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Our Mission

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

Our Vision

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



FUND INFORMATION

MANAGEMENT COMPANY

Pak Oman Asset Management Company Limited
1st Floor, Tower 'A', Finance & Trade Center,
Shara-e-Faisal, Karachi -74400, Pakistan
Phone: (9221) 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. Javed Mahmood	Director
Mr. Humayun Murad	Director
Mr. Zafar Iqbal	Director
Mr. Agha Ahmed Shah	Director
Mr. Sulaiman Hamad Al Harthy	Director
Mr. Ali Said Ali	Director
Major General Imtiaz Ahmed	Director
Mr. Parveiz Usman	Director
Ms. Hina Ghazanfar	MD & CEO

AUDIT COMMITTEE

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

HEAD OF FINANCE, OPERATION & COMPANY SECRETARY

Mr. Najm-ul- Hassan

TRUSTEE

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



AUDITORS

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

BANKERS TO THE FUND

Bank Al-Falah Ltd- Islamic Banking
Dubai Islamic Bank
Bank Islami Pakistan
Al-barka islamic Bank
United Bank Limited - Islamic Bank
MCB Bank Limited - Islamic Bank

SHARIAH ADVISER

Dr. Muhammad Imran Ashraf Usmani

LEGAL ADVISER

Mandviwalla & Zafar
Advocates and legal Consultants
C-15 Block 2, Clifton,
Karachi

TRANSFER AGENT

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



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage Islamic Fund (the Fund) is pleased to present the audited financial statements of the Fund for the period ended June 30, 2010

ECONOMIC REVIEW

While over viewing the economic outlook, one would be able to observe that the measure of macroeconomic stability achieved over the year has kindled a moderate recovery in the economy. Despite the challenges brought on by the global downturn and difficult security situation, Pakistan's GDP expanded 4.1% over the last four quarters. At the end of the outgoing fiscal year, Pakistan's Gross Domestic Product stood at a healthy USD177bn. The year was also marked by high foreign inflows from both, foreigners and emigrants. A strong support for foreign interest and inflows in Pakistan can be spotted in the colossal remittances and FIPI figures generated over FY10. Workers' remittances totaled at a towering USD8.91bn in FY10 against USD7.81bn in FY09, depicting an increase of 14.07%; while FIPI turned from a massive outflow of USD445mn in FY09 to an inflow of USD568mn in FY10. Moreover, notwithstanding the high monthly variation, yearly CPI condensed down to a relatively acceptable 11.7% for FY10 as compared to the overwhelming and acerbic 20.8% for FY09.

The country's current account was a witness to the economic recovery as well, having recorded an exceptional performance over 11MFY10 by reporting an account deficit of USD2.56bn as compared to USD8.68bn over the corresponding period last year. This 65.66% improvement was based largely on a steep reduction in the import bill, which led to a 13% decline in the trade deficit. In addition, improvement also materialized from lower international crude oil prices, with some of the benefit being offset by higher local consumption of petroleum products. Large scale manufacturing served as the engine of economic growth over the year, witnessing an improvement of 4.52% over 10MFY10, mainly stoked by Fertilizer, Automotive and Pharmaceutical production.

The efforts mounted by the tax administration in Pakistan during the last fifteen years supported by the extension of tax base to wholesalers and retailers through planned application of Value Added Tax (VAT) will lead to significant improvement in the tax collection figures over the foreseeable future. The execution of VAT in Pakistan has been encouraging in terms of tax collection and basic principles, and encompasses the contentious areas where the tax administration and taxpayers on one end; and federal government and provincial subjects on the other, are trying to develop uniform solutions consistent with the overall methodology of VAT. At present, Pakistan's Tax-to-GDP ratio of about 9% - 9.5% is one of the lowest in the world, and the recent imposition of the Capital Gain Tax on investment securities as well as planned imposition of VAT will certainly help increase tax revenues going forward.

KSE-100 index depicted a healthy gain of 35.74% while KMI-30 portrayed a return of 34.05% over FY10. The KSE-100 benchmark index commenced from a level of 7,162.18 points, registered a net positive gain of 2,224.74 points and closed at 9,386.92 points. The index is currently trading at FY10E earnings multiple of 8.3x and offers a forward dividend yield of 6.7%. FIPI figures over the year displayed a pleasing picture and reiterated Pakistan's position as an attractive and lucrative equity market. For FY10, the net foreign inflows in the Karachi bourse stood at a healthy USD568mn, as against a net outflow of USD445mn for the same period last year.

OPERATING PERFORMANCE

The Fund during the period ended June 30, 2010, earned a total income of PKR14.75mn. The income for the period comprised mainly of profit on Sukuk certificate amounting to PKR4.95mn, gain on sale of investments of PKR10.02mn, profit earned on deposits with banks amounting to PKR4.33mn, profit on placement amounting PKR0.723mn. Dividend income and other income were PKR 2.04mn and PKR0.02mn. The unrealized loss on investments at fair value through profit or loss and the provision against debt securities for the period were PKR3.71mn and PKR6.55.00mn respectively. The reversal of provision on investment amounting to PKR2.92mn. After accounting for expenses of PKR8.69mn, the net income for the year was PKR2.34mn in comparison with the net income of 15.237 mn for the period ended from October 30, 2008 to June 30, 2009 mainly due to provision against risky assets. Which translates into the gain of PKR2.77/unit outstanding as at June 30, 2010. The net assets of the fund as at June 30, 2010 were PKR109.66mn, resulting in a net asset value of PKR52.77/unit. The fund also declared a dividend of PKR1.1266/unit for the year ended June 30, 2010.

FUTURE OUTLOOK

Despite some economic obstacles over the year, Pakistan was resilient in achieving and surpassing the targeted growth of 3.3%. Over FY10, LSM growth of 4.52% was instrumental in setting up the GDP growth figure of 4.1%. Looking ahead over FY11, we foresee the manufacturing sector to once again play a pivotal role in propelling the overall growth. That said, this growth can certainly be dampened by a factor to look out for - inflation. Settling down at 11.73% for FY10, the CPI basket has significant potential of spiking yet again;



however, this time owing not simply to a commodity escalation but to power tariff hike, VAT implementation and pricing of Ramadan dynamics. Consequently, Pakistan's key policy rate might just end its stagnancy and initiate an upward reversal by the end of 1HFY11.

Pakistan's constrained fiscal space still continues to be a pressing problem and hindrance for social and economic development. The country's reserve and fiscal space are still dependent upon foreign aid and assistance. In the near future Government's effort in successfully implementing reforms will tackle inflation, build up the forex reserves and restore investor confidence. The reforms aim to address the most severe constraints on economic growth, including a challenging power crisis and limited government resources due to low tax collection. The focus is on creating fiscal room for the government to increase investment spending to support growth. On the inflationary front, pressures might force the central bank to continue to maintain a tight monetary stance, keeping the recovery weak in the near term.

The most essential is the USD11.4bn IMF stabilization program with only USD3.76bn left to be disbursed; the program is nearing its completion. Since IMF tranches have mostly come with attached conditionalities, we expect the next tranche to be of the same nature, especially with the 6% power hike and VAT implementation still outstanding.

With the IMF program coming to its end all eyes now rest on FoDP inflows that would help Pakistan build up the desperately needed energy-based infrastructure. With FY10 FoDP collection figure settling at a grim note (50% pledges materialized), the Government is expected to put additional efforts in the two upcoming FoDP platforms (July 17, 2010 SOM and Oct 15, 2010 Ministerial Moot) to convince partners to expedite inflows and help the country with its energy based dilemmas.

INVESTMENT POLICY

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

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

- These financial statements present fairly the state of affairs of the Fund, the result of its operations, cash flows and changes in equity.
- The Fund maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied (except for a change in accounting policy as stated in note 3.2 to the financial statements) 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.
- 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 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.
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PAK OMAN ADVANTAGE ISLAMIC FUND

- The holding of MD & CEO of units 11,268 amounting to Rs 594,612 is included in the pattern of unit holding (note 20 of the financial statements).
- Key financial data for the year ended June 30, 2010 and for the period October 30, 2008 to June 30, 2009 is given in note 26 of the financial statements.

Board Meetings

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

Name	Designation	Dates of board of directors meetings and directors present therein				
		Jul 06, 2009	Aug 18, 2009	Aug 18, 2009	Feb 09, 2010	Apr 18, 2010
H. E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman	✓	✓	✓	✓	✓
Mr. Javed Mahmood	Director	✗	✓	✗	✓	✓
Mr. 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 Harthy	Director	✗	✓	✓	✓	✓
Mr. Ali Said Ali	Director	✓	✓	✓	✓	✓
Ms. Hina Ghazanfar	MD & CEO	✓	✓	✓	✗	✓

RE-APPOINTMENT OF AUDITORS

The present auditors M/s A.F. Ferguson & Co. Chartered Accountants, retired and being eligible, offered themselves for re-appointment. The Audit Committee of the Management Company in its meeting held on August 17, 2010 recommended and the Board of Directors in their meeting held on August 18, 2010 approved their re-appointment as auditors for the year ending June 30, 2011.

MUTUAL FUND RATING

The Performance Rating of the fund is in process with PACRA. 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 18, 2010
Muscat, Oman

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



REPORT OF THE FUND MANAGERS OF THE MANAGEMENT COMPANY

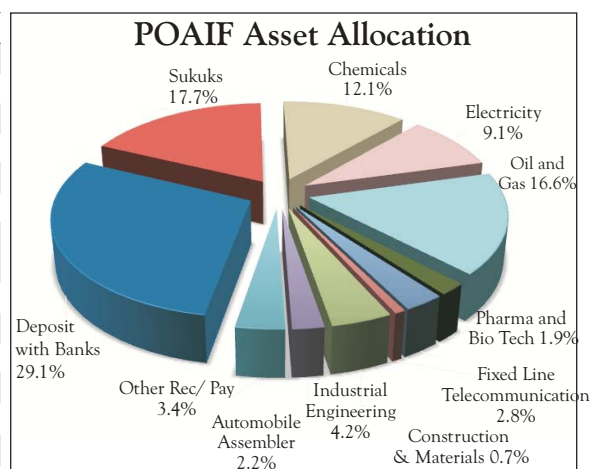
Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Islamic Fund (the Fund) is pleased to present the Fund Manager's Report of the Fund for the year ended June 30, 2010.

Investment Objective

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

Terms and Structure

Type of Scheme	Open-end Fund
Nature of Scheme	Shariah Compliant Asset Allocation
Inception Date	Oct 30, 2008
Face Value	PKR50 per Unit
Fund Size	PKR 109.66mn
NAV (Jun 30th, 2009)	PKR 52.77 per Unit
Benchmark	50% 1-month average deposit rate of 4 Islamic Banks + 50% DJIMPK*
Listing	KSE (Guaranteed) Ltd
Front-end Load	2.50%
Trustee	CDC Pakistan Limited
Shariah Advisor	Dr. Mohammad Imran Ashraf Usmani
Shariah Collaborator	Meezan Bank Limited
Auditor	A.F Fergusons & Co.
Legal Advisor	Mandviwalla & Zafar Advocates & Legal Consultants.
Transfer Agent	Gangjees Registrar Services (Pvt.) Ltd
Management Fee	3.00% p.a
AMC Rating	AM3 by JCR-VIS
Fund Manager	Mr. Shoaib Ali Khan



POAIF Performance

Yield since inception	8.37%
Year to date return (FY10)	3.03%
Risk free rate (3M T-Bill)*	12.11%
Sharpe Ratio	-1.08

*Based on average FY10 3M T-Bill cutoff yield

*DJIMPK was discontinued on March 2, 2010, the new benchmark is 50% 6 -month average deposit rate of 4 Islamic Banks + 50% KMI 30 Index.

Name Of non-compliant Investment	Type Of Investment	Value of Investment before provision	Provision held if any	Value of investment after provision	% of Net Assets Before Provisioning	% of Gross Assets Before Provisioning	% of Net Assets After Provisioning	% of Gross Assets After Provisioning
Maple Leaf Cement	Sukuk	20,000,000	5,000,000	15,000,000	18.24%	15.91%	13.68%	11.94%

FUND REVIEW

FY10 started with uncertainty as to how the economic situation would turn out, for both the international and the local economies. The developed economies took support from heavy bucket stimulus packages, while developing economies like Pakistan had to revert back to IMF program. However, conditions started to improve and the economy got back on its track to recovery.

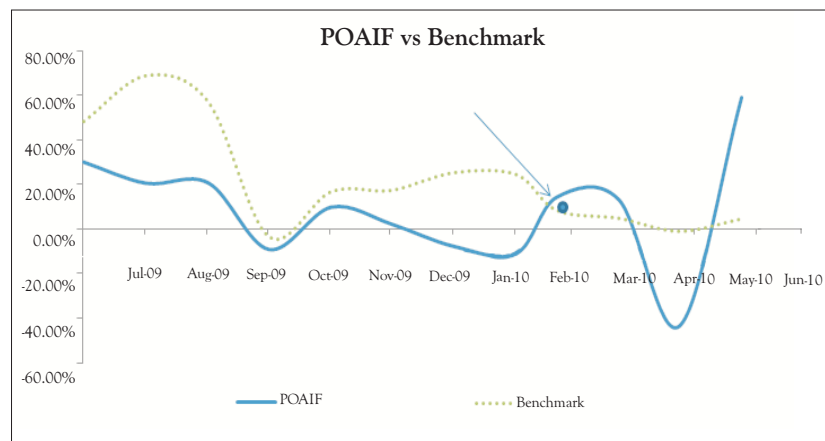
From an international perspective, Islamic Indices showed a modest growth over the year. DJIMTRT rose by 34.47%, DJIP9T increased by 23.91%, and DJMY25D increased by 23.65%. Over 9MFY10, Pakistan's benchmark Islamic Index, DJIMPK, posted an impressive growth of 41.65%, before being discontinued during March 2010.

During the year, Pak Oman Islamic Asset Allocation Fund generated an annualized return of 3.03% as against the benchmark return of 45.30%, along with a sharpe ratio of -1.08. Low returns were derived primarily due to a conservative approach taken by the fund. Going forward, good returns can be expected, once provisioning reversals start to materialize.



PAK OMAN ADVANTAGE ISLAMIC FUND

Unit Holding Pattern	
Units	# of Unit Holders
0 – 1,000	2
1,001 – 50,000	6
50,001 – 500,000	0
500,001 – 1,000,000	0
1000,001 - Above	1



- DJIMPK was discontinued on March 2, 2010, the new benchmark is 50% 6-month average deposit rate of 4 Islamic Banks + 50% KMI 30 Index.

July 22, 2010
Karachi.

Shoab Ali Khan
Head of Equity



REPORT OF THE SHARIAH ADVISOR

Karachi
September 16, 2010/ Shawwal 06, 1431 A.H

Alhamdulillah, the period from July 1, 2009 to June 30, 2010 was the second year of operations of Pak Oman Advantage Islamic Fund (POAIF). This report is being issued in accordance with clause 3.A.4 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shar'iah Compliance of the Fund's activity.

In the capacity of Shar'iah Adviser, we have prescribed five criteria for Shar'iah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in non-Shar'iah compliant activities (iv) Non Compliant Income to Gross Revenue (v) Illiquid assets to total assets and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shariah compliance with the Shariah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of investments of POAIF in light of Shariah requirements. The following is a list of investments of POAIF as on June 30, 2010 and their evaluation according to the screening criteria established by us. (The half year ended December 31, 2009 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) % of Non-Shariah Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>20%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Fauji Fertilizer Bin Qasim Limited	Manufacturer of Fertilizer	23.37%	0.00%	1.94%	70.00%	(15.82)	26.13
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	30.04%	8.93%	1.38%	58.00%	(31.23)	102.93
GlaxoSmithKline Limited	Manufacturers of Pharmaceutical Products	0.00%	7.39%	2.29%	62.00%	7.69	109.27
ICI Pakistan Limited	Manufacturers of Paints, Soda Ash, Staple Fibre and Chemicals	0.17%	0.01%	0.51%	65.00%	2.09	168.9
Indus Motors Company Limited	Automobile Assembler	0.05%	0.00%	2.43%	44.00%	17.88	196.52
Kot Addu Power Co & Ltd.*	Electricity	40.73%**	0.00%	3.74%	50%	(27.25)	45.87
Lucky Cement	Cement Manufacturer	25.91%	0.00%	0.00%	94.00%	(37.13)	66.24
Mari Glass Co.	Oil & Gas	35.50%	0.00%	1.46%	49%	(15.29)	136.83



PAK OMAN ADVANTAGE ISLAMIC FUND

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) % of Non-Shariah Compliant Investments =(<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>20%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per	Share Price (B)
Millat Tractors	Industrial engineering	0.03%	23.94%	1.62%	41%	10.60	379.8
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	6.38%	0.81%	50.00%	7.55	110.61
Pak. Telecommunication. Co. Ltd	Provider of Telecommunication Services	9.76%	11.52%	3.22%	75.00%	(9.37)	17.65
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	0.53%	2.33%	79.00%	(8.36)	230.77
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.17%	22.92%	3.24%	42.00%	30.97	189.59
Pakistan State Oil Company Limited	Distribution of Oil & Gas	11.27%	0.00%	0.06%	39.00%	(232.69)	297.44
SHELL Pakistan Ltd.	Oil & Gas	25.83%	0.01%	0.02%	68%	(210.97)	250.36
Sitara Chemicals	Chemicals	19.32%	2.88%	0.127%	90.61%	(238.1)	160.02
Searle Pakistan Ltd.	Pharma & Bio Tech	17.67%	0.00%	14.14%	44%	8.75	62.35

* All interest based debts

** This scrip is recommended to be disinvested immediately.

- i. In light of the above, we hereby certify that all the provisions of the Scheme and investments in equities made on account of NIMF by NAFA are Shariah compliant and are in accordance with the Shar'iah guidelines issued by the Shar'iah Advisor & Shar'iah Technical Services & Support Providers.
- ii. On the basis of information provided by the management, all operations of POAIF for the period ended June 30, 2010 have been in compliance with the Shariah principles.
- iii. There are investments made by POAIF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income). In such cases, the management company has been directed to set aside as charity such proportion of the income from Investee companies in order to purify the earnings of the Fund.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Dr. Muhammad Imran Ashraf Usmani
Shariah Advisor

For and on behalf of Meezan Bank Limited
Shariah Technical Services & Support Providers



TRUSTEE REPORT TO THE UNIT HOLDERS PAKOMAN ADVANTAGE ISLAMIC FUND

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

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

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2010 in accordance with the provisions of the following:

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

September 1, 2010
Karachi.

Muhammad Hanif
Chief Executive Office
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, 2010

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

1. The management company encourages representation of non-executive directors. All the directors except MD & CEO & Mr. Zafar Iqbal 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 Development Financial Institution or a Non Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The board has formulated a Statement of Ethics and Business Practices for the current year which is in process of being signed by the directors and employees of the management company.
6. The board of the management company has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. The investment policy of the Fund has been disclosed in the offering document while other significant policies & procedures manuals have also been being approved by the Board and adopted by the management company.
7. All the powers of the Board have been duly exercised and decisions on material transactions, 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 management company, managing the Fund has arranged an orientation course for its directors in the current year to apprise them of their duties and responsibilities and the requirements of the code of corporate governance.
10. The Board has approved the appointment of the Chief Financial Officer (CFO), and Company Secretary, of the management company and his terms of employment.
11. The directors' report relating to the Fund, for the year ended June 30, 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the MD & CEO and the CFO of the management company before approval by the Board.
13. The holding of MD & CEO of units 11,268 amounting to Rs 594,612 is included in the pattern of unit holding (note 20 of the financial statements).
14. The management company has complied with all the applicable corporate and financial reporting requirements of the code.
15. The Board has an audit committee. It comprises of four non-executive directors of the management company as its members including chairman of the audit committee.



16. The meetings of the audit committee were held once in every quarter prior to the approval of final results of the Fund and as required by the Code. The terms of reference of the audit committee have been framed and approved by the Board of the management company and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function and personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The related party transactions incurred during the year were placed before the Audit Committee and were approved by the Board of Directors.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

August 18, 2010
Karachi.

Hina Ghazanfar
MD & CEO



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

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

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

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

Further, Sub - Regulation (xiii a) of the Listing Regulations No. 35 of the Karachi Stock Exchange requires the company to place before the Board of Directors for their consideration and approval the related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail on arm's length and those which are not executed at arm's length prices and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are required to be separately placed before the audit committee. We are only required and have ensured compliance of the subject requirement to the extent of approval of the 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 prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2010.

September 20, 2010
Karachi.

A.F. Ferguson & Co.
Chartered Accountants



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the accompanying financial statements of Pak Oman Advantage Islamic Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2010, and the related income statement, distribution statement, statement of movement in unitholders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 June 30, 2010 and of its financial performance, cash flows and transactions for the year then ended in accordance with the requirements of the approved accounting standards as applicable in Pakistan.

Other Matters

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

September 20, 2010
Karachi.

A.F. Ferguson & Co.
Chartered Accountants



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

We have performed our independent assurance engagement of Pak Oman Advantage Islamic Fund (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by the Shariah Advisor of the Fund for the year ended June 30, 2010.

Management Company's responsibility

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

Responsibility of independent assurance providers

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

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

Conclusion

In our opinion, the Fund was, in all material respect, in compliance with the Shariah guidelines issued by the Shariah Advisor of the Fund for the year ended June 30, 2010.

September 20, 2010
Karachi.

A.F. Ferguson & Co.
Chartered Accountants



STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2010

	Note	2010 (Rupees in '000)	2009
Assets			
Balances with banks	6	36,573	77,196
Investments	7	84,848	74,032
Receivable against sale of investments		-	2,155
Dividend and profit receivable	8	788	1,183
Deposits	9	2,600	2,600
Preliminary expenses and floatation cost	10	870	1,160
Total assets		<u>125,679</u>	<u>158,326</u>
Liabilities			
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	11	1,206	1,858
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	12	67	61
Payable to Securities and Exchange Commission of Pakistan	13	115	95
Accrued expenses and other liabilities	14	14,626	539
Total liabilities		<u>16,014</u>	<u>2,553</u>
Net assets		<u>109,665</u>	<u>155,773</u>
Unitholders' fund (as per statement attached)		<u>109,665</u>	<u>155,773</u>
		(Units)	
Number of units in issue	15	<u>2,078,098</u>	<u>2,810,732</u>
		(Rupees)	
Net asset value per unit		<u>52.77</u>	<u>55.42</u>

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

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	For the year ended June 30, 2010	For the period October 30, 2008 to June 30, 2009
		(Rupees in '000)	
Income			
Profit on deposit accounts with banks		4,330	7,743
Profit on placements		723	-
Profit on sukuk certificates		4,948	4,261
Income from sale of investments		10,019	8,706
Dividend Income		2,043	256
Other Income		20	2
		22,083	20,968
Unrealised (loss) / gain on investments		(3,708)	2,462
Provision for accrued profit on an investment		(1,548)	-
Reversal of provision on an investment	7.1.2	2,925	-
Provision against non-performing debt security		(5,000)	(2,925)
		(7,331)	(463)
Total income		14,752	20,505
Expenses			
Remuneration to Pak Oman Asset Management Company Limited - - Management Company of the Fund		3,669	2,983
Remuneration to Central Depository Company of Pakistan Limited - -Trustee of the Fund		700	468
Securities and Exchange Commission of Pakistan - annual fee		115	95
Auditors' remuneration	16	475	446
Fees and subscription		30	30
Amortisation of preliminary expenses and floatation cost	10	290	290
Workers' welfare fund - current year		47	-
- prior period		299	-
Brokerage		2,330	800
Bank, settlement and other charges		730	134
Total expenses		8,685	5,246
Element of loss included in prices of units sold less those in units redeemed		(3,726)	(22)
Net income		2,341	15,237

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

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	For the year ended June 30, 2010	For the period from October 30 to June 30, 2009
	----- (Rupees in '000) -----	
Undistributed income brought forward		
- Realised income	15,700	-
- Unrealised loss	(463)	-
	15,237	-
Net income for the year / period	2,341	15,237
Final distribution in the form of issuance of 189,688 bonus units for the period October 30, 2008 to June 30, 2009 @ Rs 4.2043 per unit	(9,715)	-
Final distribution in the form of cash for the period October 30, 2008 to June 30, 2009 @ Rs 4.2043 per unit	(2,102)	-
Net (loss) / income less distribution for the year / period	(9,476)	15,237
Undistributed income carried forward	5,761	15,237
Undistributed income carried forward		
- Realised income	13,555	15,700
- Unrealised loss	(7,794)	(463)
Undistributed income carried forward	5,761	15,237

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

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2010

	For the year ended June 30, 2010	For the period October 30, 2008 to June 30, 2009
	(Rupees in '000)	
Net asset at the beginning of the year	155,773	-
Issue of 2,939,105 units (2009: 2,910,732 units)	154,191	145,587
Redemption of 3,861,427 units (2009: 100,000 units)	(204,26)	(5,073)
	(50,073)	140,514
Element of loss included in prices of units sold less those in units redeemed	3,726	22
Net (loss) / income less distribution for the year / period	(9,476)	15,237
Final distribution	9,715	-
Net assets as at the end of the year / period	109,665	155,773
Net asset value per unit	52.77	55.42

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

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	For the year ended June 30, 2010	For the period October 30, 2008 to June 30, 2009
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		2,341	15,237
Adjustments for non-cash items and other items			
Profit on deposit accounts with banks		(4,330)	(7,743)
Profit on placements		(723)	-
Profit on sukuk certificates		(4,948)	(4,261)
Income from sale of investments		(10,019)	(8,706)
Dividend Income		(2,043)	(256)
Unrealised loss / (gain) on investments		3,708	(2,462)
Reversal of provision on an investment		(2,925)	-
Provision against non-performing debt security		5,000	2,925
Amortisation of preliminary expenses and floatation cost		290	290
Element of loss included in prices of units sold less those in units redeemed		3,726	22
		(9,923)	(4,954)
Decrease / (increase) in assets			
Investments (net)		(16,599)	(74,495)
Receivable against sale of investments		2,155	(2,155)
Dividend receivable (on cum div investment)		108	(108)
Deposits		-	(2,600)
Preliminary expenses and floatation cost		-	(1,450)
		(14,336)	(80,808)
Increase / (decrease) in liabilities			
Payable to Pak Oman Asset Management Company Limited		(652)	1,858
Payable to Central Depository Company of Pakistan Limited		6	61
Payable to Securities and Exchange Commission of Pakistan		20	95
Accrued expenses and other liabilities		14,087	539
		13,461	2,553
Profit received on deposit accounts with banks		4,484	7,075
Profit received (net) on sukuk certificates		5,157	4,011
Dividend received		1,967	99
Profit received on placements		723	-
Income from sale of investments		10,019	8,706
Cash flow from operating activities		11,552	(63,318)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net of payments and receipts against issue and redemption of units		(50,073)	140,514
Dividend Paid		(2,102)	-
		(52,175)	140,514
Net increase in cash and cash equivalents during the period		(40,623)	77,196
Cash and cash equivalents at beginning of the period		77,196	-
Net increase in cash and cash equivalents at the end of the period	6	36,573	77,196

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

For Pak Oman Asset Management Company Limited
(Management Company)

MD & CEO

Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pak Oman Advantage Islamic Fund (the Fund) was established as an open-end scheme under a trust deed (the Trust Deed) executed between Pak Oman Asset Management Company Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the trustee. The Trust Deed was executed on June 2, 2008 and was approved for execution by the Securities and Exchange Commission of Pakistan (the SECP) on May 27, 2008 under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules). On November 21, 2008 Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) were notified through S.R.O. 1203(I)/2008. The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company. The registered office of the Management Company is situated at First Floor, Tower A, Finance and Trade Centre, Sharah-e-Faisal, Karachi.
- 1.2 The Fund is a shariah compliant open-end scheme listed on the Karachi Stock Exchange and was launched on October 30, 2008. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holders.
- 1.3 The Fund's investments comprise of shariah compliant income securities, so as to ensure a riba-free return on investments. All investments of the Fund are as per the guidelines of the shariah principles provided by the Shariah Advisor of the Fund, Dr. Imran Ashraf Usmani, and comprise of the investments permissible as 'Authorised Investments' under the Trust Deed. The portfolio of the Fund as at June 30, 2010 consists primarily of investment in equity and income securities which are subject to market fluctuations and risks inherent in all such investments.
- 1.4 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

2. BASIS OF PRESENTATION AND ACCOUNTING CONVENTION

- 2.1 These financial statements are presented in Pakistani Rupees which is the functional currency of the Fund and the figures have been rounded off to the nearest thousand Rupees. These financial statements have been prepared under the historical cost convention, unless otherwise specifically stated.
- 2.2 The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah Advisor are accounted for on substance rather than the form prescribed by the earlier referred guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.
- 2.3 Since the Fund was launched on October 30, 2008, therefore, the comparative figures for the transactions in these financial statements are for the period October 30, 2008 to June 30, 2009.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives take precedence.

- 3.2 Standards, amendments and interpretations effective from July 1, 2009:

IAS 1 (revised), 'Presentation of financial statements' (effective July 1, 2009 for the Fund). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in statement of other comprehensive income, but entities can choose either to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of other comprehensive income).



Further, where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the earliest comparative period, in addition to the current requirement to present statement of financial position at the end of the current period and comparative period. The Fund has applied IAS 1 (revised) from July 1, 2009 and elected to present one performance statement (i.e. the income statement). However, since there are no non-owner changes in equity, there is no impact of such revised standard on these financial statements, except for change in an accounting policy relating to 'available for sale' investments (see note 5.1.3 below).

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

3.3 Standards, amendments and interpretations to that are not yet effective:

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

4. USE OF ESTIMATES AND JUDGEMENTS

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Financial instruments

5.1.1 Classification

The Fund classifies its financial assets in the following categories:

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

- Financial assets 'held-for-trading'

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

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

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

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



(b) Held to maturity

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

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

(c) Loans and receivables

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

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

(d) Available for sale

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

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

5.1.2 Recognition

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

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

5.1.3 Measurement

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

Effective July 1, 2009, subsequent to initial recognition, instruments classified as 'financial assets at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the 'income statement' for the year. Changes in the fair value of instruments classified as 'available for sale' are recognised in the 'income statement' as 'other comprehensive income' until derecognised or impaired, while the accumulated fair value adjustments in 'other comprehensive income', upon sale of investments are included in 'profit and loss' for the period.

Previously, changes in the fair value of instruments classified as 'available for sale' were recognised in equity until derecognised or impaired when the accumulated fair value adjustments recognised in equity were included in the income statement. Such change in the accounting policy has been made consequent to the introduction of IAS 1 (revised), 'Presentation of financial statements' (see note 3.2 above). However, there is no effect of such change on these financial statements since the Fund does not have any 'available for sale investment'.

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

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

5.1.4 Fair value measurement principles

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



- Based on their prices quoted by Mutual Funds Association of Pakistan (MUFAP) during the period from July 1, 2008 upto November 4, 2008.
- The SECP through its circular No. 26/2008 dated November 5, 2008 has directed that for valuation of debt securities a fixed discount rate be applied on the face value of the securities based on the security / entity rating. Accordingly, subsequent to the date of the circular No. 26/2008 upto January 9, 2009 valuation of debt securities was based on the discounted value.
- Effective January 10, 2009 the carrying value of debt securities is based on the value determined and announced by MUFAP in accordance with the criteria laid down in circular No. 1/2009 dated January 6, 2009 (the Circular No.1) and circular No.3/2010 dated January 20, 2010 (the Circular No.3) issued by the SECP.

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

5.1.5 Impairment

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

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

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under the Circulars No.1 and 3. The Management Company may also make provision against debt securities over and above the minimum provision requirements prescribed in the aforesaid circular, in accordance with the provisioning policy approved by the board of directors.

5.1.6 Derecognition

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

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

5.2 Derivatives

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

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

5.3 Issue and redemption of units

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

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

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

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



5.5 Provisions

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

5.6 Net asset value per unit

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

5.7 Taxation

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

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

5.8 Preliminary expenses and floatation cost

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

5.9 Distribution and appropriation

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

5.10 Offsetting of financial assets and liabilities

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

5.11 Zakat

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

5.12 Revenue recognition

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



5.13 Expenses

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

5.14 Cash and cash equivalents

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

6 BALANCES WITH BANKS

	Note	2010 (Rupees in '000)	2009
Balances with banks - Deposit accounts		<u>36,573</u>	<u>77,196</u>

6.1 These carry profit rates ranging from 5% to 10.25% (2009: 8.14% to 15.25%).

7 INVESTMENTS

'Financial assets at fair value through profit or loss'

- Upon Initial Recognition

- Sukuk certificates 7.1 22,245 36,120

- Held for Trading

- Shares of listed companies 7.2 62,603 37,912

84,848 74,032

7.1 Sukuk certificates

Name of the investee company	Maturity	Profit rate	Balance as at July 1, 2009	Purchases during the period	Sales / redemptions during the period	As at June 30, 2010	Cost as at June 30, 2010	Fair value as at June 30, 2010 - net of provision (see note 5.1.4)	Percentage of total investments
Maple Leaf Cement Factory Limited - secured (see note 7.1.1)	December 3, 2018	3 months KIBOR plus base rate of 1.00%	4,000	-	-	4,000	18,266	15,000	17.68
Kohat Cement Company Limited - secured (see note 7.1.2)	December 20, 2015	3 months KIBOR plus base rate of 1.80%	2,000	-	-	2,000	9,672	7,245	8.54
Pak Elektron Limited - secured	September 28, 2012	3 months KIBOR plus base rate of 1.75%	2,500	-	2,500	-	-	-	-
							<u>27,938</u>	<u>22,245</u>	<u>26.22</u>

7.1.1 On December 3, 2009 i.e. the scheduled redemption date, accrued profit aggregating Rs 1.548 million was not received by the Fund. In accordance with the requirements of the Circular No.1, the sukuk certificates had been classified as 'non performing assets' and accordingly such amount of Rs 1.548 million had been provided for and no further profit has been accrued thereafter. However, on March 30, 2010 first addendum (the first addendum) was signed between Maple Leaf Cement Factory Limited and the investment agent of the sukuk certificates whereby certain terms included in the original trust deed dated December 12, 2007 were amended, including the repayment period which was extended from December 3, 2013 to December 3, 2018. At the time of signing of the first addendum the Fund received an amount of Rs 0.783 million representing approximately 50% of the profit due upto March 3, 2010. The repayment of the balance profit is to be settled against the issue of additional sukuk certificates.



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7.1.2 "On December 20, 2009, i.e. the scheduled redemption date as per the revised repayment terms implemented through supplemental trust deed dated May 11, 2009, accrued profit aggregating Rs 0.722 million from June 20 to December 19, 2009 along with the principal repayment of Rs 340 per certificate (aggregating Rs 0.680 million) was not received by the Fund. Further, on February 15, 2010 a 'master addendum transaction documents' (the master addendum) was signed between Kohat Cement Company Limited and the trustee of the issue whereby certain terms included in the first supplement trust deed dated May 11, 2009 were amended, including the repayment period which was extended from June 20, 2013 to December 20, 2015."

As the first two installments aggregating Rs 0.2 million in accordance with the master addendum due on March 20 and June 20, 2010 were received on a timely basis on March 24 and June 24, 2010, therefore the sukuk certificates have been re-classified as 'performing' in accordance with the requirements of the Circulars No. 1 and 3 and the provision of Rs 2.925 million being carried in the books of account has been reversed.

7.1.3 Following investments of the Fund are in the in sukuk and term finance certificates which are below 'investment grade' securities:

Name of Investee Company	Type of investments	Value of investment before provision	Provision held	Value of investment after provision	Percentage of net assets	Percentage of total assets
----- Rs '000 -----						
Maple Leaf Cement Factory Limited	Non-traded sukuk certificates	20,000	5,000	15,000	13.68	11.94
Kohat Cement Company Limited	Non-traded sukuk certificates	7,245	-	7,245	6.61	5.76
		27,245	5,000	22,245	20.29	17.70

7.2 Shares of listed companies

Name of the investee company	Balance as at July 1, 2009	Purchases during the year	Bouns issue	Sales during the year	As at June 30, 2010	Cost as at June 30, 2010	Market value as at June 30, 2010	Percentage of total investments
-----Number of shares-----					-----Rupees in '000-----			
Personal Goods								
Nishat Mill Limited	-	25,000	-	25,000	-	-	-	-
Industrial Engineering								
Millat Tractors	-	11,008	-	-	11,008	5,232	5,287	6.23
Construction and Materials								
Lucky Cement Company Limited	25,000	465,000	-	475,000	15,000	990	932	1.10
Electricity								
KOT Addu Power Company Limited	-	300,000	-	25,000	275,000	12,022	11,478	13.53
The Hub Power Company Limited	275,000	1,300,000	-	1,575,000	-	-	-	-
	275,000	1,600,000	-	1,600,000	275,000	12,022	11,478	13.53
Oil and Gas								
Attock Refinery Limited	-	55,000	-	55,000	-	-	-	-
Mari Gas Company Limited	-	5,000	-	-	5,000	785	647	0.76
National Refinery limited	-	30,000	-	30,000	-	-	-	-
Oil and Gas Development Company Limited	40,000	915,000	-	895,000	60,000	8,486	8,501	10.02
Pakistan Oilfields Limited	10,000	480,000	-	465,000	25,000	5,463	5,398	6.36
Pakistan Petroleum Limited	25,000	410,000	2,000	422,000	15,000	2,800	2,762	3.25
Pakistan State Oil Company Limited	15,000	195,000	-	205,000	5,000	1,342	1,301	1.53
Shell Pakistan Limited	-	30,000	-	20,000	10,000	2,576	2,296	2.71
	90,000	2,120,000	2,000	2,092,000	120,000	21,452	20,905	24.63
Gas Water And Multi Utilities								
Sui Southern Gas Company Limited	-	50,000	-	50,000	-	-	-	-
Automobile And Parts								
Indus Motor Company Limited	-	10,500	-	-	10,500	2,731	2,755	3.25
Pak Suzuki Motor Company Limited	10,000	15,000	-	25,000	-	-	-	-
	10,000	25,500	-	25,000	10,500	2,731	2,755	3.25
Fixed Line Telecommunication								
Pakistan Telecommunication Company Limited	350,000	1,875,000	-	2,025,000	200,000	3,778	3,560	4.20
Chemicals								
Fauji Fertilizer Bin Qasim Limited	-	1,150,000	-	1,100,000	50,000	1,348	1,302	1.53
Fauji Fertilizer Company Limited	80,000	555,000	-	510,000	125,000	13,138	12,884	15.18
I.C.I Pakistan Limited	10,000	33,346	-	40,000	3,346	439	396	0.47
Sitara Chemical Limited	5,000	-	-	-	5,000	780	675	0.80
	95,000	1,738,346	-	1,650,000	183,346	15,705	15,257	17.98
Pharma and Bio Tech								
Glaxo SmithKline Pakistan Limited	5,000	16,567	-	-	21,567	2,520	1,750	2.06
Searle Pakistan Limited	-	10,000	1,500	-	11,500	725	679	0.80
	5,000	26,567	1,500	-	33,067	3,245	2,429	2.86
	850,000	7,936,421	3,500	7,942,000	847,921	65,155	62,603	73.78



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7.2.1 Following securities have been pledged with National Clearing Company of Pakistan Limited. Their carrying values and number of securities pledged as at June 30, 2010 and 2009 are as follows:

	2010		2009	
	No. of Securities	Market Values Rs '000	No. of Securities	Market Values Rs '000
Fauji Fertilizer Company Limited	30,000	3,092	25,000	2,174
KOT Addu Power Company Limited	100,000	4,174	-	-
The Hub Power Company Limited	-	-	250,000	6,773
Pakistan Telecommunication Limited	-	-	100,000	1,724
	<u>130,000</u>	<u>7,266</u>	<u>375,000</u>	<u>10,671</u>

	Note	2010	2009
8. DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		233	265
Profit receivable on sukuk certificates		41	250
Profit receivable on deposit accounts with banks		514	668
		<u>788</u>	<u>1,183</u>
9. DEPOSITS			
Security deposits with Central Depository Company of Pakistan Limited		100	100
Margin deposit with National Clearing Company of Pakistan Limited		2,500	2,500
		<u>2,600</u>	<u>2,600</u>
10. PRELIMINARY EXPENSES AND FLOATATION COST			
Preliminary expenses and floatation cost - opening balance		1,160	1,450
Less: amortisation for the year / period		(290)	(290)
		<u>870</u>	<u>1,160</u>
11. PAYABLE TO PAK OMAN ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY OF THE FUND			
Remuneration	11.1	46	408
Preliminary expenses and floatation cost		1,160	1,450
		<u>1,206</u>	<u>1,858</u>

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

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

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

13. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

	Note	2010	2009
14. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		325	325
Workers' welfare fund payable	14.1	346	-
Payable against purchase of investments		6,270	-
Payable against redemption of units		7,549	-
Others		136	214
		<u>14,626</u>	<u>539</u>

14.1 The Finance Act 2008 introduced an amendment to the Workers Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby the definition of "Industrial Establishment" was amended to include therein any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it can be construed that all Collective Investment Schemes (CIS) whose income exceeds Rs 0.5 million in a tax year have been brought within the purview and 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. During the current year the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the High Court of Sindh praying it to declare that CIS are not liable to pay contribution to the WWF on the ground that CIS do not have any workers or employees. The petition of MUFAP was dismissed based on some technical grounds. However, the Management Company has decided to recognise WWF charge in the books of the Fund with effect from June 1, 2010



15. CLASSES OF UNITS IN ISSUE

15.1 The Fund has issued the following classes of units:

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

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

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

15.3 The units in issue as at June 30, 2010 and 2009 in each class and their par values were as follows:

Class	2010		2009	
	Number of units in issue	(Rupees in '000)	Number of units in issue	(Rupees in '000)
A				
- Growth units	-	-	2,000,000	100,000
- Income units	2,000,000	100,000	-	-
B				
- Growth units	78,098	3,904	300,000	15,000
- Income units	-	-	500,000	25,000
C				
- Growth units	-	-	10,732	537
Total	2,078,098	103,904	2,810,732	140,537

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

16. AUDITORS' REMUNERATION

	For the year ended June 30, 2010	For the period October 30, 2008 to June 30, 2009
	(Rupees in '000)	
Annual audit fee	200	200
Half year review fee	100	100
Others	125	125
Out of pocket expenses	50	21
	<u>475</u>	<u>446</u>



17. TRANSACTIONS WITH CONNECTED PERSONS

The connected persons include Pak Oman Asset Management Company Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Pak Oman Investment Company Limited (core investor) being the holding company of the Management Company and executives of the Management Company and other funds being managed by the Management Company.

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

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

	2010		2009	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units outstanding at the period beginning:				
Pak Oman Investment Company Limited	2,000,000	110,840	-	-
The Bank of Azad Jammu and Kashmir	300,000	16,626	-	-
The Bank of Punjab	500,000	27,710	-	-
Executives	5,294	293	-	-
Units sold to:				
Pak Oman Investment Company Limited	-	-	2,000,000	100,000
The Bank of Azad Jammu and Kashmir	-	-	300,000	15,000
The Bank of Punjab	-	-	500,000	25,000
Executives	39,078	2,140	6,208	348
Bonus units issued to:				
Pak Oman Investment Company Limited	164,180	8,409	-	-
The Bank of Azad Jammu and Kashmir	24,627	1,261	-	-
Executives	435	22	-	-
Units redeemed by:				
Pak Oman Investment Company Limited	164,180	8,887	-	-
The Bank of Azad Jammu and Kashmir	300,000	16,419	-	-
The Bank of Punjab	500,000	26,735	-	-
Executives	33,539	1,719	914	50
Units outstanding at the period end:				
Pak Oman Investment Company Limited	2,000,000	105,540	2,000,000	110,840
The Bank of Azad Jammu and Kashmir	24,627	1,300	300,000	16,626
The Bank of Punjab	-	-	500,000	27,710
Executives	11,268	595	5,294	293



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	2010	2009
	(Rupees in '000)	
Pak Oman Asset Management Company Limited - Management		
Company of the Fund		
Remuneration for the period	3,669	2,983
Preliminary expenses and floatation cost	-	1,450
	<u>3,669</u>	<u>4,433</u>
Central Depository Company of Pakistan Limited		
- Trustee of the Fund		
Remuneration for the period	700	468
CDS charges	43	17
	<u>743</u>	<u>485</u>
POBOP Advantage Plus Fund-		
fund managed by the same management company		
Purchase of sukuk certificates	-	10,548
	<u>-</u>	<u>10,548</u>
Pak Oman Advantage Fund -		
fund managed by the same management company		
Purchase of sukuk certificates	-	21,353
	<u>-</u>	<u>21,353</u>
The Bank of Punjab		
Dividends	2,102	-
	<u>2,102</u>	<u>-</u>

The status of outstanding balances with connected persons as at June 30, 2010 and 2009 is stated in 'Statement of assets and liabilities'

18. RISK MANAGEMENT

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

18.1 Market risk

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

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

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

18.1.1 Currency risk

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



18.1.2 Interest rate risk

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

- Cash flow sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based profit bearing sukuk certificates that expose the Fund to cash flow interest rate risk. In case of 50 basis points increase / decrease in KIBOR on June 30, 2010, with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 0.140 million (2009: Rs 0.087 million) primarily as a result of profit.

- Fair value sensitivity analysis for fixed rate instruments

Presently, the Fund holds fixed profit bearing deposits with banks that expose the Fund to fair value risk. In case of 50 basis points increase / decrease in fixed profit rates on June 30, 2010, with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 0.183 million (2009: Rs 0.386 million) primarily as a result of fair value movement.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Mutual Funds Association of Pakistan (MUFAP) is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2010 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

18.1.3 Other price risk

Other price risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. Presently, the Fund's other price risk is represented by equity price risk. In case of 50 basis point increase / decrease in market value on June 30, 2010, with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 0.563 million (Rs 0.182 million). This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical beta relationship with Karachi Stock Exchange 100 Index.

The composition of the Fund's investment portfolio of shares and its beta relationship with Karachi Stock Exchange 100 Index are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2010 is not necessarily indicative of the impact on the Fund's net assets of future movements in share prices.

18.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments or the relevant financial institutions to fulfill their obligations. The risk is generally limited to principal amounts and accrued interest thereon, if any.

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

The analysis of the credit quality of the Fund's performing investment in sukuk certificates as at June 30, 2010 and 2009 is as follows:

Debt security by rating	Percentage of total debt investments	
	2010	2009
A	-	81.35
Non rated	32.57	-



The analysis of the credit quality of the balances with banks maintained by the Fund as at June 30, 2010 and 2009 is as follows

Balances with banks by rating	Percentage of total balances with banks	
	2010	2009
A - 1+	86.11	99.16
A - 1	13.89	-
A - 2	-	0.84

18.2.1 The maximum exposure to credit risk before any credit enhancements as at June 30, 2010 and 2009 is the carrying amount of the financial assets as set out in note 19.6.

18.3 Concentration of credit risk

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

18.4 Liquidity risk

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

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

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

	Total (Upto (Rupees in '000)	Total (Upto three (Rupees in '000)
Financial liabilities		
Payable to Pak Oman Asset Management Company Limited		
- Management Company of the Fund	1,206	1,858
Payable to Central Depository Company of Pakistan Limited		
- Trustee of the Fund	67	61
Accrued expenses and other liabilities	14,626	539
	<u>15,899</u>	<u>2,458</u>

18.5 Fair value of financial assets and liabilities

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

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets (e.g. listed shares) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Fund is the current bid price. The financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regularity agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.



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The fair value of financial assets (e.g. sukuk) that are not traded in an active market is determined with reference to the values quoted by MUFAP. The fair values quoted by MUFAP is calculated in accordance with valuation methodology prescribed by the Circular No. 1.

If a security is not quoted by MUFAP due to it being 'non-investment' grade, its value is determined by applying discount in accordance with the Circular No. 1. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

The Fund adopted the amendment to IFRS 7, effective July 1, 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted price (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table analysis within the fair value hierarchy the Fund's financial assets (by class) measured at fair value at June 30, 2010:

Financial asset	Level 1	Level 2	Level 3
Financial assets held for trading - equity securities	62,603	-	-
Financial assets 'at fair value through profit or loss upon initial recognition' - debt securities	-	-	22,245
	62,603	-	22,245

The aforementioned table includes a debt security which has been transferred during the year from level 2 to level 3.

18. Financial instruments by category

	Loans and receivables	Financial assets at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
(Rupees in '000)				
On balance sheet - financial assets				
Balances with banks	36,573	-	-	36,573
Investments	-	84,848	-	84,848
Dividend and profit receivable	788	-	-	788
Deposits	2,600	-	-	2,600
	39,961	84,848	-	124,809
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	-	-	1,206	1,206
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	-	-	67	67
Accrued expenses and other liabilities	-	-	14,626	14,626
	-	-	15,899	15,899
(Rupees in '000)				
On balance sheet - financial assets				
Balances with banks	77,196	-	-	77,196
Investments	-	74,032	-	74,032
Receivable against sale of investments	2,155	-	-	2,155
Dividend and profit receivable	1,183	-	-	1,183
Deposits	2,600	-	-	2,600
	83,134	74,032	-	157,166



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	Loans and receivables	Financial assets at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
2009				
----- (Rupees in '000) -----				
On balance sheet - financial liabilities				
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund	-	-	1,858	1,858
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	-	-	61	61
Accrued expenses and other liabilities	-	-	539	539
	<u>-</u>	<u>-</u>	<u>2,458</u>	<u>2,458</u>

19. CAPITAL RISK MANAGEMENT

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

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

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

20. UNIT HOLDING PATTERN OF THE FUND

Category	No. of unitholders	Investment (Rupees '000)	Percentage of total investments
----- 2010 -----			
Individuals	6	2,227	2.03
Associated companies / directors	2	106,138	96.78
Banks / DFIs	1	1,300	1.19
	<u>9</u>	<u>109,665</u>	<u>100.00</u>
----- 2009 -----			
Individuals	3	597	0.38
Associated companies / directors	3	155,176	99.62
	<u>6</u>	<u>155,773</u>	<u>100.00</u>

21. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION

2010	2009
Taurus Securities Limited	DJM Securities (Private) Limited
FDM Capital Securities (Private) Limited	Javed Omer Vohra and Company Ltd
Javed Omer Vohra & Company Limited	Pearl Securities (Private) Limited
DJM Securities (Private) Limited	JS Global Capital Limited
KASB Securities Limited	KASB Securities Limited
Nael Capital (Private) Limited	IGI Finex Securities (Private) Limited
Pearl Securities Limited	Foundation Securities (Private) Limited
Invisor Securities (Private) Limited	Arif Habib Securities Limited
Arif Habib Securities Limited	Invisor Securities (Private) Limited
IGI Finex Securities Limited	Nael Capital (Private) Limited



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22. DETAILS OF MEMBERS OF BOARD INVESTMENT COMMITTEE

Members	Qualification	Experience
Mr. Ali Said Ali (Chairman)	MBA & B.Sc. Mechanical	23 years
Mr. Zafar Iqbal	FCA	21 years
Mr. Sulaiman Hammad Al Harty	MBA	21 years
Agha Ahmed Shah, Esq.,	MBA	26 years

23. DETAILS OF FUND MANAGER

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

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

	Designation	Dates of Board of Directors meetings and directors present therein				
		July 6, 2009	August 18, 2009	October 20, 2009	February 9, 2010	April 18, 2010
H. E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman	✓	✓	✓	✓	✓
Mr. Zafar Iqbal	Director	x	✓	✓	✓	✓
Mr. Javed Mahmood	Director	x	✓	x	✓	✓
Mr. Sulaiman Hammad Al Harty	Director	x	✓	✓	✓	✓
Mr. Ali Said Ali	Director	✓	✓	✓	✓	✓
Mr. Humayun Murad	Director	x	✓	x	x	✓
Agha Ahmed Shah, Esq.,	Director	✓	✓	✓	✓	✓
Maj. General Imtiaz Ahmed, Esq.,	Director	x	x	x	x	x
Mr. Parveiz Usman	Director	x	✓	x	x	✓
Ms. Hina Ghazanfar	MD & CEO	✓	✓	✓	x	✓

25. RATING OF THE FUND AND THE MANAGEMENT COMPANY

In accordance with criteria specified by the rating agency the rating of the Fund shall be analysed after issuance of the financial statements of the Fund for a whole year.

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

26. PERFORMANCE TABLE

	2010	2009
Net assets as at year / period end (Rupees in '000)	109,665	155,773
Net asset value per unit as at year / period end (Rupees)	52.77	55.42
Selling price per unit as at year / period end (Rupees)	54.13	56.84
Repurchase price per unit as at year / period end (Rupees)	52.77	55.42
Highest selling price per unit during the year / period (Rupees)	56.63	56.95
Lowest selling price per unit during the year / period (Rupees)	50.66	49.61
Highest repurchase price per unit during the year / period (Rupees)	55.21	55.53
Lowest repurchase price per unit during the year / period (Rupees)	49.39	49.61
Return of the fund annualised	3.03%	16.22%
Distribution (Rupees in '000)	2,341	11,817
Distribution per unit (Rupees)	1.1266	4.2043
Distribution date	July 5, 2010	July 6, 2009
Fund's launch date	October 30, 2008	
Average annual return (%) as at year / period end	Two years 8.37%	One year 16.22%



PAK OMAN ADVANTAGE ISLAMIC FUND

Investment portfolio composition of the Fund	2010		2009	
	Carrying value (Rs '000)	Percentage of total investments	Carrying value (Rs '000)	Percentage of total investments
Shares				
Industrial engineering	5,287	6.23	-	-
Construction and materials	932	1.10	1,463	1.98
Electricity	11,478	13.53	7,450	10.06
Oil and gas	20,905	24.63	12,549	16.95
Automobile and parts	2,755	3.25	679	0.92
Fixed Line Telecommunication	3,560	4.20	6,034	8.15
Chemicals	15,257	17.98	9,138	12.34
Pharma and bio tech	2,429	2.86	599	0.81
	62,603	73.78	37,912	51.21
Sukuk certificates				
- Construction and materials	22,245	26.22	24,737	33.41
- Household goods	-	-	11,383	15.38
	22,245	26.22	36,120	48.79

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

27. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on July 5, 2010 has approved distribution of Rs 1.1266 (2009: Rs 4.2043) per unit for the year ended June 30, 2010 aggregating to Rs 2.341 million (2009: Rs 11.817 million). Out of the approved distribution Rs 2.253 million has been distributed as cash dividend and Rs 0.088 million as bonus units. The distribution will be accounted for in the financial statements for the year ending June 30, 2011.

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on August 18, 2010 by the board of directors of the Management Company.

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

MD & CEO

Director