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# Our Mission

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

# Our Vision

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



## FUND INFORMATION

### MANAGEMENT COMPANY

Pak Oman Asset Management Company Limited  
1st Floor, Tower 'A', Finance & Trade Center,  
Shara-e-Faisal, Karachi -74400, Pakistan  
Phone: (9221) 5631020-24  
Fax: (9221) 5631025  
Web site: [www.pakomanfunds.com](http://www.pakomanfunds.com)  
E-mail: [info@pakomanfunds.com](mailto:info@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. Parveiz Usman	Director
Mr. Saif Said Salim Al Yazidi	Director
Ms. Hina Ghazanfar	MD & CEO

### AUDIT COMMITTEE

H.E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman of the Committee
Mr. Humayun Murad	Member
Mr. Agha Ahmed Shah	Member
Mr. Parveiz Usman	Member

### CHIEF FINANCIAL OFFICER

Mr. Najm-ul- Hassan

### COMPANY SECRETARY

Mr. Asif Javaid

### TRUSTEE

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



**AUDITORS**

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

**BANKERS TO THE FUND**

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

**SHARIAH ADVISER**

Dr. Muhammad Najeeb Khan

**LEGAL ADVISER**

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

**TRANSFER AGENT**

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

**FUND RATING**

5 Star 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 Islamic Asset Allocation Fund (POIAAF)** is pleased to present the audited financial statements of the Fund for the year ended June 30, 2011.

### Economic Review

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

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

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

From the equity market perspective, KSE-100 index performed better and posted a gain of 28.54%. KSE-100 index rose by 2,774 points and closed at 12,496.03 points. Currently, KSE-index is trading at a Price to Earnings multiple of 8.5x which is lowest in the global indices. Whereas, KMI-30 index posted a healthy gain of 43.66% during the period and closed at 20,936.20 points. FIPI declined to USD 279.32mn in FY11 as compared to USD551.39mn in FY10.

### Operating Performance

The Fund during the period ended June 30, 2011, earned a total income of PKR 34.11mn. The income for the period comprised mainly of gain on sale of investments of PKR 26.40mn, profit on Sukuk certificate amounting to PKR 4.90mn and profit earned on deposits with banks amounting to PKR 3.14mn. Dividend income were PKR 4.47mn. The unrealized loss on investments at fair value through profit or loss for the period were PKR 9.80mn. The reversal of provision on investment amounting to PKR 5.00mn. After accounting for expenses of PKR 8.76mn, the net income for the year was PKR 24.09mn. Which translates into the gain of PKR 11.71 unit outstanding as at June 30, 2011. The net assets of the fund as at June 30, 2011 were PKR 130.37mn, resulting in a net asset value of PKR 63.38unit. The fund also declared a dividend of PKR 11.13 unit for the year ended June 30, 2011.

### Future Outlook

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

Keeping the fairly better position of current account in view, we anticipate the currency to remain stable during FY12 which will further enhance the foreign exchange reserves. The ongoing Global threats like Europe crisis, US debt ceiling issue may adversely impact the economy, however, on capital market front, good corporate results are supporting the market, whereas foreign flows will determine the future of the capital market.



### **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 17.7 of the Offering Document.

### **Compliance with Code of Corporate Governance**

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

- These financial statements present fairly the state of affairs of the Fund, the result of its operations, cash flows and changes in equity.
- The Fund maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Karachi Stock Exchange (KSE) listing regulations.
- The Board has formulated a Statement of Ethics and Business Practices which has been signed by existing directors and employees of the management company.
- The Directors, CEO, CFO and Company Secretary of the Management Company including their spouse and minor children do not hold any interest in the units of the Fund other than that disclosed in note 17 to the financial statements. The holding of CEO of 11,514 units amounting to Rs 0.73 million is included in the said note.
- Pattern of units holding is given on note 20 of the financial statements.
- Key financial data for the years ended June 30, 2011 and 2010 and for the period October 30, 2008 to June 30, 2009 is given in note 26 to the financial statements.

### **Board Meetings**

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

### **Appointment of Auditors**

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

### **Mutual Fund Rating**

The Pakistan Credit Rating Agency (PACRA) has assigned Mutual fund Star ranking "5" (Five) to the Fund. Further, Quality Rating of the Management Company is 'AM3'; by the Credit Rating Agency JCR-VIS that denotes the company's good management quality and strong capacity to manage the risks inherent in asset management and that the asset manager meets high investment management industry standards and benchmarks



**PAK OMAN ISLAMIC ASSET ALLOCATION FUND**  
(Formerly Pak Oman Advantage Islamic Fund)

**Acknowledgement**

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

August 23, 2011  
Muscat, Oman.

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



## REPORT OF THE FUND MANAGERS OF THE MANAGEMENT COMPANY

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

### Investment Objective

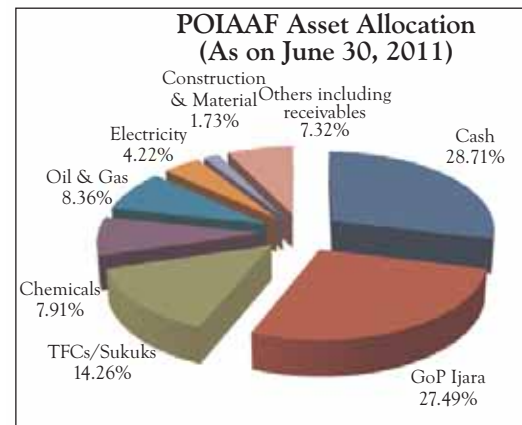
The primary investment objective is to provide investor(s) with competitive current income and long-term capital growth primarily by investing in a diversified portfolio of Shariah compliant investment instruments, including Shariah compliant securities available for investments outside Pakistan, subject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

#### Terms and Structure

Type of Scheme	Open-end Fund
Nature of Scheme	Shariah Compliant Asset Allocation
Inception Date	Oct 30th, 2008
Face Value	PKR 50 per Unit
Fund Size	PKR 130.36mn
NAV (Jun 30th, 2011)	PKR 63.38 per Unit
Benchmark	50% 6-month average deposit rate of 4 Islamic Banks with minimum rating of A- + 50% KMI-30
Listing	KSE (Guarantee) Ltd
Trustee	CDC Pakistan Limited
Shariah Advisor	Mr. Muhammad Najeeb Khan
Auditor	A.F Fergusons & Co. Chartered Accountants
Legal Advisor	Mandviwalla & Zafar Advocates & Legal Consultants.
Transfer Agent	Gangjees Registrar Services (Pvt.) Ltd
Investment Committee	Ms. Hina Ghazanfar, CEO Mr. Ahmed Nabeel, Chief Investment Advisor Mr. Najam Ul Hasan, CFO Mr. Malik Faiz Rasool, Equity Trader

#### Asset Allocation (% of Assets)

Cash	28.71
GoP Ijara	27.49
TFCs / Sukuks	14.26
Others Including Receivables	7.32
Stock/Equities	22.22



#### Unit Holding Pattern

Units	# of Unit Holders
0 – 1,000	32
1,001 – 50,000	3
50,001 – 500,000	0
500,001 – 1,000,000	0
1000,001 - Above	1

#### POIAAF Performance

Yield since inception	14.04%
Returns (FY11)	22.73%
Risk free rate (12M T-Bill)	13.91%
Sharpe Ratio (x)	0.9544

Name of non-compliant Investment	Type of Investment	Value of Investment before provision	Provision held if any	Value of investment after provision	% of Net Assets Before Provisioning	% of Gross Assets Before Provisioning	% of Net Assets After Provisioning	% of Gross Assets After Provisioning
Maple Leaf Cement	Sukuk	12,526,908	-	12,526,908	9.61%	9.41%	9.61%	9.41%
Kohat	Sukuk	6,453,112	-	6,453,112	4.95%	4.85%	4.95%	4.85%

### FUND REVIEW

Despite of disastrous floods and rising oil prices in international market, Pakistan's GDP showed a positive sign during the year which reflects the economic growth of the country. During the year, current account of the country posted a surplus of USD542mn and remittances stood at USD11.20bn in FY11. The country's economic condition is improving and going towards recovery phase.

During the year, KMI-30 index performed outstandingly well and posted a return of 43.66% and closed at 20,936.20 points. The index performed well among all other indices. Out of total gain of KMI-30 index, FFC contributed 10.38% and POL contributed 6.00% to the total index gain.

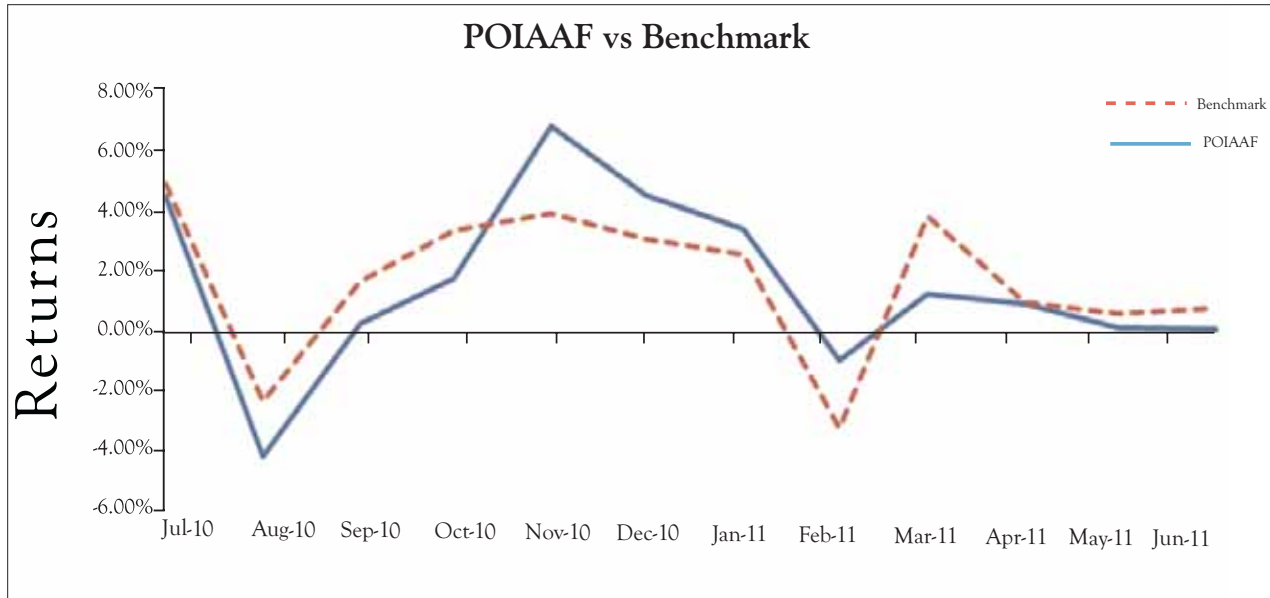
During FY11, Pak Oman Islamic Asset Allocation Fund generated YTD return of 22.73% against its benchmark return of 24.97%, along with a sharpe ratio of 0.9544. POIAAF has performed almost side by side with its benchmark and stood at first position in its Islamic Asset Allocation category in terms of since inception return.





**PAK OMAN ISLAMIC ASSET ALLOCATION FUND**  
(Formerly Pak Oman Advantage Islamic Fund)

Funds Returns	POIAAF	Benchmark
Year to Date (YTD)	22.73%	24.97%



July 22, 2011  
Karachi.

Ahmed Nabeel  
Chief Investment Advisor



## REPORT OF THE SHARIAH ADVISOR

July 13, 2011

Alhamdulillah, the period from July 1, 2010 to June 30, 2011 was the third year of operations of Pak Oman Islamic Asset Allocation Fund (POIAAF). 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.

In the capacity of Shar'iah advisor, we have prescribed five criteria for Shar'iah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in non-Shar'iah compliant avenues (iv) Non Compliant Income to Gross Revenue (v) Illiquid assets to total assets and (vi) Net liquid assets per share vs. share price.

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

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

- (ii) On the basis of information provided by the management, all operations of the POIAAF for the year ended June 30, 2011 have been in compliance with the Shar'iah principles.

- (iii) There are investments made by POIAAF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income). In such cases, the management company has been directed to set a side as charity such proportion of the Income from Investee companies in order to purify the earning of the Fund.

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

Dr. Muhammad Najeeb Khan  
Shariah Advisor / Consultant



## **TRUSTEE REPORT TO THE UNIT HOLDERS PAKOMAN ISLAMIC ASSET ALLOCATION FUND**

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

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

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

For the purpose of information, we would like to draw unit holders attention towards the directives of the Securities and Exchange Commission of Pakistan issued vide Circulars # 1 of 2009 and 3 of 2010, which require that the debt securities shall only be reclassified as performing on receipt of all arrears i.e. principal as well as interest for the next two installments. The sukuk certificates of Maple Leaf Cement Factory Limited (MLCFL) and Kohat Cement Company Limited (KCCL) were classified as performing in September 2010 and June 2010 respectively based on their restructured plans approved in March 2010 and February 2010 respectively.

The Management Company while complying the same has reclassified these sukuk certificates as performing, however, has not accrued the mark - up till October 13, 2010 for MLCFL and June 19, 2010 for KCCL. Going forward, the Management Company started accruing the mark up completely from June 20, 2010 for KCCL and October 14, 2010 for MLCFL. The Management Company has informed us that the same has been done on prudence basis, considering the underlying risk of realisability of the deferred mark-up which will be received in future periods.

September 29, 2011  
Karachi.

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



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

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

- 1 The management company encourages representation of non-executive directors. All the directors except MD & CEO are non-executive directors.
- 2 The existing directors have confirmed that none of them is serving as a director in more than ten listed companies, including the management company.
- 3 All the existing resident directors of the management company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4 A casual vacancy occurred in the Board which was filled up by the directors during the period. The said replacement was approved by the Securities and Exchange Commission of Pakistan on July 11, 2011.
- 5 The management company has prepared a Statement of Ethics and Business Practices for the current year.
- 6 The board of the management company has developed a vision and mission statement, overall corporate strategy and significant policies. The investment policy of the Fund has been disclosed in the offering document while other significant policies & procedures manuals have also been being approved by the Board and adopted by the management company.
- 7 All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
- 8 The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9 The management company has arranged an orientation course for its directors in the current year to apprise them of their duties and responsibilities and the requirements of the code of corporate governance.
- 10 The directors' report relating to the Fund, for the year ended June 30, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 11 The financial statements of the Fund were duly endorsed by the MD & CEO and the CFO of the management company before approval by the Board.
- 12 The Directors, MD & CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 17 to the financial statements. The holding of MD & CEO of units 11,514 amounting to Rs 729,732 is included in the said note.
- 13 The management company has complied with all the applicable corporate and financial reporting requirements of the code.
- 14 The Board has an audit committee. It comprises of four non-executive directors of the management company as its members including chairman of the audit committee.
- 15 The meetings of the audit committee were held once in every quarter prior to the approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the audit committee have been framed and approved by the Board of the management company and advised to the committee for compliance.



**PAK OMAN ISLAMIC ASSET ALLOCATION FUND**  
(Formerly Pak Oman Advantage Islamic Fund)

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

August 23, 2011  
Muscat, Oman.

Hina Ghazanfar  
MD & CEO



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pak Oman Asset Management Company Limited (the Management Company) of Pak Oman Islamic Asset Allocation Fund (formerly Pak Oman Advantage Islamic Fund), herein-after referred to as 'the Fund', to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange where the Fund is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

September 29, 2011  
Karachi.

A.F. Ferguson & Co.  
Chartered Accountants



## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the accompanying financial statements of Pak Oman Islamic Asset Allocation Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in unitholders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management Company's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2011 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

### **Other matters**

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

September 29, 2011  
Karachi.

A.F. Ferguson & Co.  
Chartered Accountants



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

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

### **Management Company's responsibility**

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

### **Responsibility of independent assurance providers**

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

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

### **Conclusion**

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

September 29, 2011  
Karachi.

A.F. Ferguson & Co.  
Chartered Accountants





**PAK OMAN ISLAMIC ASSET ALLOCATION FUND**  
(Formerly Pak Oman Advantage Islamic Fund)

**STATEMENT OF ASSETS AND LIABILITIES**  
AS AT JUNE 30, 2011

	Note	2011 (Rupees in '000)	2010
<b>Assets</b>			
Balances with banks	6	38,223	36,573
Investments	7	83,674	84,848
Receivable against sale of investments		1,53	-
Dividend and profit receivable	8	4,543	788
Deposits	9	4,60	2,600
Preliminary expenses and floatation cost	10	580	870
<b>Total assets</b>		<b>133,150</b>	<b>125,679</b>
<b>Liabilities</b>			
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	11	1,193	1,206
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	12	57	67
Payable to Securities and Exchange Commission of Pakistan	13	115	115
Accrued expenses and other liabilities	14	1,420	14,626
<b>Total liabilities</b>		<b>2,785</b>	<b>16,014</b>
<b>Net assets</b>		<b>130,365</b>	<b>109,665</b>
<b>Unitholders' fund (as per statement attached)</b>		<b>130,365</b>	<b>109,665</b>
		( Units)	
<b>Number of units in issue</b>	15	<b>2,056,997</b>	<b>2,078,098</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>63.38</b>	<b>52.77</b>

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

For Pak Oman Asset Management Company Limited  
(Management Company)

MD & CEO

Director



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

	Note	2011	2010
		(Rupees in '000)	
<b>Income</b>			
Profit on deposit accounts with banks		3,141	4,330
Profit on placements		-	723
Profit on sukuk certificates		4,896	4,948
Income from sale of investments		26,398	10,019
Dividend Income		4,471	2,043
Other Income		-	20
		<u>38,906</u>	<u>22,083</u>
Unrealised loss on investments		(9,797)	(3,708)
Provision for accrued profit on an investment		-	(1,548)
Reversal of provision on an investment		5,000	2,925
Provision against a non-performing debt security		-	(5,000)
		<u>(4,797)</u>	<u>(7,331)</u>
<b>Total income</b>		<u>34,109</u>	<u>14,752</u>
<b>Expenses</b>			
Remuneration to Pak Oman Asset Management Company Limited - Management Company of the Fund		3,643	3,669
Remuneration to Central Depository Company of Pakistan Limited - Trustee of the Fund		700	700
Securities and Exchange Commission of Pakistan - annual fee		115	115
Auditors' remuneration	16	535	475
Fees and subscription		130	30
Amortisation of preliminary expenses and floatation cost	10	290	290
Workers' welfare fund - current year		482	47
- prior period		-	299
Brokerage		2,225	2,330
Bank, settlement and other charges		645	730
<b>Total expenses</b>		<u>8,765</u>	<u>8,685</u>
Element of loss included in prices of units sold less those in units redeemed		(1,248)	(3,726)
<b>Net income / Total comprehensive income</b>		<u>24,096</u>	<u>2,341</u>

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

For Pak Oman Asset Management Company Limited  
(Management Company)

MD & CEO

Director



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

	2011	2010
	----- (Rupees in '000) -----	
Undistributed income brought forward		
- Realised income	13,555	15,700
- Unrealised loss	(7,794)	(463)
	<u>5,761</u>	<u>15,237</u>
Net income for the year	24,096	2,341
Final distribution in the form of issuance of 1,704 bonus units for the year ended June 30, 2010 @ Rs 1.1266 per unit (2009: 189,688 bonus units @ Rs 4.2043 per unit)	(88)	(9,715)
Final distribution in the form of cash for the year ended June 30, 2010 @ Rs 1.1266 per unit (2009: Rs 4.2043 per unit)	(2,253)	(2,102)
Net income less distribution for the year	21,755	(9,476)
Undistributed income carried forward	<u>27,516</u>	<u>5,761</u>
Undistributed income carried forward		
- Realised income	38,006	13,555
- Unrealised loss	(10,490)	(7,794)
Undistributed income carried forward	<u>27,516</u>	<u>5,761</u>

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

For Pak Oman Asset Management Company Limited  
(Management Company)

MD & CEO

Director



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

	2011	2010
	(Rupees in '000)	
Net asset at the beginning of the year	109,665	155,773
Issue of 441,364 units (2010: 2,939,105 units) during the year	25,114	154,191
Redemption of 464,169 units (2010: 3,861,427 units) during the year	(27,505)	(204,264)
	(2,391)	(50,073)
Element of loss included in prices of units sold less those in units redeemed	1,248	3,726
Net income less distribution for the year	21,755	(9,476)
Final distribution in the form of issuance of 1,704 bonus units for the year ended June 30, 2010 @ Rs 1.1266 per unit (2009:189,688 bonus units @ Rs 4.2043 per unit)	88	9,715
Net assets as at the end of the year	<u>130,365</u>	<u>109,665</u>
Net asset value per unit	<u>63.38</u>	<u>52.77</u>

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

For Pak Oman Asset Management Company Limited  
(Management Company)

MD & CEO

Director



**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED JUNE 30, 2011

Note	2011	2010
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	24,096	2,341
<b>Adjustments for non-cash items and other items</b>		
Profit on deposit accounts with banks	(3,141)	(4,330)
Profit on placements	-	(723)
Profit on sukuk certificates	(4,896)	(4,948)
Income from sale of investments	-	(10,019)
Dividend Income	(4,471)	(2,043)
Unrealised loss on investments	9,797	3,708
Reversal of provision on an investment	(5,000)	(2,925)
Provision against a non-performing debt security	-	5,000
Amortisation of preliminary expenses and floatation cost	290	290
Element of loss included in prices of units sold less those in units redeemed	1,248	3,726
	17,923	(9,923)
<b>Decrease / (increase) in assets</b>		
Investments (net)	(3,623)	(16,599)
Receivable against sale of investments	(1,530)	2,155
Dividend receivable (on cum div investment)	-	108
Deposits	(2,000)	-
Preliminary expenses and floatation cost	-	-
	(7,153)	(14,336)
<b>Increase / (decrease) in liabilities</b>		
Payable to Pak Oman Asset Management Company Limited	(13)	(652)
Payable to Central Depository Company of Pakistan Limited	(10)	6
Payable to Securities and Exchange Commission of Pakistan	-	20
Accrued expenses and other liabilities	(13,206)	14,087
	(13,229)	13,461
Profit received on deposit accounts with banks	3,358	4,484
Profit received (net) on sukuk certificates	866	5,157
Dividend received	4,529	1,967
Profit received on placements	-	723
Income from sale of investments	-	10,019
Cash flow from operating activities	6,294	11,552
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net of payments and receipts against issue and redemption of units	(2,391)	(50,073)
Dividend paid	(2,253)	(2,102)
	(4,644)	(52,175)
Net increase / (decrease) in cash and cash equivalents during the year	1,650	(40,623)
Cash and cash equivalents at beginning of the year	36,573	77,196
Net increase in cash and cash equivalents at the end of the year	6	36,573

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

For Pak Oman Asset Management Company Limited  
(Management Company)

MD & CEO

Director



## **NOTE TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2011

### **1 LEGAL STATUS AND NATURE OF BUSINESS**

The Fund was established as an open-end scheme under a trust deed (the Trust Deed) executed between Pak Oman Asset Management Company Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the trustee. The Trust Deed was approved for execution by the Securities and Exchange Commission of Pakistan (the SECP) on May 27, 2008 and was executed on June 2, 2008 under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules). On November 21, 2008 Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) were notified through S.R.O. 1203(I)/2008. The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company. The registered office of the Management Company is situated at First Floor, Tower A, Finance and Trade Centre, Sharah-e-Faisal, Karachi.

- 1.2 The Fund has entered into a supplemental Trust Deed on November 11, 2010 in accordance with which its name has been changed from Pak Oman Advantage Islamic Fund to Pak Oman Islamic Asset Allocation Fund with effect from that date.
- 1.3 The Fund is a shariah compliant open-end scheme listed on the Karachi Stock Exchange and was launched on October 30, 2008. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holders.
- 1.4 The Fund is categorised as an asset allocation fund in accordance with the requirements of the SECP's circular No. 7 dated March 6, 2009 and accordingly its investments comprise of shariah compliant income securities, so as to ensure a riba-free return on investments. All investments of the Fund are as per the guidelines of the shariah principles provided by the Shariah Advisor of the Fund and comprise the investments permissible as 'Authorised Investments' under the Trust Deed. Mr. Muhammad Najeeb Khan has been appointed as Shariah Advisor of the Fund with effect from July 14, 2010 in place of Dr. Imran Ashraf Usmani. The portfolio of the Fund as at June 30, 2011 consists primarily of investment in equity and income securities which are subject to market fluctuations and risks inherent in all such investments.
- 1.5 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

### **2 BASIS OF PRESENTATION AND ACCOUNTING CONVENTION**

- 2.1 These financial statements are presented in Pakistani Rupees which is the functional currency of the Fund and the figures have been rounded off to the nearest thousand Rupees. These financial statements have been prepared under the historical cost convention, unless otherwise specifically stated.
- 2.2 The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah Advisor are accounted for on substance rather than the form prescribed by the earlier referred guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

### **3 STATEMENT OF COMPLIANCE**

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives take precedence.
- 3.2 Amendments to the approved accounting standards and initial application of new interpretations effective during the year ended June 30, 2011:

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



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

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

**4 USE OF ESTIMATES AND JUDGEMENTS**

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

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

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

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

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

5.1 Financial instruments

5.1.1 Classification

The Fund classifies its financial assets in the following categories:

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

- Financial assets 'held-for-trading'

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

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

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

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

(b) Held to maturity

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

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

(c) Loans and receivables

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

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

(d) Available for sale

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

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



#### 5.1.2 Recognition

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

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

#### 5.1.3 Measurement

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

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

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

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

#### 5.1.4 Fair value measurement principles

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

#### 5.1.5 Impairment

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

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

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

#### 5.1.6 Derecognition

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

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

#### 5.2 Derivatives

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

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





### 5.3 Issue and redemption of units

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

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

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed' is set up in order to prevent the dilution of income per unit and distribution of income already paid out on redemption. The net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accounting period is taken to the income statement.

### 5.5 Provisions

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

### 5.6 Net asset value per unit

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

### 5.7 Taxation

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

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

### 5.8 Preliminary expenses and floatation cost

Preliminary expenses and floatation cost represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirement of the Trust Deed of the Fund.

### 5.9 Distribution

Distribution to reserves are recognised in the Fund's financial statements in the period in which these are approved.

### 5.10 Offsetting of financial assets and liabilities

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



#### 5.11 Zakat

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

#### 5.12 Revenue recognition

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

#### 5.13 Expenses

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

#### 5.14 Cash and cash equivalents

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

#### 5.15 Performance statement

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

### 6 BALANCES WITH BANKS

Note

2011  
2010  
(Rupees in '000)

Balances with banks - Deposit accounts

38,223

36,573

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

### 7 INVESTMENTS

'Financial assets at fair value through profit or loss'

- Upon Initial Recognition

- Sukuk certificates

7.1 54,066

22,245

- Held for Trading

- Shares of listed companies

7.2 29,608

62,603

83,674

84,848



**PAK OMAN ISLAMIC ASSET ALLOCATION FUND**  
(Formerly Pak Oman Advantage Islamic Fund)

7.1 Sukuks certificates

Name of the investee company	Maturity	Profit Rate	Balance at July 1, 2010	Purchases /received during the period	Sales/ redemptions during the period	As at June 30, 2011	Amotised Cost as at June 30, 2011	Fair Value as at June 30, 2011 (see note 5.1.4)	Percentage of total investments
			Number of shares			Rupees in '000			

Government of Pakistan Sukuk Certificates:

GOP Ijara Sukuk Certificates VII	March 7, 2014	Weighted Average 6 months T- Bills	-	350	-	350	35,085	35,086	41.94
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Other Sukuk Certificates:

Maple Leaf Cement Factory Limited - secured (see note 7.1.1)	December 3, 2018	3 months KIBOR plus base rate of 1.00%	4,000	-	-	4,000	18,970	12,527	14.97
Maple Leaf Cement Factory Limited - additional sukuk certificates (see note 7.1.2)	March 31, 2012	3 months KIBOR plus base rate of 1.00%	-	150	-	150	-	-	-
Kohat Cement Company Limited - secured	December 20, 2015	3 months KIBOR plus base rate of 1.80%	2,000	-	-	2,000	9,646	6,453	7.71
			6,000	500	-	6,500	63,701	54,066	64.62

7.1.1 During the year the sukuk certificates of Maple Leaf Cement Factory Limited (MLCFL) have been regularised, i.e. the repayment of two installments as per restructured terms have been received by the Fund. Accordingly, the provision against these sukuk certificates amounting to Rs 5 million being carried as of the date of regularisation has been reversed during the year. Further, these sukuk certificates are no longer being classified as non-performing in view of the Circulars No. 1 and 3.

7.1.2 At time of signing of the first addendum on March 30, 2010 between MLCFL and the investment agent of the sukuk certificates, the Fund received an amount of Rs 0.783 million representing approximately 50% of the mark up due upto March 3, 2010 and the repayment of the balance mark up till the said date was settled by issuance of 'additional sukuk certificates'. During the year those additional sukuk certificates have been transferred to the Fund's security account maintained with the CDC, however, the same are being carried at a nil value in the books of account of the Fund as in view of the Management Company, such additional sukuk certificates represent mark-up accrued during the period when MLCFL was being classified as 'non-performing' and such mark-up shall only be recognised when cash is received in accordance with the requirements of Circular No. 1.

7.1.3 The following investments of the Fund are in the sukuk certificates which are below 'investment grade' securities:

Name of Investee Company	Type of investments	Value of investment before provision	Provision held as at June 30, 2011	Value of investment after provision	Percentage of net assets	Percentage of total assets
----- Rs '000 -----						
Maple Leaf Cement Factory Limited	Non-traded sukuk certificates	12,527	-	12,527	9.61	9.41
Kohat Cement Company Limited	Non-traded sukuk certificates	6,453	-	6,453	4.95	4.85
		18,980	-	18,980	14.56	14.26



**PAK OMAN ISLAMIC ASSET ALLOCATION FUND**  
(Formerly Pak Oman Advantage Islamic Fund)

7.2 Shares of listed companies

Name of the investee company	Balance as at July 1, 2010	Purchases during the year	Bouns issue	Sales during the year	As at June 30, 2011	Average Cost as at June 30, 2011	Market value as at June 30, 2011	Percentage of total investments
	-----Number of shares-----					-----Rupees in '000-----		
<b>Industrial Engineering</b>								
Millat Tractors Limited	11,008	62,322	3,750	77,080	-	-	-	-
<b>Construction and Materials</b>								
Lucky Cement Company Limited	15,000	295,000	-	310,000	-	-	-	-
D. G. Khan Cement Company Limited	-	200,000	-	100,000	100,000	2,403	2,298	2.75
	15,000	495,000	-	410,000	100,000	2,403	2,298	2.75
<b>Electricity</b>								
Kot Addu Power Company Limited	275,000	150,000	-	425,000	-	-	-	-
The Hub Power Company Limited	-	1,025,000	-	875,000	150,000	5,662	5,625	6.72
	275,000	1,175,000	-	1,300,000	150,000	5,662	5,625	6.72
<b>Oil and Gas</b>								
Attock Refinery Limited	-	130,239	-	130,239	-	-	-	-
Mari Gas Company Limited	5,000	5,000	-	10,000	-	-	-	-
Oil and Gas Development Company Limited	-	-	-	-	-	-	-	-
	60,000	207,000	-	262,000	5,000	768	765	0.91
Pakistan Oilfields Limited	25,000	400,500	-	425,500	-	-	-	-
Pakistan Petroleum Limited	15,000	540,390	2,000	542,390	15,000	3,215	3,106	3.71
Pakistan State Oil Company Limited	5,000	426,850	-	404,350	27,500	7,718	7,276	8.70
Shell Pakistan Limited	10,000	-	-	10,000	-	-	-	-
	120,000	1,709,979	2,000	1,784,479	47,500	11,701	11,147	13.32
<b>Gas, Water and Multi Utilities</b>								
Sui Northern Gas Company Limited	-	75,000	-	75,000	-	-	-	-
<b>Automobile and Parts</b>								
Indus Motor Company Limited	10,500	20,688	-	31,188	-	-	-	-
<b>Fixed Line Telecommunication</b>								
Pakistan Telecommunication Company Limited	200,000	500,000	-	700,000	-	-	-	-
<b>Chemicals</b>								
Fauji Fertilizer Bin Qasim Limited	50,000	2,106,500	-	1,906,500	250,000	10,697	10,538	12.59
Fauji Fertilizer Company Limited	125,000	420,465	-	545,465	-	-	-	-
ICI Pakistan Limited	3,346	136,654	-	140,000	-	-	-	-
Lottee Pakistan PTA Limited	-	4,208,900	-	4,208,900	-	-	-	-
Sitara Chemical Industries Limited	5,000	-	250	5,250	-	-	-	-
	183,346	6,872,519	250	6,806,115	250,000	10,697	10,538	12.59
<b>General Industries</b>								
Thal Limited	-	15,000	-	15,000	-	-	-	-
<b>Pharma and Bio Tech</b>								
Glaxo Smithkline Pakistan Limited	21,567	-	-	21,567	-	-	-	-
Searle Pakistan Limited	11,500	-	-	11,500	-	-	-	-
	33,067	-	-	33,067	-	-	-	-
	847,921	10,925,508	6,000	11,231,929	547,500	30,463	29,608	35.38

7.2.1 The following securities have been pledged with National Clearing Company of Pakistan Limited. Their carrying values and number of securities pledged as at June 30, 2011 are as follows:

	2011		2010	
	No. of securities	Market values Rs '000	No. of securities	Market values Rs '000
Fauji Fertilizer Company Limited	-	-	30,000	3,092
Fauji Fertilizer Bin Qasim Company Limited	75,000	3,161	-	-
Kot Addu Power Company Limited	-	-	100,000	4,174
	<u>75,000</u>	<u>3,161</u>	<u>130,000</u>	<u>7,266</u>



**PAK OMAN ISLAMIC ASSET ALLOCATION FUND**  
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**8 DIVIDEND AND PROFIT RECEIVABLE**

	Note	2011	2010
(Rupees in '000)			
Dividend receivable		175	233
Profit receivable on sukuk certificates		4,071	41
Profit receivable on deposit accounts with banks		297	514
		4,543	788

**9 DEPOSITS**

Security deposits with Central Depository Company of Pakistan Limited		100	100
Margin deposit with National Clearing Company of Pakistan Limited		4,500	2,500
		4,600	2,600

**10 PRELIMINARY EXPENSES AND FLOATATION COST**

Preliminary expenses and floatation cost - opening balance		870	1,160
Less: amortisation for the year		(290)	(290)
		580	870

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

Remuneration	11.1	323	46
Preliminary expenses and floatation cost		870	1,160
		1,193	1,206

11.1 The remuneration of the Management Company is being charged at a rate of three percent (3%) on average annual net assets of the Fund.

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

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

**13 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

This represents proportionate annual fee at a rate of 0.095% of the average annual net assets of the Fund payable to the SECP under regulation 62 of the NBFC Regulations.

	Note	2011	2010
(Rupees in '000)			
<b>14 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		384	325
Workers' welfare fund payable	14.1	828	346
Payable against purchase of investments		110	6,270
Payable against redemption of units		-	7,549
Others		98	136
		1,420	14,626



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 is alleged that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR), being the collecting agency of WWF on behalf of the Ministry, to its members for necessary action.

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

In view of the uncertainty regarding the matter relating to the contribution to WWF prevailing at the reporting date and pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 0.828 million (2010: Rs 0.346 million) in these financial statements.

## 15 CLASSES OF UNITS IN ISSUE

15.1 The Fund has issued the following classes of units:

### Class Description

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

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

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

15.3 The units in issue as at June 30, 2011 and 2010 in each class and their par values were as follows:

Class	2011		2010	
	Number of units in issue	(Rupees in '000)	Number of units in issue	(Rupees in '000)
<b>A</b>				
- Income units	2,000,000	100,000	2,000,000	100,000
<b>B</b>				
- Growth units	-	-	78,098	3,905
<b>C</b>				
- Growth units	56,997	2,850	-	-
<b>Total</b>	<u>2,056,997</u>	<u>102,850</u>	<u>2,078,098</u>	<u>103,905</u>

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



**16 AUDITORS' REMUNERATION**

	2011	2010
	(Rupees in '000)	
Annual audit fee	200	200
Half year review fee	100	100
Others	175	125
Out of pocket expenses	60	50
	535	475

**17 TRANSACTIONS WITH CONNECTED PERSONS**

The connected persons include Pak Oman Asset Management Company Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Pak Oman Investment Company Limited (core investor) being the holding company of the Management Company, The Bank of Azad Jammu and Kashmir being unitholder of more than 10 percent of the units of the Fund as at June 30, 2011 and executives of the Management Company and other funds being managed by the Management Company.

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

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

	2011		2010	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units outstanding as at the beginning of the year:</b>				
Pak Oman Investment Company Limited	2,000,000	105,540	2,000,000	110,840
The Bank of Azad Jammu and Kashmir	24,627	1,300	300,000	16,626
The Bank of Punjab	-	-	500,000	27,710
Executives	11,268	595	5,294	293
<b>Units sold to:</b>				
Pak Oman Asset Management Company Limited	180,148	10,000	-	-
Executives	-	-	39,078	2,140
<b>Bonus units issued to:</b>				
Pak Oman Investment Company Limited	-	-	164,180	8,409
The Bank of Azad Jammu and Kashmir	537	28	24,627	1,261
Executives	246	13	435	22



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	2011		2010	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units redeemed by:</b>				
Pak Oman Investment Company Limited	-	-	164,180	8,887
The Bank of Azad Jammu and Kashmir	25,164	1,417	300,000	16,419
The Bank of Punjab	-	-	500,000	26,735
Pak Oman Asset Management Company Limited	179,158	10,900	-	-
Executives	-	-	33,539	1,719
<b>Units outstanding as at the end of the year:</b>				
Pak Oman Investment Company Limited	2,000,000	126,760	2,000,000	105,540
The Bank of Azad Jammu and Kashmir	-	-	24,627	1,300
Pak Oman Asset Management Company Limited	990	63	-	-
Executives	11,514	730	11,268	595

	2011	2010
	(Rupees in '000)	
<b>Pak Oman Asset Management Company Limited - Management Company of the Fund</b>		
Remuneration for the period	3,643	3,669
	<u>3,643</u>	<u>3,669</u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>		
Remuneration for the period	700	700
CDS charges	29	43
	<u>729</u>	<u>743</u>
<b>The Bank of Punjab</b>		
Dividend	-	2,102
	<u>-</u>	<u>2,102</u>
<b>Pak Oman Investment Company Limited</b>		
Dividend	2,253	-
	<u>2,253</u>	<u>-</u>

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





## 18 RISK MANAGEMENT

The Fund invests primarily in a portfolio of private and public Shariah compliant instruments including government instruments. Such investments are subject to varying degrees of risk. These risks emanates from various factors that include, but are not limited to:

### 18.1 Market risk

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

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

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

#### 18.1.1 Currency risk

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

#### 18.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates.

- Cash flow sensitivity analysis for variable rate instruments

Presently, the Fund holds profit bearing sukuk certificates that expose the Fund to cash flow interest rate risk. In case of 50 basis points increase / decrease in profit rates on June 30, 2011, with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 0.319 million (2010: Rs 0.140 million) primarily as a result of profit income.

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

#### 18.1.3 Other price risk

Other price risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. Presently, the Fund's other price risk is represented by equity price risk. In case of 50 basis point increase / decrease in market value on June 30, 2011, with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 0.141 million (2010: Rs 0.563 million). This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical beta relationship with Karachi Stock Exchange 100 Index.

The composition of the Fund's investment portfolio of shares and its beta relationship with Karachi Stock Exchange 100 Index are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on the Fund's net assets of future movements in share prices.

### 18.2 Credit risk

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

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



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

Head of Account	Credit Rating	Percentage of financial assets	
		2011	2010
Balances with banks	AA+	0.52	24.55
- do -	AA	22.92	0.68
- do -	A	5.40	4.07
Investments	BBB	9.45	-
- do -	Non rated	4.87	17.82
Profit receivable on sukuk certificates	BBB	1.58	-
- do -	Non rated	0.34	0.03
Profit receivable on deposit accounts with banks	AA+	-	0.13
- do -	AA	0.22	-
- do -	A	-	0.28
Others	See note 18.2.2	4.76	2.27
		50.06	49.83

18.2.1 The remaining 49.94% of the financial assets comprise of the Fund's investment and profit receivable in sukuk certificates issued by the Government of Pakistan and equity investments which are considered free from credit risk.

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

18.2.3 The maximum exposure to credit risk before any credit enhancements as at June 30, 2011 and 2010 is the carrying amount of the financial assets as set out in note 18.6.

### 18.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. As at June 30, 2011, 22.88% financial assets of the Fund are being kept with one bank. However, the Management Company is of the view that the related credit risk is minimal since the bank has a strong credit rating of 'AA'.

### 18.4 Liquidity risk

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

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

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



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	Total (Upto three months) 2011	Total (Upto three months) 2010
	(Rupees in '000)	
<b>Financial liabilities</b>		
Payable to Pak Oman Asset Management Company Limited		
- Management Company of the Fund	1,193	1,206
Payable to Central Depository Company of Pakistan Limited		
- Trustee of the Fund	57	67
Accrued expenses and other liabilities	1,420	14,626
	2,670	15,899

18.5 Fair value of financial assets and liabilities

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

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

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

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

The following table analysis within the fair value hierarchy the Fund's financial assets (by class) measured at fair value at June 30, 2011:

**Financial asset**

	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Financial assets held for trading - equity securities	29,608	-	-
Financial assets 'at fair value through profit or loss upon initial recognition' - debt securities	35,086	18,980	-
	64,694	18,980	-

The aforementioned table includes the Fund's investment aggregating Rs 18.980 million as at June 30, 2011 which have been transferred during the year from level 3 to 2.



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18.6 Financial instruments by category

	2011			Total
	Loans and receivables	Financial assets at fair value through profit or loss upon initial recognition	Financial liabilities measured at amortised cost	
----- (Rupees in '000) -----				
<b>On balance sheet - financial assets</b>				
Balances with banks	38,223	-	-	38,223
Investments	-	83,674	-	83,674
Receivable against sale of investments	1,530	-	-	1,530
Dividend and profit receivable	4,543	-	-	4,543
Deposits	4,600	-	-	4,600
	<u>48,896</u>	<u>83,674</u>	<u>-</u>	<u>132,570</u>

**On balance sheet - financial liabilities**

Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	-	-	1,193	1,193
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	-	-	57	57
Accrued expenses and other liabilities	-	-	1,420	1,420
	<u>-</u>	<u>-</u>	<u>2,670</u>	<u>2,670</u>

	2010			Total
	Loans and receivables	Financial assets at fair value through profit or loss upon initial recognition	Financial liabilities measured at amortised cost	
----- (Rupees in '000) -----				
<b>On balance sheet - financial assets</b>				
Balances with banks	36,573	-	-	36,573
Investments	-	84,848	-	84,848
Dividend and profit receivable	788	-	-	788
Deposits	2,600	-	-	2,600
	<u>39,961</u>	<u>84,848</u>	<u>-</u>	<u>124,809</u>

**On balance sheet - financial liabilities**

Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	-	-	1,206	1,206
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	-	-	67	67
Accrued expenses and other liabilities	-	-	14,626	14,626
	<u>-</u>	<u>-</u>	<u>15,899</u>	<u>15,899</u>



## 19 CAPITAL RISK MANAGEMENT

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

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

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

## 20 UNIT HOLDING PATTERN OF THE FUND

Category	No. of unitholders	Investment (Rupees in '000)		Percentage of total investments
		2011		
Individuals	32	221	0.17	
Associated companies / directors	3	127,553	97.84	
Others	1	2,591	1.99	
	<u>36</u>	<u>130,365</u>	<u>100</u>	
----- 2010 -----				
Individuals	6	2,227	2.03	
Associated companies / directors	2	106,138	96.78	
Banks / DFIs	1	1,300	1.19	
	<u>9</u>	<u>109,665</u>	<u>100</u>	

## 21 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION

2011	2010
Taurus Securities Limited	Taurus Securities Limited
Pearl Securities (Private) Limited	FDM Capital Securities (Private) Limited
Rafi Securiteis (Private) Lintied	Javed Omer Vohra & Company Limited
Topline Securities (Private) Limited	DJM Securities (Private) Limited
Next Capital Limited	KASB Securities Limited
Foundation Securities (Private) Limited	Nael Capital (Private) Limited
FDM Capital Securities (Private) Limited	Pearl Securities Limited
DJM Securities (Private) Limited	Invisor Securities (Private) Limited
Arif Habib Limited	Arif Habib Securities Limited
Invisor Securities (Private) Lintied	IGI Finex Securities Limited



**22 DETAILS OF MEMBERS OF INVESTMENT COMMITTEE**

Members	Qualification	Experience
Ms. Hina Ghazanfar	MBA	10 years
Mr. Ahmed Nabeel	MBA	20 years
Mr. Najam Ul Hassan	MBA and ACMA	17 years
Mr. Malik Faiz Rasool	B.Com	9 years

**23 DETAILS OF FUND MANAGER**

Name	Qualification	Funds managed
Mr. Ahmed Nabeel	MBA	Pak Oman Islamic Asset Allocation Fund Pak Oman Advantage Asset Allocation Fund

**24 DETAILS OF ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

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

\* Retired and did not consent for re-election

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

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



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**25 RATING OF THE FUND AND THE MANAGEMENT COMPANY**

In accordance with criteria specified by the rating agency the ranking of the Fund is 5-Star, as assigned by PACRA. JCR-VIS has assigned an AM3 rating to the Management Company which is defined as stable management quality.

**26 PERFORMANCE TABLE**

	2011	2010	2009
Net assets as at year / period end (Rupees in '000)	130,365	109,665	155,773
Net asset value per unit as at year / period end (Rupees)	63.38	52.77	55.42
Selling price per unit as at year / period end (Rupees)	65.00	54.12	56.84
Repurchase price per unit as at year / period end (Rupees)	63.38	52.77	55.42
Highest selling price per unit during the year / period (Rupees)	65.49	56.63	56.95
Lowest selling price per unit during the year / period (Rupees)	51.91	50.66	49.61
Highest repurchase price per unit during the year / period (Rupees)	63.85	55.21	55.53
Lowest repurchase price per unit during the year / period (Rupees)	50.61	49.39	49.61
Return of the Fund annualised	22.73%	3.03%	16.22%
Distribution (Rupees in '000)	22,892	2,341	11,817
Distribution per unit (Rupees)	11.1290	1.1266	4.2043
Distribution date	July 5, 2011	July 5, 2010	July 6, 2009
Fund's launch date		October 30, 2008	
	Three years	Two years	One year
Average annual return (%) as at year / period end	14.02%	8.37%	16.22%

Investment portfolio composition of the Fund	2011		2010	
	Carrying value (Rs '000)	Percentage of total investments	Carrying value (Rs '000)	Percentage of total investments
<b>Shares</b>				
Industrial engineering	-	-	5,287	6.23
Construction and materials	2,298	2.75	932	1.10
Electricity	5,625	6.72	11,478	13.53
Oil and gas	11,147	13.32	20,905	24.63
Automobile and parts	-	-	2,755	3.25
Fixed Line Telecommunication	-	-	3,560	4.20
Chemicals	10,538	12.59	15,257	17.98
Pharma and bio tech	-	-	2,429	2.86
	<u>29,608</u>	<u>35.38</u>	<u>62,603</u>	<u>73.78</u>
<b>Sukuk certificates</b>				
- Construction and materials	18,980	22.68	22,245	26.22
- GoP Ijara Sukuks	35,086	41.94	-	-
	<u>54,066</u>	<u>64.62</u>	<u>22,245</u>	<u>26.22</u>



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

**27 NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Management Company in their meeting held on July 5, 2011 has approved distribution of Rs 11.1290 (2010: Rs 1.1266) per unit for the year ended June 30, 2011 aggregating to Rs 22.892 million (2010: Rs 2.341 million). Out of the approved distribution Rs 0.634 million has been distributed as cash distribution and Rs 22.258 million as bonus units. The distribution will be accounted for in the financial statements for the year ending June 30, 2012.

**28 DATE OF AUTHORISATION FOR ISSUE**

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

For Pak Oman Asset Management Company Limited  
(Management Company)

MD & CEO

Director