

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	08
Report of the Trustee	09
Statement of Compliance with the Best Practices of the Code of Corporate Governance	10
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	12
Independent Auditors' Report to the Certificate holders	13
Statement of Assets and Liabilities	14
Income Statement	15
Statement of Comprehensive Income	16
Distribution Statement	17
Statement of changes in Equity and Reserve per Certificate	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	48
Categories of Certificate Holders	49
Pattern of Certificate Holding as per requirements of Code of Corporate Governance	50
Statement of Income and Expenditure of Management Company in relation to the Fund	51



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) 35631020-24
Fax: (9221) 35631025
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. Humayun Murad	Director
Mr. Agha Ahmed Shah	Director
Mr. Sulaiman Hamad Al Harthy	Director
Mr. Ali Said Ali	Director
Mr. Saif Said salim Al Yazidi	Director
Mr. Parveiz Usman	Director
Ms. Hina Ghazanfar	MD & CEO

AUDIT COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Najm-ul- Hassan

COMPANY SECRETARY

Mr. Asif Javed

TRUSTEE

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



Annual Report 2011

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
Albarka Islamic Bank
NIB Bank Limited
MCB Bank Limited

LEGAL ADVISER

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

TRANSFER AGENT

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

RATING OF THE FUND

AA-(f) (PACRA)



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors (BOD) of Pak Oman Asset Management Company Limited, the Management Company of **Pak Oman Advantage Fund (POAF)** is pleased to present the audited financial statements of the Fund for the year ended **June 30, 2011**.

ECONOMIC REVIEW

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

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

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

The average overnight rate stood at 12.33% for the year ended June 30, 2011, while the discount rate was held at 14% by the State Bank of Pakistan. The State Bank of Pakistan conducted twenty six T-bill auctions during the year and assimilated PKR 3,604.84bn collectively from all auctions combined, the breakup of which is as PKR1, 487.57bn in the 3-month tenor, PKR1,544.37bn in the 6-month tenor and PKR572.90bn in the 12-month tenor. Eight PIB auctions were also conducted during the year, of which two were rejected while SBP accepted PKR 126.90bn against the participation of PKR235.27bn in the rest. Beside T-bill and PIB auctions, four Government of Pakistan Ijara Sukuks auctions were also conducted by SBP of which collective amount accepted equaled PKR182.35bn against participation of PKR230.56bn all at 6 Month T-Bill weighted average yield.

OPERATING PERFORMANCE

The Fund during the year ended June 30, 2011, earned a total income of PKR 111.133mn. The income for the year comprised mainly of profit on Sukuk and TFCs amounting to PKR95.516mn, profit on government securities amounting to PKR12.244mn, profit on placements with financial institutions amounting to PKR2.104mn, loss on sale of investments of PKR17.329mn and profit earned on deposits with banks amounting to PKR35.047mn. The unrealized gain on investments at fair value through profit or loss is Rs.PKR4.05mn. After accounting for expenses of PKR20.499mn, the net income for the year was PKR111.133mn which translates into the gain of PKR1.11/certificate outstanding as at June 30, 2011. The net assets of the fund as at June 30, 2011 were PKR1,124.798mn, resulting in a net asset value of PKR11.25/certificate. The fund also declared a dividend of PKR1.0173/certificate for the year ended from July 1, 2010 to June 30, 2011.

FUTURE OUTLOOK

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

Keeping the fairly better position of current account in view, we anticipate the currency to remain stable during FY12 which will further enhance the foreign exchange reserves. However, the recent cut in discount rate by 50 basis point (bps) to 13.5% is likely to remain stagnant in near future.



Annual Report 2011

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 note 24.1 of the financial statements.
- Key financial data for the year ended June 30, 2011 is given in note 24.7 of the financial statements.



BOARD MEETING

During the period five board meetings were held. The details of the attendance by each director are given in note 24.5 of the financial statements.

APPOINTMENT OF AUDITORS

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

MUTUAL FUND RATING

The Pakistan Credit Rating Agency (PACRA) has reaffirmed a stability rating of 'AA-(Double A Minus)' to the Fund, which denotes a very strong capacity to manage relative stability in returns and very low exposure to risks. Further, Quality Rating of the Management Company is 'AM3'; by the Credit Rating Agency JCR-VIS.

ACKNOWLEDGEMENT

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

August 23, 2011
Muscat, Oman

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



Annual Report 2011

REPORT OF THE FUND MANAGERS OF THE MANAGEMENT COMPANY

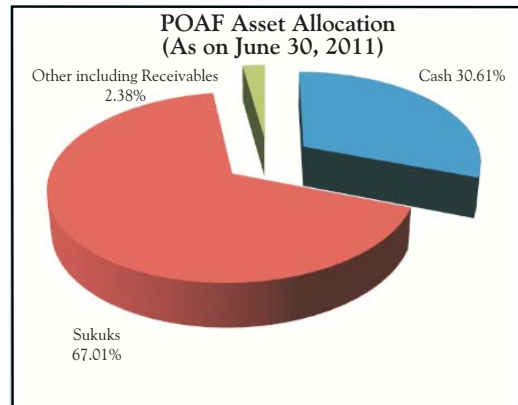
Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage (the fund) is pleased to present the Fund Manager's Report of the Fund for the year ended June 30, 2011.

Terms and Structure

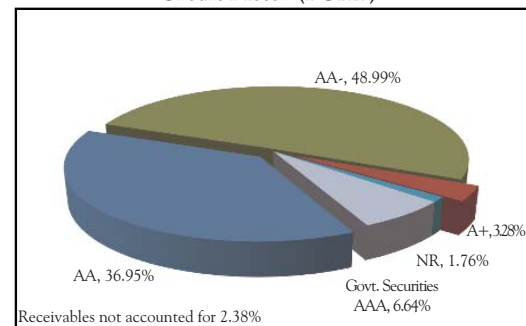
Type of Scheme	Closed – End Fund
Nature of Scheme	Fixed Income
Inception Date	May 10th, 2007
Face Value	PKR 10 per Certificate
Fund Size	PKR 1.12bn
NAV (June 30th, 2011)	PKR 11.25 per Unit
Benchmark	3 – Month KIBOR
Duration	8 Years
Fund Stability Rating	AA- (f) by PACRA
AMC Rating	AM3 by JCR – VIS
Listing	KSE (Guarantee) Limited
KSE Symbol	POAF
Trustee	CDC Pakistan Limited
Auditor	KPMG Taseer Hadi & Co.
Legal Advisor	Mohsin Tayebaly & Co.
Registrar	THK Associates (Pvt.) Limited
Management Fee	1.25% p.a.
Investment Committee	Ms. Hina Ghazanfar, CEO Mr. Ahmed Nabeel, Chief Investment Advisor Mr. Najam Ul Hassan, CFO Mr. Nabeel Malik, Fixed Income Fund Manager

Fund Returns	POAF	Benchmark
Year-to-Date (YTD)	10.52%	13.18%

Sector Allocation	(% of Assets)
Cash	30.61
TFCs/Sukuks	67.01
Other including receivables	2.38



Credit Meter (POAF)



POAF Performance

Yield since inception	9.13%
Return (FY'11)	10.52%
Risk free rate (12M T-Bill)	13.91%
Sharpe Ratio (x)	-0.2092

Fund Review

Pak Oman Advantage Fund yielded a return of 10.52% for the year ended on 30th June 2011 despite increase in the discount rate by the SBP thrice in a row, which caused the funds to face heavy revaluation losses. The fund posted a decent return which signifies a very strong asset quality and effective fund management. The fund underperformed its benchmark return (benchmark 12.85% POAF return 7.93%) during the first half of the year due to a continuous increase in discount rate by the SBP because of deteriorating macroeconomic factors. However in the later half things reversed and the fund outperformed its benchmark (benchmark 13.51% POAF 14.03%) as the discount rate was maintained by the SBP and some of the revaluation losses were averted.

July 22, 2011
Karachi.

Nabeel Malik
Fixed Income fund Manager



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, 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund; 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 15, 2011
Karachi.

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



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The board of directors (the Board) of Pak Oman Asset Management Company Limited, the management company, which is an unlisted public company and manages the affairs of Pak Oman Advantage 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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred during the year Mr. Saif Said Salim Alyazidi was appointed in place of Mr. Zafar Iqbal. The said replacement was approved by the Securities & Exchange Commission of Pakistan on July 11, 2011.
5. The management company has prepared a Statement of Ethics and Business Practices for the current year.
6. The board of the management company has developed a vision and mission statement, overall corporate strategy and significant policies. The investment policy of the Fund has been disclosed in the offering document while other significant policies & procedures manuals have also been being approved by the Board and adopted by the management company.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, 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, has arranged an orientation course for its directors in the current year to apprise them of their duties and responsibilities and the requirements of the code of corporate governance.
10. The directors' report relating to the Fund, for the year ended June 30, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Fund were duly endorsed by the MD & CEO and the CFO of the management company before approval by the Board.



Annual Report 2011

12. The interest of the MD & CEO and Directors in the certificates of the Fund is disclosed in the pattern of certificate holdings.
13. The management company has complied with all the applicable corporate and financial reporting requirements of the code.
14. The Board has an audit committee. It comprises of four non-executive directors of the management company as its members including chairman of the audit committee.
15. The meetings of the audit committee were held once in every quarter prior to the approval of 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.
16. The Board has set-up an effective internal audit function and personnel involved are considered suitably qualified and are conversant with the policies and procedures and they are involved in the internal audit function on a full time basis.
17. The related party transactions entered during the year ended June 30, 2011 have been placed before the audit committee along with their basis and approved by the Board of directors in their respective meetings.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the management company or 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.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

August 23, 2011
Muscat, Oman

Hina Ghazanfar
MD & CEO



Pak Oman Advantage Fund

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pak Oman Advantage Fund (“the Fund”) to comply with the listing regulations of the Karachi Stock Exchanges, 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 Fund personnel and review of various documents prepared by the Fund to comply with the Code.

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

Further sub-regulation (xiii-a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited requires the Fund to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were 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 as applicable to the Fund for the year ended 30 June 2011.

August 23, 2011
Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants



Pak Oman Advantage Fund

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 2011, and the income statement, statement of comprehensive income, distribution statement, statement of cash flows, statement of changes in equity, statement of movement in equity and reserves per certificate for the year ended 30 June 2011 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, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2011, and of its financial performance, cash flows and transactions for the year ended 30 June 2011 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 (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

September 23, 2011
Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani



STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011

	<i>Note</i>	30 June 2011	30 June 2010
		(Rupees in '000)	
Assets			
Bank balances	4	347,618	317,413
Investments	5	760,974	778,421
Profit receivables	6	26,243	23,966
Deposits and prepayments	7	700	200
Preliminary expenses and floatation costs	8	-	1,624
Total assets		1,135,535	1,121,624
Liabilities			
Payable to the Management Company	9	2,773	3,438
Remuneration payable to the Trustee	10	113	112
Annual fee payable to Securities and Exchange Commission of Pakistan	11	803	809
Dividend payable		237	229
Accrued expenses and other liabilities	12	6,811	4,618
Total liabilities		10,737	9,206
Net assets		1,124,798	1,112,418
Issued, subscribed and paid-up capital			
100,000,000 ordinary certificates of Rs. 10 each issued as fully paid-up in cash (2010: 100,000,000 certificates of Rs.10 each)		1,000,000	1,000,000
Revenue Reserves			
Deficit on revaluation of investments investments classified as available for sale	5.5 & 5.5.7	(11,255)	(16,272)
Unappropriated income		136,053	128,690
TOTAL CERTIFICATE HOLDERS' FUND		1,124,798	1,112,418
NET ASSETS VALUE PER CERTIFICATE	20	11.25	11.12

The annexed notes from 1 to 25 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, 2011

	<i>Note</i>	30 June 2011	30 June 2010
		(Rupees in '000)	
Income (financial income)			
Net (loss) from sale of marketable securities	13	(17,329)	(9,329)
Profit on term finance certificates and sukuks	14	95,516	116,970
Profit on deposit with banks		35,047	23,577
Profit on placements with financial institution		2,104	39
Profit on government securities		12,244	1,621
		127,582	132,878
Unrealised gain / (loss) in fair value of marketable securities "at fair value through profit or loss"	5.1, 5.2 & 5.4	4,050	(1,702)
Total income		131,632	131,176
Expenses			
Remuneration of the Management Company	9.1	13,386	13,478
Remuneration of the Trustee	10	1,332	1,338
Annual fee to Securities and Exchange Commission of Pakistan	11	803	809
Auditors' remuneration	15	547	466
Fees and subscriptions		277	175
Amortisation of preliminary expenses and floatation costs	8	1,624	1,624
Transaction cost		102	210
Bank and settlement charges		189	264
Provision on investments		-	4,193
Other expenses	16	2,239	4,347
		20,499	26,904
Net income for the year		111,133	104,272
		(Rupees)	
Basic and diluted earnings per certificate	17	1.11	1.04

The annexed notes from 1 to 25 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 COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	30 June 2011	30 June 2010
	(Rupees in '000)	
Net income for the year	111,133	104,272
Other comprehensive income:		
Net unrealised appreciation during the year in the value of investment classified as 'available for sale'	3,863	13,357
Diminution in fair value of available-for-sale investments transferred to profit and loss account on sale	1,154	7,181
	5,017	20,538
Total comprehensive income for the year	116,150	124,810

The annexed notes from 1 to 25 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, 2011

	30 June 2011	30 June 2010
	(Rupees in '000)	
Undistributed income at beginning of the year (realised)	160,310	133,826
Undistributed loss at beginning of the year (un-realised)	(31,620)	(13,358)
	128,690	120,468
Final cash dividend @ RS 1.0377 for the year ended 30 June 2010 (2009: Final cash dividend @ Re. 0.96)	(103,770)	(96,050)
Net income for the year ended 30 June 2011 and 30 June 2010, respectively	111,133	104,272
Undistributed income at end of the year	136,053	128,690
Undistributed income at end of the year (realised)	133,234	160,310
Undistributed income / (loss) at end of the year (un-realised)	2,819	(31,620)
	136,053	128,690

The annexed notes from 1 to 25 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 CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Issued, subscribed and paid up capital	Unappropriated income	(Diminution) / surplus on revaluation of Investments classified as available for sale	Total
	------(Rupees in '000)-----			
Balance as at 30 June 2009	1,000,000	120,468	(36,810)	1,083,658
<i>Changes in equity for the year ended 30 June 2010</i>				
Total comprehensive income for the year	-	104,272	20,538	124,810
Transactions with owners recorded directly in equity				
Final cash dividend @ Re. 0.96 for the year ended 30 June 2009	-	(96,050)	-	(96,050)
Balance as at 30 June 2010	1,000,000	128,690	(16,272)	1,112,418
<i>Changes in equity for the year ended 30 June 2011</i>				
Total comprehensive income for the year	-	111,133	5,017	116,150
Transactions with owners recorded directly in equity				
Final cash dividend @ Rs. 1.0377 for the year ended 30 June 2010	-	(103,770)	-	(103,770)
Balance as at 30 June 2011	<u>1,000,000</u>	<u>136,053</u>	<u>(11,255)</u>	<u>1,124,798</u>

The annexed notes from 1 to 25 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, 2010

	<i>Note</i>	30 June 2011	30 June 2010
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		111,133	104,272
Adjustments for:			
Profit on term finance certificates		(95,516)	(116,970)
Profit on deposit accounts with banks		(35,047)	(23,577)
Profit on placements with financial institution		(2,104)	(39)
Unrealised loss in fair value of marketable securities "at fair value through profit or loss"		(4,050)	1,702
Provision against Investments		-	4,193
Amortisation of preliminary expenses and floatation costs		1,624	1,624
		(23,960)	(28,795)
(Increase) / decrease in assets			
Investments		26,514	255,550
Deposits and prepayments		(500)	2,600
		26,014	258,150
Increase / (decrease) in liabilities			
Payable to the Management Company		(665)	(2,586)
Remuneration payable to the Trustee		1	(2)
Payable to Securities and Exchange Commission of Pakistan		(6)	(82)
Dividend payable		8	6
Accrued expenses and other liabilities		2,193	4,256
		1,531	1,592
		3,585	230,947
Profit received on term finance certificates		95,909	133,949
Profit received on deposit accounts with banks		32,377	23,142
Profit received on placement with financial institution		2,104	39
Net cash flows from operating activities		133,975	388,077
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(103,770)	(96,050)
Net cash flows used in financing activities		(103,770)	(96,050)
Net increase in cash and cash equivalents during the year		30,205	292,027
Cash and cash equivalents at beginning of the year		317,413	25,386
Cash and cash equivalents at end of the year	4	347,618	317,413

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Management Company)

Chief Executive



Pak Oman Advantage Fund

Director

**STATEMENT OF MOVEMENT IN EQUITY AND
RESERVE PER CERTIFICATE
FOR THE YEAR ENDED JUNE 30, 2011**

	30 June 2011	30 June 2010
	(Rupees)	
Net assets per certificate at beginning of the year	11.120	10.838
Loss on sale of investments	(0.173)	(0.093)
Profit on term finance certificates	0.960	1.170
Profit on deposit accounts with banks	0.350	0.236
Profit on placements with financial institution	0.021	0.000
Profit on government securities	0.122	0.016
Unrealised diminution in fair value of marketable securities "at fair value through profit or loss"	0.041	(0.017)
Other net operating expenses	(0.205)	(0.269)
Net income for the period	1.116	1.043
Unrealised appreciation in fair value of investments classified as available-for-sale financial assets	0.050	0.200
Final cash dividend @ Re. 1.0377 for the year ended 30 June 2010 (2009: Final cash dividend @ Re. 0.96)	(1.038)	(0.961)
Net assets value per certificate at end of the year	<u><u>11.25</u></u>	<u><u>11.120</u></u>

The annexed notes from 1 to 25 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 TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

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.

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 by investing in TFC's issued by commercial banks, short term placements in financial institution, Reverse Repurchase transactions and CFS . The Fund has a limited life of 8 years after which it will be wound up (by May 2015); any investment made in the Fund will therefore mature within this period or be disposed off. The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under NBFC Rules and NBFC Regulations.

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 of the Fund as at and for the period as at 30 June 2011 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 Fund's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.



2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

2.4.1 Classification and valuation of investments (refer note to 3.1 and 21.6)

2.4.2 Impairment of investment (refer note 3.9)

2.4.3 Workers welfare fund liability (refer note 16.1)

2.4.4 Provision for taxation (refer note 18)

2.4.5 Other assets

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

Workers welfare fund liability

2.4.6 For detail please refer note 16.1 to these financial statements

2.5 Changes in accounting policies

There were no changes in the accounting policies of the Fund during the year.

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below:

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Fund's financial statements.



- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011). These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.
- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011) These amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Fund's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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.

- ii) Available-for-sale financial assets

Financial instruments that do not fall under the aforementioned category are available for sale financial assets which are non-derivatives, that are either designated in this category or not classified as financial instruments at fair value through profit or loss.

All purchases or sales of financial assets 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.



Annual Report 2011

3.1.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus transaction costs that are directly attributable acquisition costs. However, 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. 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.

Profit accrued on treasury bills are included in the carrying value of these bills.

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) and sukuk certificates are valued on the basis of period end rates quoted by the Mutual Fund Association of Pakistan (MUFAP).

The investment of the Fund in government securities are valued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security.

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 3.9 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 10 May 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 for cash flow purposes 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. As per regulation 63 of the Non-Banking Finance companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gain to the certificate holders.

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, Circular no.3 of 2010 dated 20 January 2010 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 approved by the Board of Directors of the management company, the debt security will be further provided, in addition to the minimum criteria defined in the above circulars, if any singly event 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. The provision criteria for restructured issues would be the same as given in the above circulars of SECP.

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.

3.10 Operating Segments

The Fund determines and presents operating segment based on the information that is internally provided to the Board of Directors (Fund's chief decision maker). However the Fund is considered to be a single reportable segment entity, as such entity wide disclosures as required under International Financial Reporting Standard 8 (Operating Segment) has been made in the financial statements.

The Fund operates in Pakistan only and all of the revenue is generated from investments, etc within Pakistan.



4. BANK BALANCES - local currency	Note	30 June 2011	30 June 2010
(Rupees in '000)			
In profit and loss sharing accounts	4.1	347,268	267,080
In term deposit		-	50,000
In current accounts		350	333
		<u>347,618</u>	<u>317,413</u>

4.1 The profit and loss sharing accounts carry profit rates ranging from 2.5% to 12.30% (30 June 2010: 2.5% to 11.60%) per annum. This includes Rs. 219,033 (30 June 2010: Rs. 1,014) with a related party on which return is earned at 2.5% to 11% (30 June 2010: 2.5% to 12.30%) per annum.

5. INVESTMENTS

At fair value through profit or loss-upon initial recognition

Listed term finance certificates	5.1	156,247	131,886
Unlisted term finance certificates	5.2	50,000	7,457
Unlisted sukuk certificates	5.3	3,227	71,825
Government securities	5.4	75,187	59,961
Available-for-sale			
Listed term finance certificates	5.5	476,313	507,292
		<u>760,974</u>	<u>778,421</u>

5.1 At fair value through profit or loss (listed term finance certificates)

Quoted (Refer Note 5.7)	Note	Holdings as at at 01 July 2010	Acquired during the year	Matured / disposed during the year	Holdings as at 30 June 2011	Carrying value as at 30 June 2011 (before revaluation as of 30 June 2011)	Market value as at 30 June 2011	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 (%)											
Commercial Banks											
Allied Bank Limited - I	5.1.1	1,000	-	-	1,000	4,879	5,100	221	AA-	0.45	0.67
Askari Bank Limited - I		-	400	400	-	-	-	-	AA-	-	-
Askari Bank Limited - II	5.1.2	8,399	4,190	-	12,589	61,253	63,561	2,308	AA-	5.65	8.35
Bank Alfalah Limited - III	5.1.3	6,400	-	-	6,400	31,206	32,245	1,039	AA-	2.87	4.24
Bank Alfalah Limited - II	5.1.4	4,100	-	2,000	2,100	10,307	10,546	239	AA-	0.94	1.39
Faysal Bank Limited	5.1.5	2,971	-	-	2,971	7,327	7,494	167	AA-	0.67	0.98
Soneri Bank Limited	5.1.6	5,000	5,074	2,474	7,600	37,016	37,301	285	A+	3.32	4.90
30 June 2011						<u>151,988</u>	<u>156,247</u>	<u>4,259</u>		<u>13.89</u>	<u>20.53</u>
Cost of investments							<u>152,819</u>				
30 June 2010						130,567	131,886	1,319		11.86	16.94

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

5.1.1 These TFCs 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 a semi-annual basis. These TFCs are unsecured.

5.1.2 These TFCs 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 a semi-annual basis. These TFCs are unsecured.

5.1.3 These TFCs 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 a semi-annual basis. These TFCs are unsecured.

5.1.4 These TFCs 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 a semi-annual basis. These TFCs are unsecured.

5.1.5 These TFCs carry mark - up equal to the base rate of 1.93% 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 a semi-annual basis. These TFCs are unsecured.



5.1.6 These TFCs 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 a semi-annual basis. These TFCs are unsecured.

5.2 At fair value through profit or loss (unlisted term finance certificates)

Quoted (Refer Note 5.7)	Holdings as at 01 July 2010	Acquired during the year	Matured / disposed during the year	Holdings as at 30 June 2011	Carrying value as at 30 June 2011	Market value as at 30 June 2011	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 (%)	
Fertilizers										
Agritech Limited - (formerly Pak American Fertilizers Limited)	800	-	800	-	-	-	-	-	-	-
Microfinance										
KASHF Foundation - Privately placed	5,000	-	5,000	-	-	-	-	-	-	-
Commercial Banks										
Bank Al-Habib - Privately placed	-	10,000	-	10,000	50,000	50,000	-	-	4.45	6.57
					<u>50,000</u>	<u>50,000</u>	<u>-</u>		<u>4.45</u>	<u>6.57</u>
Cost of Investments						50,000				

5.3 At fair value through profit or loss (unlisted sukuk certificates)

Quoted (Refer Note 5.7)	Note	Holdings as at July 01, 2010	Acquired during the year	Matured / Disposed during the year	Holdings as at June 30, 2011	Carrying value as at June 30, 2010 (before revaluation as of 30 June 2011)	Market value as at June 30, 2011 (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 (%)	
Modaraba											
B.R.R Guardian Modaraba		3,700	-	3,700	-	-	-	-	-	-	-
Chemical											
Sitara Chemical Industries Limited		7,100	-	7,100	-	-	-	-	-	-	-
Cement											
Kohat Cement Company Limited	5.3.1	1,000	-	-	1,000	3,623	3,227	(396)	-	0.29	0.42
Maple Leaf Cement Factory Limited		5,700	-	5,700	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited-additional sukuk certificates	5.3.2	-	214	-	214	-	-	-	-	-	-
						<u>3,623</u>	<u>3,227</u>	<u>(396)</u>		<u>0.29</u>	<u>0.42</u>
Cost of investments							4,023				
30 June 2010						<u>83,483</u>	<u>71,825</u>	<u>(3,156)</u>		<u>7.22</u>	<u>10.32</u>

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

5.3.1 These sukuk certificates were restructured twice in May 2009 and February 2010. Under the latest revised terms, the first principal instalment is due on 20 September 2012 and will mature on 20 December 2015. Furthermore under the latest revised terms the exposure carries mark up equal to the 3 months KIBOR plus 1.8% per annum up to 20 December 2011 and 3 months KIBOR plus 2.5% per annum up to maturity. The exposure is secured against first pari passu charge over all present and future fixed assets of the borrower.

5.3.2 On time of signing of the first addendum on 30 March 2010 between Maple Leaf Cement Factory Limited (MLCFL) and the investment agents of the sukuk certificates, the Fund received an amount of Rs. 1.069 million representing approximately 50% of the markup due upto March 3, 2010 and the repayment of the balance markup till the said date was settled by issuance of additional sukuk certificates. During the year those additional sukuk certificates have been transferred to the Fund's security account maintained with CDC, however the same are being carried at nil value in the books of the fund as in view of the management company, such additional sukuk certificates represent markup accrued during the year where MLCFL was being classified as non performing and such markup shall only be recognized on receipt basis in accordance with the requirements of circular No. 1 of SECP dated 6 January 2009.

5.3.3 Provision against impairment

	Note	30 June 2011	30 June 2010
		(Rupees in '000)	
Balance as at 01 July		8,502	1,463
Provision for the year		-	11,662
Reversal during the year	5.3.4	(8,502)	(4,623)
Balance as on 30 June		<u>-</u>	<u>8,502</u>



5.3.4 Reversal relates to units of Maple Leaf Cement Factory Limited and Agritech Limited disposed during the year.

5.4 At fair value through profit or loss (Government securities)

Note	Holdings as at 01 July 2010	Purchases during the year	Maturities during the year	Holdings as at 30 June 2011	Carrying Value as at 30 June 2011	Market value as at 30 June 2011	Appreciation / (diminution)	Credit Rating	Market value as percentage of net assets	Market value as percentage of total investment
	Number of Papers				(Rupees in '000)				Percentage (%)	
6 Months Treasury Bills	-	75,272	75,272	-	-	-	-	-	-	-
3 Months Treasury Bills	58,360	223,358	281,718	-	-	-	-	-	-	-
Gop ijara sukuk V	-	250,000	250,000	-	-	-	-	-	-	-
Gop ijara sukuk VI	5.4.1	-	600,000	-	600,000	60,150	150	-	5.35	7.90
Gop ijara sukuk VII	5.4.2	-	150,000	-	150,000	15,037	37	-	1.34	1.98
					<u>75,000</u>	<u>75,187</u>	<u>187</u>		<u>6.69</u>	<u>9.88</u>
Cost of Investments						<u>75,000</u>				

5.4.1 These Gop Ijarah Sukuk carry a coupon rate of 13.3888% and will mature on 20 December 2013.

5.4.2 These Gop Ijarah Sukuk carry a coupon rate of 13.6750% and will mature on 7 March 2014.

5.5 Available-for-sale (listed term finance certificates)

Quoted (Refer Note 5.7)	Note	Holdings as at 01 July 2010	Acquired during the year	Matured / disposed during the year	Holdings as at 30 June 2011	Carrying value as at 30 June 2011 (before revaluation as of 30 June 2011) Original amortized cost	Market value as at 30 June 2011	Appreciation / (diminution) (Note 5.5.7)	Credit rating	Market value as percentage of net assets	Market value as percentage of total investment
		Number of Certificates				(Rupees in '000)				Percentage (%)	
Commercial Banks											
Allied Bank Limited - I	5.1.1	8,000	-	-	8,000	40,637	40,800	163	AA-	3.63	5.36
Askari Bank Limited - I	5.5.1	19,600	-	200	19,400	97,146	97,051	(88)	AA-	8.63	12.64
Bank Alfalah Limited - II	5.5.2	5,000	-	-	5,000	25,048	25,109	61	AA-	2.23	3.30
Bank Alfalah Limited - III	5.1.3	11,000	-	-	11,000	55,211	55,421	210	AA-	4.93	7.28
United Bank Limited - III	5.5.3	22,000	-	4,000	18,000	90,171	90,957	786	AA	8.09	11.95
Faysal Bank Limited	5.5.4	20,000	-	999	19,001	94,872	95,856	984	AA-	8.52	12.60
Bank AL Habib Limited - I	5.5.5	14,000	-	2,000	12,000	59,520	54,326	(5,194)	AA	4.83	7.14
Miscellaneous											
PACE (Pakistan) Limited	5.5.6	5,000	-	-	5,000	24,970	16,793	(8,177)	non rated	1.49	2.21
						<u>487,575</u>	<u>476,313</u>	<u>(11,255)</u>		<u>42.35</u>	<u>62.48</u>
Cost of Investments							<u>487,738</u>				
30 June 2010						<u>523,564</u>	<u>507,292</u>	<u>(16,272)</u>		<u>45.60</u>	<u>65.06</u>

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

5.5.1 These TFCs 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 a semi-annual basis. These TFCs are unsecured.

5.5.2 These TFCs 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 a semi-annual basis. These TFCs are unsecured.

5.5.3 These TFCs 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 08 September 2014. The principal redemption is on a semi-annual basis. These TFCs are unsecured.

5.5.4 These TFCs 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 a semi-annual basis. These TFCs are unsecured.

5.5.5 These TFCs 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 July 15, 2012. The principal redemption is on a semi-annual basis. These TFCs are unsecured.



Annual Report 2011

5.5.6 These TFCs 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 15 February 2013. The principal redemption is on a semi-annual basis. These TFCs are secured by way of charge on moveable assets of the company.

5.5.7 Details of deficit on revaluation of above securities taken to the equity is as follow:

	30 June 2011	30 June 2010
	(Rupees in '000)	
Balance as on 1 July	(16,272)	(36,810)
Surplus for the year	3,863	13,357
Amount transferred to profit and loss account on sale	1,154	7,181
Balance as at 30 June	<u>(11,255)</u>	<u>(16,272)</u>

5.6 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 2011.

5.7 The term "listed" indicated in note 5.1 to 5.3 and 5.5 refers to listing in the stock exchanges. However, their rates are quoted by MUFAP. 'Quoted' where ever mentioned means as quoted by MUFAP.

5.8 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 up to 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.

6. PROFIT RECEIVABLES	Notes	30 June 2011	30 June 2010
		(Rupees in '000)	
Profit receivable on term finance certificates		23,127	23,520
Profit receivable on balances with banks		3,116	446
		<u>26,243</u>	<u>23,966</u>
7. DEPOSITS AND PREPAYMENTS			
Security deposits with Central Depository Company of Pakistan Limited	7.1	200	200
Security deposits with National Clearing Company of Pakistan Limited	7.1	500	-
		<u>700</u>	<u>200</u>

7.1 These deposits are interest free and are expected to be recovered at the end of Fund's life.



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 10 May 2007, the date of receipt of the initial investment in the Fund.

	Notes	30 June 2011	30 June 2010
		(Rupees in '000)	
Total preliminary expenses and floatation costs incurred		8,120	8,120
Amortization			
Balance as on 1st July		(6,496)	(4,872)
For the year		(1,624)	(1,624)
		<u>(8,120)</u>	<u>(6,496)</u>
		<u>-</u>	<u>1,624</u>

9. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration	9.1	1,149	190
Preliminary expenses and floatation costs	8	1,624	3,248
		<u>2,773</u>	<u>3,438</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 monthly remuneration for services under the provision of Trust Deed. Effective from January 17, 2008 the Trustee has revised the trustee fee as under.

Upto 250 million

Rs 0.2% per annum of the daily average net assets of the Fund.

Net assets ranging between Rs 250 million to Rs 500 million

Rs 0.5 million plus 0.15% per annum of the daily average net assets of the Fund exceeding Rs 250 million.

Net assets ranging between Rs 500 million to Rs 2000 million

Rs 0.875 million plus 0.08% per annum of the daily average net assets of the Fund exceeding Rs 500 million.

Net assets ranging between Rs 2000 million to Rs 5000 million

Rs 2.075 million plus 0.06% per annum of the daily average net assets of the Fund exceeding Rs 2000 million.

Exceeding Rs 5000 million

Rs 3.875 million plus 0.05% per annum of the daily average net assets of the Fund exceeding Rs 5000 million.



11. ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Rule 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, whereby the Fund is required to pay annual fee to SECP at the rate of 0.075% of the average daily net assets of the Fund.

12. ACCRUED EXPENSES AND OTHER LIABILITIES	<i>Notes</i>	30 June 2011	30 June 2010
		(Rupees in '000)	
Auditor's remuneration		300	275
Workers' Welfare Fund	16.1	6,419	4,243
Others		92	100
		<u>6,811</u>	<u>4,618</u>
13. NET LOSS FROM SALE OF MARKETABLE SECURITIES			
Classified as 'available-for-sale financial assets'		714	6,812
Classified as 'at fair value through profit or loss'		16,615	2,517
		<u>17,329</u>	<u>9,329</u>
14. PROFIT ON TERM FINANCE CERTIFICATES AND SUKUKS			
Classified as 'available-for-sale financial assets'		69,968	74,844
Classified as 'at fair value through profit or loss'		25,548	42,126
		<u>95,516</u>	<u>116,970</u>
15. AUDITORS' REMUNERATION			
Fee for Annual Audit		275	250
Fee for the review of half yearly condensed interim financial statements		125	125
Fee for the review of statement of compliance with the Code of Corporate Governance		75	50
Out of pocket expenses		72	41
		<u>547</u>	<u>466</u>
16. OTHER EXPENSES			
Workers' Welfare Fund	16.1	2,176	4,243
Others		63	104
		<u>2,239</u>	<u>4,347</u>

16.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company has made a provision for WWF contribution in the annual financial statements for the year ended 30 June 2011.



Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action.

On 14 December 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition filed by the CISs. As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of prudence, has decided to retain the provision for WWF amounting to Rs. 6.419 million representing the provision upto 30 June 2011 in these financial information. Consequently, few CISs have filed constitutional petitions.

17. BASIC AND DILUTED EARNINGS PER CERTIFICATE

	30 June 2011	30 June 2010
	(Rupees in '000)	
Net income for the period	<u>111,133</u>	<u>104,272</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>1.11</u>	<u>1.04</u>

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

18. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the certificate holders. Details of distribution for the year ended 30 June 2011 in accordance with the above mentioned requirements are given in note 23 to the financial statements and accordingly, no provision has been made in these financial statements.

19. 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. Pak Oman Advantage Asset Allocation Fund (POAAAF), Pak Oman Islamic Asset Allocation Fund (POIAAF) and Pak Oman Advantage Islamic Income Fund (POAIIF).

Other 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.

19.1 Transactions and balances with connected persons / related parties

Details of transactions with connected persons / related parties and balances with them at the year end are as follows:



19.1.1 Pak Oman Asset Management Company Limited - Management Company of the Fund	Note	30 June 2011	30 June 2010
		(Rupees in '000)	
Balance payable at beginning of the year		3,438	6,024
Remuneration for the year		13,386	13,478
		<u>16,824</u>	<u>19,502</u>
Payments made during the year		(14,051)	(16,064)
Balance at the of the year	9	<u>2,773</u>	<u>3,438</u>
Investment of Pak Oman Asset Management Company Limited in the certificates of the Fund		<u>2,500</u>	<u>2,500</u>
Dividend paid		<u>259</u>	<u>240</u>
19.1.2 Central Depository Company of Pakistan Limited - Trustee of the Fund			
Balance payable at beginning of the year		112	114
Trustee remuneration for the year		1,332	1,338
Central Depository System charges for the year		218	218
		<u>1,662</u>	<u>1,670</u>
Amount paid during the year		(1,549)	(1,558)
Balance at end of the year (Trustee fees)	10	<u>113</u>	<u>112</u>
19.1.3 Bank Alfalah Limited			
Deposits with Bank as at year end		<u>221,550</u>	<u>1,014</u>
Profit due from bank deposits as at year end		<u>1,640</u>	<u>20</u>
Profit for the year on bank deposits		<u>11,770</u>	<u>5,995</u>
Bank charges for the year		<u>14</u>	<u>34</u>
Investment in Term Finance Certificates of Bank Alfalah Limited			
		<u>123,321</u>	<u>125,833</u>
Balance at beginning of the year		129,547	128,741
Add: Purchases during the year		-	3,714
Less: Amortisation of premium		(227)	(219)
Add: Effects of revaluation as at the year end		3,890	(1,639)
		3,663	1,856
Less: Redemptions / Sales during the year		(9,889)	(1,050)
Balance at end of the year		<u>123,321</u>	<u>129,547</u>
Interest Receivable against TFCs as at the year end		<u>1,895</u>	<u>1,855</u>
Interest Income against TFCs for the year end		<u>18,087</u>	<u>19,381</u>
Investment of Bank Alfalah Limited in certificates of the Fund		<u>150,000</u>	<u>150,000</u>
Dividend paid		<u>15,566</u>	<u>14,408</u>



Annual Report 2011

19.1.4 National Insurance Company Limited	30 June 2011	30 June 2010
	(Rupees in '000)	
Investment of National Insurance Company Limited in certificates of the Fund	<u>100,000</u>	<u>100,000</u>
Dividend paid	<u>10,377</u>	<u>9,605</u>
19.1.5 Pak Oman Investment Company Limited		
Investment of Pak Oman Investment Company Limited in certificates of the Fund	<u>271,090</u>	<u>271,090</u>
Dividend paid	<u>28,131</u>	<u>26,038</u>
20. NET ASSET VALUE PER CERTIFICATE		
Total net assets	<i>Rupees</i> <u>1,124,798,000</u>	<u>1,112,418,000</u>
Total certificates in issue	<i>Number</i> <u>100,000,000</u>	<u>100,000,000</u>
Net assets value per certificate	<i>Rupees</i> <u>11.25</u>	<u>11.12</u>

21. FINANCIAL RISK MANAGEMENT

Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Fund's objective in managing risk is the creation and protection of certificate holders' value. Risks inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are 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 maintains positions in a variety of financial instruments in accordance with its investment management strategy. 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).

Management of these risks is done by the Investment Committee under the policies and procedures approved by the Board of Directors and the guidelines given by SECP. Asset purchases and sales are made by the Fund's Investment Manager, who has been authorised to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Board of Directors of the management company. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.



21.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. In the Fund's case it arises principally from debt securities held, bank balances, profit / mark up recoverable etc.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations.

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.
- Assignment of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by 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.

Exposure to credit risk

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk as at 30 June 2011 is as follows:

	30 June 2011		30 June 2010	
	Statement of Assets and Liabilities	Maximum exposure	Statement of Assets and Liabilities	Maximum exposure
----- (Rupees in '000) -----				
Investments				
- Available-for-sale investments	476,313	476,313	507,292	507,292
- At fair value through profit or loss-upon initial recognition	284,661	209,474	271,129	211,168
Profit receivable	26,243	26,243	23,966	23,966
Deposits	700	700	200	200
Bank balances	347,618	347,618	317,413	317,413
	<u>1,135,535</u>	<u>1,060,348</u>	<u>1,120,000</u>	<u>1,060,039</u>

Difference in the balances as per the Statement of Assets and Liabilities and maximum exposure is due to the fact that investments of Rs. 75,187 (2010: Rs. 59,961) in Government securities are not considered to carry credit risk.

Past due / impaired financial assets

None of the financial assets of the Fund are past due / impaired.



Annual Report 2011

Credit ratings and collaterals held

Credit risk arising on debt securities is mitigated by investing primarily in investment-grade rated instruments published by MUFAP (and as determined by Pakistan Credit Rating Agency or JCR-VIS). The Fund may also invest in unrated debt securities whereby the Investment Manager carries out its own credit assessment in accordance with the approved guidelines as discussed above, which is then approved by the Investment Committee. Details of the credit ratings of investments and collaterals (if any) are given in notes 5.1 to 5.3 and 5.5 to these financial statements. Bank balances are unsecured.

At 30 June, the Fund had invested in debt securities and had bank balances with the following credit ratings:

Rating	Debt Securities (Including profit due)		Bank Balances (Including profit due)	
	2011 %	2010 %	2011 %	2010 %
AA+ to AA-	76.02	83.40	99.83	99.83
A+ to A-	4.90	3.45	0.17	0.17
BBB+	0.00	2.17	-	-
Un - rated	9.20	3.12	-	-
Government guaranteed (treasury bills & ijara sukuks)	9.88	7.48	-	-
Total	100	100	100	100

Concentration of credit risk

Concentration of credit risk exists when changes in economic and industry factors similarly effect group 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 / economic sectors are as follows:

	30 June 2011		30 June 2010	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Commercial banks	1,037,917	97.88	952,157	89.82
Fertilizers	-	-	2,518	0.24
Modaraba	-	-	17,385	1.64
Chemicals	-	-	33,099	3.12
Cement	3,472	0.33	25,015	2.36
Microfinance	-	-	3,670	0.35
Miscellaneous	18,959	1.79	26,195	2.47
	1,060,348	100	1,060,039	100

Settlement risk

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

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



21.2 Liquidity risk

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

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

Maturity analysis for financial liabilities

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:

	Carrying amount	Less than 1 months	1 to 3 months	3 months to 1 year	1 Year and above
(Rupees in '000)					
30 June 2011					
<i>Non-derivative liabilities</i>					
Payable to Management Company	2,773	1,149	-	1,624	-
Remuneration payable to Trustee	113	113	-	-	-
Annual fee payable to Securities and Exchange Commission of Pakistan	803	-	803	-	-
Accrued expenses and other liabilities(excluding WWF)	392	92	300	-	-
Dividend payable	237	237	-	-	-
	<u>4,318</u>	<u>1,591</u>	<u>1,103</u>	<u>1,624</u>	<u>-</u>
30 June 2010					
<i>Non-derivative liabilities</i>					
Payable to Management Company	3,438	190	-	1,624	1,624
Remuneration payable to Trustee	112	112	-	-	-
Annual fee payable to Securities and Exchange Commission of Pakistan	809	-	809	-	-
Accrued expenses and other liabilities(excluding WWF)	375	100	275	-	-
Dividend payable	229	229	-	-	-
	<u>4,963</u>	<u>631</u>	<u>1,084</u>	<u>1,624</u>	<u>1,624</u>

Above financial liabilities do not carry any mark-up.

21.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.



Annual Report 2011

The fund is exposed to interest rate risk only.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fund's interest rate exposure arises on investment in debt securities, Government securities and profit and loss sharing bank balances. Most of the Fund's interest bearing assets carry variable interest rates (and mature within a period ranging from one month to five years), except for the exposure in fixed rate instruments in Government securities (amounting to Rs 75 million approximately). However to enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. The Fund monitors the interest rate environment on a regular basis and may also alter the portfolio mix of fixed and floating rate securities. Other risk management procedures are the same as those mentioned in the credit risk management.

At 30 June 2011, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	(Rupees in '000)
<i>Fixed rate instruments</i>	
Financial assets	<u>75,187</u>
<i>Variable rate instruments</i>	
Financial assets	<u>1,033,405</u>

The composition of the Fund's investment portfolio, KIBOR rates and the trade rates announced by MUFAP is expected to change over time. Accordingly, the actual trading results may differ from the below sensitivity analysis and the difference could be material.

Fair value sensitivity analysis for fixed rate instruments

Interest bearing Government Securities as at 30 June 2011 exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / (decrease) in yield rate on 30 June 2011, profit for the year would have been higher / lower by Rs 0.066 million (2010: Rs. 0.003 million). The analysis is performed on same basis for 2010.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased / (decreased) the income for the year certificate holders fund by Rs. 1.55 million (2010: Rs. 0.585 million). The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

A summary of the Fund's interest rate position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

30 June 2011	Mrk-up / profit %	Up to one month	One to three months	Three months to six months	Above six months	Total
		(Rupees in '000)				
<i>Assets</i>						
Bank balances	10.1 to 12.3	-	347,618	-		347,618
Investments	10 to 15.7	-	-	685,787	75,187	760,974
Total assets		-	<u>347,618</u>	<u>685,787</u>	<u>75,187</u>	<u>1,108,592</u>
 30 June 2010						
<i>Assets</i>						
Bank balances	2.75 to 12.75	50,000	267,413	-	-	317,413
Investments	8.45 to 16.17	177,018	263,140	334,368	-	774,526
Total assets		<u>227,018</u>	<u>530,553</u>	<u>334,368</u>	-	<u>1,091,939</u>

None of the Fund's liability is subject to interest rate risk.



Pak Oman Advantage Fund

21.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the management company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

21.5 Certificate Holder's fund risk management

Management's objective when managing certificate holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders' and to ensure reasonable safety of certificate holders' funds.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. In order to maintain or adjust capital structure, the fund may adjust the amount of dividend paid to certificate holders or issue of new certificate. The Fund is not exposed to the externally imposed minimum certificate capital maintenance requirement.

21.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements is discussed in note 3.1.3.

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

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

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

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

The table below analyses the Fund's investment at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:



Annual Report 2011

30 June 2011	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
At fair value through profit or loss upon initial recognition				
Term Finance Certificates	-	-	206,247	206,247
Sukuks	-	-	3,227	3,227
Government Securities	-	75,187	-	75,187
Available-for-sale				
Term Finance Certificates	-	-	476,313	476,313
	-	75,187	685,787	760,974
30 June 2010	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
At fair value through profit or loss upon initial recognition				
Term Finance Certificates	-	-	131,886	131,886
Sukuks	-	-	79,282	79,282
Government Securities	-	59,961	-	59,961
Available-for-sale				
Term Finance Certificates	-	-	507,292	507,292
	-	59,961	718,460	778,421

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

	30 June 2011	30 June 2010
	(Rupees)	
Balance as at 1 July 2010	718,460	1,019,328
Revaluation loss included in the income statement (net of discount)	3,840	(1,847)
Revaluation gain included in comprehensive income	4,331	13,357
Purchase during the year (at cost)	47,699	69,148
Sold during the year	(96,937)	(353,548)
Redemption during the year	(210)	(19,475)
Provision for investment	8,604	(8,502)
	<u>685,787</u>	<u>718,460</u>

22. OPERATING SEGMENT

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Investment Committee of the Management Company has been identified as the chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments. The Fund manager works under the supervision of the Investment Committee and follows the directions given by the Committee.

The Investment Committee is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The Investment Committee's asset allocation decisions are based on a single integrated investment strategy and the Fund's performance is evaluated on an overall basis.



The internal reporting provided to the Investment Committee for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There were no change in the reportable segments during the period.

The Fund is domiciled in Pakistan. The Fund's income is generated from resources invested in term finance certificates, Government securities, short term placement and balances maintained with banks which are based in Pakistan. Revenue from four customers of the Fund's investments and bank balances represent Rs. 62.2 million (30 June 2010: Rs. 80.371 million) of the Fund's total revenue.

The internal reporting provided to the Investment Committee for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There were no change in the reportable segments during the period.

The Fund is domiciled in Pakistan. The Fund's income is generated from resources invested in term finance certificates, Government securities, short term placement and balances maintained with banks which are based in Pakistan. Revenue from four customers of the Fund's investments and bank balances represent Rs. 62.2 million (30 June 2010: Rs. 80.371 million) of the Fund's total revenue.

23. DIVIDEND DISTRIBUTION

The Board of Directors of the Management Company in its meeting held on August 23, 2011 has announced a cash dividend of 10.17% amounting to Rs. 101.73 million. The financial statements for the year ended 30 June 2011 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 30 June 2012.

24. 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:

24.1 Certificate holding pattern of the Fund

Category	2011		
	Number of investors	Investment face value	% of total
		(Rupees in '000)	
Individuals	113	2,342	0.23%
Insurance	3	107,881	10.79%
Banks / DFIs	12	709,625	70.96%
Public Limited	3	78,265	7.83%
Others	14	101,887	10.19%
As at 30 June 2011	145	1,000,000	100%
		2010	
Individuals	96	2,095	0.21%
Insurance	3	107,885	10.79%
Banks / DFIs	14	738,725	73.87%
Public Limited	4	98,265	9.83%
Others	12	53,030	5.30%
As at 30 June 2010	129	1,000,000	100%



Annual Report 2011

24.2 List of top ten brokers by percentage of commission

30 June 2011

	Percentage of Commission
Alafalah Securities (Private) Limited	4.98%
KASB Securities Limited	27.33%
IGI Finex Securities	17.10%
JS Global Capital Limited	50.60%

30 June 2010

Alafalah Securities (Private) Limited	26.58%
First Capital Securities Corporation	22.05%
KASB Securities Limited	16.19%
IGI Finex Securities	14.19%
JS Global Capital Limited	12.14%
Atlas Capital Limited	7.06%
Global Securities	1.80%

24.3 Detail of members of the investment committee

Name	Qualification	Experience (Years)
Mr. Ali Said Ali (Chairman)	MBA & B.Sc Mechanical.	22 years
Sulaiman Hammad Al Harthy	MBA	20 years
Mr. Saif Said Salim Al Yazidi - Member	MBA	16 years

24.4 Detail of the Fund manager

Name	Qualification	Funds managed
Mr. Nabeel Malik	MBA	Pak Oman Advantage Fund (POAF) Pak Oman Advantage Islamic Income Fund (POAIIF)

24.5 Detail of meetings of board of Directors

Name	Designation	Dates of board of directors meetings and directors present therein				
		Jul 05, 2010	Aug 18, 2010	Oct 21, 2010	Feb 19, 2011	Apr 05, 2011
H. E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman	✓	✓	✓	✓	✓
Mr. Javed Mahmood *	Director	×	×	×	-	-
Agha Ahmed Shah,	Director	×	×	✓	✓	✓
Mr. Humayun Murad	Director	×	×	✓	✓	✓
Mr.Zafar Iqbal **	Director	✓	✓	×	-	-
Maj. General Imtiaz Ahmed, *	Director	×	×	×	-	-
Mr. Parveiz Usman	Director	×	×	×	×	×
Mr. Sulaiman Hammad Al Harty	Director	×	✓	✓	×	×
Mr. Ali Said Ali	Director	✓	✓	✓	✓	✓
Mr.Saif Said Salim Al Yazidi ***	Director	-	-	-	-	-
Ms. Hina Ghazanfar	MD & CEO	✓	✓	✓	✓	✓

* Retired and not consented for re-election

** Resigned directorship from

*** Appointed in place Mr. Zafar Iqbal



Pak Oman Advantage Fund

Annual Report 2011

24.6 Rating of Fund and Management Company

PACRA 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 has assigned an AM3 rating to the management company which is defined as good management quality.

24.7 Performance table

	30 June 2011	30 June 2010
Net assets (Rupees in '000)	1,124,798	1,110,794
Net income (Rupees in '000)	111,133	104,272
Net assets value (NAV) per certificate as (Rupees)	11.25	11.12
Basic earnings per certificate (Rupees)	1.11	1.04
Dividend distribution for the year ended 30 June 2010 and 2009 respectively (% of face value)		
Distribution for the above years was on 1 November 2010 and 18 August 2009 respectively	10.38	9.60
Highest NAV per certificate during the year (Rupees)	11.26	11.24
Lowest NAV per certificate during the year (Rupees)	10.01	10.24

25 DATE OF AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issue on August 23, 2011 by the Board of Directors of the Management Company.

For Pak Oman Asset Management Company Limited
(Management Company)

Chief Executive

Director



Pak Oman Advantage Fund

PATTERN OF CERTIFICATE HOLDING
AS AT 30 JUNE 2011

NO. OF SHAREHOLDERS	< -- HAVING SHARES -- >		SHARES HELD	PERCENTAGE
	FROM	TO		
17	1	100	76	0.0001
67	101	500	31841	0.0318
13	501	1000	12512	0.0125
11	1001	5000	29925	0.0299
3	5001	10000	24245	0.0242
4	10001	15000	46279	0.0463
1	20001	25000	23700	0.0237
1	65001	70000	69323	0.0693
1	95001	100000	96000	0.0960
2	240001	245000	481000	0.4810
1	245001	250000	250000	0.2500
1	285001	290000	288500	0.2885
1	495001	500000	499599	0.4996
1	795001	800000	800000	0.8000
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	2885000	2.8850
1	3495001	3500000	3500000	3.5000
1	4985001	4990000	4990000	4.9900
3	4995001	5000000	15000000	15.0000
1	7580001	7585000	7581000	7.5810
2	9995001	10000000	20000000	20.0000
1	12105001	12110000	12109000	12.1090
1	14995001	15000000	15000000	15.0000
145			Company Total 100000000	100.0000



CATEGORIES OF CERTIFICATE HOLDERS
AS AT 30 JUNE 2011

PARTICULARS	No. of holders	No. of Certificates held	PERCENTAGE
BANKS, DFI & NBF	12	70962500	70.9625
INSURANCE COMPANIES	3	10788099	10.7881
GENERAL PUBLIC (LOCAL)	112	233201	0.2332
GENERAL PUBLIC (FORGEIN)	1	1000	0.0010
OTHERS	14	10188700	10.1887
PUBLIC SECTOR COS. & CORP.	3	7826500	7.8265
Company Total	145	100000000	100.0000

**PATTERN OF CERTIFICATE HOLDINGS AS PER REQUIREMENTS
OF CODE OF CORPORATE GOVERNANCE**

AS AT 30 JUNE 2011

Particulars	No. of Certificates held
Individuals	233,701
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	12,581,000
Development financial institutions	9,581,000
Non-banking finance companies	-
Non-banking finance institutions	5,250,000
Insurance companies	788,099
Provident and Gratuity Fund	6,300,000
Others	4,330,200
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
Total	100,000,000



**STATEMENT OF INCOME & EXPENDITURE OF MANAGEMENT
COMPANY IN RELATION TO THE FUND
FOR THE YEAR ENDED JUNE 30, 2011**

(Rupees in '000)

INCOME

Management Company's remuneration 13,386

OPERATING EXPENSES

Salaries and allowances 5,109

Travelling and accommodation 697

Rent, rates and taxes 1,119

Utilities 280

Communication 22

Fees and subscriptions 664

Printing, stationery and periodicals 308

Depreciation 995

Amortisation 155

Legal and professional charges 165

Repairs and maintenance 61

Transportation 265

Insurance 255

Entertainment 75

Advertising -

10,170

Net income for the year **3,216**

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.

