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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

INVESTMENT ADVISER

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

BOARD OF DIRECTORS OF THE INVESTMENT ADVISER

H.E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman
Dr. Waqar Masood Khan	Director
Mr. Zafar Iqbal	Director
Mr. Ali Said Ali	Director
Mr. Akbar Habib	Director
Mr. Sulaiman Hamad Al Harthy	Director
Maj. Gen Khalid Zahir Akhtar	Director
Mr. Zaigham Hasan Shah	Director
Ms. Hina Ghazanfar	Chief Executive

AUDIT COMMITTEE

H.E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman
Mr. Zafar Iqbal	Director
Mr. Sulaiman Hamad Al Harthy	Director

HEAD OF FINANCE & OPERATIONS OF THE INVESTMENT ADVISER

Mr. Shahzad Afgan

COMPANY SECRETARY OF THE INVESTMENT ADVISER

Mr. Aamir Liaquat Ali

TRUSTEE

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

AUDITORS

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

BANKER TO THE FUND

Bank Al-Falah Ltd

LEGAL ADVISER

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

TRANSFER AGENT

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



REPORT OF THE DIRECTORS OF THE INVESTMENT ADVISER

The Board of Directors of Pak Oman Asset Management Company Limited, the Investment Adviser of Pak Oman Advantage Fund (the Fund) is pleased to present the audited financial statements of the Fund for the period ended June 30, 2007.

Economic Review

Pakistan has maintained the solid pace of expansion for more than three years, positioning itself as one of the fastest growing economies in Asia. Economy has been growing at an average rate of 7.00% p.a. during the last four years (2002 - 2006). Per capita income grew by an average rate of 13.9% p.a. during the last four years, rising from US\$ 582 in 2002 to US\$ 925 in 2006. Remittances increased to USD 4.5 billion for 2006. Monetary policy measures adopted by the State Bank of Pakistan (SBP) in 2007 supplemented earlier tightening. The impact of monetary tightening is visible from an upward movement in Monetary Conditions Index (MCI) during H1-FY07. In line with its dual objective of balancing growth and price stability, monetary policy has also supported economic growth by ensuring effective liquidity management as well as providing adequate and timely concessional credit to priority sectors.

Operating Performance (Review)

The Fund, during the period ended June 30, 2007 earned a total income of Rs. 27.57 million. The income for the period comprises mainly of capital gains (net) on sale of investments amounting Rs. 6.47 million, Profit earned on TFCs amounting Rs.8.42 million and Profit earned on deposits with banks amounting Rs.9.16 million. The unrealised gain on investments at fair value through profit or loss for the year was Rs. 0.67 million. After accounting for expenses of Rs. 4.26 million, the net income for the year was Rs. 23.31 million, which translates into the earning of Rs. 0.23 per certificate as at June 30, 2007. The net assets of the fund as at June 30, 2007 were Rs. 1,026.67 million. The net asset value of the fund as at June 30, 2007 was Rs. 10.27 per certificate.

Investment Policy:

Investment Policy of the Fund is stated in Clause 2.2 Part II of the Offering Document, The primary objective of the fund is to provide the maximum total return to the certificate holders by maintaining a portfolio of money market and TFC based income instruments. Funds are allocated among various money market instruments based on the attractiveness of that particular asset class.

Future Outlook:

Recently we have seen further tightening of interest rates by the State Bank. However, our expectations are that interest rates shall ease on a long term basis, as the increasing inflow of funds from other countries shall put an upward pressure on the currency and downwards pressure on the interest rates. The pressure of loosening interest rates shall be partially off set by the planned increase in capacity and production as Governmental and public sector spending will increase, resulting in demand for liquidity. Since all the underlying assets of our fund are either TFCs or other floating rate instruments, the movements in KIBOR will lead to a parallel movement for our fund.

Compliance with Code of Corporate Governance:

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



PAK OMAN ADVANTAGE FUND

Re-appointment of Auditors:

The present auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants, retired and being eligible, offered themselves for re-appointment. The Audit Committee of the Investment Adviser in its meeting held on 24th August, 2007 recommended and the Board of Directors in their meeting held on 25th August, 2007, approved their re-appointment as auditors for the year ending June 30, 2008.

Mutual Fund Rating:

JCR-VIS Credit Rating Co. Ltd. (JCR-VIS) has assigned stability rating of AA- to the Fund which reflects a minimum exposure of credit and price risk relative to its peers.

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 Investment Adviser.

August 25, 2007
Karachi.

For and on behalf of the Board
Hina Ghazanfar
Chief Executive



**STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE FOR THE PERIOD ENDED
JUNE 30, 2007**

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 investment adviser, 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 investment adviser has applied the principles contained in the code to the Fund, whose certificates are listed as a security on the Karachi Stock Exchange, in the following manner:

1. The investment adviser encourages representation of non-executive directors. All the directors except the Chief Executive Officer (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 investment adviser.
3. All the existing resident directors of the investment adviser are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the period
5. The board has formulated a Statement of Ethics and Business Practices which has been signed by the existing directors and employees of the investment adviser.
6. The board of the investment adviser has developed a Vision and Mission statement. The investment policy of the Fund has been disclosed in the offering document while other significant policies are being formalised and will be adopted by the board once they are formalised.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO of the investment adviser, 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, alongwith 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 investment adviser, managing the Fund shall arrange an orientation course for its directors in the following year to apprise them of their duties and responsibilities and the requirements of the code of corporate governance.
10. The Board has approved the appointment of the Chief Financial Officer (CFO), Head of Risk Management, Internal Audit and Company Secretary, of the investment adviser and their terms of employment.
11. The directors' report relating to the Fund, for the period ended June 30, 2007 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



PAK OMAN ADVANTAGE FUND

12. The financial statements of the Fund were duly endorsed by the CEO and the CFO of the investment adviser before approval by the Board.
13. The interest of the CEO and Directors in the certificates of the Fund is disclosed in the pattern of certificate holdings.
14. The investment adviser has complied with all the applicable corporate and financial reporting requirements of the code.
15. The Board has formed an audit committee. It comprises of three non-executive directors of the investment adviser as its members including chairman of the audit committee. The Company Secretary is the Secretary of the audit committee.
16. The meetings of the audit committee were held once in every quarter prior to the approval of final results of the Fund and as required by the Code. The terms of reference of the audit committee have been framed and approved by the Board of the investment adviser and advised to the committee for compliance.
17. The Board is in process of establishing an internal audit function.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review programme 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 investment adviser 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 25, 2007
Karachi.

Hina Ghazanfar
Chief Executive



**REPORT OF THE TRUSTEE
PAK OMAN ADVANTAGE FUND**

Report of the Trustee Pursuant to Rule 45(g) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Pak Oman Advantage Fund, a closed-end scheme was established under a trust deed executed between Pak Oman Asset Management Company Limited as the Investment Adviser and Central Depository Company of Pakistan Limited as Trustee on February 12, 2007. The Scheme was authorized by the Securities and Exchange Commission of Pakistan (SECP) on March 16, 2007.

In our opinion, Pak Oman Asset Management Company Limited, the Investment Adviser of Pak Oman Advantage Fund has in all material respects managed Pak Oman Advantage Fund during the period from May 10, 2007 to June 30, 2007 in accordance with the provisions of the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

For the purpose of information, the attention of the Certificate Holders is drawn towards the Auditors' report where in it is specified that Term Finance Certificates have been valued on the basis of the average of rates obtained from fund's brokers instead of the closing rates quoted on stock exchange in accordance with Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

September 4, 2007
Karachi.

Kamran Qazi
Company Secretary
Central Depository Company of Pakistan Limited



**REVIEW REPORT TO THE CERTIFICATE HOLDERS OF PAK OMAN
ADVANTAGE FUND ON THE STATEMENT OF COMPLIANCE WITH
BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Investment Adviser of the **Pak Oman Advantage Fund** to comply with the Listing Regulations No. 37 of the Karachi Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Investment Adviser 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 Investment Adviser's personnel and review of various documents prepared by the Investment Adviser to comply with the Code.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period from 10 May 2007 to 30 June 2007.

**Date: 25 August 2007
Karachi.**

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



INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of **Pak Oman Advantage Fund**, which comprise the statement of assets and liabilities as at 30 June 2007, and the income statement, distribution statement, cash flow statement and statement of movement in equity and reserves for the period from 10 May 2007 to 30 June 2007, and a summary of significant accounting policies and other explanatory notes.

Investment Adviser's responsibility for the financial statements

Investment Adviser (Pak Oman Asset Management Company Limited) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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.

Basis of qualified opinion

As more fully explained in note 5.1(D) to the financial statements, the investments of the Fund in Term Finance Certificates (TFC's) carried at fair value are valued on the basis of the average of rates quoted by the Fund's brokers. However, under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, these are required to be valued on the basis of the rates quoted on the Stock Exchanges. Had these been valued on the basis of stock exchange closing prices, the net assets and unrealized appreciation in the fair value of investments classified as available for sale as at 30 June 2007 would have been higher by Rs. 4.3 million and Rs. 6.6 million respectively and net income for the period ended 30 June 2007 would have been lower by Rs. 2.3 million.

Qualified opinion

In our opinion, except for the effect of the matter described in the preceding paragraph, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2007, and of its financial performance, cash flows and transactions for the period from 10 May 2007 to 30 June 2007 in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and NBFC Rules.

Date: 25 August 2007
Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants



STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007

	Note	2007 (Rupees in '000)
Assets		
Bank balances	6	237,604
Investments	7	647,155
Receivable against continuous funding system	8	124,835
Profit receivable	9	19,944
Deposits	10	1,200
Preliminary expenses and floatation costs	11	6,496
Total assets		<u>1,037,234</u>
Liabilities		
Payable to Pak Oman Asset Management Company Limited - Investment Adviser of the Fund	12	9,952
Payable to the Central Depository Company of Pakistan Limited - Trustee of the Fund	13	166
Payable to Securities and Exchange Commission of Pakistan	14	147
Accrued expenses and other liabilities	15	296
Total liabilities		<u>10,561</u>
Net assets		<u><u>1,026,673</u></u>
Certificate holders' equity		
Issued, subscribed and paid-up capital		
100,000,000 ordinary certificates of Rs. 10 each issued as fully paid-up in cash		1,000,000
Unrealised appreciation in fair value of investments classified as available-for-sale		3,366
Unappropriated income carried forward		23,307
		<u><u>1,026,673</u></u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Investment Adviser)

Chief Executive

Director



INCOME STATEMENT
FOR THE PERIOD FROM 10 MAY 2007 TO 30 JUNE 2007

		For the period from 10 May 2007 to 30 June 2007 (Rs in '000)
Income		
Gain on sale of investments		6,472
Income from continuous funding system		1,439
Profit on term finance certificates		8,423
Profit on commercial papers		1,305
Profit on deposit accounts with banks		9,164
Profit on placements with financial institutions		94
		26,897
Unrealised appreciation in fair value of investments at fair value through profit or loss		671
Total income		27,568
Expenses		
Remuneration to Pak Oman Asset Management Company Limited - Investment Adviser of the Fund	12	1,832
Remuneration to Central Depository Company of Pakistan Limited - Trustee of the Fund	13	287
Annual fee - Securities and Exchange Commission of Pakistan	14	147
Auditor's remuneration	16	175
Fees and subscription		68
Amortisation of preliminary expenses and floatation costs		1,624
Brokerage		92
Bank and settlement charges		36
		4,261
Net income for the period		23,307
		(Rupees)
Basic and diluted earnings per certificate	17	0.23

The annexed notes 1 to 26 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Investment Adviser)

Chief Executive

Director



DISTRIBUTION STATEMENT
FOR THE PERIOD FROM 10 MAY 2007 TO 30 JUNE 2007

For the period
from
10 May 2007
to 30 June 2007
(Rs in '000)

Net income for the period	23,307
Unappropriated income carried forward	<u>23,307</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Investment Adviser)

Chief Executive

Director



**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES
PER CERTIFICATE
FOR THE PERIOD FROM 10 MAY 2007 TO 30 JUNE 2007**

	For the period from 10 May 2007 to 30 June 2007 (Rupees)
Net assets / face value per certificate at issue of securities	10.00
Gain on sale of investments	0.065
Income from continuous funding system	0.014
Profit on term finance certificates	0.084
Profit on commercial papers	0.013
Profit on deposit accounts with banks	0.092
Profit on placements with financial institutions	0.001
Unrealised appreciation in fair value of investments at fair value through profit or loss	0.007
Other net operating expenses	(0.043)
Net income for the period	0.233
Unrealised appreciation in fair value of investments classified as available-for-sale financial assets	0.034
Net assets per certificate at the end of the period	<u>10.267</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

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

Chief Executive

Director



**CASH FLOW STATEMENT
FOR THE PERIOD FROM 10 MAY 2007 TO 30 JUNE 2007**

For the period
from
10 May 2007
to 30 June 2007
(Rs in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period	23,307
Adjustments for:	
Income from continuous funding system	(1,439)
Income on term finance certificates	(8,423)
Income on deposit account with bank	(9,164)
Income on commercial paper	(1,305)
Income on placement with financial institutions	(94)
Unrealised gain on investments - at fair value through profit or loss	(671)
Amortisation of preliminary expenses and floatation costs	1,624
	<u>3,835</u>
(Increase) / decrease in assets	
Investments	(643,118)
Receivable against Continuous Funding System	(124,835)
Advances, deposits, prepayments and other receivables	(1,200)
Preliminary expenses and floatation costs	(8,120)
	<u>(777,273)</u>
Increase / (decrease) in liabilities	
Payable to Pak Oman Asset Management Company Limited - Investment Adviser of the Fund	9,952
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	166
Payable to Securities and Exchange Commission of Pakistan	147
Accrued expenses and other liabilities	296
	<u>10,561</u>
Cash used in operations	<u>(762,877)</u>
Income received on deposit account with bank	7,409
Income received on term finance certificates	(8,994)
Income received on commercial papers	1,305
Income received on placement with financial institutions	94
Income received on Continuous Funding System	667
	<u>(762,396)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Amount received against issue of certificates	1,000,000
Net cash generated from financing activities	<u>1,000,000</u>
Cash and cash equivalents at the end of the period	<u><u>237,604</u></u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited
(Investment Adviser)

Chief Executive

Director



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 10 MAY 2007 TO 30 JUNE 2007**

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 Investment Adviser 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). The registered office of the Investment Adviser is situated at First Floor, Tower 'A', Finance and Trade Centre (FTC), Sharah-e-Faisal, Karachi, Pakistan.

The investment objective of the Fund is to provide low risk fixed income returns to investors by investing in instruments that carry minimal credit, liquidity and price risks. The Fund has a limited life of 8 years after which it will be wound up; any investment made in the Fund will therefore mature within this period. However, this restriction will not apply to securities held against Reverse repurchase transactions provided that the Repo deal itself matures within this period. The Investment Adviser of the Fund is registered with the SECP as a Non-Banking Finance Company under NBFC Rules.

The Fund's certificates are listed on the Karachi Stock Exchange. The Initial Public Offer (IPO) of the Fund was held from 08 May 2007 to 09 May 2007, therefore, these financial statements are prepared for the period ended from 10 May 2007 to 30 June 2007.

2. BASIS OF PRESENTATION

These financial statements are presented in Pakistani Rupees (PKR) which is the functional currency of the Fund and the figures have been rounded off to the nearest thousand Rupees. These financial statements have been prepared under the historical cost convention, except for investments classified as available-for-sale and as at fair value through profit or loss upon initial recognition, which are carried at fair value.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan, the Trust Deed, the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003 and the directives issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003 and the said directives take precedence.

3.1 New accounting standards and IFRIC interpretation that are not yet effective

The following standards, amendments and the interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are not relevant to the fund operations or are not relevant to the fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments relating to Capital Disclosures
- IAS 23 - Borrowing Costs - Amendments relating to mandatory capitalisation of borrowing costs relating to qualifying assets



- IAS 41 - Agriculture
- IFRS 2 - Share-based Payments;
- IFRS 3 - Business Combinations;
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11 - Group and Treasury Transactions;
- IFRIC 12 - Services Concession Arrangements
- IFRIC 13 - Customer Loyalty Programmes.
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interactions.

4. USE OF ESTIMATES AND JUDGEMENTS

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

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

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

Fair values of financial instruments

The fair value of investment in marketable securities is based on the closing market prices ruling at the day-end. The Investment Adviser of the fund is of the view that the fair market values of the financial assets and financial liabilities are not significantly different from their carrying values since financial assets and financial liabilities are essentially short-term in nature.

Furthermore, the Investment Adviser of the Fund estimates that the fair value of Commercial Papers (CP's) is equal to its carrying value, therefore no gains or losses on these CP's have been recognised in these financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Financial instruments

A. 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.'



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

All purchases 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.

B. Receivable against Continuous Funding System

Transactions of purchase of securities under Continuous Funding System, are entered into at contracted rates for specified period of time. Securities purchased with a corresponding commitment to resell are not recognised in the statement of assets and liabilities. Amount paid under these agreements are included in receivable against Continuous Funding System. The difference between purchase and resale price is treated as income from Continuous Funding System and is recognised using effective yield method.

All purchases under Continuous Funding System are recognised using settlement date accounting.

C. 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.

D. Measurement

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

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available-for-sale financial assets' are measured at fair value except for unlisted instruments that are valued at cost / amortised cost or break up value, whichever is lower, in accordance with the requirements of NBFC Rules. Gains or losses arising from changes in the fair value of the financial assets 'at fair value through profit or loss' are recognised in the income statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in equity until derecognised or impaired, while the accumulated fair value adjustments, recognised in equity are included in the Income Statement.

Basis of valuation of Term Finance Certificates

The Fund values its investment in listed term finance certificates (TFCs) on the basis of rates obtained from reputable brokerage houses for the purpose of marking to market the investment of the Fund in TFCs, Rule 2(xxxiv) (a) of NBFC Rules, require securities which are quoted on the stock exchange should



be valued at its last sale price on such exchange on the date on which it is valued. However, the management believes that the policy adopted by the Fund is fair to all investors and protects their interests. Had these been valued on the basis of stock exchange closing prices, the net assets and unrealized appreciation in the fair value of investments classified as available-for-sale as at 30 June 2007 would have been higher by Rs. 4.3 million and Rs. 6.6 million respectively and net income for the period ended 30 June 2007 would have been lower by Rs. 2.3 million. Further, the Net Asset Value (NAV) of the Fund during the period would have been different. These effects have not been quantified as it was not practical to do so.

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

E. Fair value measurement principles

The fair value of marketable securities and derivatives are based on their prices quoted on the Stock Exchange at the balance sheet date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

F. Impairment

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

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

G. 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.

5.2 Provisions

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

5.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortized over a period of five years commencing from 10 May 2007. First year full amortisation have been charged over the period from 10 May 2007 to 30 June 2007.



5.4 Net assets value per Certificate

The net assets value (NAV) per certificate is calculated by dividing the net assets of the Fund by the number of certificates in issue (paid-up capital).

5.5 Taxation

Current

The income of the Fund is exempt from income tax under clause 99 of part I of the second schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the certificate holders.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund intends to continue to avail the tax exemption by distributing at least ninety percent of its accounting income for the period as reduced by capital gains, whether realised or unrealised, to its certificate holders. Accordingly, no current and deferred tax has been recognised in these financial statements.

5.6 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 they arise.

Gains / (losses) arising on the revaluation of derivatives to the fair value are taken to the Income Statement.

Profit on deposit accounts with banks and investments in debt instruments are recognised on accrual basis using the effective yield rate method.

5.7 Expenses

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

5.8 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.

5.9 Cash and cash equivalents

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



5.10 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.

	Note	2007 (Rupees in '000)
6. BANK BALANCES		
In deposit account	6.1	<u>237,604</u>
6.1 These represent deposits receivable on demand carrying interest rates ranging from 2.5% to 10% per annum.		
7. INVESTMENTS		
Investment in Marketable Securities - classified as 'available-for-sale financial assets'	7.1	441,196
Investment - classified as 'at fair value through profit or loss'	7.2	<u>205,959</u>
		<u>647,155</u>

**7.1 INVESTMENT IN MARKETABLE SECURITIES
- classified as 'available-for-sale financial assets'**

TERM FINANCE CERTIFICATES

Name of the Investee Company	Note	Purchases during the period	Sales during the period	Redemption during the period	As at 30 June 2007	Cost as at 30 June 2007	Market Value as at 30 June 2007	% of Net Assets	% of Investment
		----- Number of Certificates -----			(Rupees in '000)				
Allied Bank Limited - I	7.1.1	12,600	4,600	-	8,000	41,397	41,958	4.09	6.48
Askari Bank Limited - I	7.1.2	20,000	-	-	20,000	101,002	101,752	9.91	15.72
Bank Al Habib Limited - I	7.1.3	14,000	-	-	14,000	67,214	66,900	6.52	10.34
Bank Alfalah Limited - I	7.1.4	4,960	-	-	4,960	24,866	25,189	2.45	3.89
Bank Alfalah Limited - II	7.1.5	5,000	-	-	5,000	25,462	25,467	2.48	3.94
Bank Alfalah Limited - III	7.1.6	9,000	-	-	9,000	45,763	45,949	4.48	7.10
United Bank Limited - III	7.1.7	26,000	-	-	26,000	132,126	133,981	13.05	20.70
						<u>437,830</u>	<u>441,196</u>	<u>42.98</u>	<u>68.17</u>

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

- 7.1.1 These term finance certificates (TFC's) carry mark-up equal to the base rate of 1.90% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with no floor or cap and will mature on 6 December 2014. The principal redemption is on semi-annual basis. These term finance certificates are unsecured and subordinated. At 30 June 2007, profit at 11.93% per annum was due on the above TFC's.
- 7.1.2 These TFC's carry mark-up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with no floor or cap and will mature on 4 February 2013. The principal redemption is on semi-annual basis. These term finance certificates are unsecured and subordinated. At 30 June 2007, profit at 12.05% per annum was due on the above TFC's.
- 7.1.3 These TFC's carry mark-up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with 3.5% floor, 10% cap per annum and will mature on 15 July 2012. The principal redemption is on semi-annual basis. These term finance certificates are unsecured and subordinated. At 30 June 2007, profit at 10.00% per annum was due on the above TFC's.



PAK OMAN ADVANTAGE FUND

- 7.1.4 These TFC's carry mark-up equal to the base rate of 1.35% plus cut-off yield on last successful auction of 5 years' Pakistan Investment Bond i.e. 9.54% per annum, receivable semi-annually in arrears with 10% floor, 15% cap per annum and will mature on 19 December 2008. The principal redemption is on semi-annual basis. These term finance certificates are unsecured and subordinated. At 30 June 2007, profit at 10.89% per annum was due on the above TFC's.
- 7.1.5 These TFC's carry mark-up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with no floor or cap and will mature on 23 November 2012. The principal redemption is on semi-annual basis. These term finance certificates are unsecured and subordinated. As at 30 June 2007, profit at 11.66% per annum was due on the above TFC's.
- 7.1.6 These TFC's carry mark-up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with no floor or cap and will mature on 25 November 2013. The Principal redemption is on semi-annual basis. These Term Finance Certificates are unsecured and subordinated. At 30 June 2007, Profit at 11.67% per annum was due on the above TFC's.
- 7.1.7 These TFC's carry mark-up equal to the base rate of 1.70% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with no floor or cap and will mature on 8 September 2014. The principal redemption is on semi-annual basis. These TFC's are unsecured and subordinated. At 30 June 2007, Profit at 12.13% was due on the above TFC's.

2007

Note (Rupees in '000)

7.2 INVESTMENT IN MARKETABLE SECURITIES - classified as 'at fair value through profit or loss'

'At fair value through profit or loss upon initial recognition'

Term finance certificates	7.2.1	145,467
Commercial papers	7.2.2	60,492
		<u>205,959</u>

7.2.1 TERM FINANCE CERTIFICATES

Name of the Investee Company	Note	Purchases during the period	Sales during the period	Redemption during the period	As at 30 June 2007	Cost as at 30 June 2007	Market Value as at 30 June 2007	% of Net Assets	% of Investment
		----- Number of Certificates -----				(Rupees in '000)			
Allied Bank Limited - I	7.1.2	30,000	15,000	-	15,000	78,584	78,672	7.66	12.16
Askari Bank Limited - II	7.2.1.1	1,194	-	-	1,194	5,966	6,061	0.59	0.94
Bank Alfalah Limited - III	7.1.6	2,600	-	-	2,600	12,993	13,274	1.29	2.05
Prime Commercial Bank Limited - I	7.2.1.2	8,000	4,000	-	4,000	20,913	21,116	2.06	3.26
Standard Chartered Bank - III	7.2.1.3	10,000	5,000	-	5,000	26,340	26,344	2.57	4.07
						<u>144,796</u>	<u>145,467</u>	<u>14.17</u>	<u>22.48</u>

- 7.2.1.1 These TFC's carry mark - up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears with no floor or cap and will mature on 31 October 2013. The principal redemption is on semi-annual basis. These term finance certificates are unsecured and subordinated. At 30 June 2007, profit at 11.73% per annum was due on the above TFC's.
- 7.2.1.2 These TFC's 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 with no floor or cap and will mature on 10 February 2007. The principal redemption is on semi - annual basis. These term finance certificates are unsecured and subordinated. At 30 June 2007, profit at 12.39% per annum was due on the above TFC's.
- 7.2.1.3 These TFC's carry mark - up equal to the base rate of 2% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi - annually in arrears with no floor or cap and will mature on 1 February 2013. The principal redemption is on semi-annual basis. These term finance certificates are unsecured and subordinated. At 30 June 2007, profit at 12.53% per annum was due on the above TFC's.



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7.2.2 COMMERCIAL PAPERS - UNSECURED

Name of the Investee Company	Note	Tenor	Discount Rate (%)	Purchases during the period	Sales during the period	Maturities during the period	As at 30 June 2007	Fair Value	% of Net Assets	% of Investment
Deewan Farooque Motors Limited	7.2.2.1	270 Days	13.36	65	-	-	65	60,492	5.89	9.35
Azgard Nine Limited		270 Days	13.37	95	95	-	-	-	-	-
								<u>60,492</u>	<u>5.89</u>	<u>9.35</u>

7.2.2.1 These commercial papers (CP's) have a face value of Rs. 65 million, it carries mark-up of 13.36% per annum and will mature on 23 January 2008 in lump sum.

7.3 Securities and Exchange Commission of Pakistan has granted relaxation to Pak Oman Advantage Fund which is stated as below:

Pak Oman Advantage Fund may invest upto 75% of its total net asset in term finance certificates issued by the commercial banks rated A- or above.

Investment of Pak Oman Advantage Fund in term finance certificates rated A- to A+ issued by a single commercial bank shall not, at any time, exceed an amount equal to fifteen per cent of the total net asset value of Pak Oman Advantage Fund or fifteen per cent of the size of TFC issue, whichever is lower.

Investment of Pak Oman Advantage Fund in term finance certificates rated AA- or above issued by a single commercial bank shall not, at any time, exceed an amount equal to twenty per cent of the total net asset value of Pak Oman Advantage Fund or twenty per cent of the size of TFC issue, whichever is lower.

The investment made by Pak Oman Investment Company Limited on behalf of Pak Oman Asset Management Company Limited shall be subject to conditions applicable to Investment Adviser in terms of Rule 33(b) of NBFC Rules i.e. Pak Oman Investment Company Limited shall at all times hold or beneficially own equity securities of Pak Oman Advantage Fund of an amount which is neither less than ten per cent nor more than twenty per cent of the paid-up value of such securities as provided in Rule 33(b) of the NBFC Rules.

8. RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM

The rates of return on these transactions range between 11.40 to 11.95 percent per annum, with maturities ranging from overnight to 22 working days. Fair value of the collaterals accepted against the above receivable balance as at 30 June 2007 amounted to Rs. 126.19 million.

2007
(Rupees in '000)

9. PROFIT RECEIVABLE

Profit receivable on continuous funding system	772
Profit receivable on term finance certificates	17,417
Profit receivable on deposit accounts with banks	1,755
	<u>19,944</u>

10. DEPOSITS

Security deposits with Central Depository Company of Pakistan Limited	200
Security deposits with National Clearing Company of Pakistan Limited	1,000
	<u>1,200</u>



PAK OMAN ADVANTAGE FUND

For the
period from
10 May 2007
to 30 June 2007
(Rupees in '000)

17. BASIC AND DILUTED EARNINGS PER CERTIFICATE *

Net income for the period	23,307
	(Number of certificates)
Number of certificates in issue	100,000,000
	(Rupees)
Basic earnings per certificate	0.23

* There is no effect of dilution during the period.

18. TRANSACTIONS WITH CONNECTED PERSONS

The connected persons include Pak Oman Asset Management Company Limited being the Investment Adviser, Central Depository Company of Pakistan Limited being the Trustee, and Pak Oman Investment Company Limited being the Holding Company of Investment Adviser, Bank Alfalah Limited and National Insurance Corporation Limited having certificate holdings of 15% and 10% respectively.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Investment Adviser and the Trustee is determined in accordance with the provisions of NBFC Rules, and the Trust Deed respectively.

Transactions and balances with connected persons - unsecured 2007

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

(Rupees in '000)

Pak Oman Asset Management Company Limited - Investment Adviser of the Fund

Remuneration for the period	1,832
Formation cost	8,120
Balance at the end of the period	9,952

Central Depository Company of Pakistan Limited - Trustee of the Fund (CDC)

Remuneration for the period	287
Central Depository System charges for the period	27
	314
Amount paid during the period	(126)
Balance at the end of the period*	188

Payable to CDC Trustee - Trustee fee	166
--------------------------------------	-----

Settlement charges payable (included in accrued expenses and other liabilities)	22
---	----

*Balance at the end of the period	188
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PAK OMAN ADVANTAGE FUND

2007
(Rupees in '000)

Bank Alfalah Limited

Deposit	237,604
Profit on bank deposits	9,164
Investment in Term Finance Certificates	109,879
Investment of Bank Alfalah Limited in certificates of the Fund	150,000

National Insurance Company Limited

Investment of National Insurance Company Limited in certificates of the Fund	100,000
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Pak Oman Investment Company Limited

Investment of Pak Oman Investment Company Limited in certificates of the Fund	188,455
Consultant to the issue fee for Pak Oman Advantage Fund	1,000

19. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

The Fund's MROR sensitivity related to financial assets and financial liabilities as at 30 June 2007 can be determined from the following:

		2007							
		-----Exposed to MROR risk-----							
Effective rate of profit / return	Less than one year	More than one year and upto two years	More than two years and upto three years	More than three years and upto four years	More than four years and upto five years	More than five year	Not exposed to MROR risk	Total	
(%)	----- (Rupees in '000) -----								
Financial assets									
Bank balances	2.5 to 10	237,604	-	-	-	-	-	-	237,604
Investments	8.8-13.8	647,155	-	-	-	-	-	-	647,155
Receivable against continuous funding system	11.4-11.95	124,835	-	-	-	-	-	-	124,835
Profit receivable	8.8-13.8	-	-	-	-	-	19,944	-	19,944
Deposits		-	-	-	-	-	1,200	-	1,200
Total financial assets		1,009,594	-	-	-	-	21,144	-	1,030,738
Financial liabilities									
Payable to Pak Oman Asset Management Company Limited - Investment Adviser of the Fund		-	-	-	-	-	9,952	-	9,952
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund		-	-	-	-	-	166	-	166
Payable to Securities and Exchange Commission of Pakistan		-	-	-	-	-	147	-	147
Accrued expenses and other liabilities		-	-	-	-	-	296	-	296
Total financial liabilities		-	-	-	-	-	10,561	-	10,561
Total MROR sensitivity gap		1,009,594	-	-	-	-	10,583	-	1,020,177
Cumulative MROR		1,009,594	1,009,594	1,009,594	1,009,594	1,009,594	1,009,594	1,020,177	1,020,177



20. MATURITIES OF ASSETS AND LIABILITIES

Total	2007					
	Less than one year	More than one year and upto two years	More than two years and upto three years	More than three years and upto four years	More than four years and upto five years	More than five year
----- (Rupees in '000) -----						
Assets						
Bank balances	237,604	237,604	-	-	-	-
Investments	647,155	60,727	12,822	18,083	8,116	444,967
Receivable against continuous funding system	124,835	124,835	-	-	-	-
Profit receivable	19,944	19,944	-	-	-	-
Deposits	1,200	-	-	-	-	1,200
Preliminary expenses and floatation costs	6,496	1,624	1,624	1,624	-	-
	<u>1,037,234</u>	<u>444,734</u>	<u>14,446</u>	<u>19,707</u>	<u>9,740</u>	<u>446,167</u>
Liabilities						
Payable to Pak Oman Asset Management Company Limited - Investment Adviser of the Fund	9,952	3,456	1,624	1,624	1,624	-
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	166	166	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan	147	147	-	-	-	-
Accrued expenses and other liabilities	296	296	-	-	-	-
	<u>10,561</u>	<u>4,065</u>	<u>1,624</u>	<u>1,624</u>	<u>1,624</u>	<u>-</u>
	<u>1,026,673</u>	<u>440,669</u>	<u>12,822</u>	<u>18,083</u>	<u>8,116</u>	<u>446,167</u>
Certificate holders' equity	<u>1,026,673</u>					

21. RISK MANAGEMENT

The Fund is a closed end scheme having a life of 8 years after which it shall be wound up. All investments made are therefore in instruments that mature within this period. This fund invests upto 75% in a diversified portfolio of high quality TFC's issued by Commercial Banks and remaining 25% in Corporate TFCs, listed securities, rated corporate debts, Certificate of Investments, Continuous Funding System, Reverse Repurchase transactions, Ready Future spread transactions, Commercial papers and other money market instruments. The risk emanates from various factors that include, but are not limited to:

21.1 Market risk

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

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

21.2 Credit risk and concentration of credit risk

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

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits, obtaining adequate collaterals and by following strict credit evaluation criteria laid down by the management.



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

21.3 Liquidity risk

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

21.4 Market rate of return (MROR) risk

MROR risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Fund is exposed to an insignificant MROR risk as it mainly invests in floating rate instruments.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

As the financial assets and financial liabilities are essentially short term in nature, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for TFCs valued at brokers' average rates as mentioned in sub note (D) of note 5.1.

**For the
period from
10 May 2007
to 30
June 2007**

23. PERFORMANCE TABLE

Net assets (Rupees in '000)	1,026,673
Net income (Rupees in '000)	23,307
Net assets value (NAV) per certificate as at 30 June (Rupees)	10.27
Basic earnings per certificate (Rupees)	0.23
Dividend distribution (%)	-
Highest NAV per certificate during the period (Rupees)	10.28
Lowest NAV per certificate during the period (Rupees)	10.00

24. NON ADJUSTING EVENTS

The Board of Directors of the Investment Adviser in its meeting held on 25 August 2007 has announced a cash dividend of 15.09% (annualised) amounting to Rs. 21.5 million. The financial statements for the period ended 30 June 2007 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 30 June 2008.



PAK OMAN ADVANTAGE FUND

25. DATE OF AUTHORISATION

These financial statements have been authorised for issue on 25 August 2007 by the Board of Directors of the Investment Adviser.

26. GENERAL

26.1 These are the first financial statements therefore comparative financial statements are not given.

26.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

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

Chief Executive

Director



**PATTERN OF CERTIFICATE HOLDING
AS AT 30 JUNE 2007**

No. of Certificate holders	Having Certificates		Certificates held	Percentage
	From	To		
120	101	500	60,000	.0600
15	501	1,000	15,000	.0150
15	1,001	5,000	46,000	.0460
3	5,001	10,000	20,500	.0205
3	95,001	100,000	288,000	.2880
2	240,001	245,000	481,000	.4810
1	245,001	250,000	246,000	.2460
1	285,001	290,000	288,500	.2885
1	495,001	500,000	500,000	.5000
2	960,001	965,000	1,923,000	1.9230
2	995,001	1,000,000	2,000,000	2.0000
2	1,920,001	1,925,000	3,846,000	3.8460
2	1,995,001	2,000,000	4,000,000	4.0000
2	2,400,001	2,405,000	4,807,000	4.8070
1	2,495,001	2,500,000	2,500,000	2.5000
1	2,880,001	2,885,000	2,884,000	2.8840
1	3,495,001	3,500,000	3,500,000	3.5000
1	3,845,001	3,850,000	3,845,500	3.8455
4	4,995,001	5,000,000	20,000,000	20.0000
1	6,245,001	6,250,000	6,249,500	6.2495
1	7,495,001	7,500,000	7,500,000	7.5000
2	9,995,001	10,000,000	20,000,000	20.0000
1	14,995,001	15,000,000	15,000,000	15.0000
184			100,000,000	100.00



**CATEGORIES OF CERTIFICATE HOLDERS
AS AT 30 JUNE 2007**

Particulars	No. of holders	No. of Certificates held	Percentage
Individuals	151	377,000	0.38%
Insurance companies	3	10,788,500	10.79%
Financial institutions	13	63,748,000	63.75%
Modaraba	0	-	0.00%
Joint stock companies	7	11,760,000	11.76%
Leasing companies	0	-	0.00%
Others	10	13,326,500	13.33
Non resident	0	-	0.00%
Total	184	100,000,000	100.00%



**PATTERN OF CERTIFICATE HOLDINGS AS PER
REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE
AS AT 30 JUNE 2007**

Particulars	No. of Certificates held
Individuals	376,500
Non-resident	-
Associated companies	-
- Pak Oman Investment Company Limited	18,845,500
- Pak Oman Microfinance Bank Limited	2,403,500
- National Logistic Cell - SRBF	5,423,000
National Investment Trust	-
Investment Corporation of Pakistan	-
Ex-Chief Executive & his spouse	
- Shah Miftah-ul-Azim	500
Directors and their spouses	-
Executives	-
Public sector companies and corporations	19,663,500
Banks	12,692,000
Development financial institutions	14,807,000
Non-banking finance companies	-
Non-banking finance institutions	-
Insurance companies	788,500
Modarabas	-
Mutual funds	-
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 INVESTMENT
ADVISER IN RELATION TO THE FUND
FOR THE PERIOD FROM 10 MAY 2007 TO 30 JUNE 2007**

For the period
from
10 May 2007
to 30 June 2007
(Rs in '000)

INCOME

Investment adviser's remuneration 1,832

OPERATING EXPENSES

Salaries and allowances	1,449
Travelling and accommodation	130
Rent, rates and taxes	609
Utilities	35
Communication	4
Fees and subscriptions	103
Printing, stationery and periodicals	53
Depreciation	266
Amortisation	38
Legal and professional charges	92
Formation cost	160
Repairs and maintenance	5
Transportation	72
Insurance	23
Entertainment	4
Advertising	300

3,343

Net loss for the period

(1,511)

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