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Our Mission

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

Our Vision

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



FUND INFORMATION

MANAGEMENT COMPANY

Pak Oman Asset Management Company Limited
1st Floor, Tower 'A', Finance & Trade Center,
Shara-e-Faisal, Karachi -74400, Pakistan
Phone: (9221) 5631020-24
Fax: (9221) 5631025
Web site: www.pakomanfunds.com
E-mail: info@pakomanfunds.com

BOARD OF DIRECTOR OF THE MANAGEMENT COMPANY

H.E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman
Mr. Javed Mahmood	Director
Mr. Humayun Murad	Director
Mr. Zafar Iqbal	Director
Mr. Agha Ahmed Shah	Director
Mr. Sulaiman Hamad Al Harthy	Director
Mr. Ali Said Ali	Director
Major General Imtiaz Ahmed	Director
Mr. Parveiz Usman	Director
Ms. Hina Ghazanfar	MD & CEO

AUDIT COMMITTEE

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

HEAD OF FINANCE, OPERATION & COMPANY SECRETARY

Mr. Najm-ul- Hassan

TRUSTEE

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



AUDITORS

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

BANKERS TO THE FUND

Bank Al-Falah Ltd- Islamic Banking
Dubai Islamic Bank
Bank Islami Pakistan

SHARIAH ADVISER

Dr. Muhammad Imran Ashraf Usmani

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor
Beaumont Plaza, 6-cl-10
Beaumont Road, Civil Lines,
Karachi - 75530

TRANSFER AGENT

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



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage Islamic Fund (the Fund) is pleased to present the audited financial statements of the Fund for the period ended June 30, 2009.

ECONOMIC REVIEW

Overall, FY09 has been a year of missed targets for Pakistan's economy, particularly in the case of macroeconomic indicators. Provisional GDP growth came down to 2% at June end, from the initial forecast of 5.5%, and a revised 3.4%. The brunt of economic recession was borne by the manufacturing sector, with Large Scale Manufacturing (LSM) registering the steepest fall at -8.50%. As a whole, the manufacturing sector recorded a contraction of 3.3% due to multiple adverse factors however, the agricultural and services sector provided some much needed support with growth rates of 4.7% and 3.6%, respectively.

Inflation remained a stressful indicator this year, with inflationary levels surpassing 25% YoY in October 2008. The economic fuelling was backed by international energy and commodity hike instead of excess money supply – a fundamental reason why monetary tightening had lost all traction over 2QFY09 and 3QFY09. The central bank, nevertheless, endeavored to bring down core inflation to acceptable levels by increasing 300bps over the year, taking the discount rate to 15% in November 2008. As a result of sliding commodity prices and high policy rate over 2HFY09, inflation receded from its October high to 13.1% in June 2009, in turn resulting in yearly inflation (12-mth average) to the tune of 20.77%.

The second quarter proved to be a critical testing ground for Pakistan, as the country neared forex insolvency with reserves having touched a dangerously low level of USD6.6bn. Subsequently, Pakistan entered into IMF's USD7.6bn stand-by arrangement in November 2008. Out of the total facility, the country received USD3.95bn over FY09. Forex reserves ended the period at a sturdy USD12.27bn, boosted by an inflow of USD500mn from ADB on June 30, 2009 and recurring IMF tranches of USD848mn from the stand-by loan arrangement.

On a slightly positive note, fiscal deficit in FY09 amounted to 4.3% of GDP as against 7.4% in FY08, while the current account deficit dropped to USD8.86bn in FY09 from USD13.87bn in FY08 – a sharp decline of 36% YoY. The steep decline in current account resulted from high International commodity prices, which collectively reduced the demand for imported goods and led to a 16.54% YoY decline in the trade deficit – down to USD12.49bn in FY09 as against USD14.97bn in FY08. Foreign workers' remittances rose by 21.10% YoY in FY09 to stand at USD7.80bn, with the highest inflow of USD739mn recorded in March 2009.

The equity market experienced intricate movements during the year, eventually registering a decline of 43% YoY by plunging from 12,289.03 points to 7,162.80 points. Over 2HFY09, however, the KSE-100 Index documented an impressive growth of 22.12%, rising from a level of 5,865.01 points to 7,162.18 points. In May 2009, 12 companies listed on the Karachi Stock Exchange were re-included in the MSCI Frontier Index with a representation of 2.0-2.5%, after a prior exclusion due to market suspension. Although net foreign portfolio investment witnessed an outflow of USD423mn in FY09, an inflow of USD5.984mn was recorded in June 2009 after a hiatus of seven months. This indicates a revival of offshore investors' confidence and signals gradual inclination of international funds towards Pakistan as the equity market is trading at a 50% discount compared to its regional peers.

Budget FY10 marked the end of the previous fiscal year, with ambitiously high fiscal targets and despondently low economic forecasts. The budget focused largely on social relief measures and tax net expansions rather than provisions to revive the economic engine through sectoral resuscitation. The total budget outlay for the next fiscal year stands at PKR2,482.3bn (up by 23% YoY) with a revenue collection target of PKR2,026.7bn, tax collection target of PKR1,513.1bn, current expenditure target of PKR1,699.1bn and a development expenditure target of PKR783.1bn. Conversely, a dismal GDP growth of 3.3% has been forecasted for FY10.

OPERATING PERFORMANCE

The Fund during the period ended June 30, 2009, earned a total income of PKR20.51mn. The income for the period comprised mainly of profit on Sukuk certificate amounting to PKR4.26mn, gain on sale of investments of PKR8.71mn and profit earned on deposits with banks amounting to PKR7.74mn. The unrealized gain on investments at fair value through profit or loss and the provision against debt securities for the period were PKR2.46mn and PKR2.93mn respectively. After accounting for expenses of PKR5.25mn, the net income for the period was PKR15.24mn which translates into the gain of PKR5.42/unit outstanding as at June 30, 2009. The net assets of the fund as at June 30, 2009 were PKR155.77mn, resulting in a net asset value of PKR55.42/unit. The fund also declared a dividend of PKR4.2043/unit for the period ended October 30, 2008 to June 30, 2009.



FUTURE OUTLOOK

According to World Bank's global growth forecast, world economy is expected to shrink by 2.9% in CY09 and developing economies, including Pakistan, are to face the brunt of it in the form of declining investments and increasing poverty. SBP had cut the key policy rate by 100 bps in April 2009 and a further cut of 50 to 100 bps is expected in the upcoming monetary policy. This anticipated reduction in the key policy rate stems from the receding CPI, which reached a 16-month low in June 2009 to settle at 13.13%, lower than the current discount rate of 14%. The anticipated reduction in interest rate in the upcoming monetary policy is expected to provide considerable momentum to private sector credit off-take, ultimately leading to respite to the troubled manufacturing sector.

T-Bill rates and KIBOR are expected to hold steady for 1QFY10 on the back of uncertainty associated with external financing. In an event where financing does not materialize, the market will price-up the borrowing rates in anticipation of higher future government borrowing. A glimpse of this was visible in the sudden rise in borrowing figures during the last week of June, where a cautionary PKR493bn was borrowed through the central bank. Inflationary average for FY10 is expected to consolidate around 12-14%, Agricultural sector is forecasted to post a growth of 3.8% and LSM sector may also depict improved performance in FY10, owing to the low base effect.

INVESTMENT POLICY

Investment Policy of the Fund is stated in Clause 2.2 of the Offering Document. The Investment Policy of the Scheme is constructed to help ensure overall compliance with the investment objective stated above. The Investment Policy shall focus on selecting investments, executing transactions and constructing a portfolio to match the investment objective. The Investment Policy of the Scheme shall select instruments from within the specified Authorized Investments as stated in Clause 17.7 of the Offering Document

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

- These financial statements present fairly the state of affairs of the Fund, the result of its operations, cash flows and changes in equity.
- The Fund maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Karachi Stock Exchange (KSE) listing regulations.
- The Board has formulated a Statement of Ethics and Business Practices which has been signed by existing directors and employees of the management company.
- The Directors, CEO, CFO and Company Secretary of the Management Company including their spouse and minor children do not hold any interest in the shares of the Company other than those disclosed in the financial statements.
- Pattern of units holding is given on note 19 of the financial statements.
- Key financial data for the year ended June 30, 2009 is given in note 25 of the financial statements.



Board Meetings

During the period five board meetings were held. The details of the attendance by each director in the board meetings are given below:

Name	Designation	Dates of board of directors meetings and directors present therein				
		July 7, 2008	August 20, 2008	October 26, 2008	February 12, 2009	April 16, 2009
H. E. Yahya Bin Said Bin Abdullah AlJabri	Chairman	✓	✓	✓	✓	✓
Mr. Zafar Iqbal*	Director	✗	✓	✓	✓	✓
Mr. Javed Mahmood	Director	✓	✓	✓	✓	✓
Mr. Sulaiman Hammad Al Harty	Director	✓	✓	✗	✗	✓
Mr. Ali Said Ali	Director	✗	✓	✗	✓	✓
Mr. Humayun Murad*	Director	N/A	N/A	N/A	N/A	N/A
Mr. Agha Ahmed Shah*	Director	N/A	N/A	N/A	N/A	N/A
Maj. General Imtiaz Ahmed**	Director	N/A	N/A	N/A	N/A	N/A
Mr. Parveiz Usman**	Director	N/A	N/A	N/A	N/A	N/A
Mr. Akbar Habib*	Director	✗	✗	N/A	N/A	N/A
Mr. Zaigham Hasan Shah*	Director	✗	✗	N/A	N/A	N/A
Mr. Saeed-ur-Rahman**	Director	✓	✓	✗	N/A	N/A
Brig. Shahjahan Ali Khan, Esq.**	Director	✗	✓	N/A	N/A	N/A
Ms. Hina Ghazanfar	MD & CEO	✓	✓	✓	✓	✓

*Mr. Humayun Murad and Mr. Agha Ahmed Shah were nominated on January 6, 2009 and March 12, 2009 respectively in place of Mr. Akbar Habib and Mr. Zafar Iqbal and were appointed as directors after SECP's approval on May 18, 2009. Further, Mr. Zafar Iqbal was nominated on April 7, 2009 in place of Mr. Zaigham Hasan Shah.

*Mr. Parveiz Usman and Maj. General Imtiaz Ahmed were nominated on October 12, 2008 and August 22, 2008 respectively in place of Mr. Saeed-ur-Rahman and Brig. Shahjahan Ali Khan, Esq. and were appointed as directors after SECP's approval on May 29, 2009.

RE-APPOINTMENT OF AUDITORS

The present auditors M/s A.F. Ferguson & Co. Chartered Accountants, retired and being eligible, offered themselves for re-appointment. The Audit Committee of the Management Company in its meeting held on August 18, 2009 recommended and the Board of Directors in their meeting held on August 18, 2009 approved their re-appointment as auditors for the year ending June 30, 2010.

MUTUAL FUND RATING

The Fund was launched on October 30, 2008 and as per the criteria specified by the PACRA, the performance rating is assigned after a period of at least one year.

JCR-VIS has maintained the Management Quality Rating of 'AM3+' to the Management Company that denotes the company's good management quality and strong capacity to manage the risks inherent in asset management and that the asset manager meets high investment management industry standards and benchmarks.

ACKNOWLEDGEMENT

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

August 18, 2009
Karachi, Pakistan

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



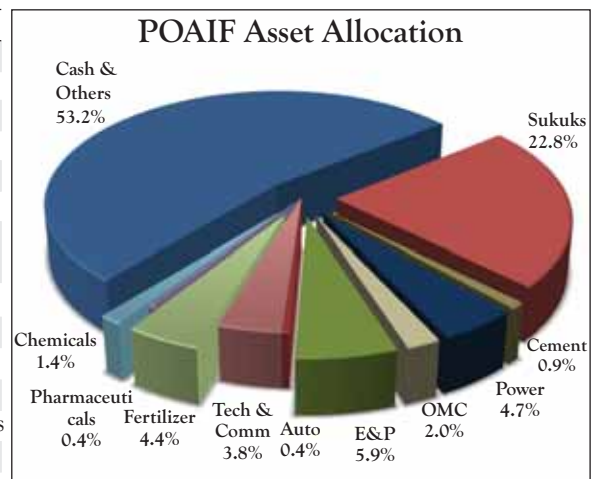
REPORT OF THE FUND MANAGERS OF THE MANAGEMENT COMPANY

Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage Islamic Fund (the Fund) is pleased to present the Fund Manager's Report of the Fund for the period ended from October 30, 2008 to June 30, 2009.

Investment Objective

The investment objective of POAIF is to generate long term capital appreciation and income from a diversified portfolio developed in consistence with the principles of Shariah.

Terms and Structure	
Type of Scheme	Open – End Fund
Nature of Scheme	Shariah Compliant Asset Allocation
Inception Date	Oct 30 th , 2008
Face Value	PKR 50 per Unit
Fund Size	PKR155.77mn
NAV (Jun 30 th , 2009)	PKR 55.42 per Unit
Benchmark	50% 1-month average deposit rate of 4 Islamic banks + 50% DJIMPK
Listing	KSE (Guaranteed) Limited
Trustee	CDC Pakistan Limited
Shariah Advisor	Dr. Mohammad Imran Ashraf Usmani
Shariah Collaborator	Meezan Bank Limited
Auditor	A. F. Fergusons & Co. Chartered Accountants
Legal Advisor	Bawaney & Partners
Transfer Agent	Gangjees Registrar Services (Pvt.) Limited
Management Fee	3.00% p.a.
AMC Rating	AM3+ by JCR – VIS
Fund Manager	Mr. Shoaib Ali Khan



POAIF Performance

Yield since inception	16.28%
Year to date return (FY09)	16.28%
Risk free rate (3M T-Bill)*	12.78%
Sharpe Ratio	0.3281

*Based on average FY09 3M T-Bill cutoff yield

FUND REVIEW

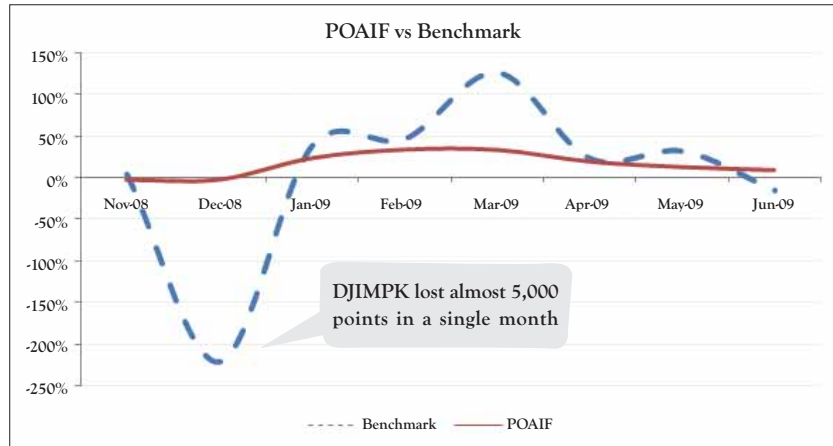
FY09 has been nothing short of an anomaly where the self-proclaimed true practitioners of capitalism tore apart its most significant principal of free market economy. On one hand where the so-called developed economies announced heavy bucket stimulus packages, the developing world resorted to programs of multilateral agencies and pledges from other nations. Similar was the case of Pakistan as it eventually entered the IMF program in November 2008 succumbing to the relentless pressure on USD/PKR parity, accelerated surge in imports and unprecedented increase in inflation.

Talking from the international perspective, Dow Jones Islamic Indices across the globe witnessed a steep fall in FY09. Factually speaking, the DJIM Asia/Pacific Index plunged by 25.22%, the DJIM China Offshore Index decreased by 12.35% and the DJIM GCC Index slipped by 51.80% in FY09. However, it was during the same period, Pak Oman Advantage Islamic Fund generated a stable 16.28% annualized return as against a benchmark return of -7.73% (Average one month profit rates of benchmarked Islamic banks was 7.8% and the return of DJIMPK was -15.53% for the period under review). The fund reported a Sharpe ratio of 0.3263 as it provided its investors with a return greater than that of the risk free rate. In addition, POAIF has also declared a dividend of PKR 4.2043 per unit which is 8.41% of its par value and is amongst the highest in its category.



PAK OMAN ADVANTAGE ISLAMIC FUND

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



Going forward, we expect things to stabilize and financial markets to consolidate. However, all is contingent upon IMF's stance on Pakistan's request of additional assistance and the release of its third tranche. We appreciate the trust you have placed in our expertise to manage your investments and look forward to have you by our side for many years to come.

July 22, 2009
Karachi.

Shoab Ali Khan
Head of Equity



REPORT OF THE SHARIAH ADVISOR

Karachi
18 Sha'aban, 1430 A.H / August 10, 2009

In the capacity of being the Shariah Advisor of POAIF, we have prescribed five criteria for Shariah compliance of equity investments which relate to (i) Nature of Business, (ii) Interest based debt to total assets, (iii) Illiquid assets to total assets, (iv) investment in non-Shariah compliant activities and income from non-compliant investments, and (v) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure shariah compliance with the prescribed Shariah 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 inquires from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of investments of POAIF in the light of Shariah requirements. The following is a list of investments of POAIF as on June 30, 2009 and thier evaluation according to the screening criteria established by us. (The Latest accounts of the Investee companies available as on March 31, 2009 have been used for the following calculation):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) Illiquid Assets to Total Assets (>20%)	(iv)		(v) Net Liquid Assets vs. Share Price (B>A)	
				Non-Compliant Income to Gross Revenue (<5%)	% of Non-Shariah Compliant investments (<33%)	Net Liquid Assets per Share (A)	Share Price (B)
Fauji Fertilizer Co.Ltd.	Manufacturer of Fertilizers	34.40%	71%	1.17%	2.50%	<53.86>	87
Glaxo Smith Kline	Manufacturer of Pharmaceuticals	0%	53%	1.19%	2.93%	10.67	93.8
Hub Power Co. Ltd.	Power Generation & Distribution	19.29%	52%	0.05%	0.88%	<8.38>	20.62
ICI Pakistan Co. Ltd.	Manufacturer of Chemicals	1.06%	73%	0.1%	0.01%	<2.78>	96.18
Lucky Cement Co. Ltd.	Manufacturer of Cement	32.83%	89%	0%	0%	<36.73>	49.39
Oil & Gas Development Co. Ltd.	Exploration and Production of Oil & Gas	0%	54%	2.37%	4.77%	5.59	71.3
Pakistan Oilfields Ltd.	Exploration and Production of Oil & Gas	0%	68%	4.89%	4.74%	14.40	102.49
Pakistan Petroleum Ltd.	Exploration and Production of Oil & Gas	.15%	57%	4%	1.91%	9.99	171.66
Pakistan Telecommunication Co. Ltd.	Telecom	6.28%	70%	3.42%	0%	<6.98>	16.6
Pak Suzuki Motor Co. Ltd.	Automobile Assembler	1.53%	72%	1.54%	0%	27.8	69
Pakistan State Oil Co. Ltd.	Oil & Gas Marketing Company	15.23%	37%	0%	0%	<162.66>	194
Sitara Chemicals	Manufacturer of Chemicals	0%	78%	0.06%	0%	<195.08>	171

* All interest based debts



In light of the above, we hereby certify that all the provisions of the Scheme and investment in equities made on account of POAIF by Pak Oman Asset Management Company are Shariah compliant and in accordance with the criteria established by us.

- ii. On the basis of information provided by the management, all operations of POAIF for the period ended June 30, 2009 have been in compliance with the Shariah principles.
- iii. There are few investments made by POAIF in which the 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 our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Dr. Muhammad Imran Ashraf Usmani
Shariah Advisor

Ahmed Ali Siddqui - EVP,
Farhan-ul-Haq Usmani - AVP
For and on behalf of Meezan Bank Limited
Shariah Technical Services & Support Providers



**TRUSTEE REPORT TO THE UNIT HOLDERS
PAKOMAN ADVANTAGE ISLAMIC FUND**

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

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

In our opinion, the Management Company has in all material respects managed the Fund during the period ended October 30, 2008 to June 30, 2009 in accordance with the provisions of the following:

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

September 15, 2009
Karachi.

Muhammad Hanif
Chief Executive Office
Central Depository Company of Pakistan Limited



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

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

1. The management company encourages representation of non-executive directors. All the directors except the MD & CEO are non-executive directors.
2. The existing directors have confirmed that none of them is serving as a director in more than ten listed companies, including the management company.
3. All the existing resident directors of the management company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFIs, or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year. However, nomination of five directors changed during the period.
5. The board has formulated a Statement of Ethics and Business Practices which has been signed by the existing directors and employees of the management company.
6. The board of the management company has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. The investment policy of the Fund has been disclosed in the offering document while other significant policies & procedures manuals have also been being approved by the Board and adopted by the management company.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the MD & CEO of the management company, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The management company, managing the Fund, has arranged an orientation course for its directors in the current year to apprise them of their duties and responsibilities and the requirements of the code of corporate governance.
10. The Board has approved the appointment of the Head of Finance and Company Secretary, of the management company and his terms of employment.
11. The directors' report relating to the Fund, for the year ended June 30, 2009 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 MD & CEO and the CFO of the management company before approval by the Board.
13. There is no interest of MD & CEO and Directors in the Units of the fund.
14. The management company has complied with all the applicable corporate and financial reporting requirements of the code.
15. The Board has an audit committee. It comprises of four non-executive directors of the management company as its members including chairman of the audit committee.



PAK OMAN ADVANTAGE ISLAMIC FUND

16. The meetings of the audit committee were held once in every quarter prior to the approval of final results of the Fund and as required by the Code. The terms of reference of the audit committee have been framed and approved by the Board of the management company and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function and personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The related party transactions entered during the year ended June 30, 2009 have been placed before the audit committee and approved by the board of directors in their respective meetings held on February 12, 2009 and August 18, 2009 instead of each of their meetings held since January 19, 2009.
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 shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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. We confirm that all other material principles contained in the Code have been complied with.

August 18, 2009
Karachi.

Hina Ghazanfar
MD & CEO



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

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

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

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

Further, Sub-Regulation (xiii a) of Listing Regulation 37 (now Listing Regulation 35) notified by the Karachi Stock Exchange (Gurantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required to check the approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee which were done in their meetings held on February 12 and August 18, 2009. 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 status of the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period October 30, 2008 to June 30, 2009.

September 18, 2009
Karachi.

A.F. Ferguson & Co.
Chartered Accountants



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS

We have audited accompanying financial statements of Pak Oman Advantage Islamic Fund, which comprise the statement of assets and liabilities as at June 20, 2009, and the related income statement, distribution statement, statement of movement in unitholders' fund and cash flow statement for the period October 30, 2008 to June 30, 2009 and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2009 and of its financial performance, cash flow and transactions for the period October 30, 2008 to June 30, 2009 in accordance with the requirements of the approved accounting standards as applicable in Pakistan.

Other Matters

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

September 18, 2009
Karachi.

A.F. Ferguson & Co.
Chartered Accountants



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

We have performed our independent assurance engagement of Pak Oman Advantage Islamic Fund (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by Shariah Advisor of the Fund for the period October 30, 2008 to June 30, 2009.

Management Company's responsibility

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

Responsibility of independent assurance providers

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

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

Conclusion

In our opinion, the Fund was, in all material respect, in compliance with the Shariah guidelines issued by the Shariah Advisor of the Fund for the period October 30, 2008 to June 30, 2009.

September 18, 2009
Karachi.

A.F. Ferguson & Co.
Chartered Accountants



STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2009

	Note	2009 (Rupees in '000)
Assets		
Balances with banks	6	77,196
Investments	7	74,032
Receivable against sale of investments		2,155
Dividend and profit receivable	8	1,183
Deposits	9	2,600
Preliminary expenses and floatation cost	10	1,160
Total assets		<u>158,326</u>
Liabilities		
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	11	1,858
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	12	61
Payable to Securities and Exchange Commission of Pakistan	13	95
Accrued expenses and other liabilities	14	539
Total liabilities		<u>2,553</u>
Net assets		<u><u>155,773</u></u>
Unitholders' fund (as per statement attached)		<u><u>155,773</u></u>
		(Units)
Number of units in issue		<u><u>2,810,732</u></u>
		(Rupees)
Net asset value per unit		<u><u>55.42</u></u>

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

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



INCOME STATEMENT
FOR THE PERIOD OCTOBER 30, 2008 TO JUNE 30, 2009

	Note	For the period October 30, 2008 to June 30, 2009 (Rupees in '000)
Income		
Profit on deposit accounts with banks		7,743
Profit on sukuk certificates		4,261
Income from sale of investments		8,706
Dividend Income		256
Other Income		2
		<u>20,968</u>
Unrealised gain on investments		2,462
Provision against non-performing debt security		(2,925)
		<u>(463)</u>
Total income		<u>20,505</u>
Expenses		
Remuneration to Pak Oman Asset Management Company Limited - Management Company of the Fund		2,983
Remuneration to Central Depository Company of Pakistan Limited - Trustee of the Fund		468
Securities and Exchange Commission of Pakistan - annual fee		95
Auditors' remuneration	16	446
Fees and subscription		30
Amortisation of preliminary expenses and floatation cost	10	290
Brokerage		800
Bank, settlement and other charges		134
Total expenses		<u>5,246</u>
Element of loss included in prices of units sold less those in units redeemed		(22)
Net income		<u><u>15,237</u></u>

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

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



DISTRIBUTION STATEMENT
FOR THE PERIOD OCTOBER 30, 2008 TO JUNE 30, 2009

	For the period October 30, 2008 to June 30, 2009 (Rupees in '000)
Net income for the period	15,237
Undistributed income carried forward	<u>15,237</u>
Undistributed income carried forward:	
- Realised income	15,700
- Unrealised loss	(463)
	<u>15,237</u>

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

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE PERIOD OCTOBER 30, 2008 TO JUNE 30, 2009

For the period
October 30, 2008
to June 30, 2009
(Rupees in '000)

Issue of 2,910,732 units	145,587
Redemption of 100,000 units	<u>(5,073)</u>
	140,514
Element of loss included in prices of units sold less those in units redeemed	22
Net income for the period	15,237
Net assets at the end of the period	<u><u>155,773</u></u>
	(Rupees)
Net asset value per unit	<u><u>55.42</u></u>

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

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



CASH FLOW STATEMENT
FOR THE PERIOD OCTOBER 30, 2008 TO JUNE 30, 2009

	Note	For the period October 30, 2008 to June 30, 2009 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income		15,237
Adjustments for non-cash items and other items		
Profit on deposit accounts with banks		(7,743)
Profit on sukuk certificates		(4,261)
Income from sale of investments		(8,706)
Dividend Income		(256)
Unrealised gain on investments		(2,462)
Provision against non-performing debt security		2,925
Amortisation of preliminary expenses and floatation cost		290
Element of loss included in prices of units sold less those in units redeemed		22
		<u>(4,954)</u>
Increase in assets		
Investments (net)		(74,495)
Receivable against sale of investments		(2,155)
Dividend Receivable (on cum div investment)		(108)
Deposits		(2,600)
Preliminary expenses and floatation cost		(1,450)
		<u>(80,808)</u>
Increase in liabilities		
Payable to Pak Oman Asset Management Company Limited		1,858
Payable to Central Depository Company of Pakistan Limited		61
Payable to Securities and Exchange Commission of Pakistan		95
Accrued expenses and other liabilities		539
		<u>2,553</u>
Dividend received		99
Profit received on deposit accounts with banks		7,075
Profit received (net) on sukuk certificates		4,011
Income received from sale of investments		8,706
Cash outflows from operating activities		<u>19,891</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net of payments and receipts against issue and redemption of units		140,514
Net increase in cash and cash equivalents during the period and its balance at the end of the period	6	<u><u>77,196</u></u>

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

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



NOTE TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD OCTOBER 30, 2008 TO JUNE 30, 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pak Oman Advantage Islamic 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 and Central Depository Company of Pakistan Limited (CDC) as the trustee. The Trust Deed was executed on June 2, 2008 and was approved for execution by the Securities and Exchange Commission of Pakistan (the SECP) on July 29, 2008 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations 2007). On November 21, 2007, NBFC Regulations 2007 were notified which are now superceded by the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations 2008) issued through S.R.O. 1203(I)/2008 on November 21, 2008. The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company. The registered office of the Management Company is situated at First Floor, Tower A, Finance and Trade Centre, Sharah-e-Faisal, Karachi.
- 1.2 The Fund is a shariah compliant open-end fund listed on the Karachi Stock Exchange and was launched on October 30, 2008. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unitholders.
- 1.3 The Fund's investments comprise of shariah compliant income securities, so as to ensure a riba-free return on investments. All investments of the Funds are as per the guidelines of the shariah principles provided by the Shariah Advisor of the Fund, Dr. Imran Ashraf Usmani, and comprise of the investments permissible as 'Authorised Investments' under the Trust Deed. The portfolio of the Fund as at June 30, 2009 consists primarily of investment in equity and income securities which are subject to market fluctuations and risks inherent in all such investments.
- 1.4 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

2. BASIS OF PRESENTATION AND ACCOUNTING CONVENTION

These financial statements are presented in Pakistani Rupees which is the functional currency of the Fund and the figures have been rounded off to the nearest thousand Rupees. These financial statements have been prepared under the historical cost convention, except for certain investments classified as 'at fair value through profit or loss' are carried at fair value in accordance with the criteria laid down in the International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah Advisor are accounted for on substance rather than the form prescribed by the earlier referred guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

3. STATEMENT OF COMPLIANCE

- 3.1 These are the first financial statements of the Fund, therefore, there are no corresponding figures.
- 3.2 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the said directives take precedence.
- 3.3 Standard and interpretations effective from July 1, 2008:

IFRS 7, 'Financial instruments: Disclosures' introduces new disclosures (note 18) relating to financial instruments and does not have any impact on the classification and valuation of the Fund's financial instruments.

Certain interpretations to the approved accounting standards were mandatory for accounting periods beginning on or before July 1, 2008 but were considered not to be relevant or did not have any significant effect to the Fund's operations and are therefore not



detailed in these financial statements.

3.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

Certain interpretations and other amendments to the approved accounting standards are mandatory for the Fund's accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or did not have any significant effect to the Fund's operations and are therefore not detailed in these financial statements.

4. USE OF ESTIMATES AND JUDGEMENTS

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

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

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

- (a) Classification and valuation of financial instruments (note 5.1 and 7)
- (b) Recognition of provision for current and deferred taxation (note 5.7)
- (c) Amortisation of preliminary expenses and floatation cost (note 5.8)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Financial instruments

5.1.1 Classification

The Fund classifies its financial assets in the following categories:

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

- Financial assets 'held-for-trading'

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

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

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

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

- (b) Held to maturity

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

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



(c) Loans and receivables

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

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

(d) Available for sale

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

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

5.1.2 Recognition

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

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

5.1.3 Measurement

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

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

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

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

5.1.4 Fair value measurement principles

The fair value of debt securities and derivatives were determined as follows:

- Based on their prices quoted by Mutual Funds Association of Pakistan (MUFAP) during the period from July 1, 2008 upto November 4, 2008.
- The SECP through its circular No. 26/2008 dated November 5, 2008 has directed that for valuation of debt securities a fixed discount rate be applied on the face value of the securities based on the security / entity rating. Accordingly, subsequent to the date of the circular No. 26/2008 upto January 9, 2009 valuation of debt securities was based on the discounted value.
- Effective January 10, 2009 the carrying value of debt securities is based on the value determined and announced by MUFAP in accordance with the criteria laid down in circular No. 1/2009 dated January 6, 2009 (the circular) issued by the SECP.

The fair value of equity securities is based on the prices quoted by the relevant stock exchanges.



5.1.5 Impairment

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

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

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under the circular issued by the SECP. The management may also make provision against debt securities over and above the minimum provision requirements prescribed in the aforesaid circular, in accordance with the provisioning policy approved by the board of directors.

5.1.6 Derecognition

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

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

5.2 Derivatives

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

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

5.3 Issue and redemption of units

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

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

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

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

5.5 Provisions

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



5.6 Net asset value per unit

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

5.7 Taxation

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

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

5.8 Preliminary expenses and floatation cost

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

5.9 Distribution and appropriation

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

5.10 Offsetting of financial assets and liabilities

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

5.11 Zakat

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

5.12 Revenue recognition

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



5.13 Expenses

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

5.14 Cash and cash equivalents

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

	Note	2009 (Rs '000)
6. BALANCES WITH BANKS		
Balances with banks - Deposit accounts		<u>77,196</u>
7. INVESTMENTS		
'Financial assets at fair value through profit or loss'		
- Upon Initial Recognition		
- Sukuk certificates	7.1	36,120
- Held for Trading		
- Shares of listed companies	7.3	<u>37,912</u>
		<u>74,032</u>

7.1 Sukuk certificates

Name of the investee company	Maturity	Profit rate	Purchases during the period	Sales / redemption during the period	As at June 30, 2009	Amortised Cost as at June 30, 2009	Fair value as at June 30, 2009 (see note 5.1.4)	Percentage of total investments
			-----Number of certificates-----		---Rupees in '000---			
Maple Leaf Cement Factory Limited - secured	December 3, 2013	6 months KIBOR plus base rate of 1.7%	4,000	-	4,000	17,518	18,002	24.32
Kohat Cement Company Limited (see note 7.2) - secured	June 20, 2013	3 months KIBOR plus base rate of 1.8%	2,000	-	2,000	9,679	9,660 *	9.09
Pak Elektron Limited - secured	September 28, 2012	3 months KIBOR plus base rate of 1.75%	2,500	-	2,500	9,956	11,383	15.38
						<u>37,153</u>	<u>39,045</u>	<u>48.79</u>
Less: Provision against sukuk certificate of Kohat Cement Company Limited							(2,925)	
							<u>36,120</u>	

* This represents cost of the sukuk certificate before making provision in accordance with the requirements of the circular.



7.2 On December 20, 2008 i.e. the scheduled redemption date, accrued profit aggregating Rs 0.727 million alongwith the principal repayment of Rs 340 per certificate (aggregating Rs 0.680 million) was not received by the Fund. However, such accrued profit has been received subsequent thereto. In accordance with the requirements of the circular the accrual of mark-up has been suspended and the income has only been recognised to the extent of mark-up actually realized upto June 30, 2009.

During the year the repayment terms of the sukuk were restructured through a supplemental trust deed dated May 11, 2009 through which the maturity date has been extended upto June 20, 2013 from June 20, 2012. Effective December 20, 2009 the repayment schedule has been revised from semi-annual payments to quarterly payments which will be based on a base rate of 3 months KIBOR.

Subsequent to June 30, 2009 the Fund has received coupon amounting to Rs 0.421 million being the installment amount receivable upto the period June 20, 2009 which has been recognised as income in the subsequent accounting period.

These sukuk certificates are secured against the present and future fixed assets of Kohat Cement Company Limited in accordance with the sukuk issue arrangement.

7.3 Shares of listed companies

Name of the investee company	Purchases during the period	Bouns issue	Sales during the period	As at June 30, 2009	Cost as at June 30, 2009	Market value as at June 30, 2009	Percentage of total investments
	Number of shares			Rupees in '000			
Commercial Bank							
Bank Islami Pakistan Limited	25,000	-	25,000	-	-	-	-
Textile composite							
Nishat Mills Limited	100,000	-	100,000	-	-	-	-
Cement							
D.G. Khan Cement Company Limited	350,000	-	350,000	-	-	-	-
Lucky Cement Company Limited	325,000	-	300,000	25,000	1,531	1,463	1.98
	675,000	-	650,000	25,000	1,531	1,463	1.98
Refinery							
Attock Refinery Limited	20,000	-	20,000	-	-	-	-
Power generation and distribution							
Hub Power Company Limited	800,000	-	525,000	275,000	7,086	7,450	10.06
Oil and gas marketing companies							
Pakistan State Oil Company Limited	85,000	-	70,000	15,000	3,105	3,205	4.33
Shell Pakistan Limited	5,000	-	5,000	-	-	-	-
Sui Northern Gas Pipelines Limited	50,000	-	50,000	-	-	-	-
Sui Southern Gas Company Limited	50,000	-	50,000	-	-	-	-
	190,000	-	175,000	15,000	3,105	3,205	4.33
Oil and gas exploraion companies							
Oil and Gas Development Company Limited	675,000	-	635,000	40,000	3,014	3,146	4.25
Pakistan Petroleum Limited	125,000	-	100,000	25,000	4,657	4,739	6.40
Pakistan Oilfields Limited	190,000	-	180,000	10,000	1,491	1,459	1.97
	990,000	-	915,000	75,000	9,162	9,344	12.62
Automobile assembler							
Pak Suzuki Motor Company Limited	10,000	-	-	10,000	700	679	0.92
Tehnology and communication							
Pakistan Telecommunication Company Limited	755,000	-	405,000	350,000	6,079	6,034	8.15



PAK OMAN ADVANTAGE ISLAMIC FUND

Fertilizer

Engro Chemicals Pakistan Limited	62,600	-	62,600	-	-	-	-
Fauji Fertilizer Company Limited	280,000	10,000	210,000	80,000	6,986	6,956	9.40
	342,600	10,000	272,600	80,000	6,986	6,956	9.40

Pharmaceuticals

Glaxo Smith Kline Pakistan Limited	5,000	-	-	5,000	625	599	0.81
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Chemical

I.C.I Pakistan Limited	109,700	-	99,700	10,000	1,449	1,402	1.89
Sitara Chemical Limited	5,000	-	-	5,000	619	780	1.05
	114,700	-	99,700	15,000	2,068	2,182	2.94

Paper and board

Packages Limited	10,000	-	10,000	-	-	-	-
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Miscellaneous

Tri-Pack Films Limited	10,000	-	10,000	-	-	-	-
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	850,000	37,342	37,912	51.21
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7.4 Following securities have been pledged with National Clearing Company of Pakistan Limited. Their carrying values and number of securities pledged as at June 30, 2009 are as follows:

	No. of Securities	Carrying Values Rs.
Fauji Fertilizer Company Limited	25,000	2,173,750
The Hub Power Company Limited	250,000	6,772,500
Pakistan Telecommunication Company Limited	100,000	1,724,000
	<u>375,000</u>	<u>10,670,250</u>

8. DIVIDEND AND PROFIT RECEIVABLE

	2009 (Rupees in '000)
Dividend receivable	265
Profit receivable on sukuk certificates	250
Profit receivable on deposit accounts with banks	668
	<u>1,183</u>

9. DEPOSITS

Security deposits with Central Depository Company of Pakistan Limited	100
Margin deposit with National Clearing Company of Pakistan Limited	2,500
	<u>2,600</u>

10. PRELIMINARY EXPENSES AND FLOATATION COST

Preliminary expenses and floatation cost	1,450
Less: amortisation for the period	(290)
	<u>1,160</u>



PAK OMAN ADVANTAGE ISLAMIC FUND

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

Remuneration - note 11.1	408
Preliminary expenses and floatation cost	1,450
	<u>1,858</u>

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

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

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

13. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents proportionate annual fee at a rate of 0.095% of the average annual net assets of the Fund payable to the SECP under regulation 62 of the NBFC Regulations 2008.

2009
(Rupees in '000)

14. ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	325
Others	214
	<u>539</u>

15. CLASSES OF UNITS IN ISSUE

15.1 The Fund has issued the following classes of units:

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

15.2 As per the Trust Deed dated June 2, 2008, Management Company of the Fund may issue the following classes of units:

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

15.3 The units in issue as at June 30, 2009 in each class and their par values were as follows:



PAK OMAN ADVANTAGE ISLAMIC FUND

Class	2009	
	Number of units in issue	(Rupees in '000)
A		
- Growth units	2,000,000	100,000
- Income units	-	-
B		
- Growth units	800,000	40,000
- Income units	-	-
C		
- Growth units	10,732	537
- Income units	-	-
Total	<u>2,810,732</u>	<u>140,537</u>

The par value of each unit is Rs 50. The Management Company of the Fund has set a minimum initial investment limit of Rs 5,000. All units carry equal rights and are entitled to dividends and payment of net asset value on liquidation.

16. AUDITORS' REMUNERATION

	For the period October 30, 2008 to June 30, 2009 (Rupees in '000)
Annual audit fee	200
Half year review fee	100
Others	125
Out of pocket expenses	21
	<u>446</u>

17. TRANSACTIONS WITH CONNECTED PERSONS

The connected persons include Pak Oman Asset Management Company Limited being the Management company, Central Depository Company of Pakistan Limited being the Trustee, Pak Oman Investment Company Limited (core investor) being the Holding Company of the Management Company, The Bank of Azad Jammu and Kashmir and The Bank of Punjab being the holders of more than ten percent of the units of the Fund outstanding as on June 30, 2009, executives of the Management Company and other funds being managed by the Management Company.

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

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

	2009	
	(Units)	(Rupees in '000)
Units sold to:		
Pak Oman Investment Company Limited	2,000,000	100,000
The Bank of Azad Jammu and Kashmir	300,000	15,000
The Bank of Punjab	500,000	25,000
Executives	6,208	348



PAK OMAN ADVANTAGE ISLAMIC FUND

	(Units)	(Rupees in '000)
Units redeemed by:		
Executives	914	50
Units outstanding as at June 30, 2009:		
Pak Oman Investment Company Limited	2,000,000	110,840
The Bank of Azad Jammu and Kashmir	300,000	16,626
The Bank of Punjab	500,000	27,710
Executives	5,294	293
Pak Oman Asset Management Company Limited - Management Company of the Fund		
Remuneration for the period		2,983
Preliminary expenses and floatation cost		1,450
		<u>4,433</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the period		468
CDS charges		17
		<u>485</u>
POBOP Advantage Plus Fund- fund managed by the same management company		
Purchase of sukuk certificates		<u>10,548</u>
Pak Oman Advantage Fund - fund managed by the same management company		
Purchase of sukuk certificates		<u>21,353</u>

The status of outstanding balances with connected persons as at June 30, 2009 is stated in 'Statement of assets and liabilities'

18. RISK MANAGEMENT

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

18.1 Market risk

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

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

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



18.1.1 Currency risk

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

18.1.2 Interest rate risk

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

- Fair value sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing sukuks certificates that expose the Fund to cash flow interest rate risk. In case of 50 basis points increase/ decrease in KIBOR on June 30, 2009, with all other variables held constant, the net assets of the Fund would have been higher/ lower by Rs 0.087 million.

The composition of the Fund's investment portfolio and KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

18.1.3 Other price risk

Other price risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. Presently, the Fund's other price risk is represented by equity price risk. In case of 50 basis point increase / decrease in market value on June 30, 2009, with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 0.182 million. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical beta relationship with Karachi Stock Exchange 100 Index.

The composition of the Fund's investment portfolio of shares and its beta relationship with Karachi Stock Exchange 100 Index are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the impact on the Fund's net assets of future movements in share prices.

18.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of reverse repurchase transactions and receivable against continuous funding system or other arrangements, to fulfill their obligations. The risk is generally limited to principal amounts and accrued interest thereon, if any.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee and Shariah Advisor. In addition, the risk is managed through assignment of credit limits, obtaining adequate collaterals and by following strict credit evaluation criteria laid down by the management. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit quality of the Fund's performing investment in sukuk certificates as at June 30, 2009:

Debt securities by rating	Percentage of total debt investments
A	81.35

Moreover, the analysis of the the credit quality of the bank balances maintained by the Fund are as follows:

Bank balances by rating	Percentage of total balances with banks
A - 1 +	99.16
A - 2	0.84



18.2.1 The maximum exposure to credit risk before any credit enhancements as at June 30, 2009 is the carrying amount of the financial assets as set out in note 18.6.

18.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentration of credit risk.

18.4 Liquidity risk

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

The maximum amount of borrowing available to the Fund is restricted by the NBFC Regulations 2008 to fifteen percent of the net assets upto 90 days and should be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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

	2009 Total (Upto three months) (Rupees in '000)
Financial liabilities	
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	1,858
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	61
Accrued expenses and other liabilities	539
	<u>2,458</u>

18.5 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximate to their fair value.

18.6 Financial instruments by category



PAK OMAN ADVANTAGE ISLAMIC FUND

	2009			Total
	Loans and receivables	Financial assets at fair value through profit or loss	Financial liabilities measured at amortised cost	
(Rupees in '000)				
On balance sheet - financial assets				
Assets as per balance sheet				
Balances with banks	77,196	-	-	77,196
Investments		74,032	-	74,032
Receivable against sale of investments	2,155	-	-	2,155
Dividend and Profit receivable	1,183	-	-	1,183
Deposits	2,600	-	-	2,600
	<u>83,134</u>	<u>74,032</u>	<u>-</u>	<u>157,166</u>
On balance sheet - financial liabilities				
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	-	-	1,858	1,858
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	-	-	61	61
Accrued expenses and other liabilities	-	-	539	539
	<u>-</u>	<u>-</u>	<u>2,458</u>	<u>2,458</u>

19. UNIT HOLDING PATTERN OF THE FUND

Category	2009		
	No. of unitholders	Investment (Rupees '000)	Percentage of total investments
Individuals	3	597	0.38
Associated companies /directors	3	155,176	99.62
	<u>6</u>	<u>155,773</u>	<u>100.00</u>

20. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION

DJM Securities (Private) Limited
 Javed Omer Vohra and Company Ltd
 Pearl Securities (Private) Limited
 JS Global Capital Limited
 KASB Securities Limited
 IGI Finex Securities (Private) Limited
 Foundation Securities (Private) Limited
 Arif Habib Securities Limited
 Invisor Securities (Private) Limited
 Nael Capital (Private) Limited



21. DETAILS OF MEMBERS OF BOARD INVESTMENT COMMITTEE

Members	Qualification	Experience
Mr. Ali Said Ali (Chairman)	MBA & B.Sc. Mechanical	22 years
Mr. Zafar Iqbal	FCA	20 years
Mr. Sulaiman Hammad Al Harty	MBA	20 years
Mr. Agha Ahmed Shah	MBA	25 years

22. DETAILS OF FUND MANAGER

Name	Qualification	Funds managed
Mr. Shoaib Ali Khan	MBA	Pak Oman Advantage Islamic Fund Pak Oman Advantage Stock Fund

23. DETAILS OF ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Name	Designation	Dates of board of directors meetings and directors present therein	
		February 12, 2009	April 16, 2009
H. E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman	✓	✓
Mr. Zafar Iqbal*	Director	✓	✓
Mr. Javed Mahmood	Director	✓	✓
Mr. Sulaiman Hammad Al Harty	Director	x	✓
Mr. Ali Said Ali	Director	✓	✓
Mr. Humayun Murad*	Director	N/A	N/A
Mr. Agha Ahmed Shah*	Director	N/A	N/A
Maj. General Imtiaz Ahmed**	Director	N/A	N/A
Mr. Parveiz Usman**	Director	N/A	N/A
Mr. Akbar Habib*	Director	N/A	N/A
Mr. Zaigham Hasan Shah*	Director	N/A	N/A
Mr. Saeed-ur-Rahman**	Director	N/A	N/A
Brig. Shahjahan Ali Khan, Esq.**	Director	N/A	N/A
Ms. Hina Ghazanfar	MD & CEO	✓	✓

*Mr. Humayun Murad and Mr. Agha Ahmed Shah were nominated on January 6, 2009 and March 12, 2009 respectively in place of Mr. Akbar Habib and Mr. Zafar Iqbal and were appointed as directors after SECP's approval on May 18, 2009. Further, Mr. Zafar Iqbal was nominated on April 7, 2009 in place of Mr. Zaigham Hasan Shah.

*Mr. Parveiz Usman and Maj. General Imtiaz Ahmed were nominated on October 12, 2008 and August 22, 2008 respectively in place of Mr. Saeed-ur-Rahman and Brig. Shahjahan Ali Khan, Esq. and were appointed as directors after SECP's approval on May 29, 2009.

24. RATING OF THE FUND AND THE MANAGEMENT COMPANY

In accordance with criteria specified by the rating agency the rating of the Fund shall be analysed after a period of atleast one year.

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

25. PERFORMANCE TABLE

	2009
Net assets as at period end (Rupees in '000)	155,773
Net asset value per unit as at period end (Rupees)	55.42
Selling price per unit as at period end (Rupees)	56.84
Repurchase price per unit as at period end (Rupees)	55.42
Highest selling price per unit during the period (Rupees)	56.95
Lowest selling price per unit during the period (Rupees)	49.61



PAK OMAN ADVANTAGE ISLAMIC FUND

Highest repurchase price per unit during the period (Rupees)	55.53
Lowest repurchase price per unit during the period (Rupees)	49.61
Return of the fund annualised	16.22%
Growth distribution (Rupees in '000)	11,817
Distribution per unit (Rupees)	4.2043
Distribution date	July 6, 2009
	One year
Average annual return (%) as at period end	16.22%

Investment portfolio composition of the Fund

	Rs '000	Percentage of total investments
Shares		
- Cement	1,463	1.98
- Power generation and distribution	7,450	10.06
- Oil and gas marketing companies	3,205	4.33
- Oil and gas exploration companies	9,344	12.62
- Automobile assembler	679	0.92
- Technology and communication	6,034	8.15
- Fertilizer	6,956	9.40
- Pharmaceuticals	599	0.81
- Chemicals	2,182	2.94
	<u>37,912</u>	<u>51.21</u>
Sukuk certificates		
- Cement	24,737	33.41
- Cable and electrical goods	11,383	15.38
	<u>36,120</u>	<u>48.79</u>

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

26. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on July 6, 2009 has approved distribution of Rs 4.2043 per unit for the period ended June 30, 2009 aggregating to Rs 11.817 million.

27. CAPITAL RISK MANAGEMENT

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

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

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

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on August 18, 2009 by the board of directors of the Management Company.

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director