

## CONTENTS

Mission & Vision Statement	02
Fund Information	03
Report of the Directors of the Management Company	05
Report of the Fund Managers of the Management Company	09
Report of the Trustee	10
Statement of Compliance with the Best Practices of the Code of Corporate Governance	11
Review Report to the Certificate holders of Pak Oman Advantage Fund on the Statement of Compliance with the Best Practices of Code of Corporate Governance	13
Independent Auditors' Report to the Certificate holders	14
Statement of Assets and Liabilities	15
Income Statement	16
Distribution Statement	17
Statement of change in Equity and Reserve per Certificates	18
Cash Flow Statement	19
Statement of movement in Equity And Reserve per Certificate	20
Notes to the Financial Statements	21
Pattern of Certificate Holding	44
Categories of Certificate Holders	45
Pattern of Certificate Holding as per requirements of Code of Corporate Governance	46
Statement of Income and Expenditure of Management Company in relation to the Fund	47



# Our Mission

---

*“To provide KIBOR linked floating rate returns to investors with limited investment tenure on a very low risk basis”.*

# Our Vision

---

*“POAF aims to provide a return based on very low risk profile that suits conservative investors who aim to preserve the principal and earn over the normal bank rate of return”.*



## 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**

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

**BANKER TO THE FUND**

Bank Al-Falah Ltd  
The Bank of Punjab

**LEGAL ADVISER**

Mohsin Tayebaly & Co.  
2nd Floor, Dime Center, BC-4, Block 9  
KDA Scheme 5, Clifton, Karachi.  
Phone: (9221) 5375658-9

**TRANSFER AGENT**

THK Associated (Pvt) Ltd.  
Ground Floor, State Life Building -3  
Dr. Ziauddin Ahmed Road,  
Karachi-75530  
Phone: (9221) 111-000-322



## 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 Fund (the Fund) is pleased to present the audited financial statements of the Fund for the year 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 including falling aggregate demand, soaring raw material costs, power outages, high cost of borrowing, low investments and PKR depreciation. Conversely, 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%. Core inflation, on the other hand, reflected a less significant retrenchment, falling by 300bps from 18.9% in November 2008 to 15.9% in June 2009.

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. Thus far, Pakistan has achieved all essential IMF prescribed targets that serve as prerequisites for financial assistance tranches. 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 fall in current account deficit is attributed to heavy regulatory duties imposed on many import items, high interest rates and high prices of commodities due to high international oil prices. This 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.

Following a steep decline in credit growth and falling economic activity, SBP reduced the benchmark discount rate by 100 bps to 14% in its monetary policy held on April 20, 2009. Till June 2009, SBP's cumulative lending to the government stood at PKR1,152bn against the targeted PKR1,181bn – within limit by PKR29bn. Moreover, Net Domestic Assets (NDA) were maintained at PKR1,232bn against the IMF prescribed limit of PKR1,412bn. Net Foreign Assets consolidated above the floor of USD2,782mn to stand at USD3,497mn. In light of meeting the prescribed targets, the third IMF tranche of USD848mn and additional financing of USD4bn requested by Pakistan will be considered for approval in August 2009.

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.



## Annual Report 2009

### OPERATING PERFORMANCE

The Fund during the year ended June 30, 2009, earned a total income of PKR126.46mn. The income for the period comprised mainly of profit on Sukuk and TFCs amounting to PKR136.57mn, profit on commercial papers amounting to PKR1.99mn, profit on placements with financial institutions amounting to PKR0.48mn, loss on sale of investments of PKR13.14mn and profit earned on deposits with banks amounting to PKR14.69mn. The unrealized loss on investments at fair value through profit or loss and the provision against debt securities for the period were PKR14.26mn and PKR1.46mn respectively. After accounting for expenses of PKR18.28mn, the net income for the period was PKR106.72mn which translates into the gain of PKR1.07/certificate outstanding as at June 30, 2009. The net assets of the fund as at June 30, 2009 were PKR1,083.66mn, resulting in a net asset value of PKR10.84/certificate. The fund also declared a dividend of PKR0.9605/certificate for the year ended from July 1, 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 for 1QFY10. 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. The recent instability observed in Pak Rupee, on the contrary, bodes ill for manufacturing concerns involved in imports; and the economy by extension. The local currency lost 1.12% of its value against the greenback over Apr-Jun 2009, and the transference of oil import financing to commercial banks instead of the central bank leads to a presumption that a further plunge worth 4-5% is in the offing.

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%, despite central bank's forecast to the tune of 8-9%. The anticipated disparity stems from high energy prices and subsidy phase-outs across the economy. 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. All the economic positives that are being anticipated are subject to the timely fulfillment of external fund pledges, effective corporate governance and the improvement in law and order situation within the country, for which the government seems to be making commendable efforts.

### 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 2.3 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 certificates holding is given on page 46 of the Annual report (which includes the holding of 500 certificates by Mr. Humayun Murad - Director).
- Key financial data for the year ended June 30, 2009 is given in note 22.7 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 Al-Jabri	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.



## Annual Report 2009

### 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 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 has been reaffirmed AA- (Double A minus) Fund stability rating by PACRA which reflect the moderate degree of stability and returns at moderate risk level. However, 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



Pak Oman Advantage Fund



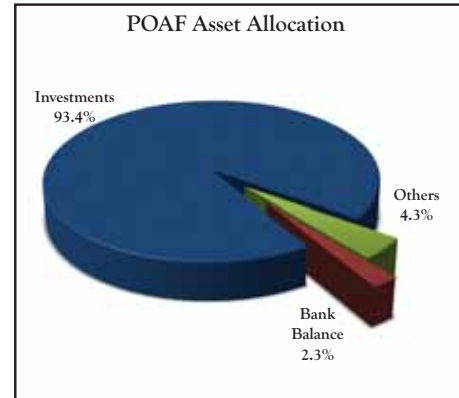
## REPORT OF THE FUND MANAGERS OF THE MANAGEMENT COMPANY

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

### Terms and Structure

Type of Scheme	Closed – End Fund
Nature of Scheme	Fixed Income
Inception Date	May 10 <sup>th</sup> , 2007
Face Value	PKR 10 per Certificate
Fund Size	PKR1bn
NAV (Jun 30th, 2009)	PKR 10.84 per Unit
Benchmark	3 – Month KIBOR
Duration	8 Years
Fund Stability Rating	AA- (f) by JCR – VIS
AMC Rating	AM3+ by JCR – VIS
Listing	KSE (Guaranteed) Limited
KSE Symbol	POAF
Trustee	CDC Pakistan Limited
Auditor	KPMG Taseer Hadi & Co., Chartered Accountant
Legal Advisor	Mohsin Tayebaly & Co.
Registrar	THK Associates (Pvt.) Limited
Management Fee	1.25% p.a.
Fund Manager	Mr. Nabeel Malik

### POAIF Asset Allocation



### POAIF Performance

Yield since inception	9.13 %
Year to date return (FY09)	5.76 %
Risk free rate (3M T-Bill)*	12.78%
Sharpe Ratio	(0.1751)

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

### Fund Review

FY09 was a memorable year for the global financial system with multiple economies resorting to government stimulus packages to spur productivity and a few desperate ones filing for programs with multilateral agencies to navigate this doom cycle. Domestically, things were no different. In fact, it seems that the trickled effect has been compounded with the political uncertainty and soaring twin deficits which are exclusive to us. Consequently, equity bourses sank, borrowing and lending rates towered to new heights and the rupee depreciated sharply against the dollar.

Operating in such hostile conditions, Pak Oman Advantage Fund generated an annualized return of 5.76% during the year under review. The return underperformed due to the fact that it had been invested heavily in TFCs, especially in the Banking sector TFCs, as required by the investment structure of the fund. This heavy reliance on TFCs caused adverse revaluation impact due to the SECP circular to mark down the TFC prices by 5% - 25%, despite the fact that the TFCs we had invested in are of a very decent quality with high coupon rates. However this mark down of prices also provided us with an opportunity to explore the market and make new investments at dirt cheap prices as the industry was going through a crisis and asset prices touched an all time low. This strategy paid off well and the fund generated a return of approx 34% after it had witnessed the mark down impact as per the SECP circular. Going forward we intend to further strengthen the asset quality of the fund and expect the fund to generate decent returns for its investors. The Fund, as always, will endeavor to outperform the competition and provide a stable stream of attractive returns. We look forward to your continued support and patronage.

July 22, 2009  
Karachi.

Nabeel Malik  
Head of Fixed Income



Pak Oman Advantage Fund

## TRUSTEE REPORT TO THE CERTIFICATE HOLDERS PAKOMAN ADVANTAGE 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 Fund (the Fund), a closed-end fund was established under a trust deed dated February 12, 2007, executed between Pak Oman Asset Management Company Limited as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 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; and
- (ii) 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 19, 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 Advantaeg Fund (the Fund). The Fund being a closed 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 certificates 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 NBFI 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 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. The Interest of MD & CEO and Directors in the certificates of the fund is disclosed in the pattern of certificate holding.



## Annual Report 2009

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.
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 along with their basis and approved by the Board of Directors in their respective meetings.
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 certificates 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 CERTIFICATE HOLDERS OF PAK OMAN ADVANTAGE FUND ON THE STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Management Company of the Pak Oman Advantage Fund to comply with the Listing Regulations No. 37 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 Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

Further, Sub – Regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on the terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were 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.

August 18, 2009  
Karachi.

KPMG Taseer Hadi & Co.  
Chartered Accountants



## INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of Pak Oman Advantage Fund ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2009, and the income statement, distribution statement, cash flow statement, statement of changes in equity and statement of movements in equity and reserves 'per certificate' for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of 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.

### 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 the auditors' 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2009, and of its financial performance, cash flows and transactions for the year then ended in accordance with 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, 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

August 18, 2009  
Karachi.

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Aryn Pirani



## STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2009

	<i>Note</i>	30 June 2009	30 June 2008
(Rupees in '000)			
<b>Assets</b>			
Bank balances	4	25,386	229,595
Investments	5	1,019,328	833,058
Profit receivable	6	40,510	27,620
Deposits, prepayment and other receivable	7	2,800	28,765
Preliminary expenses and floatation costs	8	3,248	4,872
<b>Total assets</b>		<b>1,091,272</b>	<b>1,123,910</b>
<b>Liabilities</b>			
Payable to the Management Company	9	6,024	7,639
Remuneration payable to the Trustee	10	114	112
Annual fee payable to Securities and Exchange Commission of Pakistan	11	891	1,077
Dividend payable		223	-
Accrued expenses and other liabilities	12	362	362
<b>Total liabilities</b>		<b>7,614</b>	<b>9,190</b>
<b>Net assets</b>		<b>1,083,658</b>	<b>1,114,720</b>
<b>Issued, subscribed and paid-up capital</b>			
100,000,000 ordinary certificates of Rs. 10 each issued as fully paid-up in cash (2008: 100,000,000 certificates of Rs.10 each)		1,000,000	1,000,000
<b>Revenue Reserves</b>			
(Diminution) / surplus on revaluation of investments classified as available for sale		(36,810)	10,970
Unappropriated income		120,468	103,750
<b>Total Certificate Holders' Fund</b>		<b>1,083,658</b>	<b>1,114,720</b>
<b>Net Assets Value per Certificate</b>	19	<b>10.84</b>	<b>11.15</b>

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

For Pak Oman Asset Management Company Limited  
(Management Company)

Chief Executive

Director



Pak Oman Advantage Fund

## INCOME STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2009

	Note	30 June 2009	30 June 2008
(Rupees in '000)			
<b>Income</b>			
Net (loss) / gain from sale of marketable securities	13	<b>(13,140)</b>	2,415
Income from transactions under continuous funding system		-	328
Profit on term finance certificates	14	<b>136,565</b>	87,381
Profit on commercial papers		<b>1,990</b>	6,807
Profit on deposit accounts with banks		<b>14,687</b>	19,582
Profit on placements with financial institutions		<b>480</b>	1,756
Other income		<b>144</b>	-
		<b>140,726</b>	118,269
Unrealised (loss) / appreciation in fair value of marketable securities "at fair value through profit or loss"	5.1 - 5.4	<b>(14,262)</b>	1,952
<b>Total income</b>		<b>126,464</b>	120,221
<b>Expenses</b>			
Remuneration of the Management Company	9	<b>13,342</b>	13,464
Remuneration of the Trustee	10	<b>1,328</b>	1,230
Annual fee to Securities and Exchange Commission of Pakistan	11	<b>891</b>	1,077
Auditors' remuneration	15	<b>416</b>	410
Fees and subscription		<b>175</b>	120
Amortisation of preliminary expenses and floatation costs		<b>1,624</b>	1,624
Transaction cost		<b>108</b>	191
Bank and settlement charges		<b>190</b>	127
Provision on investments		<b>1,463</b>	-
Other expenses		<b>209</b>	35
		<b>19,746</b>	18,278
<b>Net income for the year</b>		<b>106,718</b>	101,943
(Rupees)			
<b>Basic and diluted earnings per certificate</b>	16	<b>1.07</b>	1.02

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

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

Chief Executive

Director



Pak Oman Advantage Fund



## DISTRIBUTION STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2009

	30 June 2009	30 June 2008
	(Rupees in '000)	
Undistributed income at beginning of the year (realised)	<b>76,393</b>	22,636
Undistributed income at beginning of the year (un-realised)	<b>27,357</b>	671
	<b>103,750</b>	23,307
Final cash dividend @ Re. 0.90 for the year ended 30 June 2008 (2007: Final cash dividend @ Re. 0.215)	<b>(90,000)</b>	(21,500)
Net income for the year ended 30 June 2009 and 30 June 2008, respectively	<b>106,718</b>	101,943
<b>Undistributed income at the end of the year</b>	<b>120,468</b>	103,750
Undistributed income at the end of the year (realised)	<b>133,826</b>	76,393
Undistributed income at the end of the year (un-realised)	<b>(13,358)</b>	27,357
	<b>120,468</b>	103,750

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

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

Chief Executive

Director



Pak Oman Advantage Fund

**STATEMENT OF CHANGE IN EQUITY AND  
RESERVE PER CERTIFICATES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Issued, subscribed and paid up capital	Unappropriated income	(Diminution) / surplus on revaluation of Investments classified as available for sale	Total
------(Rupees in '000)-----				
<b>Balance as at 01 July 2007</b>	1,000,000	23,307	3,366	1,026,673
<i>Changes in equity for the year ended 30 June 2008</i>				
Final cash dividend @ Re. 0.215 for the year ended 30 June 2007	-	(21,500)	-	(21,500)
Income for the year	-	101,943	-	101,943
Unrealized gain on remeasurement of available-for-sale investments - net (recognised directly in equity)	-	-	7,604	7,604
Total recognised income and expense for the year	-	101,943	7,604	109,547
<b>Balance as at 30 June 2008</b>	<u>1,000,000</u>	<u>103,750</u>	<u>10,970</u>	<u>1,114,720</u>
<i>Changes in equity for the year ended 30 June 2009</i>				
Final cash dividend @ Re. 0.90 for the year ended 30 June 2008	-	(90,000)	-	(90,000)
Income for the year	-	106,718	-	106,718
Unrealized loss on remeasurement of available-for-sale investments - net (recognised directly in equity)	-	-	(47,715)	(47,715)
Total recognised income and expense for the year	-	106,718	(47,715)	59,003
<b>Balance as at 30 June 2009</b>	<u>1,000,000</u>	<u>120,468</u>	<u>(36,745)</u>	<u>1,083,723</u>

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

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

Chief Executive

Director



Pak Oman Advantage Fund

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2009

	<i>Note</i>	30 June 2009	30 June 2008
		(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		<b>106,718</b>	101,943
<b>Adjustments for:</b>			
Income from transactions under continuous funding system		-	(328)
Profit on term finance certificates		<b>(136,565)</b>	(87,381)
Profit on commercial papers		<b>(1,990)</b>	(6,807)
Profit on deposit accounts with banks		<b>(14,687)</b>	(19,582)
Profit on placements with financial institutions		<b>(480)</b>	(1,756)
Unrealised (loss) / appreciation in fair value of marketable securities "at fair value through profit or loss"		<b>14,262</b>	(1,952)
Provision against Investments		<b>1,463</b>	-
Amortisation of preliminary expenses and floatation costs		<b>1,624</b>	1,624
		<b>(29,655)</b>	(14,239)
<b>(Increase) / decrease in assets</b>			
Investments		<b>(249,775)</b>	(176,349)
Receivable against continuous funding system		-	124,835
Deposits, prepayment and other receivable		<b>25,965</b>	(27,565)
Preliminary expenses and floatation cost		-	-
		<b>(223,810)</b>	(79,079)
<b>Increase / (decrease) in liabilities</b>			
Payable to the Management Company		<b>(1,615)</b>	(2,313)
Remuneration payable to the Trustee		<b>2</b>	(54)
Payable to Securities and Exchange Commission of Pakistan		<b>(186)</b>	930
Dividend payable		<b>223</b>	-
Accrued expenses and other liabilities		-	68
		<b>(1,576)</b>	(1,369)
		<b>(255,041)</b>	(94,687)
Income received on continuous funding system		-	1,100
Profit received on term finance certificates		<b>120,248</b>	80,616
Profit received on deposit accounts with banks		<b>17,085</b>	18,928
Profit received on commercial papers		<b>1,990</b>	6,807
Profit received on placement with financial institutions		<b>1,509</b>	727
		<b>(114,209)</b>	13,491
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		<b>(90,000)</b>	(21,500)
Net cash flows from financing activities		<b>(90,000)</b>	(21,500)
		<b>(204,209)</b>	(8,009)
Net decrease in cash and cash equivalents during the year		<b>(204,209)</b>	(8,009)
Cash and cash equivalents at the beginning of the year		<b>229,595</b>	237,604
		<b>(204,209)</b>	(8,009)
Cash and cash equivalents at the end of the year	4	<b>25,386</b>	229,595

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

Chief Executive

For Pak Oman Asset Management Company Limited  
(Management Company)

Director



Pak Oman Advantage Fund

**STATEMENT OF MOVEMENT IN EQUITY  
AND RESERVE PER CERTIFICATE  
FOR THE YEAR ENDED JUNE 30, 2009**

	30 June 2009	30 June 2008
	(Rupees)	
Net assets per certificate at the beginning of the year	11.148	10.267
Gain on sale of investments	(0.131)	0.024
Income from continuous funding system	-	0.003
Profit on term finance certificates	1.366	0.874
Profit on commercial papers	0.020	0.068
Profit on deposit accounts with banks	0.147	0.196
Profit on placements with financial institutions	0.005	0.018
Other Income	0.001	-
Unrealised appreciation in fair value of investments "at fair value through profit or loss"	(0.143)	0.020
Other net operating expenses	(0.197)	(0.183)
Net income for the period	1.068	1.020
Unrealised appreciation in fair value of investments classified as available-for-sale financial assets	(0.478)	0.076
Final cash dividend @ Re. 0.90 for the year ended 30 June 2008 (2007: Final cash dividend @ Re. 0.215)	(0.900)	(0.215)
Net assets value per certificate at the end of the year	10.84	11.15

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

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

Chief Executive

Director



Pak Oman Advantage Fund

## NOTES OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pak Oman Advantage Fund (the Fund) was established as a closed-end scheme under a Trust Deed executed between Pak Oman Asset Management Company Limited (POAMCL) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 12 February 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 16 March 2007 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). These rules were amended by the Securities and Exchange Commission of Pakistan (SECP) through SRO No. 1131(I)/2007 and issued Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) through SRO No. 1132(I)/2007 dated 21 November 2007. Later, these regulations were amended by SECP through SRO No. 1203(I)/2008 dated 21 November 2008. The Fund has been approved as a notified entity by the Securities and Exchange Commission of Pakistan (SECP) on 22 January 2009. The registered office of the Management Company is situated at First Floor, Tower A', Finance and Trade Centre (FTC), Sharah-e-Faisal, Karachi, Pakistan. The Fund's certificates are listed on the Karachi Stock Exchange.
- 1.2 The investment objective of the Fund is to provide low risk fixed income returns to investors by investing in instruments that carry minimal credit, liquidity and price risks. The Fund has a limited life of 8 years after which it will be wound up; any investment made in the Fund will therefore mature within this period. The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under NBFC Rules and Regulations.
- 1.3 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as a trustee of the Fund.

### 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, requirements of Trust Deed, 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, the requirements of the Trust Deed and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investments classified as available-for-sale and "at fair value through profit or loss upon initial recognition", which are carried at fair value.



### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the functional and presentation currency of the Fund and rounded to the nearest rupees.

### 2.4 Initial application of a standard or an interpretation

The following standards, amendments and interpretations became effective during the current year: IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard did not have any impact on the Fund's financial statements other than increase in disclosures.

IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Fund does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not have any effect on the Fund's financial statements.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not have any effect on the Fund's financial statements.

IFRIC 14 IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation has no effect on Fund's financial statements for the year ended 30 June 2009.

#### *Standards, Interpretations and Amendments not yet effective*

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than increase in disclosures in certain cases:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009)

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009)

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)



## Annual Report 2009

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009)

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvement project. The effective dates for these amendments vary by standard and most will be applicable to the Fund's 2010 financial statements.

Amendments to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009)

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009)

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010)

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009)

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009)

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting

IFRIC 15-Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009)

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)

IFRIC-17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009)

IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009)

### 2.5 Critical accounting 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 asset. 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:

#### **Investment stated at fair value**

Management has determined fair value of investments by using the prices quoted by Mutual Fund Association of Pakistan. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

In respect of impairment refer note 3.9.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of accounting policies are set out below.

These policies have been applied consistently to all periods presented.

#### **3.1 Financial instruments**

##### **3.1.1 Classification**

The Fund has classified its investments into financial instruments at fair value through profit or loss and available-for-sale categories:

- i) The category of financial assets 'at fair value through profit or loss' comprises of investments designated as at fair value through profit or loss upon initial recognition.

An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

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





### 3.1.2 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.

### 3.1.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, transaction costs that are directly attributable acquisition costs except in case of a financial asset or financial liability 'at fair value through profit or loss', which are recognised at fair value. Transaction costs on financial assets and financial liabilities 'at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and available-for-sale financial assets' are measured at fair value except for unlisted instruments that are valued at cost / amortised cost or break up value, whichever is lower, in accordance with the requirements of NBFC Rules. 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 financial instruments classified as 'available-for-sale' are recognised in the certificate holders fund until derecognised or impaired. At that time the accumulated fair value adjustments, recognised in certificate holder fund are included in the Income Statement. Amortization of premium and discount on the acquisition of investments is carried out at the effective yield method.

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

### 3.1.4 Basis of valuation of investments

Term Finance Certificates (TFCs), Sukuk certificates and Commercial Papers are valued on the basis of period end rates quoted by the Mutual Fund Association of Pakistan (MUFAP).

Provision against non-performing debt securities is made on accordance with the provisioning criteria prescribed by the Securities and Exchange Commission of Pakistan and the Fund's provision criteria discussed in note 3.10 below.

### 3.1.5 Derecognition

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

The Fund uses the weighted average method to determine the cost of assets derecognised and realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.



### 3.2 Provisions

A provision is recognised in the balance sheet when the Fund has a legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 3.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. In accordance with the Trust Deed approved by the Securities and Exchange Commission of Pakistan, these costs are being amortised over a period of five years commencing from May 10, 2007.

### 3.4 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 securities classified as 'at fair value through profit or loss' are included in the Income Statement in the period in which these arise.
- Income from continuous funding system, clean placements, bank deposits and investments in debt and government securities are recognised at rate of return implicit in the instrument on a time proportionate basis.

### 3.5 Expenses

All expenses, including Management Company fee and custodian fee, are recognised in the Income Statement on an accrual basis.

### 3.6 Offsetting financial instruments

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 asset and settle the liability simultaneously.

### 3.7 Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments 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.

### 3.8 Dividend and bonus certificates

Dividends declared (including distribution in the form of bonus certificates) subsequent to the balance sheet date are considered as a non-adjusting event and are recognised in the period in which they are authorised or approved.



### 3.9 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment for investments in debt securities is determined in accordance with the provisioning criteria for non performing debt securities specified by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular no. 1 of 2009 dated 06 January 2009 and the provisioning criteria / policy for non performing exposures approved by the Board of Directors of the management company in accordance with the requirements of SECP vide its Circular no. 13 of 2009 dated 4 May 2009. Amount of impairment is the higher of the amount determined under the above provisioning criterias.

As per the policy, the debt security will be further provided, in addition to the minimum criteria defined in the circular and the provisioning policy, if any singly even and / or together with the group of events in relation to the financial assets and the investee institution, materially corroborates the objective evidence of the . continuity of non performance then the fund may make additional provisioning. The provision criteria for restructured issue would be the same as per the normal provisioning criteria.

In respect of other financial assets, assessment of impairment is carried out at each balance sheet date to determine whether there is any objective evidence of impairment. It is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. 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. All impairment losses are recognised in profit and loss account.

4. BANK BALANCES - Local Currency		30 June 2009	30 June 2008
		(Rupees in '000)	
In Profit / Loss Sharing accounts	4.1	25,319	229,308
In Current account		67	287
		<u>25,386</u>	<u>229,595</u>

4.1 These represent deposits receivable on demand carrying interest rate 2.5% (2008: 2.5%).

### 5. INVESTMENTS

#### At fair value through profit or loss

Listed debt securities	5.1	353,769	131,727
Unlisted debt securities	5.2	38,240	25,000
Listed Sukuk certificates	5.3	59,266	-
Unlisted Sukuk certificates	5.4	23,650	-
Commercial Papers		-	48,010

#### Available-for-sale

Listed debt securities	5.5	538,218	619,571
Unlisted debt securities	5.6	6,185	8,750
		<u>1,019,328</u>	<u>833,058</u>



## 5.1 At fair value through profit or loss (listed debt securities)

Quoted (Refer Note 5.8)	Note	Opening balance as at 01 July 2008	Acquired during the year	Matured / disposed during the year	As at 30 June 2009	Carrying value as at 30 June 2009 (before revaluation)	Market value as at 30 June 2009 (carrying value)	Appreciation / (diminution)	Credit rating	Market value as percentage of net assets	Market value as percentage of total investment	
		Number of Certificates				(Rupees in '000)				Percentage (%)		
<b>Term finance certificates</b>												
<b>Commercial Banks</b>												
Allied Bank Limited - I	5.1.1	5,000	4,000	8,000	1,000	5,096	4,834	(262)	AA-	0.45	0.47	
Askari Bank Limited - II	5.1.2	1,194	7,205	-	8,399	41,319	40,077	(1,242)	AA-	3.70	3.93	
United Bank Limited - II	5.1.3	3,900	2,000	-	5,900	23,925	24,885	960	AA	2.30	2.44	
United Bank Limited - I	5.1.4	4,000	3,000	-	7,000	30,562	30,213	(349)	AA	2.79	2.96	
Bank Al-Habib Limited - II	5.1.5	-	5,000	-	5,000	24,855	23,879	(976)	AA	2.20	2.34	
Bank Alfalah Limited - III	5.1.6	2,600	4,000	-	6,600	32,916	31,667	(1,249)	AA-	2.92	3.11	
Bank Alfalah Limited - II	5.1.7	-	4,100	-	4,100	19,796	19,957	161	AA-	1.84	1.96	
The Royal Bank Of Scotland Limited	5.1.8	-	2,971	-	2,971	14,572	14,651	79	AA-	1.35	1.44	
NIB Bank Limited	5.1.9	-	25,000	6,100	18,900	94,056	87,321	(6,735)	A	8.06	8.57	
Soneri Bank	5.1.10	-	5,000	-	5,000	24,398	24,097	(301)	A+	2.22	2.36	
<b>Technology and Communication</b>												
World Call Telecom Limited	5.1.11	-	2,250	-	2,250	9,842	10,705	863	A	0.99	1.05	
<b>Miscellaneous</b>												
PACE (Pakistan) Limited	5.1.12	10,000	-	-	10,000	50,625	41,483	(9,142)	AA-	3.83	4.03	
<b>30 June 2009</b>						<b>371,962</b>	<b>353,769</b>	<b>(18,193)</b>		<b>32.65</b>	<b>34.68</b>	
<b>Cost of Investments</b>						<b>369,935</b>						
<b>30 June 2008</b>						<b>129,775</b>	<b>131,727</b>	<b>1,952</b>		<b>11.82</b>	<b>15.81</b>	

Above term finance certificates have a face value of Rs. 5,000 each.

5.1.1 These TFC's carry mark-up equal to the base rate of 1.90% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears and will mature on 06 December 2014.

The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

5.1.2 These TFC's carry mark - up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears and will mature on '31 October 2013.

The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

5.1.3 These TFC's carry mark-up equal to the fix rate of 9.49% per annum, receivable semi-annually in arrears with no floor or cap and will mature on 15 March 2013. The principal redemption is

on semi-annual basis. These term finance certificates are unsecured and subordinated.

5.1.4 These TFC's carry fixed mark-up of 8.45%. The principal redemption and profit receivable is on semi-annually and were issued on 10 August 2004 and will mature on 10 August 2012. These

TFC's are unsecured and subordinated.

5.1.5 These TFC's carry mark-up equal to the base rate of 1.35% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with 3.5% floor, 10% cap per annum and will mature in 7



## Annual Report 2009

February 2015. The principal redemption is on semi-annual basis. These term finance certificates are unsecured and subordinated.

5.1.6 These TFC's carry mark-up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with no floor or cap and will mature on 25 November 2013. The principal redemption is on semi-annual basis. These term finance certificates are unsecured and subordinated.

5.1.7 These TFC's carry mark - up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears and will mature on 23 November 2012. The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

5.1.8 These TFC's carry mark - up equal to the base rate of 1.90% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears and will mature on 10 February 2013.

The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

5.1.9 These TFC's carry mark - up equal to the base rate of 1.15% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears and will mature on 5 March 2016. The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

5.1.10 These TFC's carry mark - up equal to the base rate of 1.60% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears and will mature on 05 May 2013. The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

5.1.11 These TFC's carry mark - up equal to the base rate of 1.60% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears and will mature on 7 October 2013. The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

5.1.12 These TFC's carry mark-up equal to the base rate of 3.00% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears and will mature on 15 February 2013. The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

### 5.2 At fair value through profit or loss (Unlisted debt securities)

Quoted	Note	Opening balance as at 01 July 2008	Acquired during the year	Matured / disposed during the year	As at 30 June 2009	Carrying value as at 30 June 2009 (before revaluation)	Market value as at 30 June 2009 (carrying value)	Appreciation / (diminution)	Credit rating	Market value as percentage of net assets	Market value as percentage of total investment
Term finance certificates		Number of Certificates				Rupees in '000				Percentage (%)	
<b>Fertilizers</b>											
Pak Arab Fertilizers Limited	5.2.1	-	2,200	-	2,200	9,896	10,486	590	AA	0.97	1.03
Pak American Fertilizers Limited	5.2.2	-	2,200	-	2,200	9,344	10,712	1,368	AA-	0.99	1.05
<b>Microfinance</b>											
KASHF Foundation - Privately placed	5.2.3	5,000	-	-	5,000	17,857	17,042	(815)	A	1.57	1.67
						<u>37,097</u>	<u>38,240</u>	<u>1,143</u>		<u>3.53</u>	<u>3.75</u>
Cost of Investments							<u>37,097</u>				
30 June 2008							<u>25,000</u>			<u>2.24</u>	<u>3.00</u>

Above term finance certificates have a face value of Rs. 5,000 each.

5.2.1 These TFC's carry mark - up equal to base rate of 1.5% plus 6 months Karachi Interbank Offer Rate per annum, receivable quarterly in arrears and will mature on 28 February 2013.



The principal redemption is on quarterly basis. These TFC's are unsecured and subordinated.

- 5.2.2 These TFC's carry mark - up equal to the base rate of 1.75% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears and will mature on 29 November 2014. The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.
- 5.2.3 These TFC's carry mark - up equal to the base rate of 2.45% plus 3 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears and will mature on 14 July 2010. The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated. Above term finance certificates have a face value of Rs. 5,000 each.

### 5.3 At fair value through profit or loss (Listed sukuk certificates - debt securities)

Quoted (Refer Note 5.8)	Note	Opening balance as at 01 July 2008	Acquired during the year	Matured / Disposed during the year	As at 30 June 2009	Carrying value as at 30 June 2009 (before revaluation)	Market value as at 30 June 2009 (carrying value)	Appreciation / (diminution)	Credit rating	Market value as percentage of net assets	Market value as percentage of total investment
		Number of Certificates				Rupees in '000				Percentage (%)	
<b>Modaraba</b>											
B.R.R Guardian Modaraba	5.3.1	-	3,700	-	3,700	15,275	17,748	2,473	A+	1.64	1.74
<b>Chemical</b>											
Stara Chemical Industries Limited	5.3.2	-	2,500	-	2,500	12,500	12,497	(3)	AA-	1.15	1.23
<b>Cement</b>											
Kohat Cement Company Limited	5.3.3	-	7,000	6,000	1,000	4,830	4,830	-	Not Available	0.45	0.47
Maple Leaf Cement Factory Limited	5.3.4	-	14,200	8,500	5,700	27,736	25,654	(2,082)	A-	2.37	2.52
<b>Provision for Investments</b>	5.3.3					<b>60,341</b>	<b>60,729</b>	<b>388</b>		<b>5.61</b>	<b>5.96</b>
							<b>1,463</b>				
							<b>59,266</b>				
<b>Cost of Investments</b>							<b>60,001</b>				

Above term finance certificates have a face value of Rs. 5,000 each.

- 5.3.1 These TFC's carry mark - up equal to the base rate of 1.30% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears and will mature on 7 July 2014.

The principal redemption is on semi-annual basis. These term finance certificates are secured by way of exclusive charge on land and specific charge on leased assets and receivable of Modaraba with a margin of 25%.

- 5.3.2 These TFC's carry mark - up equal to the base rate of 1.00% plus 3 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears and will mature on 2 Jan 2013.

The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

- 5.3.3 During the year the Sukuk was restructured. As per the revised Trust Deed, the maturity is now 20 June 2013 (June 20, 2012 as per the previous Trust Deed). From 20 December 2009 the

term structure is revised from semi annual payments to quarterly payments based on the base rate of 3 months Karachi Interbank offer Rate per annum. Provision of Rs. 1.463 million has

been made against the gross exposure as per the requirement of Securities and Exchange Commission of Pakistan.

- 5.3.4 These TFC's carry mark - up equal to the base rate of 1.70% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears cap and will mature on 3 December

2013 . The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.



## Annual Report 2009

### 5.4 At fair value through profit or loss (unlisted sukuk certificates - debt securities)

Quoted	Note	Opening balance as at 01 July 2008	Acquired during the year	Matured / disposed during the year	As at 30 June 2009	Carrying value as at 30 June 2009 (before revaluation)	Market value as at 30 June 2009 (carrying value)	Appreciation / (diminution)	Credit rating	Market value as percentage of net assets	Market value as percentage of total investment
House Building Finance Corporation	5.4.1	-	7,500	2,500	5,000	21,250	23,650	2,400	A+	2.18	2.31
Cost of Investments						21,250					

Above term finance certificates have a face value of Rs. 5,000 each.

5.4.1 These TFC's carry mark - up equal to the base rate of 1.65% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears and will mature on 8 May 2014.

The principal redemption is on semi-annual basis. These term finance certificates are secured by way of first charge over specific assets with 25% security margin.

### 5.5 Available-for-sale (listed debt securities)

Quoted (Refer Note 5.8)	Note	Opening balance as at 01 July 2008	Acquired during the year	Matured / disposed during the year	As at 30 June 2009	Carrying value as at 30 June 2009 (before revaluation)	Market value as at 30 June 2009 (carrying value)	Appreciation / (diminution)	Credit rating	Market value as percentage of net assets	Market value as percentage of total investment
<i>Term finance certificates</i>											
<b>Commercial Banks</b>											
Allied Bank Limited - I	5.1.1	8,000	-	-	8,000	42,174	38,671	(3,503)	AA-	3.57	3.79
Askari Bank Limited - I	5.5.1	20,000	-	-	20,000	103,012	96,017	(6,995)	AA-	8.86	9.31
Bank Alfalah Limited - I	5.5.2	4,960	-	4,960	-	-	-	-	-	-	-
Bank Alfalah Limited - II	5.5.3	5,000	-	-	5,000	25,772	24,338	(1,434)	AA-	2.25	2.39
Bank Alfalah Limited - III	5.1.6	11,000	-	-	11,000	56,746	52,778	(3,968)	AA-	4.87	5.18
United Bank Limited - II	5.1.3	5,000	-	-	5,000	22,620	21,090	(1,530)	AA	1.95	2.07
United Bank Limited - III	5.5.4	26,000	-	4,000	22,000	115,000	106,169	(8,831)	AA	9.80	10.42
Faysal Bank Limited	5.5.5	20,000	-	-	20,000	102,648	94,998	(7,650)	AA-	8.77	9.32
Bank AL Habb Limited - I	5.5.6	14,000	-	-	14,000	67,336	62,674	(4,662)	AA	5.78	6.15
<b>Miscellaneous</b>											
PACE (Pakistan) Limited	5.1.12	10,000	-	-	10,000	50,625	41,483	(9,142)	AA-	3.83	4.07
30 June 2009						585,933	538,218	(47,715)		49.68	52.70
Cost of Investments						575,763					
30 June 2008						611,967	619,571	7,604		55.59	74.37

Above term finance certificates have a face value of Rs. 5,000 each.

5.5.1 These TFC's carry mark-up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears and will mature on 4 February 2013.

The 'principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

5.5.2 These TFC's carry mark-up equal to the base rate of 1.35% plus cut-off yield on last successful auction of 5 years' Pakistan Investment Bond i.e. 9.54% per annum, receivable semi-annually in

arrears with 10% floor, 15% cap per annum and were issued on 19 December 2002 and have matured on 19 December 2008. The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

5.5.3 These TFC's carry mark-up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears and will mature on 23 November 2012.

The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

- 5.5.4 These TFC's carry mark-up equal to the base rate of 1.70% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears and will mature on 8 September 2014.

The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

- 5.5.5 These TFC's carry mark-up equal to the base rate of 1.4% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears and will mature on 12 November 2014.

The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

- 5.5.6 These TFC's carry mark-up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with 3.5% floor, 10% cap per annum and will mature in 15 July 2012. The principal redemption is on semi-annual basis. These term finance certificates are unsecured and subordinated.

#### 5.6 Available-for-sale (unlisted debt securities)

Quoted	Note	Opening balance as at 01 July 2008	Acquired during the year	Matured / disposed during the year	As at 30 June 2009	Carrying value as at 30 June 2009 (before revaluation)	Market value as at 30 June 2009 (carrying value)	Appreciation / (diminution)	Credit rating	Market value as percentage of net assets	Market value
											as percentage of total investment
		Number of Certificates			Rupees in '000					Percentage (%)	
Trakker (Private) Limited	5.6.1	100	-	-	100	6,250	6,185	(65)	A	0.57	0.61
Cost of Investments						6,250					
30 June 2008						8,750		8,750		0.78 1.05	

These term finance certificates have a face value of Rs. 100,000 each.

- 5.6.1 These TFC's carry mark-up equal to the base rate of 3.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears will mature on 15 September 2011. The

principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated.

- 5.7 Credit ratings as disclosed above are the credit ratings of the securities / issuing entity and are based on the ratings mentioned by the Mutual Fund Association of Pakistan on its website as of 30 June 2009. These TFC's are unsecured and subordinated

- 5.8 The term "listed" indicated in note 5.1, 5.3 and 5.5 refers to listing in the stock exchanges. However their trade rates are quoted by MUFAP.

- 5.9 SECP vide its letter no. NBFC - II / AD / POAMC / 944 / 2006 dated 19 December 2006 has increased the investment limit of the Fund in TFCs rate A- to A+ issued by a time, exceed an amount equal to 15% of the total net asset value of the fund or 15 % of the size of TFC issue, whichever is lower. Further, investment of the fund in TFCs rated AA- or above issued by a single commercial Bank shall not, at any time, exceed an amount equal to 20% of total net asset value of the fund or 20 % of the size of TFC issue, whichever is lower.

SECP has approved vide its letter no. NBFC - II / AD / POAMC / 944 / 2006 dated 19 December 2006 upto 75 % of its total net assets in TFCs issued by commercial banks rated A- or above.

The fund property may be invested in Tier II Capital issue of Commercial Banks. The remaining 25% of the fund property may be invested in high grade TFCs, Bank placements, Reverse Repurchase transactions against GOP backed instruments, Spread transactions and CFS including authorized investments as defined in clause 2.3 of Offering document of the fund. After first five years when principal maturities of underlying asset pool start, the 75 : 25 ratio may be relaxed as per Investments advisors discretion keeping in consideration the duration of the Fund.





## Annual Report 2009

6. PROFIT RECEIVABLE		30 June 2009	30 June 2008
(Rupees in '000)			
Profit receivable on term finance certificates		40,499	24,182
Profit receivable on deposit accounts with banks		11	2,409
Profit receivable on a clean placement		-	1,029
		<u>40,510</u>	<u>27,620</u>
7. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLE			
Security deposits with Central Depository Company of Pakistan Limited	7.1	200	200
Security deposits with National Clearing Company of Pakistan Limited	7.1	2,500	3,500
Prepayment		100	65
Clean placement - First Punjab Modaraba	7.2	-	25,000
		<u>2,800</u>	<u>28,765</u>
7.1	These deposits are interest free and are expected to be recovered at the end of Fund's life.		
7.2	A clean placement of Rs. 25 million with First Punjab Modaraba as at 30 June 2008 has been reclassified from Cash and Bank balance to Deposits, prepayments and other receivable.		
8. PRELIMINARY EXPENSES AND FLOATATION COSTS			
This represents expenses incurred on the formation of the Fund. The offering document of the Fund, approved by the Securities and Exchange Commission of Pakistan, permits the deferral of the expenses over a period of five years. Accordingly the said expenses are being amortised over a period of five years effective from the May 10, 2007, the date of receipt of the initial investment in the Fund.			
Total preliminary expense and floatation cost incurred		8,120	8,120
Amortization			
Balance as on 1st July		(3,248)	(1,624)
For the year		(1,624)	(1,624)
		<u>(4,872)</u>	<u>(3,248)</u>
		<u>3,248</u>	<u>4,872</u>
9. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration	9.1	1,152	1,143
Preliminary expenses and floatation costs	8	4,872	6,496
		<u>6,024</u>	<u>7,639</u>



9.1 Under the provisions of NBFC Rules and NBFC Regulations, the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence and thereafter an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company has been charged at a rate of one and a quarter percent (1.25%) per annum of the average annual net assets of the Fund, calculated on monthly basis during the year.

#### 10. REMUNERATION TO THE TRUSTEE

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, based on the daily net asset value of the Fund.

#### 11. ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represent annual fee on the basis of average annual net assets of the Fund payable to SECP under regulation 62 of the NBFC Regulations 2008.

#### 12. ACCRUED EXPENSES AND OTHER LIABILITIES

30 June 2009	30 June 2008
(Rupees in '000)	

Auditors' remuneration	275	275
Others	87	87
	<u>362</u>	<u>362</u>

#### 13. NET (LOSS) / GAIN FROM SALE OF MARKETABLE SECURITIES

Classified as 'available-for-sale financial assets'	(3,360)	1,413
Classified as 'at fair value through profit or loss'	(9,780)	1,002
	<u>(13,140)</u>	<u>2,415</u>

#### 14. PROFIT ON TERM FINANCE CERTIFICATES

Classified as 'available-for-sale financial assets'	85,846	71,180
Classified as 'at fair value through profit or loss'	50,719	16,201
	<u>136,565</u>	<u>87,381</u>

#### 15. AUDITORS' REMUNERATION

Fee for Annual Audit	225	225
Fee for the review of half yearly condensed interim financial statements	100	100
Fee for the review of statement of compliance with the Code of Corporate Governance	50	50
Out of pocket expenses	41	35
	<u>416</u>	<u>410</u>



## Annual Report 2009

16. BASIC AND DILUTED EARNINGS PER CERTIFICATE	30 June 2009	30 June 2008
	(Rupees in '000)	
Net income for the period	<u>106,718</u>	<u>101,943</u>
	(Number of certificates)	
Number of certificates in issue	<u>100,000,000</u>	<u>100,000,000</u>
	(Rupees)	
Basic earnings per certificate	<u>1.07</u>	<u>1.02</u>

There is no dilutive effect on the basic earnings per certificate of the Fund.

### 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 certificate holders. Details of distribution for the year ended 30 June 2009 are given in note 21 to the financial statements and accordingly, no provision has been made in these financial statements.

### 18. TRANSACTIONS WITH CONNECTED PERSONS (RELATED PARTIES)

The connected persons include Pak Oman Asset Management Company Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, and Pak Oman Investment Company Limited being the Holding Company of Management Company, Bank Alfalah Limited and National Insurance Corporation Limited having certificate holdings of 15% and 10% respectively. Other Connected persons are Collective Investment schemes managed by the Management Company i.e. POBOP Advantage Plus Fund (PAPF), Pak Oman Advantage Islamic Fund (POAIF), Pak Oman Advantage Islamic Income Fund (POAIIF) and Pak Oman Advantage Stock Fund (POSF).

Transactions with connected persons are at agreed rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulation, and the Trust Deed respectively.

#### 18.1 Transactions and balances with connected persons

Details of transactions with connected persons and balances with them at the year end were as follows:



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

	30 June 2009	30 June 2008
	(Rupees in '000)	
Balance payable at the beginning of the year	7,639	9,952
Remuneration for the year	13,342	13,464
	<u>20,981</u>	<u>23,416</u>
Payments made during the year	(14,957)	(15,777)
Balance at the end of the year	9 <u>6,024</u>	<u>7,639</u>
Holding of Pak Oman Asset Management Company Limited in the certificates of the Fund	<u>2,500</u>	<u>2,500</u>
Dividend paid	<u>225</u>	<u>54</u>

**18.1.2 Central Depository Company of Pakistan Limited**

Balance payable at the beginning of the year	112	188
Trustee remuneration for the year	1,328	1,230
Central Depository System charges for the year	134	90
	<u>1,574</u>	<u>1,508</u>
Amount paid during the year	(1,460)	(1,396)
Balance at the end of the year (Trustee fees)	10 <u>114</u>	<u>112</u>

**18.1.3 Bank Alfalah Limited**

Deposit with Bank as at the year end	<u>293</u>	<u>913</u>
Profit due from bank deposit as at the year end	<u>11</u>	<u>2,409</u>
Profit for the year on bank deposits	<u>195</u>	<u>4,497</u>
Bank charges for the year	<u>19</u>	<u>12</u>
<b>Investment in Term Finance Certificates of Bank Al-Falah Limited</b>	<u>128,741</u>	<u>108,644</u>
Balance at beginning of the year	108,644	109,879
Add: Purchases during the year	39,277	9,995
Less: Amortisation of premium	(323)	(255)
Add: Effects of revaluation as at the year end	(6,473)	1,457
	32,481	11,197
Less: Redemptions during the year	(12,384)	(12,432)
Balance at the end of the year	<u>128,741</u>	<u>108,644</u>



## Annual Report 2009

	30 June 2009	30 June 2008
	(Rupees in '000)	
Interest Receivable against TFCs as at the year end	2,047	1,149
Interest Income against TFCs for the year end	17,998	13,277
Holding of Bank Alfalah Limited in the certificates of the Fund	150,000	150,000
Dividend paid	13,500	3,225
<b>18.1.4 National Insurance Company Limited</b>		
Holding of National Insurance Company Limited in the certificates of the Fund	100,000	100,000
Dividend paid	9,000	2,150
<b>18.1.5 Pak Oman Investment Company Limited</b>		
Holding of Pak Oman Investment Company Limited in the certificates of the Fund	271,090	271,090
Dividend paid	24,398	5,828
Purchase of Pakistan Investment Bond	23,959	-
<b>18.1.6 Transactions with Collective Investment Schemes</b>		
<b>Pak Oman Advantage Islamic Income Fund (PAII)</b>		
Sale of Sukuk certificates - cost	47,155	-
<b>Pak Oman Advantage Islamic Fund (POAIIIF)</b>		
Sale of Sukuk certificates - cost	21,325	-
<b>Pak Oman Advantage Stock Fund (POSF)</b>		
Purchase of Sukuk certificates - cost	11,882	-
<b>POBOP Advantage Plus Fund (PAPE)</b>		
Purchase of Term Finance certificates - cost	229,473	-
<b>19. NET ASSET VALUE PER CERTIFICATE</b>		
	30 June 2009	30 June 2008
Total net assets	Rupees <u>1,083,658,000</u>	<u>1,114,720,000</u>
Total certificates in issue	Number <u>100,000,000</u>	<u>100,000,000</u>
Net assets value per certificate	Rupees <u>10.84</u>	<u>11.15</u>



## 20. FINANCIAL INSTRUMENTS

Financial risk management The Fund's objective in managing risk is the creation and protection of certificate holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed 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 Fund is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds.

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities, spread transactions, continuous funding system transactions and investments in other money market instruments (including the clean placements).

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

### 20.1 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 fulfil 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. 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 and the requirements of NBFC Rules and Regulations. The Fund does not expect to incur material credit losses on its financial assets.

Credit risk is managed 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.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by periodic review of trade reports, credit ratings and financial statements on regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.

Details of the credit ratings of investment and collateral (if any) are given in notes 5.1 to 5.6 to the financial statements. None of the financial assets of the Fund are past due / impaired except as disclosed in note 5.3.5 to the financial statements.

#### 20.1.1 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.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:



## Annual Report 2009

	30 June 2009	30 June 2008
	(Rupees in '000)	
Commercial banks	791,829	901,588
Textile composite	-	48,010
Technology and Communication	11,082	-
Fertilizers	21,906	-
Modaraba	19,274	-
Chemicals	12,826	-
Cement	30,484	-
Microfinance	17,042	-
Miscellaneous	122,270	169,375
	<u>1,026,713</u>	<u>1,118,973</u>

### 20.2 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Management Company manages the liquidity risk by monitoring the maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

The maturity profile of the Funds' financial liabilities as referred below is based on the remaining period at the balance sheet date to the contractual maturity date and represent the undiscounted cash flows.

	Non mark-up bearing				
	Upto three months	three months to one year	More than one year but less than 3 years	Five years and above	Total
	(Rupees in '000)				
<b>Financial Liabilities</b>					
Payable to Management Company	1,152	1,624	3,248	-	6,024
Remuneration payable to Trustee	114	-	-	-	114
Annual fee payable to Securities and Exchange Commission of Pakistan	891	-	-	-	891
Accrued expenses and other liabilities	362	-	-	-	362
Dividend payable	223	-	-	-	223
	<u>2,742</u>	<u>1,624</u>	<u>3,248</u>	<u>-</u>	<u>7,614</u>
<b>Financial Liabilities</b>					
Payable to Management Company	1,143	1,624	4,872	-	7,639
Remuneration payable to Trustee	112	-	-	-	112
Annual fee payable to Securities and Exchange Commission of Pakistan	1,077	-	-	-	1,077
Accrued expenses and other liabilities	362	-	-	-	362
	<u>2,694</u>	<u>1,624</u>	<u>4,872</u>	<u>-</u>	<u>9,190</u>



### 20.3 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.

The Fund is exposed interest rate risk only.

#### 20.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because changes in market interest rates. Most of the funds interest bearing assets carry variable rate of interest and are indexed to KIBOR. The Fund generally prefers to invest in these variable interest rate instruments to enhance its earning potential subject to the risk parameters discussed above (credit risk management). At 30 June 2009, the Fund had fixed rate financial assets of Rs. 138.8 million (2008:

Rs.179.7 million) and variable rate financial assets of Rs. 905.9 million (2008: Rs. 908 million). Cash flow sensitivity analysis for variable rate instruments Presently, the Fund holds KIBOR based Term finance certificates and Sukkuk certificates that exposes the fund to cash flow interest rate risk. In case of 50 basis points increase/decrease in KIBOR on 30 June 2009, the profit for the year end and net assets of the Fund would have been higher/lower by Rs. 0.812 million and Rs. 1.731 million respectively (2008: Rs. 0.688 million and Rs. 0.856 million respectively). The above analysis assumes that all other variable remain constant.

Fair value sensitivity analysis for fixed rate instruments

Presently, the Fund holds interest bearing Term Finance Certificates as at 30 June 2009 exposing the Fund to fair value interest rate risk. In case of 50 basis points increase/decrease in KIBOR on 30 June 2009, the profit for the year and net assets would be lower/higher by Rs. 0.689 million and Rs. 1.652 million respectively (2008: Rs. 0.175 million and Rs. 0.620 million respectively).

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

### 20.4. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

At 30 June 2009, the carrying rate of all the financial instruments approximate their fair values.

## 21. NON ADJUSTING EVENT

The Board of Directors of the Management Company in its meeting held on August 18, 2009 has announced a cash dividend of 90% amounting to Rs. 96.05 million. The financial statements for the period ended 30 June 2009 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 30 June 2010.





## Annual Report 2009

### 22. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding certificate 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:

#### 22.1 Certificates holding pattern of the fund

Category	2009		
	No. of investors	Investment (Rupees)	% of total
Individuals			
Insurance Companies	89	106,000	0.11%
Banks / DFLs	3	10,788,500	10.79%
Public Limited Companies	15	73,976,000	73.98%
Others	4	9,826,500	9.82%
As at 30 June 2009	12	5,303,000	5.30%
	<b>123</b>	<b>100,000,000</b>	<b>100%</b>

Category	2008		
	No. of investors	Investment (Rupees)	% of total
Individuals	95	103,500	0.10%
Insurance Companies	3	10,788,500	10.79%
Banks / DFLs	16	74,775,500	74.77%
Mutual Funds	1	240,500	0.24%
Public Limited Companies	4	9,826,500	9.83%
Others	12	4,265,500	4.27%
As at 30 June 2008	131	100,000,000	100%

#### 22.2 List of top ten brokers by percentage of commission

##### Name of Broker

##### 2009

KASB Securities Limited  
 JS Global Capital Limited  
 Alafalah Securities ( Pvt.) Limited  
 First Capital Securities Corporation  
 Atlas Capital Limited  
 Elixir Securities Limited

##### 2008

Dawood Equity Limited  
 JS Global Capital Limited  
 First National Equity Limited  
 Invisor Securities (Pvt) Limited  
 Global Securities (Pvt) Limited  
 IGI Finex Securities Limited  
 DJM Securities  
 Arif Habib Limited  
 Invest Cap Securities (Pvt) Limited  
 First Capital Securities Corporation



## 22.3 Detail of members of board of investment committee

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

## 22.4 Detail of funds manager

Name	Qualification	Funds managed
Mr. Nabeel Malik	MBA	Pak Oman Advantage Fund (POAF) POBOP Advantage Plus Fund (PAPF) Pak Oman Advantage Islamic Fund (POAIF)

## 22.5 Detail of meetings of board of Directors

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 Al-Jabri	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. Zaigham Hasan Shah and were appointed as directors after SECP's approval on May 18, 2009. Further, Mr. Zafar Iqbal was nominated on April 07, 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.

## 22.6 Rating of Fund and Management Company

PACRA vide its rating dated 06 March 2009 has reaffirmed an AA-(Double A Minus) Fund stability rating to the Fund which reflect the moderate degree of stability and returns at moderate risk level.

Further JCR-VIS vide its rating dated 27 April 2009 has assigned an AM3+ rating to the management company which is defined as good management quality.



## Annual Report 2009

22.7 Performance table	30 June 2009	30 June 2008
Net assets (Rupees in '000)	1,083,658	1,114,720
Net income (Rupees in '000)	106,718	101,943
Net assets value (NAV) per certificate as (Rupees)	10.84	11.15
Basic earnings per certificate (Rupees)	1.07	1.02
Dividend distribution for the year ended 30 June 2007 and 2008 respectively (% on face value)	9	2.15
Distribution for the above years was on 25 August 2007 and 20 August 2008 respectively		
Highest NAV per certificate during the period (Rupees)	11.42	11.15
Lowest NAV per certificate during the period (Rupees)	9.35	10.26

### 23. DATE OF AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

These financial statements were 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)**

Chief Executive

Director



Pak Oman Advantage Fund

**PATTERN OF CERTIFICATE HOLDING**  
AS AT 30 JUNE 2009

NO. OF SHAREHOLDERS	< - HAVING SHARES - >		SHARES HELD PERCENTAGE	
	FROM	TO		
68	101	500	33500	.0335
10	501	1000	10000	.0100
11	1001	5000	32500	.0325
3	5001	10000	22500	.0225
1	10001	15000	10500	.0105
3	95001	100000	288000	.2880
2	240001	245000	481000	.4810
1	245001	250000	250000	.2500
1	285001	290000	288500	.2885
1	495001	500000	500000	.5000
1	795001	800000	800000	.8000
2	960001	965000	1923000	1.9230
2	995001	1000000	2000000	2.0000
1	1705001	1710000	1706000	1.7060
2	1920001	1925000	3846000	3.8460
1	1995001	2000000	2000000	2.0000
2	2400001	2405000	4807000	4.8070
1	2880001	2885000	2884000	2.8840
1	3495001	3500000	3500000	3.5000
4	4995001	5000000	20000000	20.0000
1	7505001	7510000	7508500	7.5085
2	9995001	10000000	20000000	20.0000
1	12105001	12110000	12109000	12.1090
1	14995001	15000000	15000000	15.0000
123			100000000	100.0000



**CATEGORIES OF CERTIFICATE HOLDERS**  
AS AT 30 JUNE 2009

PARTICULARS	No. of holders	No. of Certificates held	PERCENTAGE
BANKS, DFI & NBF1	15	73976000	73.98%
INSURANCE COMPANIES	3	10788500	10.79%
PUBLIC SECTOR COS. & CORP	4	9826500	9.83%
GENERAL PUBLIC (LOCAL)	88	105000	.11%
GENERAL PUBLIC (FORGEIN)	1	1000	.00%
OTHERS	12	5303000	5.30%
<b>COMPANY TOTAL</b>	<b>123</b>	<b>100000000</b>	<b>100.00%</b>



## PATTERN OF CERTIFICATE HOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

AS AT 30 JUNE 2009

Particulars	No. of Certificates held
Individuals	105,500
Non-resident	-
Associated companies	-
- Pak Oman Investment Company Limited	27,109,000
- Pak Oman Microfinance Bank Limited	2,403,500
- National Logistic Cell - SRBF	5,423,000
Chief Executive & his spouse	-
Directors and their spouses	500
Executives	-
Public sector companies and corporations	1,000,000
Banks	12,700,500
Development financial institutions	11,513,000
Non-banking finance companies	-
Non-banking finance institutions	5,250,000
Insurance companies	788,500
Provident and Gratuity Fund	6,300,000
Others	2,406,500
Shareholders holding ten percent or more other than associated companies and directors	
- Bank Alfalah Limited	15,000,000
- National Insurance Company Limited	10,000,000
<b>Total</b>	<b>100,000,000</b>

**STATEMENT OF INCOME & EXPENDITURE OF  
MANAGEMENT COMPANY IN RELATION TO THE FUND  
FOR THE PERIOD ENDED JUNE 30, 2009**

	(Rupees in '000)
<b>INCOME</b>	
Management Company's remuneration	13,342
<b>OPERATING EXPENSES</b>	
Salaries and allowances	10,928
Travelling and accommodation	759
Rent, rates and taxes	1,074
Utilities	298
Communication	53
Fees and subscriptions	214
Printing, stationery and periodicals	312
Depreciation	1,537
Amortisation	561
Legal and professional charges	366
Repairs and maintenance	39
Transportation	607
Insurance	318
Entertainment	103
Advertising	99
	17,268
Net loss for the period	(3,926)

**Note:** The above expenses are allocated based on the income earned by the Management Company. Other revenue and expense not relating to the fund has not been included in the above statement.

