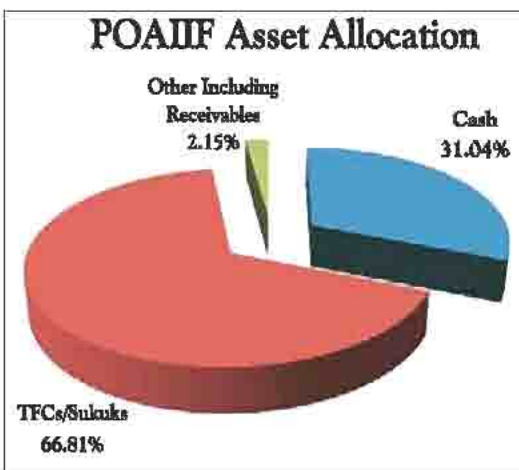
REPORT OF THE FUND MANAGERS OF THE MANAGEMENT COMPANY

Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage Islamic Income Fund (the Fund) is pleased to present the Annual Fund Manager's Report of the Fund for the year ended June 30, 2013.

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 298.61mn
NAV (June 30th, 2013)	PKR 52.0077 per Unit
Benchmark	6-month average deposit rate of 4 Islamic Banks with minimum rating of A- or above.
Listing	KSE Limited
Trustee	MCB Financial Services Limited
Shariah Advisor	Mr. Muhammad Najeeb Khan
Auditor	KPMG Taseer Hadi & Co.
Legal Advisor	Mohsin Tayebaly & Co.
Transfer Agent	JWAFPS 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	79
1,001 – 50,000	104
50,001 – 500,000	06
500,001 – 1,000,000	03
1,000,001 - Above	01

Asset Allocation (% of Assets)	June 2013	June 2012	POAIF Performance	
			Yield since inception(%) (Absolute)	48.56
Sukuks/GoP Ijara	66.81	89.18	Year to date return (FY13)(%)	6.91
Cash	31.04	7.68	Risk free rate (1 Yr TB)(%)	9.79
Others Including Receivables	2.15	3.13	Sharpe Ratio	-0.91
Leverage	0.00	0.00	Distribution(FY'13)(PKR)	3.32

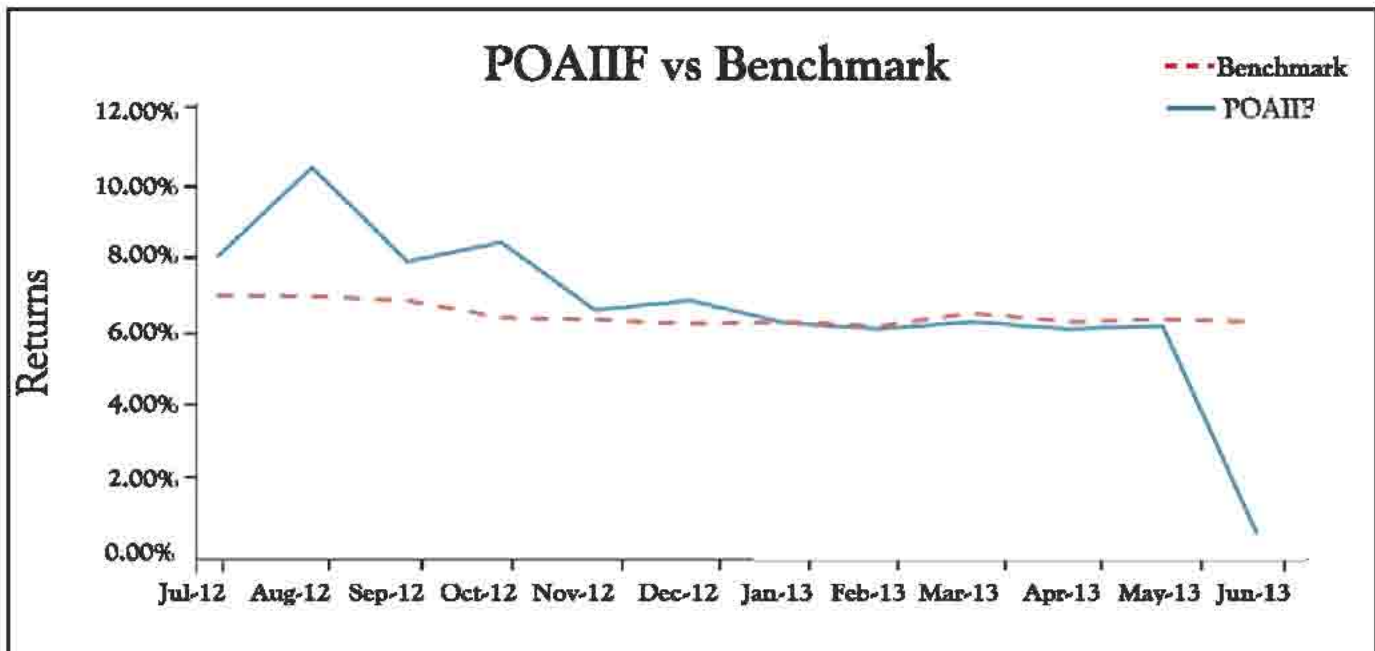
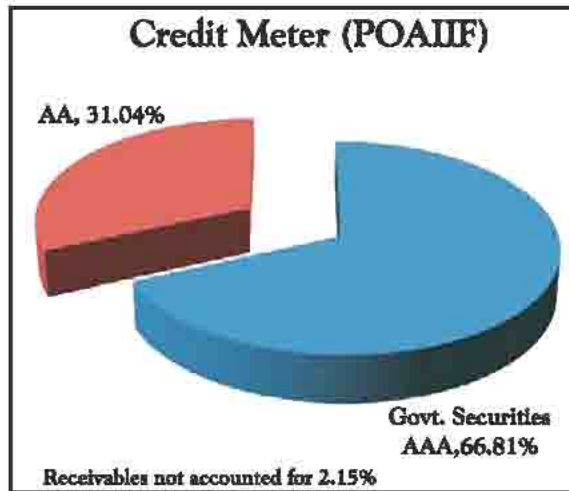
FUND REVIEW

Pak Oman Advantage Islamic Income Fund posted a return of 6.91% against its benchmark of 6.57% during the year under review. The fund invested 66.81% in Government of Pakistan Ijarah Sukuk and adopted conservative approach to beat the benchmark. During the year, the CPI inflation remained within the targeted range set by government. The average CPI inflation was 7.4% against the target of 9.5%. The lower inflation supported the monetary policy decision to cut the discount rate four times during the year from 12% to 9%.



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

Funds Return	POAIF	Benchmark
Year-to-Date (YTD)	6.91%	6.57%



August 30, 2013
Karachi

Imran Rahim Khan
Fixed Income Fund Manager



REPORT OF THE SHARIAH ADVISOR

Karachi

July 23, 2013

Alhamdulillah, the period from July 1, 2012 to June 30, 2013 was the third year of operations of Pak Oman Advantage Islamic Income Fund (POAIIIF). 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 POAIIIF 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 POAIIIF 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 POAIIIF for the year ended June 30, 2013 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



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TRUSTEE REPORT TO THE UNIT HOLDERS PAKOMAN ADVANTAGE ISLAMIC INCOME FUND

Report of the Trustee pursuant to Regulation 41 (h) 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.

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 year ended June 30, 2013 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 02, 2013
Karachi.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financials Services Limited



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

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') an unlisted public 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 (MD & CEO)
Non-Executive Directors	H.E. Yahya Bin Said Abdullah Al-Jabri Mr. Agha Ahmed Shah Mr. Sulaiman Hammad Al Harthy Mr. Ali Said Ali Mr. Parveiz Usman

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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4 A casual vacancy occurred on the board of the Management Company on dated 28 April 2012 that was filled up by the directors on dated 11 June 2013 i.e. in 410 days. At present, there are total eight 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 been taken place to disseminate it throughout the Management Company along-with its supporting policies and procedures.
- 6 The board of the Management Company has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund. 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 during the year.
- 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 One of the directors on the Board have obtained certification from the director's training program offered by a local institution that meet the criteria specified by the Securities and Exchange Commission of Pakistan. In addition, two directors meet the criteria of exemption under the clause (xi) of Code and are accordingly exempted from directors' training program.



- 10 There was no change of Head of Internal Audit and Company Secretary of the Management Company during the year. However, the appointment of Chief Financial Officer (CFO) is still in process and currently, the unit head of finance has been appointed to oversee the finance department till CFO has been appointed. The remuneration and terms and condition of employment of Head of Internal Audit and Company Secretary were approved by the board of the Management Company.
- 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 the Chief Executive Officer and Unit Head of 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 the Management Company has formed an Audit Committee. It comprises of three members, of whom two of them are non-executive directors and the Chairman of the Audit Committee is an independent director.
- 16 The meetings of the Audit Committee were held atleast once in every quarter prior to approval of interim and final results of the Fund and as required by the code, except for the first quarter in which no meeting was held (which was held in the second quarter of the year). The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17 The board has formed an HR and Remuneration Committee in its meeting held on October 14, 2012. It comprises of three members, of whom one is non-executive director, another one is executive director and the Chairman of the committee is an independent director. As per the time line given in the Code of Corporate Governance, advised before the above date, the HR and Remuneration Committee had to be formed with immediate effect.
- 18 The board of the Management Company has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose 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 Net Asset Value 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 21, 2013
Karachi

Ms. Hina Ghazanfar
MD & CEO



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of **Pak Oman Advantage Islamic Income Fund** ("the Fund") which comprise the statement of assets and liabilities as at 30 June 2013 and the related income statement, statement of comprehensive income, distribution statement, statement of movement in Unit Holders' fund, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of the 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 our 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, we consider internal control relevant to the Fund'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 Fund'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 2013 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Report on Other Legal and Regulatory Requirements

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.

October 30, 2013
Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani



REVIEW REPORT TO THE UNITHOLDERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pak Oman Asset Management Company Limited ("the Management Company") for and on behalf of Pak Oman Advantage Islamic Income Fund ("the Fund") to comply with the Listing Regulation No. 35 of 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 Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

Further sub-regulation (x) of Listing Regulations 35 notified by the Karachi Stock Exchange Limited requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Fund's statement of 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 2013.

As stated in paragraphs 4 and 16 of the annexed statement, requirements of clauses (iii), of the Code and Corporate Governance with respect to the appointment of a director as a result of a casual vacancy was met after the maximum stipulated time of 90 days while the requirements of the clause (xxvii) of the Code and Corporate Governance relating to the holding of meeting of the Audit Committee meetings once in every quarter respectively have not been complied with. Further, as stated in paragraph 17 of the annexed statement, requirement of clause (xxv) of the Code and Corporate Governance with respect to formation of Human Resource and Remuneration Committee was not complied with upto 14 October 2012.

October 30, 2013
Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants



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

We have performed our independent assurance engagement of Pak Oman Advantage Islamic Income Fund ("the Fund") to assess the Fund's compliance with the Shariah Guidelines prescribed by the Shariah Advisor and the related guidelines given in the Trust Deed of the Fund for the year ended 30 June 2013.

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 the related guidelines in the Trust Deed of the Fund. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the Shariah principles and to ensure that Fund's investments are made in compliance with Shariah principles.

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 and the related guidelines given in the Trust Deed.

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 Fund'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 Fund's internal control.

Conclusion

In our opinion, Fund was in all material respects, in compliance with the Shariah Guidelines issued by the Shariah Advisor and the related guidelines given in the Trust Deed of the Fund for the year ended 30 June 2013.

October 30, 2013
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

**STATEMENT OF ASSETS AND LIABILITIES**
AS AT JUNE 30, 2013

	Note	30 June 2013	30 June 2012
(Rupees in '000)			
Assets			
Bank balances	6	94,032	21,443
Investments	7	202,438	249,116
Profit receivables	8	3,754	5,856
Deferred formation cost	9	1,500	2,000
Deposit, prepayment and other receivables	10	1,261	894
Total assets		302,985	279,309
Liabilities			
Remuneration payable to the Management Company	11	414	452
Remuneration payable to the Trustee	12	56	38
Annual fee payable to the Securities and Exchange Commission of Pakistan	13	215	239
Accrued expense and other liabilities	14	3,690	2,362
Total liabilities		4,375	3,091
Net assets		298,610	276,218
Unit holders' fund (as per the statement attached)		298,610	276,218
(Number of units)			
Number of units in issue	17	5,741,653	5,297,651
(Rupees)			
Net assets value per unit (face value per unit Rs. 50/-)		52.01	52.14

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, 2013

	Note	30 June 2013	30 June 2012
		(Rupees in '000)	
Income			
Gain from disposal of marketable securities - net		402	360
Profit on bank deposit accounts		6,031	9,520
Profit on sukuk certificates		20,796	28,548
Unrealised appreciation on remeasurement of investment 'at fair value through profit or loss' - upon initial recognition	7.1	-	4,633
		27,229	43,061
Expenses			
Remuneration to the Management Company		5,012	5,586
Remuneration to the Trustee		343	593
Annual fee to the Securities and Exchange Commission of Pakistan		215	239
Auditors' remuneration	15	476	480
Fees and subscription		203	189
Amortisation of deferred formation cost	10	500	500
Bank, settlement and other charges	16	1,066	999
		7,815	8,586
Net income from operating activities		19,414	34,475
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - net		255	(2,394)
Provision for Workers' Welfare Fund	14.1	(393)	(629)
Net income for the year before taxation		19,276	31,452
Taxation	18	-	-
Net income for the year after taxation		19,276	31,452

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

**STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED JUNE 30, 2013

	30 June 2013	30 June 2012
	(Rupees in '000)	
Net income for the year	19,276	31,452
Other comprehensive income for the year	-	-
Total comprehensive income for the year	19,276	31,452

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, 2013**

	Note	30 June 2013 (Rupees in '000)	30 June 2012
Realised income at the beginning of the year		7,560	18,534
Unrealised income at the beginning of the year		4,633	236
Total undistributed income at the beginning of the year		12,193	18,770
Final distribution at the rate of Re. 0.7128 (2012: Rs. 1.9777) per unit approved on 04 July 2012 (2011: 07 July 2011)			
- Cash distribution		(1,856)	(8,023)
- Issue of bonus units 37,335 (2012: 165,119)		(1,920)	(8,305)
		(3,776)	(16,328)
Interim distributions during the year	22		
- Cash distribution		(7,560)	(14,790)
- Issue of bonus units		(8,382)	(6,911)
		(15,942)	(21,701)
Net income for the year		19,276	31,452
Undistributed income at end of the year		11,751	12,193
Details of undistributed income at end of the year is as follow:			
Realised income at the end of the year		11,751	7,560
Unrealised income at the end of the year		-	4,633
Total undistributed income at the end of the year		11,751	12,193

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



STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2013

	Note	30 June 2013	30 June 2012
(Rupees in '000)			
Net assets at beginning of the year		276,218	431,557
Cash received on issue of 8,665,622 (2012: 7,408,439) units		451,964	324,224
Cash paid on redemption of 8,420,832 (2012: 10,665,815) units		(439,177)	(490,596)
		12,787	(166,372)
Element of (income) / loss capital (gains) / losses included in prices of units sold less those in units redeemed - net		(255)	2,394
Final distribution at the rate of Re. 0.7128 (2012: Rs. 1.9777) per unit approved on 04 July 2012 (2011: 07 July 2011)			
- Cash distribution		(1,856)	(8,023)
- Issue of bonus units 37,335 (2012: 165,119)		(1,920)	(8,305)
		(3,776)	(16,328)
Issue of bonus units 37,335 (2012: 165,119) as final distribution		1,920	8,305
Net income for the year		19,276	31,452
Interim distributions during the year	22		
- Cash distribution		(7,560)	(14,790)
- Issue of bonus units		(8,382)	(6,911)
Net income for the year less distribution		3,334	9,751
Issue of bonus units 161,876 (2012: 134,177) as interim distribution	22	8,382	6,911
Net assets at end of the year		298,610	276,218
Net asset value per unit at the beginning of the year		52.14	52.27
Net asset value per unit at the end of the year		52.01	52.14

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, 2013**

	30 June 2013	30 June 2012
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	19,276	31,452
Adjustments for		
Profit on bank deposit accounts	(6,031)	(9,520)
Profit on sukuk certificates	(20,796)	(28,548)
Unrealised appreciation on remeasurement of investment 'at fair value through profit or loss' upon initial recognition	-	(4,633)
Amortisation of deferred formation cost	500	500
Element of (income) / loss included in prices of units sold less those in units redeemed - net	(255)	2,394
	<u>(7,306)</u>	<u>(8,355)</u>
Decrease / (increase) in assets		
Investments	46,678	15,121
Deposit, prepayment and other receivables	(367)	556
	<u>46,311</u>	<u>15,677</u>
(Decrease) / increase in liabilities		
Remuneration payable to the Management Company	(38)	(3,248)
Remuneration payable to the Trustee	18	(21)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(24)	30
Accrued expenses and other liabilities	1,328	(38)
	<u>1,284</u>	<u>(3,277)</u>
Profit received on bank deposit accounts	5,972	10,749
Profit received on sukuk certificates (investments)	22,957	29,622
Net cash inflow from operating activities	<u>69,218</u>	<u>44,416</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units	451,964	324,224
Amount paid on redemption of units	(439,177)	(490,596)
Dividend paid during the year	(9,416)	(22,813)
Net cash inflow / (outflow) from financing activities	<u>3,371</u>	<u>(189,185)</u>
Net increase / (decrease) in cash and cash equivalents during the year	<u>72,589</u>	<u>(144,769)</u>
Cash and cash equivalents at beginning of the year	21,443	166,212
Cash and cash equivalents at end of the year	<u>94,032</u>	<u>21,443</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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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. MCB Financial Services Limited was appointed as a new trustee in place of CDC under the third supplemental Trust Deed dated 15 May 2012. Accordingly the Trust Deed was approved by the SECP on 17 January 2012 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- 1.2 The registered office of the Management Company is situated at Horizon Vista, Mezzanine Floor - 2, Plot No. Commercial - 10 Scheme - 5, Block 4, Clifton, Karachi - 75600.
- 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, 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 and the requirements of the 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 the 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.



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 (including impairment)

For details please refer notes 5.1, 5.12 and 20.6 to these financial statements.

Provision for taxation

For details please refer notes 5.7 and 18 to these financial statements.

Provision for workers' welfare fund liability

For detail please refer note 14.2 to these financial statements.

Other assets

For detail please refer note 5.16 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 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 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.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint with some 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, 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 1 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 1 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 1 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.
- Annual Improvements 2009-2011 (effective for annual periods beginning on or after 1 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. The amendment has no impact on Fund's financial statements.
- 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 1 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.
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event is a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments have no impact on financial statements of the Fund.
- Amendment to IAS 36 Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. 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.

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, and at fair value through profit and loss - upon initial recognition 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 of 2009 dated 6 January 2009 and circular No. 33 of 2012 dated 24 October 2012 issued by the SECP.

Provision for non-performing debt securities is made on the basis as prescribed under the above mentioned circulars 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 the Fund commits to purchase / sell the investments.

5.2 Issue and redemption of units

Units issued are recorded 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

To prevent the dilution of per unit income and distribution of income already paid out on redemption, as dividend, an equalisation account called "element of income and capital gains included in prices of units sold less those in units redeemed" is created.

The "element of income and capital gains included in prices of units sold less those in units redeemed" account is credited with the amount representing net income and capital gains accounted for in the last announced net assets value and included in the sale proceeds of units. Upon redemption of units, the element of income included in prices of units sold less those in units redeemed account is debited with the amount representing net income and capital gains accounted for in the last announced net assets value and included in the redemption price.

The net "element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed" during an accounting year is recognised in the income statement.

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. Since the Board of Directors of the management company has declared a dividend (refer note 22), accrual of tax liability has not been made.



5.8 Formation cost

Preliminary expenses and floatation cost represent expenditure incurred prior to the commencement of the operations of the Fund as permitted in the Non-Banking Finance Companies and Notified Entities Regulations 2008. Effective 1 July 2010 these cost are being amortised at the rate of 20% on a straight line basis.

5.9 Unit holder's fund

Unit holder's fund representing the units issued by the Fund, is carried at the redemption amount representing the investor's right to a residual interest in the Fund's assets.

5.10 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.

Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. The particular recognition method adopted for measurement of financial liabilities investments subsequent to initial recognition is disclosed in the individual policy statement associated with each item.

5.11 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.

5.12 Impairment

Impairment loss in respect of financial assets (other than debt securities) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments.

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 33 dated October 24, 2012 issued by SECP, and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular. 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.

5.13 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.

5.14 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.

5.15 Cash and cash equivalents

Cash and cash equivalent for cash flow purposes comprise of bank balances.

5.16 Other assets

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



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

6 BANK BALANCES

		30 June 2013	30 June 2012
		(Rupees in '000)	
local currency			
In profit and loss sharing account	6.1	94,032	21,439
In current account		-	4
		<u>94,032</u>	<u>21,443</u>

6.1 These represents profit and loss account maintained with banks carrying mark-up rates ranging from 6% to 10.8% (2012: 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 2012	Purchases during the year	Disposed / matured during the year	Holding as at 30 June 2013	Carrying value as at 30 June 2013	% of net assets
			————— (Number of certificates) —————				(Rupees in '000)	
Gop Ijara Sukuk Certificates - V	15 November 2013	Weighted average 6 months T-Bills	250	-	-	250	25,056	8.39
Gop Ijara Sukuk Certificates - VI	20 December 2013	Weighted average 6 months T-Bills	940	-	940	-	-	-
Gop Ijara Sukuk Certificates - VII	7 March 2014	Weighted average 6 months T-Bills	1,000	-	-	1,000	101,775	34.08
Gop Ijara Sukuk Certificates - IX	26 December 2014	Weighted average 6 months T-Bills	-	750	-	750	75,607	25.32
Gop Ijara Sukuk Certificates - X	2 March 2015	Weighted average 6 months T-Bills	250	-	250	-	-	-
Gop Ijara Sukuk Certificates - XII	28 June 2015	Weighted average 6 months T-Bills	-	2000	2,000	-	-	-
			Total as at 30 June 2013				<u>202,438</u>	<u>67.79</u>
			Cost of investments				<u>200,978</u>	
			Total as at 30 June 2012				<u>249,116</u>	

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

GoP Ijarah Sukuk are valued at amortised cost. Had these Sukuks been valued at PKISRV, investment and profit for the year would have been lower by Rs. 2.06 million as at 30 June 2013.

The Securities and Exchange Commission of Pakistan vide its letter dated 19 September 2013 has advised that all assets management companies shall use 'PKISRV' quoted on Reuters as the relevant price to value the GoP Ijarah Sukuks certificates to determine the net assets of collective investment schemes under their management. This valuation approach is applicable from immediate effect.



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

		30 June 2013	30 June 2012
		(Rupees in '000)	
8	PROFIT RECEIVABLES		
	<i>Considered good</i>		
	On bank balance	476	417
	On GoP Ijarah Sukuk certificates	3,278	5,439
		<u>3,754</u>	<u>5,856</u>
9	DEFERRED FORMATION COST		
	Opening balance	2,000	2,500
	Amortisation for the year	(500)	(500)
	Closing balance	<u>1,500</u>	<u>2,000</u>
10	DEPOSIT, PREPAYMENT AND OTHER RECEIVABLES		
	Receivable against issuance of units	1,125	658
	Security deposit with Trustee	100	100
	Prepaid expense	36	36
	Other receivable	-	100
		<u>1,261</u>	<u>894</u>
11	REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY		
	Remuneration payable	11.1 414	452
		<u>414</u>	<u>452</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. The management company has charged its remuneration at the rate of 1.75% for the current year (2012: 1.75%). Sales tax and Federal Excise duty payable on the management's remuneration has been disclosed in note 14.2.		
12	REMUNERATION PAYABLE TO THE TRUSTEE		
	MCB Financial Services Limited as Trustee is entitled to monthly remuneration at the rate of 0.12% 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		
	This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Rule 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Currently, the Fund is required to pay annual fee to SECP at the rate of 0.075% of the average daily net assets of the Fund.		
14	ACCRUED EXPENSES AND OTHER LIABILITIES		
		30 June 2013	30 June 2012
		(Rupees in '000)	
	Auditors' remuneration	337	354
	Payable against redemption of units	110	7
	Payable to workers' welfare fund	14.1 2,266	1,873
	Others	14.2 977	128
		<u>3,690</u>	<u>2,362</u>



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- 14.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended 30 June 2010, clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry), vide its letter dated 06 October 2010 to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. However, the FBR vide its letter dated 04 January 2011 has cancelled its earlier letter dated 06 October 2010 ab initio and issued show cause notices for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by the SHC on the basis of the pending constitutional petition in the said court as referred above.

Subsequent to the year ended 30 June 2011, 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 and struck them down.

During the current period a larger bench of the SHC has passed an order declaring that the amendments introduced in the Worker's Welfare Ordinance, 1971 through Finance Act 2006, and 2008 respectively do not suffer from any constitutional or legal infirmity. The Legal counsel appointed by the Mutual Fund Association of Pakistan is of the opinion that the constitution petitions filed by the Mutual Funds to challenge Worker's Welfare Fund have not been affected by the judgement passed by the larger bench of SHC and the stay granted to Mutual Funds in separate constitutional petitions remain intact.

In view of the above stated facts and considering the vagaries of litigation, the Management Company, as a matter of prudence, has decided to record the provision for WWF amounting to Rs. 2.266 million up to 30 June 2013 (30 June 2012: Rs. 1.873 million). If the above recognition Rs. 2.266 million up to 30 June 2013 (30 June 2012: Rs. 1.873 million). If the above recognition had not been made, the net asset value per unit of the Scheme would have been higher by Rs. 0.39 per unit.

- 14.2 During the current year, an amount of Rs. 0.815 million (2012: 0.894 million) was charged in the income statement on account of sales tax on Management fee levied through Sindh Sales Tax Services Act, 2011 effective from 01 July 2011. This amount is payable to the Management Company who the pays it to the Government of Sindh. As at the year end, sales tax of Rs. 0.080 million (2012: 0.073 million) on Management Company remuneration was payable. As per the requirement of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax as explained in the note above, further levy of FED may result in double taxation, which doesn't appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan where various options are being considered. As a matter of abundant caution, the Management Company has charged Rs. 0.047 million to the Fund during the year on account of the FED. This amount is payable to the Management Company who then pays it to the Federal Board of Revenue.

15 AUDITORS' REMUNERATION

		30 June 2013	30 June 2012
		(Rupees in '000)	
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		51	55
		476	480
16 BANK, SETTLEMENT AND OTHER CHARGES			
Printing charges		115	71
Sindh Sales Tax on management remuneration	14.2	815	894
Central Depository System charges		6	9
Bank charges		5	15
Brokerage		78	10
FED on management remuneration	14.2	47	-
		1,066	999



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

17 NUMBER OF UNITS IN ISSUE	30 June 2013 (Number of Units)	30 June 2012 (Number of Units)
Total units in issue at beginning of the year	5,297,651	8,255,730
Issued during the year	8,665,622	7,408,439
Bonus units issued	199,212	299,297
Redemptions during the year	(8,420,832)	(10,665,815)
Total units in issue at the end of the year	<u>5,741,653</u>	<u>5,297,651</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 unrealised 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 THE RELATED PARTIES / CONNECTED PERSONS

The related parties comprise of Pak Oman Asset Management Limited, being the 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, associated companies of the Management Company, other collective investment schemes managed by the Management Company, Key Management personnel of the Management Company, staff retirement benefits of related parties and entities holding 10% or more in the units of the Fund as at 30 June 2013.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and Trust Deed respectively as disclosed in note 11 and 12. Purchase and redemptions of the Fund's units by related parties / connected persons are recorded at applicable net asset value per unit. Other transactions are in accordance with the agreed terms.

Transactions and balances with related parties are as follows:

19.1 Transactions during the year	2013 (Rupees in '000)	2012 (Rupees in '000)
Pak Oman Asset Management Company Limited - Management Company of the Fund		
Remuneration of the Management Company	<u>5,012</u>	<u>5,586</u>
Formation cost paid to the management company	<u>-</u>	<u>2,500</u>
Bonus units issued - 1,482 (2012: 40,591)	<u>76</u>	<u>2,042</u>
Units issued -1,551,993 (2012: 1,873,757)	<u>80,292</u>	<u>95,870</u>
Units redeemed - 1,660,429 (2012: 2,839,493)	<u>86,181</u>	<u>144,695</u>
Gain on redemption	<u>312</u>	<u>257</u>
Central Depository Company of Pakistan - Former Trustee of the Fund		
Remuneration of the Trustee	<u>-</u>	<u>587</u>
MCB Financial Services Limited - Trustee of the Fund		
Remuneration of the Trustee	<u>343</u>	<u>6</u>



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	2013	2012
	(Rupees in '000)	
Pak Oman Investment Company Limited - holding company of the Management Company		
Dividend paid	6,531	11,270
Key Management Personnel and employees of Management Company		
Bonus units issued - nil (2012: 559)	-	28
Units redeemed - nil (2012: 9,877)	-	515
Gain on redemption	-	5
	2013	2012
	(Rupees in '000)	
Related parties of the Management Company		
Pak Oman Asset Management Company Limited - Employees Provident Fund		
Bonus units issued - 275 (2012: 2,037)	14	104
Units redeemed - 20,088 (2012: nil)	1,049	-
Gain on redemption	16	-
Other connected persons - due to holding of more than 10% units		
Hamdard Laboratories (WAQF) Pakistan		
Bonus units issued - 48,441 (2012: nil)	2,507	-
Units issued - 482,811 (2012: 290,656)	25,000	15,000
Gain on redemption	-	-
Fecto Cement Limited - Provident Fund Trust		
Bonus units issued - 26,223 (2012: 1221)	1,355	63
Units issued - 3,030,343 (2012: 416,110)	175,877	21,525
Units redeemed - 2,711,082 (2012: 77,471)	141,588	4,000
Gain on redemption	1,206	11
Bank Al-Falah Limited		
Profit on bank deposit	6,024	9,491
Dividend paid	2,170	3,374
Bank charges	4	12
Dividend payable	793	-
19.2 Balance as at year end		
Pak Oman Asset Management Company Limited - Management Company of the Fund		
Remuneration payable to the Management Company	414	452
Units Outstanding - nil (June 2012: 106,954)	-	5,577
Pak Oman Investment Company Limited - holding company of the Management Company		
Units outstanding - 2,003,976 - 35% (June 2012: 2,003,976 - 38%)	104,222	104,487



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

	2013	2012
	(Rupees in '000)	
Central Depository Company of Pakistan - Former Trustee of the Fund Remuneration payable to the Trustee	<u>-</u>	<u>32</u>
MCB Financial Services Limited - Trustee of the Fund Remuneration payable to the Trustee	<u>56</u>	<u>6</u>
Key Management Personnel and employees of Management Company Units outstanding - nil (June 2012: nil)	<u>-</u>	<u>-</u>
Related parties of the Management Company Pak Oman Asset Management Company Limited - Employees Provident Fund Units outstanding - nil (June 2012: 19,814)	<u>-</u>	<u>1,033</u>
Other connected persons - due to holding more than 10% units		
Hamdard Laboratories (WAQF) Pakistan Units outstanding - 821,908 (June 2012: 290,656)	<u>42,746</u>	<u>15,155</u>
Fecto Cement Limited - Provident Fund Trust Units outstanding - 685,345 (June 2012: 339,861)	<u>35,643</u>	<u>17,720</u>
Bank Alfalah Limited Bank balance Units outstanding - 600,000 (June 2012: 600,000)	<u>94,032</u> <u>31,205</u>	<u>21,424</u> <u>31,284</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 disclosure 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.



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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 debt securities held, 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:

	2013		2012	
	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)	94,508	94,508	21,860	21,860
Investments - GoP Ijara Sukuk (including profit receivable)	205,716	-	254,555	-
Deposits and other receivables	1,225	1,225	858	858
	<u>301,449</u>	<u>95,733</u>	<u>277,273</u>	<u>22,718</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 (including profit receivable) of Rs. 205.716 (2012: Rs. 254.555) million 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 2013.

Credit ratings and Collaterals

The investment in GoP Ijara Sukuk are government guaranteed.



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

Ratings	Bank balances (including profit due)	
	30 June 2013	30 June 2012
	(% of balance)	
AA+	-	0.05
AA	100.00	99.94
A	-	0.01
Total	100.00	100.00

Above rates are on the basis of available ratings assigned by PACRA as of 30 June 2013.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 68.24% (2012: 91.81%) of the Fund's financial assets are in government securities which are not exposed to the credit risk while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with 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 2013		30 June 2012	
	Rs ('000)	(%)	Rs ('000)	(%)
Bank Balances (including profit receivable)	94,508	98.72	21,860	96.22
Others	1,225	1.28	858	3.78
	95,733	100.00	22,718	100.00

20.2 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.

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.

Remuneration payable to the Trustee



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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 contractual maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows.

30 June 2013	Carrying amount	Less than 1 month (Rupee in 000)	Within 3 months	Total
<i>Non-derivative liabilities</i>				
Remuneration payable to the Management Company	414	414	-	414
Remuneration payable to the Trustee	56	56	-	56
Annual fee payable to Securities and Exchange Commission of Pakistan	215	-	215	215
Accrued expenses and other liabilities (excluding WWF)	1,314	1,314	-	1,314
Payable against redemption of units	110	110	-	110
	2,109	1,894	215	2,109
Unit holders' fund	298,610	298,610	-	298,610
 30 June 2012				
<i>Non-derivative liabilities</i>				
Remuneration payable to the Management Company	452	452	-	452
Remuneration payable to the Trustee	38	38	-	38
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
	1,218	979	239	1,218
Unit holders' fund	276,218	276,218	-	276,218

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 2013, details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

	2013	2012
	(Rupees in '000)	
Variable rate instruments		
Bank balances - in profit and loss sharing accounts	94,032	21,439
GoP Ijarah Sukuk certificates	202,438	249,116
	<u>296,470</u>	<u>270,555</u>

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

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. 1.482 (2012: 1.352) 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.

20.3.1.3 A 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 2013			Total
	Mark-up/ profit rate (%)	Less than one month	Three months to one year (Rupees in '000)	
Assets				
Bank balances	6 to 10.8	94,032	-	94,032
Investments	9.28 to 9.41	-	202,438	202,438
Total assets		<u>94,032</u>	<u>202,438</u>	<u>296,470</u>
	30 June 2012			Total
	Mark-up/ profit rate (%)	Less than one month (Rupees in '000)	Three months to one year	
Assets				
Bank balances	5 to 12.15	21,439	-	21,439
Investments	11.81 to 11.94	-	249,116	249,116
Total assets		<u>21,439</u>	<u>249,116</u>	<u>270,555</u>



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.

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 with effect from 1 July 2012 the Fund is subject to maintain minimum fund size of 100 million at all times as per the requirement of NBFC regulation.

20.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements is discussed in note 5.1. Please refer note 7.2 also in respect of the Fund's investments in GoP Ijarah Sukuk Certificates.

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 3 (Rupees in '000)	Total
30 June 2013		
Ijarah Sukuk Certificates	202,438	202,438
	202,438	202,438
30 June 2012		
Ijarah Sukuk Certificates	249,116	249,116
	249,116	249,116

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.



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	2013	2012
	(Rupees in '000)	
Opening balance	249,116	-
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	277,863	25,002
Sale during the year	(323,304)	(40,005)
Amortization of premium for the year	(1,237)	(118)
Closing balance	<u>202,438</u>	<u>249,116</u>

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

	Commission Paid (Percentage %)	
	2013	2012
Invest Capital Market Limited	79.67	48.00
JS Global Capital Limited	20.33	52.00
	<u>100.00</u>	<u>100.00</u>

21.2 Performance table

	2013	2012	2011	2010	2009
Total net assets value - Rupees in '000	298,610	276,218	431,557	244,515	221,994
Net assets value per unit - Rupees	52.01	52.14	52.27	52.94	55.27
Net income for the year - Rupees in '000	19,276	31,452	31,773	9,095	21,161
Income distribution - Rupees in '000	18,312	25,477	29,957	13,349	16,280
Distribution per unit - Rupees	3.32	4.36	4.36	2.90	4.05
Selling price as at 30 June - Rupees	52.73	52.67	58.80	58.83	55.83
Repurchase price as at 30 June - Rupees	52.20	52.14	52.27	55.27	55.27
Highest selling price during the year - Rupees	53.45	52.94	54.86	55.83	55.83
Lowest repurchase price during the year - Rupees	51.35	50.94	49.42	49.79	49.79

	Last five years	Last four years	Last three years	Last two years	Last one year
Average annual return of the Fund	6.19%	7.96%	8.70%	8.51%	15.76%

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 2013				
Individuals	183	1,532,045	79,678	26.68
Asset management company	-	-	-	-
Banks / DFIs	2	2,603,976	135,427	45.35
Insurance companies	-	-	-	-
Retirement funds	3	779,748	40,553	13.58
Others	5	825,884	42,952	14.38
	<u>193</u>	<u>5,741,653</u>	<u>298,610</u>	<u>100.00</u>
30 June 2012				
Individuals	421	1,645,029	85,771	31.05
Asset management company	1	106,954	5,577	2.02
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
	<u>439</u>	<u>5,297,651</u>	<u>276,219</u>	<u>100.00</u>

(f)

21.4 Particulars of the Fund manager and Investment Committee

Following is the details of the fund manager:

Name of fund manager	Qualification	Other Funds managed
Mr. Imran Rahim Khan	MBA & MA Economics	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	Years of experience
Ms. Hina Ghazanfar	Chief Executive Officer	MBA	12
Mr. Ahmed Nabeel	Chief Investment Advisor	MBA	22
Mr. Imran Rahim Khan	Fund Manager	MBA & MA Eco.	14



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND

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

Name of Directors	Designation	Meeting Attended	30 June 2013				
			03 July 2012	14 October 2012	15 October 2012	05 February 2013	27 April 2013
H. E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman	4	A	P	P	P	P
Agha Ahmed Shah	Director	3	P	P	P	A	A
Mr. Humayun Murad	Director	4	P	P	P	P	A
Mr. Parveiz Usman *	Director	0	N/A	N/A	N/A	N/A	N/A
Mr. Sulaiman Hammad Al Harty	Director	4	A	P	P	P	P
Mr. Ali Said Ali	Director	4	A	P	P	P	P
Mr. Saif Said Salim Al Yazidi	Director	5	P	P	P	P	P
Ms. Hina Ghazanfar	MD and CEO	5	P	P	P	P	P
			4	7	7	6	5

*Mr. Parveiz Usman was appointed as Director of the Management Company on 11 June 2013.

21.6 Rating of the Fund and the Management Company

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

JCR-VIS has assigned an 'AM3-' rating to the Management Company.

22 DISTRIBUTIONS BY THE FUND

22.1 Distributions during the year

30 June 2013	Distribution per unit	Bonus		Cash	Total
		Units	Amount		
— (Rupees in '000) —					
<i>Date of distributions</i>					
15 October 2012	0.9002	46,713	2,420	2,344	4,764
5 February 2013	1.0465	61,970	3,215	2,725	5,940
27 April 2013	0.9565	53,193	2,747	2,491	5,238
			8,382	7,560	15,942

30 June 2012	Distribution per unit	Bonus		Cash	Total
		Units	Amount		
— (Rupees in '000) —					
<i>Date of distributions</i>					
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
			6,911	14,790	21,701

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 distribution of Re. 0.4128 per unit (on 04 July 2013) for the year ended 30 June 2013 amounting to Rs. 2.37 (2012: Rs. 3.776) million in total. These financial statements do not include the effect of the above final distribution and will be accounted for subsequent to the year end.

23 GENERAL

These financial statements were authorised for issue on October 21, 2013 by the board of directors of the Management Company.

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director

