

**PAK OMAN ISLAMIC ASSET ALLOCATION FUND**

**Financial Statements**

**For the year ended 30 June 2014**

# 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 : +92 – 21 – 35361465 – 68  
Fax : +92 – 21 – 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

### Acting Unit Head Finance

Mr. Tanveer Ahmed

### Company Secretary

Mr. Asif Javed

### Trustee

MCB Financial Services Limited  
3<sup>rd</sup> Floor, Adamjee House,  
I.I. Chundrigar Road,  
Karachi - 74000  
Phone : +92 – 21 – 32419770  
Fax : +92 – 21 – 32416371

### Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants  
First Floor, Sheikh Sultan Trust Building,  
No. 2 Beamont Road, Karachi – 75530  
Pakistan

### Bankers to the Fund

Bank Islami Pakistan Limited  
Bank Al – Falah Limited – Islamic Banking

### Shariah Advisor

Dr. Muhammad Najeeb Khan

### Legal Advisor

Mohsin Tayebaly & Co.  
2<sup>nd</sup> Floor, Dime Center,  
BC – 4, Block – 9,  
KDA Scheme 5, Clifton, Karachi.  
Phone : +92 – 21 – 35375658 – 9

### Transfer Agent

JWAFFS Registrar Services (Pvt.) Limited  
Kashif Center, Room No. 505,  
Near Hotel Mehran,  
Shahrah – e – Faisal, Karachi  
Phone : +92 – 21 – 36543871. – 72  
Fax : +92 – 21 – 35643873

### Ranking of The Funds

Short Term	2 Star	PACRA
Long Term	3 Star	PACRA

**DIRECTORS REPORT 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, 2014**.

**Economic Review**

The financial year 2014 was the first year of new government of PMLN in which the economy has shown some improvement on the back of economic and fiscal reforms. Despite the current political turmoil due to sit-ins that has been prolonged for more than a month, several steps taken by PMLN government to support economic growth and to enhance investments from local as well as foreign side has changed the country's picture on international forum. Privatization process of different State Owned Entities (SOEs) coupled with issuance of Eurobond in International market is also resumed by the government to further support the economic progress.

Foreign exchange reserves stood at USD 14.14bn for the period ended FY14. At the time of taking over the government, foreign exchange reserves was at deteriorating position so the new government signed a loan facility from International Monetary Fund (IMF) of USD 6.7bn to avoid default on the debt service as the country's balance of payment position was in doldrums. Furthermore, inflows from 3G/4G auction coupled with inflows from Eurobond issuance and foreign remittances supported the foreign exchange reserves.

On the back of improved macroeconomic figures, Pakistan's GDP growth rate is expected to rise by 4.1% for the fiscal year ended 2014 as compared to 3.6% in the same period last year. During the year, the CPI inflation remained near the target set by the government of 8.0%. The average CPI inflation for the year FY14 was recorded as 8.6% as compared to 7.4% for the year of FY13.

On account of foreign portfolio investment (FPI), which includes foreign public investment, Pakistan attracted USD 2.74bn during the July 2013-June 2014 period, more than 21 times higher than the FPI worth USD 124.2mn received in the preceding fiscal year. Foreign Direct Investment (FDI) also recorded a growth of 11.99% on year over year basis, as FDI for the fiscal year period ended 2014 stood at USD 1.63bn as compared to USD 1.46bn in the corresponding period last year.

Current account posted a deficit of USD 2.9bn (1.2% of GDP) in the period of FY14 as compared to a deficit of USD 2.3bn in FY13. Current account deficit increased due to decline in the service sector as country received less Coalition Support Fund (CSF) during the year as compared to previous year.

**Capital Market:**

Relatively dull performance in June 2014 did not impede KSE-100 to post a hefty return for the full year FY14. KSE-100 Index maintained its upward drive and posted a return of 41.16% during the year and remained the best performing equity market in the region during the year, followed by India and Vietnam's equity market with returns of 31.03% and 20.16% respectively. During the period, the index rose by 8,647 points and closed at all time high level of 29,652.53 points. The KMI-30 Index also gained a decent return of 29.89% and closed at 47,686.55 points. The foreign participation in capital market further supported the market. FIPI witnessed an inflow of USD 256mn in FY14 as compared to an inflow of USD 567mn in FY13.



### Operating Performance

The Fund during the year ended June 30, 2014 earned a total income of PKR. 31.239mn (2013: PKR. 37.339mn). The income for the year comprised mainly profit earned sales of investment of PKR.13.378, (2013: PKR. 30.835mn), profit on bank deposit amounting to PKR.5.625mn (2013: PKR. 3.720mn) and dividend income amounting to PKR.1.293mn (2013: PKR. 2.208mn) and profit on sukuk certificates PKR.4.596mn (2013: PKR. 4.344mn). The unrealized loss on investments at fair value through profit or loss for the year was PKR.4.428mn (2013: PKR. 1.974mn) and reversal of Provision (2013: Provision) was Rs. 10.775mn (2013: PKR. 1.794 mn). After accounting for expenses of PKR.9.692mn (2013: PKR. 11.098mn), the net income for the year was PKR.18.527mn (2013: PKR. 23.026mn). The net assets of the fund as at June 30, 2014 were PKR.106.844mn (2013: PKR. 135.973mn), resulting in a net asset value of PKR.53.28/unit. (2013: PKR.63.29/unit).

### Emphasis of Matter Paragraph

The Auditors has drawn attention attention to note 1.6 to the accompanying financial statements which explains the current status of the Management Company's license to provide asset management services and details of the fact that the Board of Directors have concluded a scheme of arrangement for amalgamation with another assets management company. The merger is subject to the approval of Securities and Exchange Commission of Pakistan. The Auditors have however remarked in their report that their opinion is not qualified in respect of this matter.

### Future Outlook

Current political turmoil may hamper government's progress as IMF has deferred its fifth tranche, which was to be received by Pakistan in the first week of September 2014. IMF is also showing serious concern on the on going political zigzag and also delayed the forth review. Despite the current political uncertainty, the government will continue with its reforms agenda and carry on its efforts to attract further investments from foreign investors and restore international lenders' interest in the economy of Pakistan.

### 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 movement in unit holders' fund.
- 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 other than that disclosed in note 1.4 to the financial statements.
- 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 20.3 to the financial statements.
- Key financial data for five years given in note 20.2 to 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		HR&R Committee	
		Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
H. E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman	10	8	0	0	0	0
Agha Ahmed Shah,	Director	10	8	0	0	0	0
Mr. Humayun Murad	Director	10	8	4	3	1	1
Mr. Parvez Usman	Director	10	3	0	0	0	0
Mr. Sulaiman Hammad Al Harty	Director	10	5	4	2	0	0
Mr. Ali Said Ali	Director	10	7	0	0	0	0
Mr. Saif Said Salim Al Yazidi	Director	10	5	4	3	1	1
Ms. Hina Ghazanfar	MD & CEO	10	10	0	4	1	1

- 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.

### Merger of Management Company

The Board of Directors of Pak Oman Asset Management Company Limited (POAMCL), the Management Company of the fund, has approved merger of POAMCL with and into KASB Funds Limited (KFL). The shareholders of Management Company vide a special resolution approved the said



merger in their extra ordinary general meeting. Competition Commission of Pakistan vide their letter dated 30 May 2014 has also given a 'No Objection Certificate' for the said merger. Funds' Trustees have also consented for the change of the management company and NOC from SECP has also been received.

Subsequent to the above processes and after fulfilling all the legal requirements, including those stipulated by SECP in its above referred NOC, a joint application has been submitted to the SECP for their final approval and the merger would take effect, from the date as advised by the SECP and subject to their approval.

#### **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, 2015.

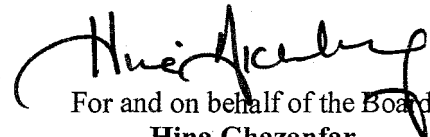
#### **Mutual Fund Rating**

The Pakistan Credit Rating Agency (PACRA) has assigned Mutual fund ranking **2-Star (short-term)** and **3-Star (long-term)** 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.

September 30, 2014  
Karachi – Pakistan.

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



# PAK OMAN ISLAMIC ASSET ALLOCATION FUND

## REPORT OF THE FUND MANAGER OF THE MANAGEMENT COMPANY

Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Islamic Asset Allocation Fund (the Fund) is pleased to present the Fund Manager's Report of the Fund for the year ended June 30, 2014.

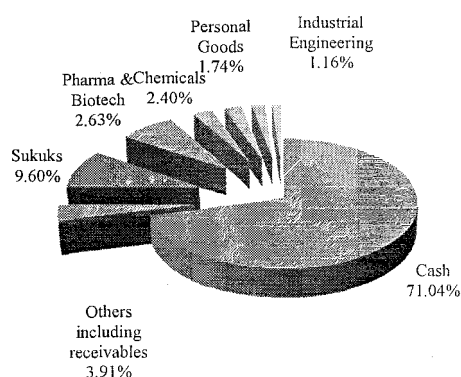
### INVESTMENT OBJECTIVE

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

### Terms and Structure

Type of Scheme	Open – End Fund
Nature of Scheme	Shariah Compliant Asset Allocation
Inception Date	Oct 30 <sup>th</sup> , 2008
Face Value	PKR 50 per Unit
Fund Size	PKR 106.844 Million
NAV (Jun 30th, 2014)	PKR 53.28
Benchmark	50% 6 month average deposit rate of 4 islamic banks plus 50% KMI-30
Fund Ranking	3-Star (PACRA))
AMC Rating	AM3- ( JCR – VIS)
Listing	Karachi Stock Exchange Limited
Trustee	MCB Financial Services Ltd.
Auditor	KPMG TaseerHadi& Co.
Legal Advisor	Mohsin Tayebaly& Co.
Registrar	JWAFS Registrar Services Pvt Ltd.
Management Fee	2.50% p.a.
Investment Committee	Ms. HinaGhazanfar, CEO Mr. Imran Rahim Khan, Fixed Income Fund Manager Mr.Meraj Uddin Mazhar, Equity Fund Manager

### Asset Allocation



### Unit Holding Pattern

Units	# of Unit Holders
0 – 1,000	22
1,001 – 50,000	0
50,001 – 500,000	0
500,001 – 1,000,000	0
1000,001 - Above	1

Fund Returns	POIAAF	Benchmark
Year-to-Date (YTD)	17.32%	18.21%
Asset Allocation (% of Assets)	2014	2013
Cash	71.04%	39.74%
Stock/Equities	15.45%	35.63%
Sukuks	9.60%	5.49%
Other including receivables	3.91%	19.15%
Leverage	0.00%	0.00%

POIAAF Performance	
Yield since inception	121.31%
Return (FY'14)	17.32%
Risk free rate (12M T-Bill)	9.81%
Sharpe Ratio	1.38%
Distributions FY14 (PKR)	9.07

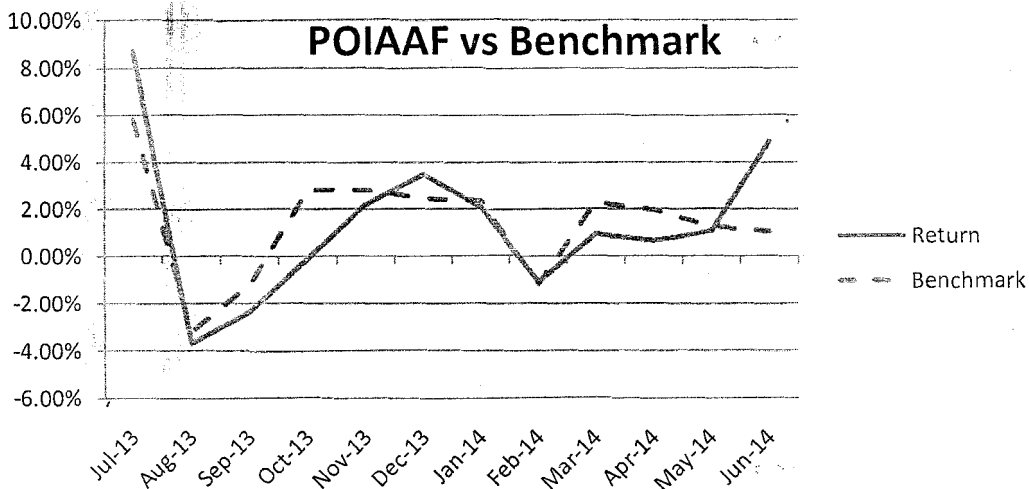


**PAK OMAN ISLAMIC ASSET ALLOCATION FUND**

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	Below Investment Grade	12,371	-	12,371	11.58	38.33
		<u>12,371</u>	<u>-</u>	<u>12,371</u>		



**Fund Review:**

POIAAF posted a return of 17.32% during FY14, lower by meager -0.89% against its benchmark of 18.21%. The fund maintained its higher concentration towards Construction sector to get the greater benefit of the development regarding dams.

August 29, 2014  
Karachi

  
Mr. Meraj Uddin Mazhar  
Fund Manager

**Report of the Shar'iah Advisor - Pak Oman Islamic Asset Allocation Fund (POIAAF)**

Karachi

August 06, 2014

Alhamdulillah, the period from July 1, 2013 to June 30, 2014 was the sixth 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, 2014 and their evaluation according to the screening criteria established by us. (Semi Annual 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, 2014 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.



## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### PAK OMAN 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 30<sup>th</sup> June 2014 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

For the purpose of information, the attention of unit holder is drawn towards auditor's report and note 1.6 to the accompanying financial statements which explain the current status of the Management Company's license to provide asset management services and the scheme of arrangement of amalgamation.

A handwritten signature in black ink, appearing to read "Anwar Hussain", is written over the printed name of the Chief Executive Officer.

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: 30<sup>th</sup> September 2014



**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED 30 JUNE 2014**

This statement is being presented to comply with the Code of Corporate Governance ('the Code') contained in Regulation No. 35 of listing regulations of the 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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. There is no casual vacancy 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 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. 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 atleast once in every quarter. Written notices of the Board meetings along with agenda and working papers were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are conversant with the relevant laws applicable to the Management Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. However the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP) requires all the directors to have a certification under any directors training programe offered by the institutions that meet the criteria specified by SECP and that from 30 June 2012 to 30 June 2016, every year, a minimum of one director on the board shall acquire the said certification under this programe each year and thereafter all directors shall obtain it. One of the directors on the Board has obtained certification from the director's training program offered by a local institution that meet the criteria specified by the Securities Exchange Commission of Pakistan In addition two directors meet the criteria of exemption under 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 Chief Financial Officer (CFO) position is still vacant due to expected merger of the Management Company with another asset management company as more fully explained in note 1.6 to the financial statements. However, in his absence another person has



been assigned the responsibility of overseeing the finance function. 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 (CEO). Furthermore, due to the vacant position of CFO, it was endorsed by the finance person responsible for the overseeing of the finance function.
13. The directors, Chief Executive Officer and executives do not hold any interests in the units of the Fund other than those disclose 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 except as explained in the statement.
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 every quarter prior to approval of interim and final results of the Fund and as required by the code, except for the first quarter ended 30 September 2013 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. It comprises of three members, of whom two are non-executive directors and the Chairman of the committee is an independent director.
18. The Board of the Management Company has set up an internal audit function managed by qualified and experienced professionals who are conversant with the policies and procedures of the Management Company and industry best practices. The Head of Internal Audit functionally reports to the Audit Committee. During the year internal audit activities were not performed for most part of the year and no reports were issued.



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 except for the fact that the mechanism for an annual evaluation of the Board's own performance is not in place. This mechanism was not put in place as the management company is in the process of merger.

A handwritten signature in black ink, appearing to read 'Hina Ghazanfar'.

**Ms. Hina Ghazanfar**  
MD & CEO

30 September 2014  
Karachi



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

## **Review report to the Unit holders of Pak Oman Islamic Asset Allocation Fund on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of the Management Company of Pak Oman Islamic Asset Allocation Fund (“the Fund”) for the year ended 30 June 2014 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 and to highlight any non compliance with the requirements of the Code. A review is limited primarily to inquiries of the Fund personnel and review of various documents prepared by the Fund to comply with the Code.

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

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 Fund’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement of Compliance:

- a) Paragraph 10 relating to the fact that the position of Chief Financial Officer (CFO) is still vacant.
- b) Paragraph 12 relating to the endorsement of the financial statements of the Fund for the year ended 30 June 2014, which mentions that the financial statements for the year than ended have been, due to the vacant position of CFO have been endorsed by the Chief Executive Officer (CEO) only.





- c) Paragraph 16 which mentions that meeting of the Audit Committee was not held in the first quarter of the financial year ended 30 June 2014. However as per the Code of Corporate Governance, such a meeting should be held in each quarter.
- d) Paragraph 18 which, mentions that internal audit reports for the current year were not issued during the year.
- e) Paragraph 23 relating to a mechanism for the annual evaluation of the Board's performance as per the requirements of the Code of Corporate Governance which have not been put in place by the Management Company.

Date: 30 September 2014

Karachi

---

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## **Independent Auditors' Report to the Unit Holders**

### *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 2014 and the related income statement, statement of comprehensive income, distribution statement, statement of movement in Unit Holders' fund, cash flow statement for the year ended 30 June 2014 and a summary of significant accounting policies and other explanatory notes.

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

The Management Company of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the 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 2014 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.



*Emphasis of Matter*

We draw attention to note 1.6 to the accompanying financial statements which explains the current status of the Management Company's license to provide asset management services and details of the fact that the Board of Directors have concluded a scheme of arrangement for amalgamation with another assets management company. The merger is subject to the approval of Securities and Exchange Commission of Pakistan. Our opinion is not qualified in this respect.

*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.

**Date: 30 September 2014**

**Karachi**

---

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Aryn Pirani**



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3508 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

## **Independent Assurance Report on the Statement of Compliance with the Shariah Principles to the Unit holders**

We were engaged by the Board of Directors of Pak Oman Asset Management Company Limited, Management Company of Pak Oman Islamic Asset Allocation Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the management company for the year ended 30 June 2014 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 3.A.4 of the Trust Deed of the Fund.

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

The management company of the fund is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. 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 examine the annexed statement prepared by the Management Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah principles in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control.

The procedures performed included:

1. Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity and for making investments of the Fund.



KPMG Taseer Hadi & Co.

2. Check that the Shariah Advisor has certified that investments made by the Fund during the period ended 30 June 2014 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor

#### **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

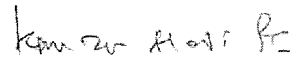
In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended 30 June 2014.

#### **Other information**

Shariah Advisor in their report dated 06 August 2014 on the review of the documents and the financial statements of the Fund for the year ended 30 June 2014 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.

Date: 1 October 2014

Karachi



---

KPMG Taseer Hadi & Co.  
Chartered Accountants

# Pak Oman Islamic Asset Allocation Fund

## Statement of Assets and Liabilities

As at 30 June 2014

	Note	30 June 2014 (Rupees in '000)	30 June 2013
<b>Assets</b>			
Bank balances	6	86,101	60,236
Investments	7	32,290	62,278
Dividend and profit receivables	8	2,472	2,105
Deposits and other receivables	9	8,050	26,889
<b>Total assets</b>		<b>128,913</b>	<b>151,508</b>
<b>Liabilities</b>			
Remuneration payable to the Management Company	10	181	335
Remuneration payable to the Trustee	11	10	26
Annual fee payable to the Securities and Exchange Commission of Pakistan	12	123	134
Accrued expenses and other liabilities	13	21,755	15,040
<b>Total liabilities</b>		<b>22,069</b>	<b>15,535</b>
<b>Net assets</b>		<b>106,844</b>	<b>135,973</b>
<b>Unit holders' fund (as per the statement attached)</b>		<b>106,844</b>	<b>135,973</b>
		(Number of units)	
<b>Number of units in issue</b>	16	<b>2,005,402</b>	<b>2,148,480</b>
		(Rupees)	
<b>Net assets value per unit (face value per unit Rs. 50/-)</b>		<b>53.28</b>	<b>63.29</b>

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

For Pak Oman Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Director

Pak Oman Islamic Asset Allocation Fund  
Income Statement

For the year ended 30 June 2014

	Note	30 June 2014	30 June 2013
		(Rupees in '000)	
<b>Income</b>			
Gain on disposal of marketable securities - net (at fair value through profit and loss - upon initial recognition and held for trading)		13,378	30,835
Profit on bank deposit accounts		5,625	3,720
Profit on sukuk certificates (at fair value through profit and loss - upon initial recognition)		4,596	4,344
Dividend income (at fair value through profit and loss - held for trading)		1,293	2,208
		<u>24,892</u>	<u>41,107</u>
Unrealised diminution on remeasurement of investment at fair value through profit or loss - upon initial recognition and held for trading - net	7.1 & 7.2	(4,428)	(1,974)
Reversal of provision (provision on investment) (at fair value through profit and loss - upon initial recognition)	7.1.4	10,775	(1,794)
		<u>6,347</u>	<u>(3,768)</u>
<b>Total income</b>		<u>31,239</u>	<u>37,339</u>
<b>Expenses</b>			
Remuneration to the Management Company		3,054	4,223
Remuneration to the Trustee		155	168
Annual fee to the Securities and Exchange Commission of Pakistan		123	134
Auditors' remuneration	14	558	491
Fees and subscription		151	140
Amortisation of deferred formation cost		-	290
Bank, settlement, brokerage and other charges	15	5,651	5,652
		<u>9,692</u>	<u>11,098</u>
		<u>21,547</u>	<u>26,241</u>
Element of (loss) and capital (losses) included in prices of units sold less those in units redeemed - net		(2,644)	(2,756)
Provision for Workers' Welfare Fund	14.1	(376)	(459)
<b>Net income for the year before taxation</b>		<u>18,527</u>	<u>23,026</u>
<b>Taxation</b>	18	-	-
<b>Net income for the year after taxation</b>		<u>18,527</u>	<u>23,026</u>

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

For Pak Oman Asset Management Company Limited  
(Management Company)

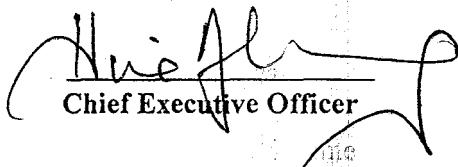
Pak Oman Islamic Asset Allocation Fund  
Statement of Comprehensive Income  
For the year ended 30 June 2014

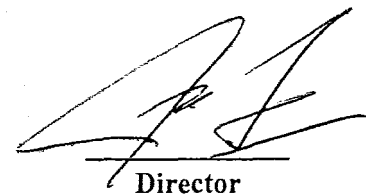
	30 June 2014	30 June 2013
	(Rupees in '000)	
Net income for the year	18,527	23,026
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b><u>18,527</u></b>	<b><u>23,026</u></b>

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

*lmm*

For Pak Oman Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Director



# Pak Oman Islamic Asset Allocation Fund

## Distribution Statement

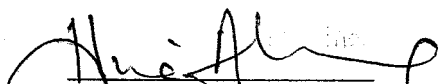
For the year ended 30 June 2014

	30 June 2014	30 June 2013
	(Rupees in '000)	
Realised income at the beginning of the year	30,255	17,200
Unrealised loss at the beginning of the year	(1,974)	(133)
<b>Total undistributed income at the beginning of the year - net</b>	<b>28,281</b>	<b>17,067</b>
Final distribution for the year ended 30 June 2013 at the rate of Rs 10.18 (2013: 5.84) per unit approved on 04 July 2013 (2013: 04 July 2012)		
- Cash distribution	(20,360)	(11,680)
- Issue of bonus units 28,460 (2013: 2,508)	(1,512)	(132)
	(21,872)	(11,812)
Interim distribution for the year ended 30 June 2014 at the rate of Rs. 9.0720 per unit approved on 27 June 2014		
- Cash distribution	(18,144)	-
- Issue of bonus units 788 (2013: nil)	(42)	-
	(18,186)	-
Net income for the year	18,527	23,026
<b>Undistributed income at end of the year:</b>	<b>6,750</b>	<b>28,281</b>
Details of undistributed income at year end is as follow:		
Realised income at the end of the year	11,178	30,255
Unrealised loss at the end of the year	(4,428)	(1,974)
<b>Total undistributed income at the end of the year - net</b>	<b>6,750</b>	<b>28,281</b>

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

*Handwritten mark*

**For Pak Oman Asset Management Company Limited  
(Management Company)**

  
Chief Executive Officer

  
Director

Pak Oman Islamic Asset Allocation Fund  
Statement of Movement in Unit holders' Fund  
For the year ended 30 June 2014

	30 June 2014	30 June 2013
	(Rupees in '000)	
Net assets at beginning of the year	135,973	118,131
Cash received on issue of 1,628,674 (2013: 4,278,208) units	91,010	247,422
Cash paid on redemption of 1,801,000 (2013: 4,154,814) units	(102,806)	(243,682)
	(11,796)	3,740
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	2,644	2,756
Final distribution for the year ended 30 June 2013 at the rate of Rs 10.18 (2013: 5.84) per unit approved on 04 July 2013 (2013: 04 July 2012)		
- Cash distribution	(20,360)	(11,680)
- Issue of bonus units 28,460 (2013: 2,508)	(1,512)	(132)
	(21,872)	(11,812)
Interim distribution for the year ended 30 June 2014 at the rate of Rs. 9.0720 per unit approved on 27 June 2014		
- Cash distribution	(18,144)	-
- Issue of bonus units 788	(42)	-
	(18,186)	-
Issue of bonus units 28,460 (2013: 2,508) as final distribution	1,512	132
Issue of bonus units 788 (2013: nil) as interim distribution for 2014	42	-
	1,554	132
Net income for the year	18,527	23,026
Net assets at end of the year	106,844	135,973
Ex distribution net asset value per unit at the beginning of the year	53.11	52.57
Net asset value per unit at the end of the year	53.28	63.29

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

For Pak Oman Asset Management Company Limited  
(Management Company)

# Pak Oman Islamic Asset Allocation Fund

## Cash Flow Statement

For the year ended 30 June 2014

	30 June 2014	30 June 2013
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	18,527	23,026
<b>Adjustments for non-cash and other items:</b>		
Profit on bank deposit accounts	(5,625)	(3,720)
Profit on sukuk certificates (investments)	(4,596)	(4,344)
Dividend income	(1,293)	(2,208)
Unrealised diminution on remeasurement of investment at fair value through profit or loss - upon initial recognition - net	4,428	1,974
(Reversal of provision) / provision against investment	(10,775)	1,794
Amortisation of deferred formation cost	-	290
Element of loss and capital losses included in sold less those in units redeemed - net	2,644	2,756
	<u>3,310</u>	<u>19,568</u>
<b>Decrease / (increase) in assets</b>		
Investments	36,334	25,004
Deposits and other receivables	18,839	(19,874)
	55,173	5,130
<b>(Decrease) / increase in liabilities</b>		
Remuneration payable to the Management Company	(154)	44
Remuneration payable to the Trustee	(16)	(5)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(11)	26
Accrued expenses and other liabilities	(11,429)	6,876
	(11,610)	6,941
Profit received on bank deposit accounts	5,621	3,440
Profit received (net) on sukuk certificates	4,464	5,831
Dividend received	1,062	2,303
<b>Net cash inflow from operating activities</b>	<u>58,020</u>	<u>43,213</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	91,011	247,422
Amount paid on redemption of units	(102,806)	(243,682)
Dividend paid	(20,360)	(11,680)
<b>Net cash (outflow) in financing activities</b>	<u>(32,156)</u>	<u>(7,940)</u>
<b>Net increase in cash and cash equivalents during the year</b>	25,865	35,273
Cash and cash equivalents at beginning of the year	60,236	24,963
<b>Cash and cash equivalents at end of the year</b>	<u>86,101</u>	<u>60,236</u>

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

For Pak Oman Asset Management Company Limited  
(Management Company)

# Pak Oman Islamic Asset Allocation Fund

## Notes to the Financial Statements

For the year ended 30 June 2014

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pak Oman Islamic Asset Allocation 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 MCB Financial Services as a trustee under the third supplemental Trust Deed dated 15 May 2012. The Fund is registered as a notified entity under NBFC Regulations, 2008.
- 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.
- 1.5 In accordance with the criteria specified by the rating agency, the ranking of the Fund is 3 star ranking as assigned by PACRA. JCR-VIS has assigned an 'AM3-' rating to the Management Company.
- 1.6 The Management Company's license to provide asset management and investment advisory services has expired and an application was filed with the Securities and Exchange Commission of Pakistan (SECP) for its renewal. SECP had advised that the renewal application shall be considered only when the Management Company meets the minimum equity requirement (MER) of Rs. 230 million (net of losses). In view of this fact, the management company, with the approval of its Board of Directors have concluded a scheme of arrangement for amalgamation with KASB Funds Limited (KFL), with KFL being the surviving entity. The scheme of amalgamation was also approved by the majority shareholders of the management company vide a special resolution in their extra ordinary general meeting held on 06 August 2014. Competition Commission of Pakistan has also issued a no objection certificate for the proposed merger vide their approval letter dated 30 May 2014. Trustees of the Fund have also given their consent for the proposed merger. SECP, vide its letter dated 17 July 2014, has issued a no objection certificate for the proposed merger, subject to certain conditions mentioned therein. Management Company is of the view that these conditions have been met and accordingly a joint application has been filed with SECP for the merger. The proposed merger would be subject to the approval of SECP and would be effective from the date and subject to the conditions as may be notified by them. Management Company expects that approval for the proposed merger would be granted by SECP, subsequent to which, MER requirement and renewal of license would then stand resolved. Further, the Management Company is of the view that under the NBFC regulations it can carry on its business as the renewal application has been filed with the SECP and the latter has not declined the renewal.

## **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, 5.11 and 10.6 to these financial statements.

*Provision for taxation*

For details please refer notes 5.7 and 17 to these financial statements.

*Provision for workers' welfare fund liability*

For details please refer note 13.1 to these financial statements.

*Other assets*

For detail please refer note 5.15 to these financial statements.

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Fund's financial statements.
- 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. The amendments are not likely to have an impact on Fund's financial statements.
- 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 are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are not likely to have an impact on Fund's financial statements.

*kanu*

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

*John*

*John*

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
  - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
  - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
  - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.



The above improvements are not likely to have an impact on the financial statements of the Fund.

## 5. SIGNIFICANT ACCOUNTING POLICIES

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

### 5.1 Investment

- 5.1.1 All investments are initially recognized at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of held for trading, 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:

- (a) 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.
- (b) 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.

  
Kenny

#### 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.

Element of income is recognised in the income statement for the year to the extent that it is represented by income earned during the year.

#### 5.4 Payables and accruals

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

#### 5.5 Provisions

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

#### 5.6 Net asset value per unit

The net asset value (NAV) per unit as disclosed in the statement of assets and liabilities of the Fund is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

#### 5.7 Taxation

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

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

#### **5.8 Formation cost**

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

#### **5.8 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.

#### **5.9 Financial instruments**

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

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.

#### **5.10 Offsetting of financial instruments**

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

#### **5.11 Impairment**

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.

  
kamm

Impairment losses are recognised in the income statement.

#### 5.12 Dividend distributions and appropriations

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

#### 5.13 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income 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.

#### 5.14 Cash and cash equivalents

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

#### 5.15 Other assets

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

		2014	2013
		(Rupees in '000)	
<b>6.</b>	<b>BANK BALANCES</b>		
	<i>local currency</i>		
	In profit and loss sharing accounts	6.1 <u>86,101</u>	<u>60,236</u>
6.1	These represents profit and loss account maintained with banks carrying mark-up rates ranging from 4.99% to 8.5% (2013: 5% to 10.8%) per annum.		
<b>7.</b>	<b>INVESTMENTS</b>		
	<b>At fair value through profit or loss</b>		
	- upon initial recognition		
	Sukuk certificates	7.1 12,371	8,320
	- held for trading		
	Shares of listed companies	7.2 <u>19,919</u>	<u>53,958</u>
		<u>32,290</u>	<u>62,278</u>

7.1 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 2013	Purchases during the year	Disposed / matured during the year	Holding as at 30 June 2014	Carrying value (before revaluation as of the year ended 30 June 2014)	Market value value as of the year ended 30 June 2014 (revised carrying value) (a)	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)						
Maple Leaf Cement Factory Limited (7.1.1)	3 December 2018	3 months KIBOR + base rate of 1%	4,000	-	-	4,000	15,958	12,371	(3,587)	BBB	38.31	11.58	0.25
Kohat Cement Company Limited (7.1.2)	20 September 2016	3 months KIBOR + base rate of 1.5%	2,000	-	2,000	-	-	-	-	Not rated	-	-	0.00
<b>Total as at 30 June 2014</b>							<b>15,958</b>	<b>12,371</b>	<b>(3,587)</b>				
Provision held / unrealised loss (note 7.1.4)							-	-	-				
Carrying value as at 30 June 2014							<u>15,958</u>	<u>12,371</u>	<u>(3,587)</u>				
<b>Total as at 30 June 2013</b>							<b>18,719</b>	<b>19,095</b>	<b>376</b>				
Provision held (note 7.1.4)							-	(10,775)	-				
Carrying value as at 30 June 2014							<u>18,719</u>	<u>8,320</u>	<u>(10,399)</u>				
<b>Cost of investments</b>							<b>26,901</b>	<b>26,901</b>	<b>-</b>				

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

- 7.1.1 During the year Sukuk certificate of Maple Leaf Cement Factory Limited (MLCFL) was classified as performing by MUFAP in accordance with the provisions of circular 33 of 2012. Accordingly, provision of Rs. 10,775 million has been reversed during the year. In addition, interest income of Rs. 0.136 million has also been recognised on these certificates.
- 7.1.2 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 amounting to Rs. 1,604 million) 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.
- 7.1.3 Provision against impairment of investments (note 7.1.1) - sukuk certificates of Maple Leaf Cement Factory Limited

	2014	2013
	(Rupees in '000)	
Opening balance	10,775	8,981
Provision for impairment	-	1,794
Reversal of provision (2014: sukuk certificates of Maple Leaf Cement Factory)	(10,775)	-
Net (credit) / charge to the income statement	(10,775)	1,794
Closing balance	-	10,775

*Handwritten signature*

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 2013	Purchases during the year	Bonus / right shares received during the year	Disposed during the year	Holding as at 30 June 2014	Carrying value (before revaluation as of the year ended 30 June 2014)	Market value as of the year ended 30 June 2014 (revised carrying value)	Unrealised appreciation / (diminution)	Percentage of investment in relation to		Paid up value of shares held as a % of total paid up capital of the investee company
									Market value as % of total investments	Market value as % of net assets	
(Number of Share)				(Rupees in '000)							
<b>Banks / DFIs</b>											
Bank Islami Pakistan Limited	300,000	300,000	-	600,000	-	-	-	-	-	-	-
Meezan Bank Limited	-	92,000	-	92,000	-	-	-	-	-	-	-
B.R.R Guardian Modaraba	-	615,500	-	615,500	-	-	-	-	-	-	-
<b>Chemicals</b>											
Fauji Fertilizer Company Limited	30,000	357,500	-	387,500	-	-	-	-	-	-	-
I.C.I Pakistan Limited	24,400	31,300	-	55,700	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Company Limited	-	120,000	-	120,000	-	-	-	-	-	-	-
Ghani Gases Limited	-	469,000	-	344,000	125,000	3,481	3,094	(387)	9.58	2.90	-
Crescent Steel and Allied Products	-	242,500	-	242,500	-	-	-	-	-	-	-
					125,000	3,481	3,094	(387)			
<b>Construction and Materials</b>											
D.G.Khan Cement Company Limited	100,000	993,500	-	1,093,500	-	-	-	-	-	-	-
Maple Leaf Cement Factory *	450,000	3,756,500	-	3,981,500	225,000	6,895	6,761	(134)	20.94	6.33	0.04
Lucky Cement Company Limited	-	20,000	-	20,000	-	-	-	-	-	-	-
Kohat Cement Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
Pioneer Cement Limited	-	1,314,500	-	1,251,500	63,000	2,957	2,940	(17)	9.10	2.75	-
Cherat Cement Limited	-	436,000	-	436,000	-	-	-	-	-	-	-
Lafarge Pakistan Cement	-	1,646,000	-	1,646,000	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	2,586,500	-	2,586,500	-	-	-	-	-	-	-
Fecto Cement Limited	-	115,000	-	115,000	-	-	-	-	-	-	-
					288,000	9,852	9,701	(151)			
<b>Electricity</b>											
Hub Power Company Limited	-	425,000	-	425,000	-	-	-	-	-	-	-
Kohinoor Energy Limited	-	487,000	-	487,000	-	-	-	-	-	-	-
Pakgen Power Limited	-	785,500	-	785,500	-	-	-	-	-	-	-
Nishat Power Limited	-	104,000	-	104,000	-	-	-	-	-	-	-
<b>Fixed Line Telecommunication</b>											
Pakistan Telecommunication Limited	225,000	1,560,000	-	1,785,000	-	-	-	-	-	-	-
<b>Food Products</b>											
Engro Foods Limited	10,500	511,000	-	521,500	-	-	-	-	-	-	-
<b>Gas, Water and Multi Utilities</b>											
Sui Northern Gas Pipelines Limited	-	25,000	-	25,000	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	-	316,000	-	316,000	-	-	-	-	-	-	-
<b>Oil and Gas</b>											
Oil and Gas Development Company Limited	15,000	420,900	-	435,900	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	15,000	669,600	-	684,600	-	-	-	-	-	-	-
Attock Refinery Limited	-	130,000	-	130,000	-	-	-	-	-	-	-
Mari Gas Company Limited	-	105,300	-	105,300	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	81,000	-	81,000	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	245,000	-	245,000	-	-	-	-	-	-	-

form

Name of the investee	Holding as at 01 July 2013	Purchases during the year	Bonus / right shares received during the year	Disposed during the year	Holding as at 30 June 2014	Carrying value (before revaluation as of the year ended 30 June 2014)	Market value as of the year ended 30 June 2014 (revised carrying value)	Unrealised appreciation / (diminution)	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)					
<b>Personal Goods</b>											
Tariq Glass Industries	-	100,000	-	100,000	-	-	-	-	-	-	-
Nishat Mills Limited	125,000	1,000,700	-	1,105,700	20,000	2,300	2,238	(62)	6.93	2.09	-
					20,000	2,300	2,238	(62)			
<b>Automobile and Parts</b>											
Honda Atlas Limited	-	94,500	-	94,500	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	125,400	-	125,400	-	-	-	-	-	-	-
<b>General Industries</b>											
Packages Limited	-	18,900	-	18,900	-	-	-	-	-	-	-
Thal Limited	-	15,000	-	15,000	-	-	-	-	-	-	-
Tri Pack Films Limited	-	17,000	-	17,000	-	-	-	-	-	-	-
<b>Forestry</b>											
Century Paper & Board Mill	-	65,500	-	65,500	-	-	-	-	-	-	-
<b>Health Care Equipment and Services</b>											
Shifa International Hospitals	-	64,400	-	64,400	-	-	-	-	-	-	-
<b>Technology and Communication</b>											
Netsol Technologies	-	23,000	-	23,000	-	-	-	-	-	-	-
<b>Industrial Engineering</b>											
Millat Tractors	-	3,000	-	-	3,000	1,582	1,497	(85)	4.64	1.40	-
<b>Pharma &amp; Bio Tech</b>											
IBL Health Care	-	25,000	-	25,000	-	-	-	-	-	-	-
Hightnoon Lab (Pakistan) Limited	-	43,300	-	23,300	20,000	3,545	3,389	(156)	10.50	3.17	-
					20,000	3,545	3,389	(156)			
<b>Total as at 30 June 2014</b>						<b>20,760</b>	<b>19,919</b>	<b>(841)</b>			
<b>Cost of Investments</b>							<b>20,760</b>				
<b>Total as at 30 June 2013</b>						<b>56,309</b>	<b>53,958</b>	<b>(2,351)</b>			
<b>Cost of investments as at 30 June 2013</b>							<b>56,309</b>				

\*This includes shares having market value of Rs. 4,958 million pledged with National Clearing Company of Pakistan Limited

Kommu

5. DIVIDEND AND PROFIT RECEIVABLES

2014 2013  
(Rupees in '000)

Dividend receivables	231	-
Profit receivable on sukuk certificates	1,736	1,604
Profit receivable on bank balances	505	501
	<u>2,472</u>	<u>2,105</u>

9 DEPOSITS AND OTHER RECEIVABLES

Security deposit with Trustee	100	100
Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Receivable against sale of investments	5,450	24,289
	<u>8,050</u>	<u>26,889</u>

10. REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	10.1	181	335
		<u>181</u>	<u>335</u>

10.1 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, for the current year, has charged its remuneration at the rate of 3% till 29 October 2013 thereafter it charged remuneration at the rate of 2% (2013: 3%) to comply with the above regulation. Sales tax and Federal Excise duty payable on the management's remuneration has been disclosed in note 14.2.

11. REMUNERATION PAYABLE TO THE TRUSTEE

MCB Financial Services Limited as Trustee is entitled to monthly remuneration at the rate of 0.12% (2013: 0.12%) for services rendered to the Fund under the provision of third supplemental Trust Deed in accordance with the tariff specified therein.

12. 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.

*Sum*



13. ACCRUED EXPENSES AND OTHER PAYABLES

2014 2013  
(Rupees in '000)

Auditors' remuneration		344	350
Payable against purchase of investments		-	12,155
Provision for workers' welfare fund	13.1	1,918	1,542
Brokerage expense payable		712	476
Dividend payable to unit holders		18,144	-
FED payable on management remuneration	13.2	22	30
Sales tax payable on management remuneration	13.2	40	58
Others		575	429
		<u>21,755</u>	<u>15,040</u>

13.1 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.

During the year 2011, a single bench of the 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, had declared the said amendments as unlawful and unconstitutional and struck them down. However, in the month of March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and overruled a single-member LHC bench judgement issued in August 2011. However, the Honourable Peshawar High Court on 29 May 2014 on a petition filed by certain aggrieved parties (other than mutual funds) have adjudicated that the amendments introduced in the Worker's Welfare Fund Ordinance, 1971 through the Finance Act of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

However, as per the advice of legal counsel of Mutual Fund Association of Pakistan (MUFAP), the stay granted to CIS (as mentioned in the first paragraph) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected by the SHC judgment.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of prudence and abundant caution, has decided to maintain the provision of entire liability of Rs. 1.918 million (2013: Rs. 1.542 million) in these financial statements. If the above recognition had not been made, the net asset value per unit of the Scheme would have been higher by Rs. 0.96 per unit (2013: 0.72 per unit).

13.2 During the current year, an amount of Rs. 0.567 million (2013: 0.337 million) was charged in the income statement on account of sales tax on Management fee levied through Sindh Sales Tax Services Act, 2011 effective from 01 July 2011. This amount is payable to the Management Company who then pays it to the Government of Sindh.

As per the requirement of the Finance Act, 2013, the 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, further levy of FED may result in double taxation, which doesn't appear to be the spirit of the law. A stay order against the collection have been granted by the Honourable High Court of Sindh on a petition filed by the Mutual Funds Association of Pakistan (MUFAP).

In view of the pending decision, as a matter of abundant caution, the Management Company has charged Rs. 0.489 million (2013: 0.032 million) to the Fund during the year on account of FED.

**14. AUDITORS' REMUNERATION**

2014 2013  
(Rupees in '000)

Audit fee		200	200
Half-yearly review fee		150	100
Fee for review of code of corporate governance		75	75
Other certification		50	50
Out of pocket expenses		83	66
		<u>558</u>	<u>491</u>

**15. BANK, SETTLEMENT, BROKERAGE AND OTHER CHARGES**

Brokerage expense		3,558	3,736
Sindh sales tax on management remuneration	13.2	567	709
Central depository system charges		118	80
National clearing and settlement system charges		232	257
Charity expense	15.1	10	64
FED on management remuneration	13.2	489	32
Others		677	775
		<u>5,651</u>	<u>5,652</u>

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

**16. NUMBER OF UNITS IN ISSUE**

(Number of Units)

Total units in issue at beginning of the year		2,148,480	2,022,577
Issued during the year		1,628,674	4,278,209
Bonus units issued		29,248	2,508
Redemptions during the year		(1,801,000)	(4,154,814)
Total units in issue at the end of the year		<u>2,005,402</u>	<u>2,148,480</u>

Face value of the unit is Rs. 50 each.



17. TAXATION

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

18. TRANSACTIONS WITH THE RELATED PARTIES / CONNECTED PERSONS

Connected persons / related parties include Pak Oman Asset Management Company Limited being the Management Company, MCB Financial Services Limited being the trustee, Pak Oman Investment Company Limited which is the holding company of the Management Company, other funds managed by the Management Company, associated companies (if any) of the management company / holding company of the management company, entities in which the above parties or their connected persons have a material interest, Key Management Personnel and includes entities holding 10% or more units of the Fund as at 30 June 2014 or during the period. It also includes the staff retirement funds of the above related parties / connected person. However, during the period no transactions took place with the the key management personnel during the period.

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. Sindh sales tax and FED on remuneration of the Management is disclosed in note 13.2. 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:

18.1 Transactions during the year

	2014	2013
	(Rupees in '000)	
<b>Pak Oman Asset Management Company Limited - Management Company of the Fund</b>		
Remuneration of the Management Company	<u>3,054</u>	<u>4,223</u>
<b>MCB Financial Services Limited - Trustee of the Fund</b>		
Remuneration of the Trustee	<u>155</u>	<u>168</u>
<b>Pak Oman Investment Company Limited - holding company of Management Company</b>		
Dividend paid	<u>20,360</u>	<u>11,680</u>

hmm

2014                      2013  
(Rupees in '000)

**Related parties of the Management Company**

**Pak Oman Asset Management Company Limited -  
Employees Provident Fund**

Bonus units issued - 11,458 (2013: nil)	<u>609</u>	<u>-</u>
Units issued - nil (2013: 59,780)	<u>-</u>	<u>3,306</u>
Units redeemed - 71,238 (2013: nil)	<u>4,125</u>	<u>-</u>
Gain on redemption earned by the investor	<u>950</u>	<u>-</u>

**Other connected persons - due to holding of more  
than 10% units**

**Fecto Cement Limited - Provident Fund Trust**

Units issued - nil (2013: 2,443,866)	<u>-</u>	<u>141,588</u>
Units redeemed - nil (2013: 2,443,866)	<u>-</u>	<u>143,297</u>
Gain on redemption earned by the investor	<u>-</u>	<u>1,709</u>

**18.2 Balances outstanding at the year end**

**Pak Oman Asset Management Company Limited -  
Management Company of the Fund**

Remuneration payable to the Management Company	<u>181</u>	<u>335</u>
Sales load payable	<u>218</u>	<u>218</u>

**MCB Financial Services Limited - Trustee  
of the Fund**

Remuneration payable to the Trustee	<u>10</u>	<u>26</u>
-------------------------------------	-----------	-----------

**Pak Oman Investment Company Limited - holding  
company of Management Company**

Units outstanding - 2,000,000 - 99% (2012: 2,000,000 - 99%)	<u>106,556</u>	<u>126,576</u>
Dividend payable	<u>18,144</u>	<u>-</u>

**Related parties of the Management Company**

**Pak Oman Asset Management Company Limited -  
Employees Provident Fund**

Units outstanding - nil (2013: 59,780)	<u>-</u>	<u>3,783</u>
--	----------	--------------

*km*

## 19. 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:

### 19.1 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.

*Henry*

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:

	2014		2013	
	Statement of assets and liabilities (Rupees in '000)	Maximum exposure	Statement of assets and liabilities (Rupees in '000)	Maximum exposure
Bank balances (including profit receivable)	86,606	86,606	60,737	60,737
Investments (including profit receivable)	34,026	14,107	63,882	9,924
Deposits and other receivables	8,281	8,281	26,889	26,889
	<u>128,913</u>	<u>108,994</u>	<u>151,508</u>	<u>97,550</u>

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investment in equity securities of Rs. 19.919 (2013: Rs. 53.958) million is not exposed to credit risk.

*Past due / impaired assets*

None of the financial assets of the Fund were past due or impaired as at 30 June 2014.

*Credit ratings and Collaterals*

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

Ratings	Bank balances (including profit due)	
	30 June 2014	30 June 2013
	(% of balance)	
AA	2.27	88.05
A	97.73	11.95
<b>Total</b>	<u>100</u>	<u>100</u>

Above ratings are on the basis of available ratings assigned by PACRA as of 30 June 2014.

(contd)

### *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 15.45% (2013: 35.61%) 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 2014		30 June 2013	
	Rs ('000)	(%)	Rs ('000)	(%)
Bank Balances including profit receivable	86,606	79.46	60,737	62.26
Cement	14,232	13.06	9,924	10.17
Power and electricity	50	0.05	-	-
Oil and Gas	57	0.05	-	-
Others (note 10)	8,050	7.39	26,889	27.56
	<u>108,995</u>	<u>100.00</u>	<u>97,550</u>	<u>100.00</u>

### *Settlement risk*

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## 19.2 Liquidity risk

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

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

### *Management of liquidity risk*

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

The Fund 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

*ham*

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.

<u>30 June 2014</u>	Carrying amount	Less than 1 month	Within 3 months	Total
	----- (Rupees) -----			
<i>Non-derivative liabilities (at amortised cost)</i>				
Remuneration payable to the Management Company	181	181	-	181
Remuneration payable to the Trustee	10	10	-	10
Annual fee payable to Securities and Exchange Commission of Pakistan	123	-	123	123
Accrued expenses and other liabilities (excluding WWF)	19,837	19,837	-	19,837
	<u>20,151</u>	<u>20,028</u>	<u>123</u>	<u>20,151</u>
Unit holders' fund	<u>106,844</u>	<u>106,844</u>	<u>-</u>	<u>106,844</u>
<u>30 June 2013</u>				
<i>Non-derivative liabilities (at amortised cost)</i>				
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
	<u>13,993</u>	<u>13,859</u>	<u>134</u>	<u>13,993</u>
Unit holders' fund	<u>135,973</u>	<u>135,973</u>	<u>-</u>	<u>135,973</u>

Above financial liabilities do not carry any mark-up.

*Handwritten signature*



### 19.3 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.

#### 19.3.1 Interest rate risk

19.3.1.1 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

19.3.1.2 At 30 June 2014, details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

	2014	2013
	(Rupees in '000)	
<b>Variable rate instruments</b>		
Bank balances - in profit and loss sharing accounts	86,101	60,236
Sukuk certificates - at fair value through profit or loss upon initial recognition	12,371	1,137
	<u>98,472</u>	<u>61,373</u>

#### *Cash flow Sensitivity analysis for variable rate instruments*

As at 30 June 2014, 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 2014, with all other variables remain constant, the net assets would be higher / lower by Rs. 0.492 million (2013: Rs. 0.307 million).

*Handwritten signature*

19.3.1.3 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 (Rupees in '000)	Total -----
<b>30 June 2013</b>				
<i>Assets</i>				
Bank balances	4.99 to 8.5	86,101	-	86,101
Investments	10.03 to 11.59	-	12,371	12,371
<b>Total assets</b>		<b>86,101</b>	<b>12,371</b>	<b>98,472</b>
<b>30 June 2013</b>				
<i>Assets</i>				
Bank balances	5 to 10.8	60,236	-	60,236
Investments	10.87 to 13.47	-	8,320	8,320
<b>Total assets</b>		<b>60,236</b>	<b>8,320</b>	<b>68,556</b>

None of the financial liabilities of the Fund are interest bearing.

### 19.3.2 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. At 30 June 2014, the Fund's exposure to the equity investments was as follows:

	2014 (Rupees in '000)	2013
Held for trading investments	<u>19,919</u>	<u>53,958</u>

In case of 50 basis point increase / decrease in market value on 30 June 2014, with all other variables remain constant, the net assets of the Fund would increase / decrease by Rs. 0.035 (2013: Rs. 0.345) 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 2014 is not necessarily indicative of the impact on the Fund's net assets of future movements in share prices.

### 19.4 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.

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.

#### **19.5 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.

#### **19.6 Fair value of financial instruments**

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

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

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

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

Level 3: Fair value measurements using inputs for the asset or liability that are not based on

<u>30 June 2014</u>	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<i>Financial assets at fair value through profit and loss</i>				
Equity Securities	19,919	-	-	19,919
Debt securities	-	12,371	-	12,371
	<u>19,919</u>	<u>12,371</u>	<u>-</u>	<u>32,290</u>

<u>30 June 2013</u>	Level 1	Level 2	Level 3	Total
<i>Financial assets at fair value through profit and loss</i>				
Equity Securities	53,958	-	-	53,958
Debt securities	-	1,137	7,183	8,320
	<u>53,958</u>	<u>1,137</u>	<u>7,183</u>	<u>62,278</u>

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.

	2014	2013
	(Rupees in '000)	
Opening balance	7,183	66,019
Redemption during the year	(2,000)	(2,000)
Sale during the year	-	(55,042)
Reversal of provision / (provision) made during the year	10,775	(1,794)
Unrealised loss on revaluation	(3,587)	-
Transferred from Level 3 to Level 2 during the year	(12,371)	-
Closing balance	<u>-</u>	<u>7,183</u>

## 20. SUPPLEMENTARY 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:

20.1	List of top ten brokers in order of percentage of commission	2014	2013
		(Percentage)	
	Rafi Securities (Private) Limited	12.33	9.54
	DJM Securities (Private) Limited	12.17	13.38
	Pearl Securities (Private) Limited	11.61	10.55
	Invest and Finance Securities Limited	11.20	6.06
	Taurus Securities Limited	11.17	8.11
	Foundation Securities (Private) Limited	9.78	8.92
	Adam Securities Limited	6.51	-
	Standard Capital (Private) Limited	5.48	5.18
	Arif Habib Securities Limited	5.16	8.14
	Maniar Financials	4.76	-

## 20.2 Performance table

	2014	2013	2012	2011	2010
Total net assets value - Rupees in '000	106,844	135,973	118,131	130,365	109,665
Net assets value per unit - Rupees	53.28	63.29	58.41	63.38	52.77
Net income for the year - Rupees in '000	18,527	23,026	12,443	24,096	2,341
Income distribution - Rupees in '000	18,186	21,872	11,812	22,892	2,341
Distribution per unit - Rupees	9.07	10.18	5.84	11.13	1.13
Selling price as at 30 June - Rupees	54.58	64.93	59.90	65.00	54.12
Repurchase price as at 30 June - Rupees	53.22	63.31	58.41	63.38	52.77
Highest selling price during the year - Rupees	-	66.19	60.69	65.49	56.63
Lowest repurchase price during the year - Rupees	54.39	51.60	52.10	50.61	49.39
	<b>Last five years</b>	<b>Last four years</b>	<b>Last three years</b>	<b>Last two years</b>	<b>Last one year</b>
<b>Average annual return of the Fund</b>	15.81%	10.95%	13.55%	14.02%	8.36%

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.

## 20.3 Unit holding pattern of the Fund

Category	No. of Unit Holders	Units held	Investment amount (Rupees in '000)	% of total
<b><u>30 June 2014</u></b>				
Individuals	26	5,402	288	0.27
Associated companies	1	2,000,000	106,556	99.73
	<b>27</b>	<b>2,005,402</b>	<b>106,844</b>	<b>100.00</b>
<b><u>30 June 2013</u></b>				
Individuals	26	88,699	4,722	4.13
Associated companies	2	2,059,780	109,647	95.87
	<b>28</b>	<b>2,148,479</b>	<b>114,368</b>	<b>100.00</b>

*Army*

*De*

20.4 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	13
Mr. Ahmed Nabeel	Chief Investment Advisor	MBA	23
Mr. Malik Faiz Rasool	Equity Trader	Intermediate	12

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

			30 June 2014									
Name of Directors	Designation	Meeting Attended	04 July 2012	21 October 2013	22 October 2013	14 November 2013	12 December 2013	25 February 2014	06 March 2014	31 March 2014	28 April 2014	26 June 2014
H. E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman	8	x	✓	✓	✓	✓	✓	✓	✓	✓	x
Agha Ahmed Shah, Esq.	Director	8	✓	x	x	✓	✓	✓	✓	✓	✓	✓
Mr. Humayun Murad	Director	8	✓	✓	✓	✓	✓	x	✓	✓	x	✓
Mr. Parveiz Usman	Director	3	✓	x	x	x	x	x	✓	✓	x	x
Mr. Sulaiman Hammad Al Harty	Director	5	x	x	x	✓	✓	✓	✓	✓	x	x
Mr. Ali Said Ali	Director	7	✓	✓	✓	x	✓	x	✓	x	✓	✓
Mr. Saif Said Salim Al Yazidi	Director	5	✓	✓	✓	x	x	✓	x	✓	x	x
Ms. Hina Ghazanfar	MD and CI	10	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
			6	5	5	5	6	5	7	7	4	4

The above directors were re elected in the Annual General meeting held on 14 November 2013 for a term of 3 years commencing from the date the meeting was held.

*kmv*

21. **RATING OF THE FUND AND THE MANAGEMENT COMPANY**

In accordance with criteria specified by the rating agency, the ranking of the Fund is 3-Star, as assigned by PACRA.

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

22. **DISTRIBUTIONS BY THE FUND**


The Board of Directors of the Management Company has approved distribution of Rs. 9.0720 per unit (on 27 June 2014) for the year ended 30 June 2014 amounting to Rs. 18.186 (2013: Rs. 21.87) million in total. These financial statements includes the effect of the above interim distribution as well as the final distribution for the year end 2013 which was approved and paid (as applicable) during the year.

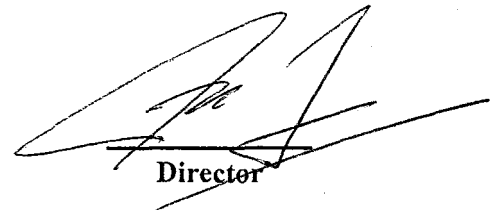
23. **GENERAL**

These financial statements were authorised for issue on 3<sup>rd</sup> SEP 2014 by the Board of Directors of the Management Company.

*Kenny*

**For Pak Oman Asset Management Company Limited  
(Management Company)**

  
**Chief Executive Officer**

  
**Director**