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FUND'S INFORMATION

Management Company:	Alfalah GHP Investment Management Limited 12th Floor, Tower 'A', Saima Trade Towers I.I. Chundrigar Road, Karachi.
Board of Directors of the Management Company:	- Mr. Sarfraz Ali Sheikh - Mr. Abdul Aziz Anis - Mr. Shahid Hosain Kazi - Mr. Hani Theodor Karl - Mr. Shakil Sadiq - Mr. Shahab Bin Shahid - Mr. Omer Muhammad Khan
CFO & Company Secretary of the Management Company:	- Mr. Omer Bashir Mirza
Audit Committee:	- Mr. Sarfraz Ali Sheikh - Mr. Shahid Hosain Kazi - Mr. Shakil Sadiq
Trustee:	Central Depository Company of Pakistan Limited CDC House, 99-B, Block 'B', SMCHS, Main Shara-e-Faisal, Karachi.
Fund Manager:	Mr. Ather H. Medina
Bankers to the Fund:	Bank Alfalah Limited
Auditors:	KPMG Taseer Hadi & Co. Chartered Accountants 1 st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road P.O. Box 8517, Karachi.
Legal Advisor:	Bawany & Partners Room No. 404, 4th Floor Beaumont Plaza, 6-cl-10 Beaumont Road, Civil Lines Karachi.
Registrar:	Alfalah GHP Investment Management Limited 12th Floor, Tower 'A', Saima Trade Towers I.I. Chundrigar Road, Karachi.
Distributor:	Bank Alfalah Limited
Rating:	4 Star by PACRA

MISSION STATEMENT

“Alfalah GHP Islamic Fund aims to provide its unit holders with sustainable, consistent and Shariah compliant return over a period of time through active asset allocation strategies towards equity and income asset classes.”

VISION STATEMENT

“Alfalah GHP Islamic Fund aims to establish itself as the investment vehicle of choice for investors who seek to achieve sustainable, consistent and Shariah compliant return over the long term through investment exposure to equity and income asset classes.”

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Alfalah GHP Investment Management Limited (AGIM), the Management Company of Alfalah GHP Islamic Fund (AGIF) is pleased to present its half yearly report on the affairs of AGIF along with report of trustee and auditors' review report to the unit holders for the half year ended December 31, 2010.

Financial Performance

Net assets under management as on December 31, 2010 were Rs. 334.04 million showing an increase of 1.56% (Rs. 5.14 million) over June 30, 2010. During the period units worth Rs. 0.22 million were redeemed.

AGIF earned a total income of Rs. 64.64 million for the half year ended 31 December 2010. Major sources of revenue were capital gains of Rs. 26.63 million, dividend income of Rs. 7.55 million, profit on bank deposits of Rs. 4.88 million, and income from sukuk bonds of Rs. 1.71 million. After accounting for expenses of Rs. 7.08 million, the net income from operating activities for the period stands at Rs. 57.56 million.

Income Distribution

The Board of Directors of Alfalah GHP Investment Management Ltd (AGIM), the Management Company of Alfalah GHP Islamic Fund in its meeting held on December 30, 2010 have declared Interim distribution for the half year ended December 31, 2010 in the form of bonus units and cash dividend at the rate of Rs. 2.0 per unit, i.e., 3.65% of the Ex-NAV of Rs. 54.73 at the beginning of the period.

Market Performance

Despite trouble on the macro front in the aftermath of the worst ever floods in the country's history, and subsequent deterioration in economic fundamentals, the equity markets defied expectations and experienced a strong bull run during 1HFY11, with a rally that started in end-August continuing till year end to take the KSE 100 Index to 12,022 points on December 31, an increase of 2,300 points (23.66%) for the half year. The major factor driving the market rally continued to be foreign inflows as the KSE remains attractively valued on a regional perspective.

The per unit Net Asset Value of AGIF appreciated by 12.14% during the period under review versus an appreciation of 17.31% in the fund's benchmark (50% KMI 30 + 50% 6 Month average profit rate of Islamic Banks), during the same period.

Asset Allocation

The asset allocation of AGIF as at December 31, 2010 was as follows:

Equity	74.18%
Cash / Bank Deposit	11.69%
Sukuk Certificates	7.43%
Others	6.70%
Total	<u>100%</u>

Future Outlook

Rising oil prices, matched with high inflation and a seeming political inability to pass on the burden to consumers is creating a huge fiscal deficit, and crowding out the private sector, which makes us cautious about the longer term prospects of the equity market. Nevertheless, the continuing inflows on account of foreign portfolio investment have been driving the KSE ever higher, with strong corporate earnings growth providing a boost. Recent steps by the major political players to acknowledge the deterioration in economic numbers, and the efforts to address the problem could provide the incentive to keep the rally going.

Acknowledgement

The Board is thankful to the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, the Trustee, Central Depository Company of Pakistan Limited and the management of Karachi Stock Exchange (Guarantee) Limited for their continued co-operation and support. The Directors also appreciate the efforts put in by the management team for the growth and the meticulous management of the Fund.

For and on behalf of the Board

Karachi

Abdul Aziz Anis
Chief Executive

TRUSTEE REPORT TO THE UNIT HOLDERS

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

The Alfalah GHP Islamic Fund (the Fund), an open-end fund was established under a trust deed dated April 11, 2007, executed between Alfalah GHP Investment Management 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 six months period ended December 31, 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.

For the purpose of information the attention of the unit holders is drawn towards the directives of the Securities and Exchange Commission of Pakistan issued vide Circulars # 1 of 2009 and 3 of 2010, which require that the debt securities shall only be reclassified as performing on receipt of all arrears i.e. principal as well as interest for the next two installments. The sukuk certificates of Maple Leaf Cement Factory Limited were classified as performing in September, 2010 based on restructured plan approved in March, 2010.

The Management Company while complying the same has reclassified these sukuk certificates as performing, however, has not accrued the deferred mark-up (till December 31, 2010). The Management Company has informed us that the same has been done on prudence basis, considering the risk of realisability of the deferred mark-up which will be received in future periods.

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

Karachi

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Alfalah GHP Islamic Fund ("the Fund") as at 31 December 2010 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of cash flows and condensed interim statement of movement in unit holders' fund and notes to the accounts for the six months period then ended (the interim financial information). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The figures for the six months period ended 31 December 2009, quarter ended 31 December 2010 and 2009 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Karachi
Date:

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2010**

	<i>Note</i>	31 December 2010 (Unaudited)	30 June 2010 (Audited)
		(Rupees in '000)	
Assets			
Bank balances		41,038	142,888
Investments	6	286,542	184,777
Dividend and profit receivable		982	1,644
Deposits, prepayments and other receivables		2,803	2,700
Receivable against sale of investments		18,536	-
Preliminary expenses and floatation costs		1,186	1,544
Total assets		351,087	333,553
Liabilities			
Payable to Alfalah GHP Investment Management Limited -Management Company		642	616
Payable to Central Depository Company of Pakistan Limited - Trustee		59	57
Payable to Securities and Exchange Commission of Pakistan - Annual Fee		160	160
Accrued expenses and other liabilities		16,189	3,824
Total liabilities		17,050	4,657
Contingencies and commitments	7	-	-
Net assets		334,037	328,896
Unit holders' fund (as per statement attached)		334,037	328,896
		(Number of units)	
Number of units in issue		5,816,610	5,797,505
		(Rupees)	
Net asset value per unit		57.43	56.73

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

**For Alfalah GHP Investment Management Limited
(Management Company)**

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2010**

	Six months period ended		Quarter ended	
	31 December		31 December	
	2010	2009	2010	2009
	(Rupees in '000)		(Rupees in '000)	
Income				
Capital gain on sale of investments	26,632	39,508	12,183	14,022
Dividend income	7,547	7,841	2,911	2,490
Profit on deposit accounts with banks	4,879	4,685	2,305	2,384
Unrealised appreciation / (diminution) in the value of investments - 'at fair value through profit or loss'	25,967	7,572	16,535	(582)
Impairment in the value of investments classified as 'available for sale'	(2,095)	(7,700)	(2,095)	(7,700)
Income from sukuk certificates	1,705	399	1,349	(921)
Total income	64,635	52,305	33,188	9,693
Expenses				
Remuneration of Alfalah GHP Investment Management Limited - Management Company	3,785	4,331	1,879	2,121
Remuneration of Central Depository Company of Pakistan Limited - Trustee	353	389	177	193
Annual fee - Securities and Exchange Commission of Pakistan	160	183	80	89
Amortisation of preliminary expenses and floatation costs	358	358	179	179
Bank and settlement charges	201	341	99	318
Auditors' remuneration	406	221	223	115
Fees and subscriptions	105	53	53	13
Brokerage	544	1,421	264	600
Printing and related costs	-	80	-	80
Provision for workers' welfare fund	1,165	-	617	-
Other charges	-	289	-	289
Total expenses	7,077	7,666	3,571	3,997
Net income	57,558	44,639	29,617	5,696
Net element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased	105	(13,383)	105	(12,901)
Net income / (loss) for the period	57,663	31,256	29,722	(7,205)

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

**For Alfalah GHP Investment Management Limited
(Management Company)**

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2010**

	<i>Note</i>	Six months period ended		Quarter ended	
		31 December		31 December	
		2010	2009	2010	2009
		(Rupees in '000)		(Rupees in '000)	
Net income / (loss) for the period		57,663	31,256	29,722	(7,205)
Other comprehensive income:					
Net unrealised (diminution) / appreciation during the period in the value of investments classified as 'available for sale'	6.3	(18,665)	14,741	1,370	(10,760)
Element of loss and capital losses included in prices of units sold less those in units repurchased - amount representing unrealised capital losses		(10)	(4,649)	(10)	(4,690)
Other comprehensive (loss) / income for the period		(18,675)	10,092	1,360	(15,450)
Total comprehensive income / (loss) for the period		<u>38,988</u>	<u>41,348</u>	<u>31,082</u>	<u>(22,655)</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

**For Alfalah GHP Investment Management Limited
(Management Company)**

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2010**

	Six months period ended 31 December		Quarter ended 31 December	
	2010	2009	2010	2009
	(Rupees in '000)		(Rupees in '000)	
Undistributed income brought forward:				
- Realised	16,922	21,076	34,367	51,383
- Unrealised	(5,243)	(14,331)	4,189	(6,136)
	<u>11,679</u>	<u>6,745</u>	<u>38,556</u>	<u>45,247</u>
Element of loss and capital losses included in prices of units sold less those in units repurchased - amount representing unrealised capital losses	(10)	(4,649)	(10)	(4,690)
Net income / (loss) for the period	57,663	31,256	30,786	(7,205)
Interim distribution for the period ended 30 September 2010:				
- Cash distribution: Rs. 2.00 per unit	(11,180)	-	(11,180)	-
- Issue of 7,831 bonus units	(429)	-	(429)	-
Interim distribution for the period ended 31 December 2010:				
- Cash distribution: Rs. 3.72 per unit	(11,180)	-	(11,180)	-
- Issue of 7,714 bonus units	(439)	-	(439)	-
Final distribution for the period ended 30 June 2010:				
- Cash distribution: Rs. 2.00 per unit	(11,180)	-	(11,180)	-
- Issue of 7,311 bonus units	(415)	-	(415)	-
	<u>22,830</u>	<u>26,607</u>	<u>(4,047)</u>	<u>(11,895)</u>
Undistributed income carried forward:				
- Realised	8,542	25,780	17,974	33,934
- Unrealised	25,967	7,572	16,535	(582)
	<u>34,509</u>	<u>33,352</u>	<u>34,509</u>	<u>33,352</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

**For Alfalah GHP Investment Management Limited
(Management Company)**

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2010**

	Six months period ended 31 December		Quarter ended 31 December	
	2010	2009	2010	2009
	(Rupees in '000)		(Rupees in '000)	
Net assets at the beginning of the period	328,896	352,330	335,741	416,492
Issue of 55 units (2009: 246,657 units) and Nil units (2009: 3,229 units) for the six months and quarter respectively	3	15,206	-	206
Redemption of 3,806 units (2009: 1,573,885 units) and 3,806 units (2009: 1,333,641 units) for the six months and quarter respectively	(215)	(99,600)	(215)	(84,318)
	(212)	(84,394)	(215)	(84,112)
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units repurchased:				
- amount representing accrued (income) / loss and realised capital (gains) / losses - transferred to the income statement	(105)	13,383	(105)	12,901
- amount representing unrealised capital losses - transferred directly to the distribution statement	10	4,649	10	4,690
	(95)	18,032	(95)	17,591
Net unrealised (diminution) / appreciation in the value of investments classified as 'available for sale'	(18,665)	14,741	1,370	(10,760)
Interim distribution for the period ended 30 September 2010: - Issue of 7,831 bonus units	429	-	429	-
Interim distribution for the period ended 31 December 2010: - Issue of 7,714 bonus units	439	-	439	-
Final distribution for the period ended 30 June 2010: - Issue of 7,311 bonus units	415	-	415	-
Capital gain on sale of investments	26,632	39,508	12,183	14,022
Unrealised appreciation / (diminution) in the profit or loss'	25,967	7,572	16,535	(582)
Other net income / (loss) for the period	5,064	(15,824)	2,068	(20,645)
Element of loss and capital losses included in prices of units sold less those in units repurchased	(10)	(4,649)	(10)	(4,690)
Interim distribution for the period ended 30 September 2010: - Cash distribution: Rs. 2.00 per unit (2009: Nil) - Issue of 7,831 bonus units (2009: Nil units)	(11,180) (429)	- -	(11,180) (429)	- -
Interim distribution for the period ended 31 December 2010: - Cash distribution: Rs. 3.72 per unit (2009: Nil) - Issue of 7,714 bonus units (2009: Nil units)	(11,180) (439)	- -	(11,180) (439)	- -
Final distribution for the period ended 30 June 2010: - Cash distribution: Rs. 2.00 per unit (2009: Nil) - Issue of 7,311 bonus units (2009: Nil units)	(11,180) (415)	- -	(11,180) (415)	- -
Net income / (loss) for the period less distribution	22,830	26,607	(4,047)	(11,895)
Net assets at the end of the period	334,037	327,316	334,037	327,316
	----- (Rupees) -----			
Net asset value per unit at the beginning of the period	56.73	53.74	57.91	63.50
Net asset value per unit at the end of the period	57.43	62.60	57.43	62.60

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

For Alfalah GHP Investment Management Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2010

	Six months period ended 31 December		Quarter ended 31 December	
	2010	2009	2010	2009
	(Rupees in '000)		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / (loss) for the period	57,663	31,256	29,722	(7,205)
Adjustments for:				
Dividend income	(7,547)	(7,841)	(2,911)	(2,490)
Profit on deposit accounts with banks	(4,879)	(4,685)	(2,305)	(2,384)
Unrealised (appreciation) / diminution in the value of investments - 'at fair value through profit or loss'	(25,967)	(7,572)	(16,535)	582
Impairment in the value of investments classified as 'available-for-sale'	2,095	7,700	1,031	7,700
Income from sukuk certificates	(1,705)	(399)	(1,349)	921
Amortisation of preliminary expenses and floatation costs	358	358	179	179
Provision for workers' welfare fund	1,165	-	1,165	-
Net element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units repurchased	(105)	13,383	(105)	12,901
	(36,585)	944	(20,830)	17,409
	21,078	32,200	8,892	10,204
(Increase) / decrease in assets				
Investments	(96,558)	(30,434)	(102,108)	(28,774)
Receivable against sale of investments	(18,536)	-	(18,536)	-
Deposits, prepayments and other receivables	(103)	(53)	(88)	27
	(115,197)	(30,487)	(120,732)	(28,747)
Increase / (decrease) in liabilities				
Payable to Alfalah GHP Investment Management Limited - Management Company	26	(59)	20	(152)
Payable to Central Depository Company of Pakistan Limited - Trustee	2	-	(3)	(9)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	-	183	(81)	89
Payable against purchase of investments	-	10,605	-	213
Accrued expenses and other liabilities	11,200	550	10,422	(80)
	11,228	11,279	10,358	61
Dividend received	7,735	8,951	7,248	5,655
Profit received on deposit accounts with banks	5,369	2,194	2,914	(360)
Income received on sukuk certificates	1,689	3,638	1,654	3,638
	14,793	14,783	11,816	8,933
Net cash (used in) / from operating activities	(68,098)	27,775	(89,666)	(9,549)
CASH FLOWS FROM FINANCING ACTIVITIES				
Amount received on issue of units	3	15,206	-	206
Payment against redemption of units	(215)	(99,600)	(215)	(84,318)
Cash dividend paid	(33,540)	(19,395)	(33,540)	-
Net cash generated from / (used in) financing activities	(33,752)	(103,789)	(33,755)	(84,112)
Net decrease in cash and cash equivalents during the period	(101,850)	(76,014)	(123,421)	(93,661)
Cash and cash equivalents at the beginning of the period	142,888	148,210	164,459	165,857
Cash and cash equivalents at the end of the period	41,038	72,196	41,038	72,196

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

For Alfalah GHP Investment Management Limited
(Management Company)

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

Alfalah GHP Islamic Fund ("the Fund") was established through a Trust Deed under the Trust Act, 1882, executed between Alfalah GHP Investment Management Limited (the Management Company) and Central Depository Company of Pakistan Limited (the Trustee) and is authorised under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules 2003). The Trust Deed was executed on 11 April 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the NBFC Rules 2003. The registered office of the Management Company is situated at 12th Floor, Tower A, Saima Trade Tower, I.I Chundrigar Road, Karachi.

Alfalah GHP Islamic Fund (AGIF) is an open ended shariah compliant asset allocation scheme. The primary objective of the Fund is to seek long term capital appreciation and income from a diversified portfolio developed in accordance with the principles of Shariah. The investments of the Fund are diversified both in terms of securities within an asset class as well as across asset classes. All activities of the Fund are undertaken in accordance with the Islamic Shariah as per the guidelines given by Shariah Advisory Board of the Fund.

The Fund is listed on the Karachi Stock Exchange. Units are offered for public subscription on continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

The Pakistan Credit Rating agency Limited (PACRA) has assigned asset manager rating of 'AM3' to the Management company in its rating report dated 10 February 2010 and rating of 4 star to the Fund as at 31 December 2010.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed interim financial information have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2010.

These condensed interim financial information comprise of condensed interim statement of assets and liabilities as at 31 December 2010 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim statement of cash flows, and notes thereto, for the six months period ended 31 December 2010.

These condensed interim financial information are being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

2.2 Basis of measurement

These condensed interim financial information have been prepared under the historical cost convention except for investments which are stated at their fair values.

2.3 Functional and presentation currency

These condensed interim financial information are presented in Pak Rupees, which is the functional and presentation currency of the Fund and have been rounded off to the nearest thousand of Rupees.

3. Use of estimates and judgments

The preparation of condensed interim financial information requires the Management Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by the Management in applying accounting policies and the key sources of estimating uncertainty are the same as those that applied to financial statements as at and for the year ended 30 June 2010.

4. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended 30 June 2010.

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2010.

6. INVESTMENTS

- Available for sale

	<i>Note</i>	31 December 2010	30 June 2010
In quoted equity securities	6.1	26,596	67,723
In sukuk certificates	6.2	26,093	27,186
		52,689	94,909

- At fair value through profit or loss - held for trading

In quoted equity securities	6.4	233,853	89,868
		286,542	184,777

6.1 In quoted equity securities

Name of the investee company	As at 01 July 2010	Purchases during the period	Bonus / rights Issue	Sales during the period	As at 31 December 2010	Cost as at 31 December 2010	Market value as at 31 December 2010	Unrealized appreciation / (diminution) in the value of investments	Investments as a percentage of net assets	Market value as a percentage of total investments	Par value as percentage of issued capital of investee company
	(Number of shares)				(Rupees in '000)						
Commercial Banks											
BankIslami Pakistan Limited	400,000	-	-	-	400,000	2,699	1,452	(1,247)	0.43	0.51	0.08
Electricity											
Hub Power Company Limited	441,500	-	-	441,500	-	-	-	-	-	-	-
Kohinoor Energy Limited	475,000	-	-	-	475,000	9,919	10,346	427	3.10	3.61	0.28
Oil and Gas											
Oil and Gas Development Company Limited	145,000	-	-	145,000	-	-	-	-	-	-	-
Pakistan Oilfields Limited	50,000	-	-	-	50,000	6,837	14,798	7,961	4.43	5.16	0.02
Chemicals											
Fauji Fertilizer Company Limited	81,555	-	-	81,555	-	-	-	-	-	-	-
Grand total						19,455	26,596	7,141			

6.1.1 All shares have a face value of Rs. 10 each.

6.2 Investment in Sukuk Certificates

Name of the investee company	Expected profit rates	As at 01 July 2010	Purchases during the period	Sales during the period	As at 31 December 2010	Cost as at 31 December 2010	Market value as at 31 December 2010	Unrealized appreciation / (diminution) in the value of investments	Investments as a percentage of net assets	Market value as a percentage of total investments	Outstanding principal as percentage of issued debt capital
		(Number of Sukuk Certificates)				(Rupees in '000)					
Maple Leaf Cement Factory Limited (6.2.2)	3 Months KIBOR+ 1.0%	5,000	-	-	5,000	24,979	15,665	(9,314)	4.69	5.47	0.63
Maple Leaf Cement Factory Limited-II (6.2.3)	3 Months KIBOR +1.0%	-	188	-	188	940	662	(278)	0.20	0.23	0.31
Karachi Shipyard Engineering Works Limited	6 Months KIBOR+ 0.4%	2,000	-	-	2,000	10,000	9,766	(234)	2.92	3.41	0.24
Total Investment- Available for sale						35,919	26,093	(9,826)			
						55,374	52,689	(2,685)			

6.2.1 The nominal value of sukuk certificates is Rs. 5,000 each.

6.2.2 After restructuring, sukuk certificates of MLCF have been regularized by MUFAP i.e. repayment of markup as per the restructured terms have been received by the fund on 15 April 2010, 14 May 2010 and 18 June 2010 amounting to Rs. 0.979 million, Rs 0.004 million and Rs 0.004 million respectively. However, the markup received after restructuring represents 0.5% of the actual markup and 99.5% of the remaining markup will be paid after 2 years from the date of restructuring. Furthermore, fair value of these sukuk certificates have also declined from Rs 69.97 as at 30 June 2010 to Rs 62.71 as at 31 December 2010

6.2.3 At the time of signing of the first addendum on 30 March 2010 between MLCF and the investment agent of the sukuk certificates, the Fund received an amount of Rs 0.979 million representing approximately 50% of markup due upto 03 December 2009 and the repayment of balance markup was settled by issuance of additional sukuk certificates. These additional units of sukuk certificates have been transferred to the Fund's security account maintained with the CDC and accordingly have been recorded in the books of the Fund during the period. However, the fair value of these sukuk certificates have declined during the current period from Rs. 75 to Rs. 70.41 and accordingly the Fund has recognized the unrealized loss on these sukuk certificates to Income Statement.

6.2.4 Detail of non-compliant investments with the investment criteria prescribed in circular 7 of 2009 issued by the Securities and Exchange Commission of Pakistan.

As per circular 7 of 2009, minimum credit rating of the debt instrument in which investment is placed should not be lower than investment grade (credit rating of BBB and above). However, following investments are non-compliant, since the investment grading as per PACRA is lower than investment grade.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held if any	Value of investment after provision	Fair value as a percentage of gross assets	Credit rating
----- (Rupees in '000) -----						
Maple Leaf Cement Factory Limited	Subsidiary	24,979	(9,314)	15,665	4.46%	BB+
Maple Leaf Cement Factory Limited - II		940	(278)	662	0.19%	BB+

6.3 Net unrealised diminution in the value of investments classified as 'available for sale'

	31 December 2010	30 June 2010
	(Unaudited)	(Audited)
	(Rupees in '000)	
Fair value of investments classified as 'available for sale'	52,689	94,909
Less: cost of investments classified as 'available for sale'	<u>(55,374)</u>	<u>(76,834)</u>
Net unrealised (diminution) / appreciation in the value of investments	<u>(2,685)</u>	18,075
Impairment charged to Income Statement	<u>2,095</u>	1,064
Net unrealized diminution in the value of investment at the beginning of the period	<u>(590)</u>	19,139
Net unrealized diminution in the value of investment at the end of the period	<u>(18,075)</u>	<u>(24,343)</u>
	<u>(18,665)</u>	<u>(5,204)</u>

6.4 Investment in quoted equity securities - 'at fair value through profit or loss'

Name of the investee company	Market value as at 01 July 2010	Market value as at 31 December 2010	Unrealized appreciation / (diminution) in the value of investments	Investments as a percentage of net assets	Market value as a percentage of total investments	Par value as percentage of issued capital of investee company
----- (Rupees in '000) -----						
Electricity						
Hub Power Company Limited	663,300	441,200	1,322,000	36,443	49,308	11,123
Kohinoor Energy Limited	10,000	-	10,000	298	218	(80)
				<u>38,743</u>	<u>49,786</u>	<u>11,043</u>
Oil and Gas						
Pakistan State oil Company Limited	90,000	170,000	150,000	110,000	31,162	32,470
Oil & Gas Development Company Limited	5,000	355,000	80,000	280,000	43,793	47,832
Pakistan Oilfields Limited	15,000	106,000	62,000	59,000	15,707	17,461
Pakistan Petroleum Limited	70,000	235,000	195,000	110,000	20,780	23,887
				<u>111,442</u>	<u>121,650</u>	<u>10,208</u>

6.4 Investment in quoted equity securities - 'at fair value through profit or loss'

Name of the investee company	As at 01 July 2010	Purchases during the period	Bonus / rights Issue	Sales during the period	As at 31 December 2010	Cost as at 31 December 2010	Market value as at 31 December 2010	Unrealized appreciation / (diminution) in the value of investments	Investments as a percentage of net assets	Market value as a percentage of total investments	Par value as percentage of issued capital of investee company
	----- (Number of shares) -----				----- (Rupees in '000) -----						
Chemicals											
Fauji Fertilizer Company Limited	18,445	50,000	-	68,445	-	-	-	-	-	-	-
ICI Pakistan Limited	100,217	250,000	-	200,000	150,217	22,112	21,667	(445)	6.49	7.56	0.11
						22,112	21,667	(445)			
Fixed Line Telecommunication											
Pakistan Telecommunication Company Limited	150,000	50,000	-	200,000	-	-	-	-	-	-	-
						-	-	-			
Construction and Materials											
D.G Khan Cement Company Limited	-	500,000	-	-	500,000	14,103	15,085	982	4.52	5.26	0.14
Lucky Cement Limited	75,000	300,000	-	375,000	-	-	-	-	-	-	-
						14,103	15,085	982			
General Industrials											
Packages Limited	-	47,646	-	-	47,646	5,871	6,128	257	1.83	2.14	0.06
Thal Limited	-	150,000	-	-	150,000	15,321	19,537	4,216	5.85	6.82	0.49
						21,192	25,665	4,473			
						207,592	233,853	26,261			

6.5 Net unrealised appreciation / (diminution) in the value of investments 'at fair value through profit or loss'

	31 December 2010	30 June 2010
	(Rupees in '000)	
Fair value of investments classified as 'at fair value through profit or loss'	233,853	89,868
Less: cost of investments classified as 'at fair value through profit or loss'	(207,592)	(95,111)
Net unrealised appreciation / (diminution) in the value of investments	26,261	(5,243)
Net unrealised appreciation in the value of investments at the beginning of the period	5,243	(8,011)
Realised on disposal during the period	(5,537)	4,186
	(294)	(3,825)
Net unrealised appreciation / (diminution) in the value of investments at the end of the period	25,967	(9,068)

7. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 31 December 2010.

8. WORKERS' WELFARE FUND

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. A petition has been filed with the Honourable High Court of Sindh by some of Collective Investment Schemes (CISs) through their Trustee on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance 1971 does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*."

Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formation for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds. On 14 December 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry in the Court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 3,950,091 up to 31 December 2010.

9. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Management Company intends to distribute sufficient accounting income of the Fund for the year ending 30 June 2011 in order to comply with the above stated clause to enjoy the tax exemption. Accordingly, no tax provision has been made in these condensed interim financial information for the six months period ended 31 December 2010.

10. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Alfalah GHP Investment Management Limited being the Management Company, Funds managed by the Management company, Bank Alfalah Limited, GHP Arbitrium AG and MAB Investment Inc., being associated companies, Bank Alfalah Limited - Employees' Provident Fund, Bank Alfalah Limited -Employees' Gratuity Fund, directors and key management personnel of Alfalah GHP Investment Management Limited, Alfalah Securities being a subsidiary of Bank Alfalah Limited and Central Depository Company of Pakistan Limited (CDC) being the trustee of the Fund. The transactions with connected persons are in the normal course of business, at contractual rates and term determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of NBFC Rules 2003 and NBFC Regulations 2008 and Trust Deed respectively. Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

10.1 Transactions and balances with connected persons / related parties:

	31 December 2010 (Unaudited)	30 June 2010 (Audited)
	(Rupees in '000)	
Alfalah GHP Investment Management Limited - Management Company		
Balance at the beginning of the period	616	630
Remuneration for the period	3,785	3,800
	4,401	4,430
Amount paid during the period	(3,759)	(3,814)
Balance at end of the period	642	616
Central Depository Company of Pakistan Limited		
Balance at beginning of the period	57	61
Remuneration for the period	353	348
CDS Charges	11	-
	421	409
Amount paid during the period	(362)	(352)
Balance at the end of the period	59	57
Deposit with Central Depository Company of Pakistan Limited	200	200

	31 December 2010 (Unaudited)	30 June 2010 (Audited)	(Rupees in '000)	
Bank Alfalah Limited-Islamic Banking Division				
Deposits at the end of the period	<u>41,009</u>	<u>142,841</u>		
Profit on deposit accounts for the period	<u>4,878</u>	<u>3,046</u>		
Bank charges for the period	<u>2</u>	<u>2</u>		
	31 December 2010 (Unaudited)	31 December 2010 (Rupees in '000)	30 June 2010 (Audited)	30 June 2010 (Rupees in '000)
Bonus units distributed	<u>-</u>	<u>-</u>	<u>542</u>	<u>32,208</u>
	31 December 2010		30 June 2010	
Units held by	<u>5,590</u>		<u>5,590</u>	
			Units in '000	
Cash dividend distributed	<u>33,540</u>		<u>-</u>	
			Rupees in '000	

11. GENERAL

These condensed interim financial information are unaudited and have been reviewed by the auditors. Furthermore, the figures for the six months period ended 31 December 2009, quarter ended 31 December 2010 and 2009 in these condensed interim financial information have not been reviewed by the auditors.

12. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on _____ by the Board of Directors of the Management Company.

**For Alfalah GHP Investment Management Limited
(Management Company)**

Chief Executive

Director