CONTENTS

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 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
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,
I.I.Chundigar Road,
Karachi - 74000
Phone: (9221) 32419770
Fax: (9221) 32416371

AUDITORS
KPMG TASEER HADI & CO.
Chartered Accountants
First Floor, Sheikah Sultan Trust Buliding,
No.2 Beamount Road, Karachi-75530
Pakiatan

BANKERS TO THE FUND
Bank Al-Falah Ltd- Islamic Banking
Dubai Islamic Bank
Bank Islamic
Al-Barka Islamic
MCB Bank Limited - Islamic Banking
UBL Bank Limited - Islamic Banking
Faysal Bank Limited - Islamic Banking

SHARIAH ADVISER
Dr. Muhammad Najeeb Khan

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

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

RATING OF THE FUND
4 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, 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.

Capital Market:

During the year FY13, the KSE-100 Index outperformed the Asia Pacific regional peers by gaining a return of 52.20% followed by Japan's equity market with 51.86% return. During the period, the index rose by 7,204 points and closed at all time high level of 21,005.69 points. The KMI-30 Index also gained soaring return of 54.41% and closed at 36,713.89 points. The foreign participation in capital market increased significantly which is reflected by FIPI inflow of USD 567mn in FY13 as opposed to an outflow of USD 169mn in FY12.

The oil & gas companies and Food companies attracted major chunk of foreign direct investment amounting to USD 559.6mn and USD 493.7mn respectively, during the year, and also performed better compared to other sectors. Textiles sector enjoyed higher earnings due to higher exports and low finance cost owing to lower discount rate. Lower discount rate also benefited cement sector as did the lower international coal prices. Besides, higher PSDP allocation also benefited the cement sector. Higher budgeted PSDP and upcoming power sector reforms will keep the cement and power companies in the limelight during the next year.

Operating Performance

The Fund during the year ended June 30, 2013, earned a total income of PKR. 37.339mn The income for the period comprised mainly sale of investment of PKR.30.835mn, profit earned profit on bank deposit amounting to PKR.3.720mn and dividend income amounting to PKR.2.208mn. After accounting for expenses of PKR.11,098mn, the net gain for the period was PKR.23,026mn. The net assets of the fund as at June 30, 2013 were PKR.135,973mn and PKR.63.29 per unit.

Future Outlook

The government seems keen to resolve issues like power crisis and circular debt. It also seems to focus on improving law & order situation especially in Karachi.

Privatization, foreign portfolio investment, developmental contracts being signed with China and rising improving trade relations with European Union and India are all positive factors which will lead towards attainment of economic goals set by the government in the long to medium term. However, the depleting position of forex reserves remain the only concern, which will also be resolved once the IMF releases its approved loan to Pakistan in September 2013.

Overall, we anticipate the upcoming year to bring in growth and prosperity not just in economy but in Capital market as well.

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.

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.

Mutual Fund Rating

The Pakistan Credit Rating Agency (PACRA) has assigned Mutual fund Star ranking "4" (Four) to the Fund. Further, Quality Rating of the Management Company is 'AM3-'; by the Credit Rating Agency JCR-VIS which is defined as stable management quality.

Acknowledgement

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Trustee – 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
Muscat, Oman

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

REPORT OF THE FUND MANAGERS OF THE MANAGEMENT COMPANY

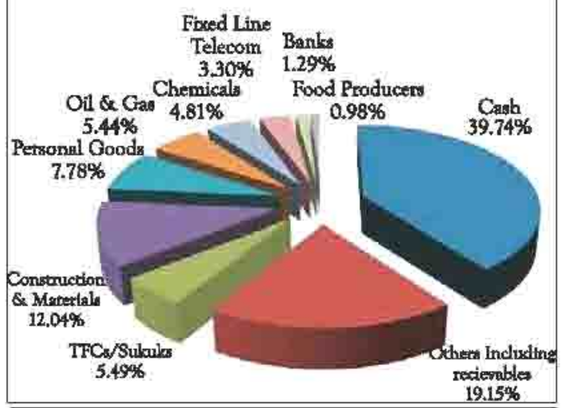
Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Islamic Asset Allocation Fund (the Fund) is pleased to present the Annual Fund Manager's Report of the Fund for the year ended June 30, 2013.

Investment Objective

The primary investment objective is to provide investor(s) with competetive 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 135.97mn
NAV (Jun 30th, 2013)	PKR 63.29 per Unit
Benchmark	50% 6-month average deposit rate of 4 Islamic Banks plus 50% KMI-30
Listing	KSE Ltd
Trustee	MCB Financial Services Limited
Shariah Advisor	Mr. Muhammad Najeeb Khan
Auditor	KPMG Taseer Hadi & Co.
Legal Advisor	Mohsin Tayebaly & Co.
Transfer Agent	JWAFFS Registrar Services Pvt Ltd.
Fund Ranking	4-Star (PACRA)
AMC Rating	AM3- (JCR-VIS)
Fund Manager	Mr. Ahmed Nabeel
Investment Commitee	Ms. Hina Ghazanfar (CEO) Mr. Ahmed Nabeel (Chief Investment Advisor) Mr. Malik Faiz Rasool (Equity Trader)

POIAAF Asset Allocation



Unit Holding Pattern

Units	# of Unit Holders
0 – 1,000	23
1,001 – 50,000	2
50,001 – 500,000	2
500,001 – 1,000,000	0
1000,001 - Above	1

Asset Allocation (% of Assets)	June 2013	June 2012
Cash	39.74	19.70
Stock/Equities	35.63	17.96
Others including recievables	19.15	8.46
TFCs/Sukuks	5.49	10.45
GOP Ijarah	0.00	43.43
Leverage	0.00	0.00

POIAAF Performance	
Yield since inception (%) (Absolute)	88.63
Year to Date returns (FY13) (%)	20.39
Risk free rate (1Yr T-Bill) (%)	9.79
Sharpe Ratio	1.39
Distribution (FY13) (PKR)	10.18

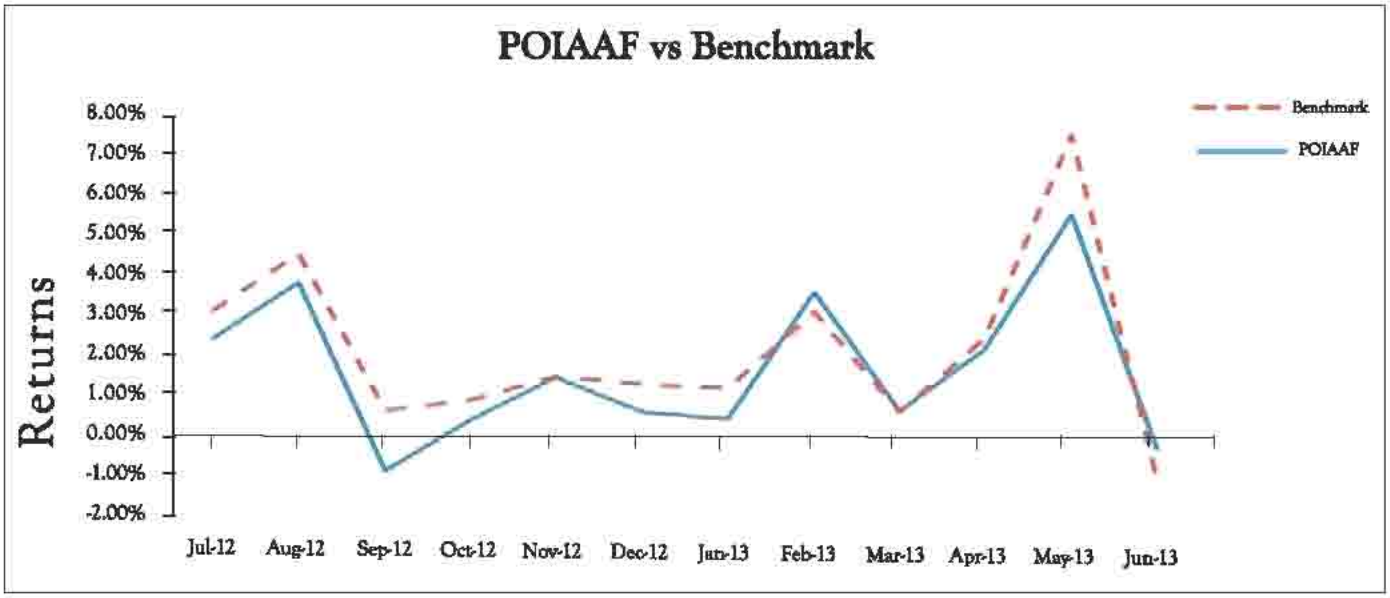
Name of non-compliant Investment	Type of Investment	Value of Investment before provision	Provision held if any	Value of investment after provision	% of Net Assets Before Provisioning	% of Gross Assets Before Provisioning	% of Net Assets After Provisioning	% of Gross Assets After Provisioning
Maple Leaf Cement	Sukuk	17,953,009	10,774,512	7,178,497	13.20	11.85	5.28	4.74
Kohat	Sukuk	1,136,688	-	1,136,688	0.84	0.75	0.84	0.75

FUND REVIEW

POIAAF posted a return of 20.39% during FY13, lower by almost 10% against its benchmark of 30.49%. In KMI-30 index, Unilever Pakistan contributed 6.68% and PPL contributed 4.92% to the total index gain. Both the scrips were not included in the Islamic Asset Allocation portfolio; Unilever due to its heavy weight and illiquid nature whereas PPL was fractionally non-compliant but due to company's strict shariah policy, the fund eliminated the scrip from the portfolio. If we take the impact of these two items in the calculation of benchmark, the fund revised benchmark would be 24.69%.

Secondly, during the period FY13, the fund booked provisioning of PKR 1.79mn for the Maple leaf sukuk which lowered the NAV of the fund by PKR 0.84 per unit (1.59% of the opening NAV). If we exclude the impact of provisioning, the fund's return would be 22.04%.

Funds Returns	POIAAF	Benchmark
Year to Date (YTD)	20.39%	30.49%



We appreciate the trust you have placed in our expertise to manage your investments. Going forward, we believe that macroeconomic headwinds will ease off once things start to materialize. The Fund will endeavor to outperform the competition as well as its benchmark and will strive to provide high quality risk-adjusted returns in the future. We look forward to your continued support and patronage.

August 30, 2013
Karachi.

Ahmed Nabeel
Chief Investemnt Advisor

REPORT OF THE SHARIAH ADVISOR

Karachi

July 23, 2013

Alhamdulillah, the period from July 1, 2012 to June 30, 2013 was the fifth 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 six criteria for Shar'iah compliance of equity investments which relate to (i) Nature of business, (ii) Interest bearing debt to total assets, (iii) Investment in non-Shar'iah compliant avenues to total assets, (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, 2013 and their evaluation according to the screening criteria established by us. (Quarterly accounts of the investee companies have been used)

(ii) 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.

(iii) On the basis of information provided by the management, all operations of the POIAAF for the year ended June 30, 2013 have been in compliance with the Shar'iah principles.

(iv) 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 aside 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

Intensionaly Left Blank

TRUSTEE REPORT TO THE UNIT HOLDERS PAKOMAN ISLAMIC ASSET ALLOCATION FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

Pak Oman Islamic Asset Allocation 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 Islamic Asset Allocation Fund has, in all material respects, managed Pak Oman Islamic Asset Allocation 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

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

October 02, 2013
Karachi.

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 Islamic Asset Allocation 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

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") for and on behalf of Pak Oman Islamic Asset Allocation 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 AUDITORS' REPORT TO THE UNITHOLDERS

Report on the Financial Statements

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 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.

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

October 30, 2013
Karachi.

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 ("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.

Other matter

Shariah Advisor in their report dated 23 July 2013 on the review of the documents and the financial statements of the Fund for the year ended 30 June 2013 have recommended to the Management Company that investments made by the Fund where investee companies have earned a part of their income from non-compliant sources (e.g. interest income) to be set aside as charity in order to purify the earning of the Fund.

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	60,236	24,963
Investments	7	62,278	91,050
Dividend and profit receivables	8	2,105	3,407
Deferred formation cost	9	-	290
Deposits and other receivables	10	26,889	7,015
Total assets		151,508	126,725
Liabilities			
Remuneration payable to the Management Company	11	335	291
Remuneration payable to the Trustee	12	26	31
Annual fee payable to the Securities and Exchange Commission of Pakistan	13	134	108
Accrued expenses and other liabilities	14	15,040	8,164
Total liabilities		15,535	8,594
Net assets		135,973	118,131
Unit holders' fund (as per the statement attached)		135,973	118,131
		(Number of units)	
Number of units in issue	17	2,148,480	2,022,577
		(Rupees)	
Net assets value per unit (face value per unit Rs. 50/-)		63.29	58.41

The annexed notes from 1 to 24 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		30,835	15,735
Profit on bank deposit accounts		3,720	3,672
Profit on sukuk certificates (investments)		4,344	3,184
Dividend income		2,208	2,147
Other income		-	135
		41,107	24,873
Unrealised diminution on remeasurement of investment at fair value through profit or loss - net	7.2 &7.3	(1,974)	(133)
Provision on investment	7.2.5	(1,794)	(1,539)
		(3,768)	(1,672)
Total income		37,339	23,201
Expenses			
Remuneration to the Management Company		4,223	3,395
Remuneration to the Trustee		168	673
Annual fee to the Securities and Exchange Commission of Pakistan		134	108
Auditors' remuneration	15	491	497
Amortisation of deferred formation cost	10	290	290
Bank, settlement, brokerage and other charges	16	5,792	4,660
		11,098	9,623
Net income from operating activities		26,241	13,578
Element of (loss) and capital (losses) included in prices of units sold less those in units redeemed - net		(2,756)	(886)
Provision for Workers' Welfare Fund	14.1	(459)	(249)
Net income for the year before taxation		23,026	12,443
Taxation	18	-	-
Net income for the year after taxation		23,026	12,443

The annexed notes from 1 to 24 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	23,026	12,443
Other comprehensive income for the year	-	-
Total comprehensive income for the year	23,026	12,443

The annexed notes from 1 to 24 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

	30 June 2013	30 June 2012
	(Rupees in '000)	
Realised income at the beginning of the year	17,200	38,006
Unrealised loss at the beginning of the year	(133)	(10,490)
Total undistributed income at the beginning of the year - net	17,067	27,516
Final distribution at the rate of Rs. 5.84 (2012: Rs. 11.13) per unit approved on 04 July 2012 (2011: 07 July 2011)		
- Cash distribution	(11,680)	(22,258)
- Issue of bonus units 2,508 (2012: 12,140)	(132)	(634)
	(11,812)	(22,892)
Net income for the year	23,026	12,443
Undistributed income at end of the year:	28,281	17,067
Details of undistributed income at year end is as follow:		
Realised income at the end of the year	30,255	17,200
Unrealised loss at the end of the year	(1974)	(133)
Total undistributed income at the end of the year - net	28,281	17,067

The annexed notes from 1 to 24 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

	30 June 2013	30 June 2012
	(Rupees in '000)	
Net assets at beginning of the year	118,131	130,365
Cash received on issue of 4,278,208 (2012: 1,402,177) units	247,422	76,459
Cash paid on redemption of 4,154,814 (2012: 1,448,737) units	(243,682)	(79,764)
	3,740	(3,305)
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	2,756	886
Final distribution at the rate of Rs 5.84 (2011: 11.13) per unit approved on 04 July 2012 (2011: 07 July 2011)		
- Cash distribution	(11,680)	(22,258)
- Issue of bonus units 2,508 (2011: 12,140)	(132)	(634)
	(11,812)	(22,892)
Issue of bonus units 2,508 (2011: 12,140) as final distribution	132	634
Net income for the year	23,026	12,443
Net assets at end of the year	135,973	118,131
Net asset value per unit at the beginning of the year	58.41	63.38
Net asset value per unit at the end of the year	63.29	58.41

The annexed notes from 1 to 24 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	23,026	12,443
Adjustments for non-cash and other items:		
Profit on bank deposit accounts	(3,720)	(3,672)
Profit on sukuk certificates (investments)	(4,344)	(3,184)
Dividend income	(2,208)	(2,147)
Unrealised diminution on remeasurement of investment at fair value through profit or loss - upon initial recognition - net	1,974	133
Provision against investment	1,794	1,539
Amortisation of formation cost	290	290
Element of loss and capital losses included in sold less those in units redeemed - net	2,756	886
	19,568	6,288
Decrease / (increase) in assets		
Investments	25,004	(9,043)
Deposits, prepayments and other receivables	(19,874)	(885)
	5,130	(9,928)
(Decrease) / increase in liabilities		
Remuneration payable to the Management Company	44	(902)
Remuneration payable to the Trustee	(5)	(26)
Annual fee payable to the Securities and Exchange Commission of Pakistan	26	(7)
Accrued expenses and other liabilities	6,876	6,744
	6,941	5,809
Profit received on bank deposit accounts	3,440	3,748
Profit received (net) on term finance certificates	5,831	4,159
Dividend received	2,303	2,227
Net cash inflow from operating activities	43,213	12,303
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units	247,422	76,459
Amount paid on redemption of units	(243,682)	(79,764)
Dividend paid	(11,680)	(22,258)
Net cash (outflow) in financing activities	(7,940)	(25,563)
Net increase / (decrease) in cash and cash equivalents during the year	35,273	(13,260)
Cash and cash equivalents at beginning of the year	24,963	38,223
Cash and cash equivalents at end of the year	60,236	24,963

The annexed notes from 1 to 24 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, 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.

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 Islamic Asset Allocation 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 the historical cost convention, except that investments are stated at fair values.

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 details 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. The amendment may result in modified disclosure in the interim financial statements.

- 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 gives 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 e rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The amendments have no impact on financial statements of the Fund.

- 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 in the following categories:

5.1.2 Financial assets at fair value through profit or loss

This category has two sub-categories, namely; financial instruments held for trading, and those designated at fair value through profit or loss upon initial recognition.

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

  Investments 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, the investments in listed equity instruments are remeasured at fair value determined with reference to Stock Exchange quoted market prices at the close of period end.

Gains or losses on investments on remeasurement of these investments are recognised in the 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 on which commitment to purchase / sale is made by the Fund. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by Stock Exchange regulations.

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 23), 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. 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 looses 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.

Investments in equity securities are considered to be impaired when there is a significant or prolonged decline in the fair value of individual instruments below its costs. The determination of what is significant or prolonged requires judgement.

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.

Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of 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.
- Dividend income is recognised in the income statement when the right to receive the dividend is established.
- 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 equivalents for cash flow purposes comprise of bank balances.

5.16 Other assets

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

6 BANK BALANCES

		2013	2012
		(Rupees in '000)	
local currency			
In profit and loss sharing accounts	*6.1*	60,236	24,959
In current account		-	4
		60,236	24,963

6.1 These represents profit and loss account maintained with banks carrying mark-up rates ranging from 5% to 10.8% (2012: 5% to 12.15%) per annum.

7 INVESTMENTS

		30 June 2013	30 June 2012
		(Rupees in '000)	
At fair value through profit or loss			
- upon initial recognition			
Sukuk certificates	*7.1 & 7.2*	8,320	68,284
- held for trading			
Shares of listed companies	*7.3*	53,958	22,766
		62,278	91,050

7.1 Government of Pakistan securities - GoP Ijara Sukuk certificates
At fair value through profit or loss - upon initial recognition

Name of the investee company	Maturities	Mark-up rate	Holding as at 01 July 2012	Purchases during the year	Disposed during the year	Holding as at 30 June 2013	Carrying value (before revaluation as of the year ended 30 June 2013)	Market value as of the year ended 30 June 2013 (revised carrying value)	Unrealised appreciation / (diminution)	Market value as % of total investments	Market value as % of net assets
			——Number of certificates ——				——(Rupees in '000)——				
GoP Ijara Sukuk Certificates - X	2 March 2015	Weighted average 6 months T-Bills	200	-	200	-	-	-	-	-	-
GoP Ijara Sukuk Certificates - XI	30 April 2015	Weighted average 6 months T-Bills	350	-	350	-	-	-	-	-	-
GoP Ijara Sukuk Certificates - XII	28 June 2015	Weighted average 6 months T-Bills	-	950	950	-	-	-	-	-	-
			Total as at 30 June 2013				-	-	-		
			Total as at 30 June 2012				55,042	55,042	-		
			Cost of Investments					55,042			

These have face value of Rs. 100,000 each.

7.2 Other Sukuk Certificates

At fair value through profit or loss - upon initial recognition

Name of the investee company	Maturities	Markup rate	Holding as at 01 July 2012	Purchases during the year	Disposed / matured during the year	Holding as at 30 June 2013	Carrying value (before revaluation as of the year ended 30 June 2013)	* Market value / ** carrying value as of the year ended 30 June 2013 (revised carrying value)	Unrealised appreciation / (diminution)	Credit rating	Market value / carrying value (a) as % of total investments	Market value / carrying value (a) as % of net assets	Face value % in relation to the size of the issue
			——Number of certificates ——				(Rupees in '000)	(a)					
Maple Leaf Cement Factory Limited (7.2.1)	3-Dec-18	3 months KIBOR + base rate of 1%	4,000	-	-	4,000	17,958	17,958 **	-	Non performing asset	28.84	13.21	0.25
Maple Leaf Cement Factory Limited (7.2.2)	31-Mar-13	3 months KIBOR + base rate of 1%	150	-	150	-	-	-	-	Not rated	-	-	-
Kohat Cement Company Limited (7.2.3)	20-Sep-16	3 months KIBOR + base rate of 1.5%	2,000	-	-	2,000	761	1,137 *	376	Not rated	1.83	0.84	0.40
			Total as at 30 June 2013				18,719	19,095	376				
			Provision held / unrealised loss					(10,775)					
			Carrying value as at 30 June 2013					8,320					
			Total as at 30 June 2012				14,533	14,781	248				
			Cost of Investments					26,901					

All sukuk certificates have face value of Rs. 5,000 each.

7.2.1 Profit receivable on the sukuk certificates aggregating Rs. 1.476 million was due as on 3 September 2011. It was not received by the Fund on the due date, therefore in accordance with SECP's guidelines, the sukuk certificates have been classified as a non performing asset and accordingly markup accrual has been suspended. As against the cost of Rs. 17.958 million (net of recoveries), Rs. 10.775 million has been recognised in the income statement in accordance with the guidelines given by the SECP, of which Rs. 1.794 million has been recognised in income statement during the year.

7.2.2 During the year ended 30 June 2011, Maple Leaf Cement Factory Limited had issued additional sukuk certificate against the mark-up due of sukuk certificate. These additional sukuk certificates were disposed off during the current year.

7.2.3 Sukuk certificates of Kohat Cement Company Limited (KCCL) were restructured on 14 September 2011. As per the new terms, profit for the first 4 quarters (commencing with the quarter ending 20 September 2011 and ending with the quarter ending 20 June 2012) will go into frozen account and would be paid from the 13th quarter ending 20 September 2014 to the 20th quarter ending 20 June 2016. Profit for the subsequent quarters ending 20 September 2012 till 20 February 2016 (from the 5th to the 21st quarter) will be charged and distributed on a quarterly basis.

As per new terms, principal outstanding will be paid in twenty one (21) quarterly instalments commencing with the quarter ending 20 September 2012 and ending with the quarter ending 20 September 2016.

7.2.4 At 30 June 2013, the Fund had invested in following securities which are below investment grade as prescribed by the Mutual Fund Association of Pakistan:

Name of below investment grade securities	Type of investment	Value of investment before provision	Provision held if any	Value of investment after provision	% of Net assets	% of Gross assets
		————	(Rupees in '000)	————		
Maple Leaf Cement Factory Limited (7.2.1)	Sukuk Certificates	17,958	10,775	7,183	5.28	4.74
Maple Leaf Cement Factory Limited (7.2.2)	Sukuk Certificates	-	-	-	-	-
Kohat Cement Company Limited (7.2.3)	Sukuk Certificates	761	-	761	0.56	0.50
			10,775			

7.2.5 Provision against impairment of investments (note 7.2.1)

	2013	2012
	(Rupees in '000)	
Opening balance	8,981	7,442
Reversal of provision	-	-
Provision for impairment	1,794	1,539
Net charge to income statement	1,794	1,539
Closing balance	10,775	8,981

7.3 Shares of listed company

At fair value through profit or loss - held for trading
(Ordinary shares have a face value of Rs 10 each unless stated otherwise)

Name of the investee	Holding as at 01 July 2012	Purchases during the year	Bonus / right shares received during the year	Disposed during the year	Holding as at 30 June 2013	Carrying value (before revaluation as of the year ended 30 June 2013)	Market value as of the year ended 30 June 2013 (revised carrying value)	Unrealized appreciation / (diminution)	Percentage of investment in relation to: Market value as % of total investments	Market value as % of net assets	Paid up value of shares held as a % of total paid up capital of the investee company
	——— (Number of Share) ———					——— (Rupees in '000) ———					
Banks											
Bank Islami Pakistan Limited	-	700,500	-	400,500	300,000	2,153	1,953	(200)	3.14	1.44	0.06
Meezan Bank Limited	-	60,000	-	60,000	-	-	-	-	-	-	-
					300,000	2,153	1,953	(200)			
Chemicals											
Fauji Fertilizer Company Limited	20,000	650,000	-	640,000	30,000	3,446	3,223	(223)	5.17	2.37	0.00
I.C.I Pakistan Limited	-	150,100	-	125,700	24,400	4,164	4,061	(103)	6.52	2.99	0.03
Fauji Fertilizer Bin Qasim Company Limited	150,000	997,000	-	1,147,000	-	-	-	-	-	-	-
Lotte Pakistan PTA Limited	250,000	2,025,000	-	2,275,000	-	-	-	-	-	-	-
Sitara Peroxide Limited	-	60,000	-	60,000	-	-	-	-	-	-	
Ghani Gases Limited	-	115,000	-	115,000	-	-	-	-	-	-	
Lotte Chemicals Limited	-	575,000	-	575,000	-	-	-	-	-	-	
					54,400	7,610	7,284	(326)			
Construction and Materials											
D.G.Khan Cement Company Limited	135,000	3,394,000	-	3,429,000	100,000	8,467	8,369	(98)	13.44	6.15	0.02
Maple Leaf Cement Factory	-	4,114,500		3,664,500	450,000	10,686	9,869	(817)	15.85	7.26	0.09
Lucky Cement Company Limited	-	620,000	-	620,000	-	-	-	-	-	-	-
Kohat Cement Limited		52,500		52,500							
Pioneer Cement Limited	-	656,000		656,000	-	-	-	-	-	-	-
Cherat Cement Limited	-	425,000		425,000	-	-		-	-	-	-
Lafarge Pakistan Cement	-	1,389,000		1,389,000	-	-	-	-	-	-	-
					550,000	19,153	18,238	(915)			
Electricity											
Hub Power Company Limited	-	1,095,000	-	1,095,000	-	-	-	-	-	-	-
Fixed Line Telecommunication											
Pakistan Telecommunication	50,000	7,117,000	-	6,942,000	225,000	5,194	4,993	(201)	8.02	3.67	0.01
Food Producers											
Engro Foods Limited	-	637,000	-	626,500	10,500	1,466	1,478	12	2.37	1.09	0.00
Gas, Water and Multi Utilities											
Sui Northern Gas Company Limited	-	1,175,000	-	1,175,000	-	-	-	-	-	-	-
Oil and Gas											
Oil and Gas Development Company Limited	-	425,400	-	410,400	15,000	3,501	3,431	(69)	5.51	2.52	0.00
Pakistan State Oil Company Limited	-	395,000	5,000	385,000	15,000	4,774	4,806	32	7.72	3.53	0.01
Attock Refinery Limited	-	125,000	-	125,000	-	-	-	-	-	-	-
Mari Gas Company Limited	5,000	40,000	-	45,000	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	57,500	-	57,500	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	150,200	-	150,200	-	-	-	-	-	-	-
					30,000	8,275	8,237	(37)			
Personal Goods											
Nishat Mills Limited	-	1,726,000	-	1,601,000	125,000	12,459	11,776	(683)	18.91	8.66	0.04
Automobile and Parts											
Pak Suzuki Motor Company	-	20,000	-	20,000	-	-	-	-	-	-	-
General Industries											
Tri Pack Films Limited	29,500	2,400	-	31,900	-	-	-	-	-	-	-
Pharma & Bio Tech											
Searle Pakistan Limited	-	119,000	10,000	129,000	-	-	-	-	-	-	-
Total as at 30 June 2013						56,309	53,958	(2,350)			
Cost of Investments							56,309				
Total as at 30 June 2012						23,147	22,766	(381)			

This includes shares having market value of Rs. 9.29 million pledged with National Clearing Company of Pakistan Limited.

8 DIVIDEND AND PROFIT RECEIVABLES

		2013	2012
		(Rupees in '000)	
Dividend receivables		-	95
Profit receivable on sukuk certificates		1,604	3,091
Profit receivable on bank balances		501	221
		2,105	3,407

9 DEFERRED FORMATION COST

Formation cost		290	580
Less: amortisation charge for the year		(290)	(290)
		-	290

10 DEPOSITS AND OTHER RECEIVABLES

Security deposit with Trustee		100	100
National Clearing Company of Pakistan Limited		2,500	2,500
Receivable against sale of investments	*10.1*	24,289	4,266
Others		-	149
		26,889	7,015

10.1 Subsequently cleared.

11 REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	*11.1*	335	291
		335	291

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 3% for the current year (2012: 3%). 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 0.095% of the average daily net assets of the Fund.

14 ACCRUED EXPENSES AND OTHER PAYABLES

		2013	2012
		(Rupees in '000)	
Auditors' remuneration		350	350
Payable against purchase of investments		12,155	5,869
Provision for workers' welfare fund	*14.1*	1,542	1,084
Others	*14.2*	993	861
		15,040	8,164

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. 1.542 million up to 30 June 2013 (30 June 2012: Rs. 1.084 million). If the above recognition had not been made, the net asset value per unit of the Scheme would have been higher by 0.72 per unit / 1.13%.

14.2 During the current year, an amount of Rs. 0.709 million (2012: 0.544 million) was charged to 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 then pays it to the Government of Sindh. As at the year end, sales tax of Rs. 0.088 million (2012: 0.047 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. 0.032 million to the Fund on account of the FED during the year. This amount is payable to the Management Company who then pays it to the Federal Board of Revenue.

15 AUDITORS' REMUNERATION

	2013	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	66	72
	491	497

16 BANK, SETTLEMENT, BROKERAGE AND OTHER CHARGES

Brokerage expense		3,736	3,029
Sindh sales tax on management remuneration	14.2	709	544
Central depository system charges		80	50
National clearing and settlement system charges		257	252
Charity expense	16.1	64	88
Fees and Subscription		140	130
FED on management remuneration	14.2	32	-
Others		775	567
		5,792	4,660

16.1 Represent the allocation from the dividend income as per the guidelines given by the Shariah Advisor of the fund.

17 NUMBER OF UNITS IN ISSUE

	(Number of Units)	
Total units in issue at beginning of the year	2,022,577	2,056,997
Issued during the year	4,278,209	1,402,177
Bonus units issued	2,508	12,140
Redemptions during the year	(4,154,814)	(1,448,737)
Total units in issue at the end of the year	2,148,480	2,022,577

Face value of the unit is Rs. 50 each.

18 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these financial statements. Refer note 23 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	2012
	(Rupees in '000)	
Pak Oman Asset Management Company Limited - Management Company of the Fund		
Remuneration of the Management Company	4,223	3,395
Formation cost paid to the management company	-	870
Units issued - nil (2012: 36,691)	-	2,000
Units redeemed - nil (2012: 37,891)	-	2,017
Bonus units issued - nil (2012: 210)	-	11
Gain / (loss) on redemption	-	(46)
Central Depository Company of Pakistan Limited - Former Trustee of the Fund		
Remuneration of the Trustee	-	667
MCB Financial Services Limited - Trustee of the Fund		
Remuneration of the Trustee	168	6
Pak Oman Investment Company Limited - holding company of Management Company		
Dividend paid	11,680	22,258
Key Management Personnel and employees of Management Company		
Bonus units issued - nil (2012: 2,452)	-	128
Units redeemed - nil (2012: 13,966)	-	821
Gain on redemption	-	90
Related parties of the Management Company		
Pak Oman Asset Management Company Limited - Employees Provident Fund		
Units issued - 59,780 (2012: nil)	3,306	-
Other connected persons - due to holding of more than 10% units		
Fecto Cement Limited - Provident Fund Trust		
Units issued - 2,443,866 (2012: 67,760)	141,588	4,000
Units redeemed - 2,443,866 (2012: 67,760)	143,297	4,025
Gain on redemption	1,709	25

19.2 Balances outstanding at the year end

	2013	2012
	(Rupees in '000)	
Pak Oman Asset Management Company Limited - Management Company of the Fund		
Remuneration payable to the Management Company	335	291
Sales load payable	218	114
Central Depository Company of Pakistan Limited - Former Trustee of the Fund		
Remuneration payable to the Trustee	-	25
MCB Financial Services Limited - Trustee of the Fund		
Remuneration payable to the Trustee	26	6
Pak Oman Investment Company Limited - holding company of Management Company		
Units outstanding - 2,000,000 - 93% (2012: 2,000,000 - 99%)	126,576	116,820
Key Management Personnel and employees of Management Company		
Units outstanding - nil (2012: nil)	-	-
Related parties of the Management Company		
Pak Oman Asset Management Company Limited - Employees Provident Fund		
Units outstanding - 59,780 (2012: nil)	3,783	-

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.

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. These risks emanate from various factors that include, but are not limited to:

20.1 **Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from bank balances, profit / mark-up recoverable 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, 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, 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.

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	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances (including profit receivable)	60,737	60,737	25,184	25,184
Investments (including profit receivable)	63,882	9,924	94,141	14,849
Deposits and other receivables	26,889	26,889	7,061	7,061
	151,508	97,550	126,386	47,094

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 equity securities of Rs. 53.958 (2012: Rs. 79.292) million is not exposed to credit risk.

Credit ratings and Collaterals

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

	Bank balances (including profit due)	
Ratings	30 June 2013	30 June 2012
	(% of balance)	
AA+	-	0.15
AA	88.05	78.25
A	11.95	21.60
Total	100	100

Above ratings 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 35.61% (2012: 62.74%) of the Fund's financial assets are in listed equity 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	60,737	62.26	25,184	51.73
Cement	9,924	10.17		
Others (note 10)	26,889	27.56	23,498	48.27
	97,550	100.00	48,682	100.00

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.

Past Due and Impairment

Investment at fair value through profit or loss - upon initial recognition of the Fund in sukuk certificates of Maple leaf was past due and impaired by an amount of Rs. 10.775 million at 30 June 2013 (30 June 2012: Rs. 8.981 million).

20.2 Liquidity risk

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

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

The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six days from the date of the redemption request.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

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

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to 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	Within 3 months	Total
	(Rupees)			
Non-derivative liabilities				
Remuneration payable to the Management Company	335	335	-	335
Remuneration payable to the Trustee	26	26	-	26
Annual fee payable to Securities and Exchange Commission of Pakistan	134	-	134	134
Accrued expenses and other liabilities (excluding WWF)	13,498	13,498	-	13,498
	13,993	13,859	134	13,993
Unit holders' fund	135,973	135,973	-	135,973
30 June 2012				
Non-derivative liabilities				
Remuneration payable to the Management Company	291	291	-	291
Remuneration payable to the Trustee	31	31	-	31
Annual fee payable to Securities and Exchange Commission of Pakistan	108	-	108	108
Accrued expenses and other liabilities (excluding WWF)	7,080	7,080	-	7,080
	7,510	7,402	108	7,510
Unit holders' fund	118,131	118,131	-	118,131

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:

Variable rate instruments	2013	2012
	(Rupees in '000)	
Bank balances - in profit and loss sharing accounts	60,236	24,963
Sukuk certificates - at fair value through profit or loss upon initial recognition	1,137	68,284
	61,373	93,247

a) Cash flow Sensitivity analysis for variable rate instruments

As at 30 June 2013, the Fund holds sukuk certificates which are classified as fair value through profit or loss - upon initial recognition, exposing the Fund to cash flow interest rate risk. In case of 50 basis points increase / decrease in profit rates on 30 June 2013, with all other variables remain constant, the net assets would be higher / lower by Rs. 0.307 (2012: 0.466) million.

b) 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:

	Mark-up/ profit rate	Upto one month	Three months to one year	Total
30 June 2013	(%)	——— (Rupees in '000) ———		
Assets				
Bank balances	5 to10.8	60,236	-	60,236
Investments	10.87 to 13.47	-	8,320	8,320
Total assets		60,236	8,320	68,556
30 June 2012				
Assets				
Bank balances	5 to 12.15	24,963	-	24,963
Investments	11.81 to 15.05	-	69,823	69,823
Total assets		24,963	69,823	94,786

20.3.1.3 Equity price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KSE 100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believes that the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio.

In case of 50 basis point increase / decrease in market value on 30 June 2013, with all other variables remain constant, the net assets of the Fund would increase / decrease by Rs. 0.345 (2012: Rs. 1.112) 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 30 June 2013 is not necessarily indicative of the impact on the Fund's net assets of future movements in share prices.

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 the NBFC regulation.

20.5 Fair value of financial instruments

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

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

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

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

30 June 2013	Level 1	Level 2	Level 3	Total
		(Rupees in'000)		
Financial assets at fair value through profit and loss				
Equity Securities	53,958	-	-	53,958
Debt securities	-	1,137	7,183	8,320
	53,958	1,137	7,183	62,278

30 June 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Equity Securities	22,766	-	-	22,766
Debt securities	-	2,265	66,019	68,284
	22,766	2,265	66,019	91,050

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.

	2013	2012
	(Rupees in '000)	
Opening balance	66,019	-
Transferred from level 2 to level 3 during the year	-	47,613
Redemption during the year	(2,000)	(11)
Purchase during the year	-	85,419
Sale during the year	(55,042)	(65,463)
Provision made during the year	(1,794)	(1,539)
Closing balance	7,183	66,019

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 top ten brokers in order of percentage of commission	2013	2012
	(Percentage)	
DJM Securities (Private) Limited	13.38	9.97
Pearl Securities (Private) Limited	10.55	8.95
Rafi Securities (Private) Limited	9.54	6.22
Foundation Securities (Private) Limited	8.92	10.40
Arif Habib Securities Limited	8.14	11.76
Taurus Securities Limited	8.11	11.10
AKD Securities Limited	6.53	0.73
Invest and Finance Securities Limited	6.06	0.42
FDM Capital Securities (Private) Limited	5.69	9.54
Standard Capital (Private) Limited	5.18	0.40

21.2 Performance table

	2013	2012	2011	2010	2009
Total net assets value - Rupees in '000	**135,973**	118,131	130,365	109,665	155,773
Net assets value per unit - Rupees	**63.29**	58.41	63.38	52.77	55.42
Net income for the year - Rupees in '000	**23,026**	12,443	24,096	2,341	15,237
Income distribution - Rupees in '000	**21,872**	11,812	22,892	2,341	2,102
Distribution per unit - Rupees	**10.18**	5.84	11.13	1.13	4.20
Selling price as at 30 June - Rupees	**64.93**	59.90	65.00	54.12	56.84
Repurchase price as at 30 June - Rupees	**63.31**	58.41	63.38	52.77	55.42
Highest selling price during the year - Rupees	**66.19**	60.69	65.49	56.63	56.95
Lowest repurchase price during the year - Rupees	**51.60**	52.10	50.61	49.39	49.61

	Last five years	Last four years	Last three years	Last two years	Last one year
Average annual return of the Fund	15.24%	13.55%	14.02%	8.37%	16.22%

The income distribution has 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	**26**	**88,699**	**5,614**	**4.13**
Associated companies	**2**	**2,059,780**	**130,360**	**95.87**
	28	**2,148,479**	**135,973**	**100.00**
30 June 2012				
Individuals	38	22,577	1,319	1.12
Associated companies	1	2,000,000	116,813	98.88
	39	2,022,577	118,131	100.00

21.4 Particulars of the Fund Manager and Investment Committee

Name of Fund Manager	Qualification	Other Funds managed
Mr. Ahmed Nabeel	MBA	Pak Oman Advantage Asset Allocation Fund Pak Oman Islamic Asset Allocation 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. Malik Faiz Rasool	Equity Trader	Intermediate	11

21.5 **Directors meeting attendance**

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

22 RATING OF THE FUND AND THE MANAGEMENT COMPANY

In accordance with criteria specified by the rating agency, the ranking of the Fund is 4-Star, as assigned by PACRA.

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

23 DISTRIBUTIONS BY THE FUND

Non-adjusting event after the reporting date

The Board of Directors of the management company has approved distribution of Rs. 10.18 per unit (on 04 July 2013) for the year ended 30 June 2013 amounting to Rs. 21.872 (2012: 11.812) 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.

24 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**