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FUND'S INFORMATION

| | |
|--|---|
| Management Company: | Alfalah GHP Investment Management Limited 8-B, 8th Floor, Executive Tower, Dolmen City, Block-4, Clifton, Karachi.. |
| Board of Directors of the Management Company: | <ul style="list-style-type: none">- Ms. Maheen Rahman- Syed Ali Sultan- Mr. David Bulison- Mr. Hanspeter Beier- Mr. Amin Dawood Saleh- Mr. Muhammad Asif Saad- Mr. Abid Naqvi |
| Head of Finance: | - Syed Hyder Raza Zaidi |
| Company Secretary: | - Moin Uddin |
| Audit Committee: | <ul style="list-style-type: none">- Syed Ali Sultan- Mr. Abid Naqvi- Mr. Amin Dawood Saleh |
| HR Committee: | <ul style="list-style-type: none">- Syed Ali Sultan- Mr. David Bulison- Ms. Maheen Rahman |
| Trustee: | Central Depository Company of Pakistan Limited CDC House, 99-B, Block 'B', SMCHS, Main Shara-e-Faisal, Karachi |
| Fund Manager: | Mr. Imran Altaf |
| Bankers to the Fund: | Bank Alfalah Limited |
| Auditors: | Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road P.O.Box 15541, Karachi 75530 Pakistan |
| Legal Advisor: | Bawaney & Partners Room No. 404, 4th Floor Beaumont Plaza, 6-cl-10 Beaumont Road, Civil Lines Karachi. |
| Registrar: | Alfalah GHP Investment Management Limited 8-B, 8th Floor, Executive Tower, Dolmen City, Block-4, Clifton, Karachi. |
| Distributor: | Bank Alfalah Limited |
| Rating: | 3 Star (Short term) and 3 Star (Long term) by PACRA |

MISSION STATEMENT

"To be the best money management company in Pakistan. We will hold our clients money in sacred trust that has to be actively protected and sustainably nurtured so as to achieve client objectives".

VISION STATEMENT

"To be the leading wealth management firm by offering global investment advice, trust services, family estate planning etc for all Pakistani clients whether based in Pakistan or abroad".

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

To our valued Unit Holders,

The Board of Directors of Alfalah GHP Investment Management Limited is pleased to present you the Annual Report of Alfalah GHP Islamic Fund for the year ended June 30, 2014.

FY14 Economic Review & Outlook

Economic indicators during FY14 have shown improvement with GDP growing by 4.1%, fiscal deficit remaining within the budgeted target of 5.8% and Forex reserves clocking in at USD14bn compared to USD8bn at 1HFY14 end. The numbers indicate that the government has undertaken some economic reforms; however, the pace of reforms has been slower than required as highlighted by IMF in its latest quarterly report.

Privatization and Reform Underway

One key positive in the reform process has been a restart of the privatization program with secondary public offerings (SPO) of both UBL and PPL. It is expected that additional secondary offerings are in the pipeline with financial advisors for OGDC's international GDR issuance already appointed, while work has commenced for government shareholdings in HBL and ABL banks.

Budgetary Growth Targets

Going forward the government has set a GDP growth target of 5.1% for FY15 representing an incremental 1% growth over FY14 and a 7% GDP growth target for FY17. On the budgetary front, higher tax collection and medium term tax-GDP targets seem optimistic although somewhat concrete measures have been announced to broaden the tax net and focus on direct/indirect taxation methods seems progressive. It does appear that the government is attempting to tackle some key issues; however, actual results will depend on execution of reform process. Further, the continuity of policies is key factor in achieving long term goals of the government; however, the current political noise and resulting political uncertainty has the potential to negatively affect the outcome.

Balance of Payments and PKR

FY14 current account deficit (CAD) number stood at USD2.9bn as opposed to USD2.5bn witnessed in the corresponding period last year (CPLY). The main cause for this higher CAD is the shortfall in Coalition Support Fund (CSF) receipts. This has been offset in the overall balance of payment position due to improvement witnessed in both capital and financial account. Capital account during FY14 stood at US\$1.8bn versus USD0.3bn in the CPLY mainly due to USD1.5bn grant received from Saudi Arabia. Higher bilateral financing and launch of Euro bond has resulted in financial account head augmenting to USD5.2bn versus mere USD0.6bn in the CPLY. The bulk of repayments to IMF from the previous SBA loan has been made, and in FY15, receipts from current EFF loan will cover the projected repayments. The net impact of the balance of payments improvement has been a hefty appreciation in the PKR of 7% in 3QFY14, making it one of the best performing currencies in the world during CY14. Since then, the PKR has remained relatively stable between PKR 98.50 - 99.50.

Inflation and Interest rates

Cumulative CPI number for FY14 stood at 8.6% which is higher as compared to 7.4% witnessed in FY13. However, compared to previous five years average inflation (FY09-FY13) of 10.5%, FY14's inflation number reflect an overall lower rate of inflation than has been witnessed in the past.

For FY15, the government has set CPI target of 8.0%, which would be an uphill task given the subsidy reduction (electricity & gas tariff hike) and additional taxation measures enforced in the budget. We foresee subdued inflation during the first half of coming fiscal year on the basis of a higher base effect, and it is likely to jump in the later half due to a hike in energy tariffs, and higher direct/indirect taxes. We do not foresee lower interest rates from current levels. In the past, the regulator has always adopted a hawkish stance in the presence of a depreciating currency and high inflation. Since the currency seems to have stabilized and inflation may remain within Government's targeted range, the probability of a rate hike is likely to resurface only in the later half of upcoming fiscal year.

Equity Market:

The equity market maintained its upward drive in FY14 with the KSE-100 index giving a return of 41%. This follows the 52% return witnessed in FY13 bringing total absolute return over 24 months to 115%. The stock market in FY14 continued to re-rate on the back of positive economic news and continued foreign flows in the bourses amid doubling of Pakistan's weight in MSCI Frontier Market Index. Forex reserves rebounded after a multi-year low, post re-entry in IMF program, successful Euro bond offering, higher financial aid and resumption of multilateral funding. Resultantly the PKR witnessed strong appreciation at the end of 3QFY14 and stayed steady thereon. Decline in headline inflation along with improving macro-economic indicators resulted in consistent foreign portfolio investment.

Further interest in the market developed with the secondary offerings of UBL and PPL. UBL in particular was able to attract strong foreign interest. FY14 also saw KSE-All Share volumes augment by 7% YoY to average 216mn shares per day, while in contrast, the value traded increased by a higher 51% YoY to PKR8.7bn indicating a broad based rather than select stock/blue chip rally.

Should the privatization process continue at this pace we can expect to see continued participation in the stock market from both domestic and foreign investors. Additionally corporate earnings will continue to dictate the price level of the KSE100 Index.

Money Market:

Higher inflation numbers and rise in the discount rate from 9% to 10% during 1st half of the year under review pushed money market yields upwards. The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks. Despite stable interest rates during rest of the year, financial institutions benefitted from high yields on government bonds due to hefty demand from the government. Participation in PIB auctions was exceptionally strong due to attractive rates across all tenors in particular the 2 to 3 year government bond.

The corporate bond market was also relatively active with new issues being floated in the market by corporates along with increased interest from participants. Demand for higher rated corporate bonds and sukuks especially those issued by financial institutions remained high.

The Islamic bond market witnessed considerable maturities which widened the gap between demand and supply and increased demand for Islamic instruments. Total Government Sukuk issuance was 49.54 bn in the Ijarah auction held in June'14.

The outlook for FY15 could be somewhat different. Lower inflation numbers during 1HFY15 may keep the current discount rate unchanged; however, this is likely to be challenged in the later half where higher expected inflation may prompt the State Bank to turn decidedly hawkish. This would make the challenge of economic growth revival tougher over FY15 although it may lend further stability to the currency. We expect secondary market yields to remain stable with an upward bias over 2HFY15.

Overall outlook

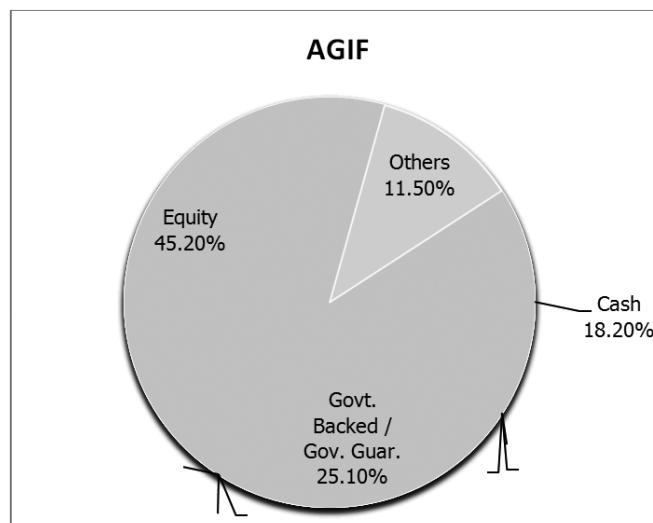
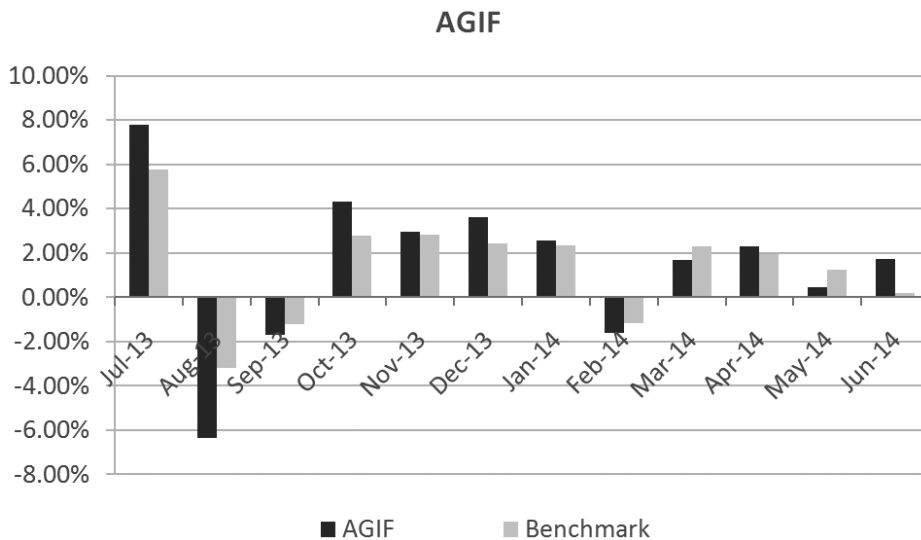
Political stability and a faster pace of economic reform will be key elements of the government's strategy to revive GDP growth over FY15. Significant issues remain unresolved and to a certain level unaddressed - in particular structural issues within the power sector, pace of tax collection and a general reluctance to widen the tax net will all filter into weaker economic growth and a miss in key budgetary targets. Positive developments on the external front need to be matched with stronger revenue generation on the internal side so that the economy may re-rate to an overall better level of growth.

FUND PERFORMANCE AND REVIEW

Alfalah GHP Islamic Fund: Fund Operations and Performance

During the year under review the fund posted an appreciation of 18.42% (FY13: 36.27% p.a.) and completed the year with net assets amounting to PKR 332 million (FY12: PKR 349 million). The fund successfully beat the benchmark return (50% KMI 30 Index + 50% 6M deposit rates) by 131 basis points on the back of exposure to Construction & Material Sector, Oil & Gas Sector and Chemical Sector. The fund also initiated exposure to Auto Sector on the back of favorable news for the sector performance. During the year, the fund also diversified across Corporate Sukuks (particularly WAPDA and K-Electric) to generate higher returns via investment in high quality assets.

PACRA has assigned "3-Star" long term ranking and short term ranking to the fund.



Payout

At the end of the year under review, the fund paid out cash dividend of Rs 14.9910 per unit translating into 27.8751 bonus units for every 100 units held. This is 97% payout of total earnings as per NBFC regulations.

Future Outlook

Going forward, the fund plans to maintain its equity exposure in the range of 60-70% and intends to increase exposure to good quality Corporate Sukuks. Equity exposure and composition will be largely in line with the KMI-30 benchmark index in order to prevent excessive risk-taking positions in the fund. This will also allow the fund to minimize tracking error and comfortably outpace the benchmark.

Corporate Governance

The Management Company is committed to maintain the highest standards of Corporate Governance. Accordingly, the Board of Directors states that:

- a) Financial Statement represents fairly the state of affairs of funds under management of Alfalah GHP Investment Management Limited, the results of their operations, cash flow and the changes in Unit-holders funds.
- b) Proper books of accounts have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon Funds under management of Alfalah GHP Investment Management Limited's ability to continue as a going concern except for IGI Aggressive Income Fund for which appropriate disclosure is given in note # 1.2 to the Financial Statements of the Fund.
- g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- h) The summary of key financial data is given in annexure (A) in these financial statements.
- i) Details of meetings of the Board of Directors held and the attendance of each director for these meetings are given in note # (iv.) of supplementary non financial information of this annual report.
- j) The pattern of unit holding is given in note # (i.) of supplementary non financial information of this annual report.
- k) The number of units of the Fund held by the Chief Executive, directors, executives and their spouses as at June 30, 2014 as given in note # 21.1
- l) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses during the year ended June 30, 2014 is given in note # 21.1;

Board of Directors

| Name of Director | Designation | Meetings Held | Attended | Leave Granted |
|-------------------------|-------------------------|---------------|----------|----------------------------|
| Syed Ali Sultan | Chairman | 8 | 7 | 61ST |
| Mr. Amin Dawood Saleh | Director | 8 | 8 | - |
| Mr. Kashif Abdur Rahman | Director | 4 | 3 | 55th BOD |
| Mr .David Burlison | Director | 8 | 6 | 56th & 61st |
| Mr. Suleman Hudda | Director | 4 | - | 54th,55th, 56th, 57th BOD |
| Mr. Hanspeter Beier | Director | 8 | 4 | 54th, 56th, 60th, 61st BOD |
| Mr. Abdul Aziz Anis | Chief Executive Officer | 2 | 2 | - |
| Ms. Maheen Rahman | Chief Executive Officer | 6 | 6 | - |
| Mr. Abid Naqvi | Director | 4 | 4 | - |
| Mr. Asif Saad | Director | 4 | 2 | 59th & 60th BOD |

Change in Board Members during the period

| Name | Designation | Appointed | Resigned |
|-------------------------|-------------------------|-----------|----------|
| Ms. Maheen Rahman | Chief Executive Officer | Appointed | |
| Mr. Abid Naqvi | Director | Appointed | |
| Mr. Asif Saad | Director | Appointed | |
| Mr. Suleman Hudda | Director | - | Resigned |
| Mr. Kashif Abdur Rahman | Director | - | Resigned |
| Mr. Abdul Aziz Anis | Chief Executive Officer | - | Resigned |

The Board places on record their thanks and appreciation to outgoing Directors for their valuable contributions in the progress of the Company.

Audit Committee Meetings

Below are the detail of Audit Committee meetings held during the period and attendance of Audit Committee Members.

| Member | Meetings Held | Meetings Attended |
|-------------------------|---------------|-------------------|
| Mr. Kashif Abdur Rahman | 3 | 3 |
| Mr. Abid Naqvi | 3 | 3 |
| Syed Ali Sultan | 6 | 6 |
| Mr. Amin Dawood Saleh | 6 | 6 |

Acknowledgement

The Directors express their gratitude to the Securities and Exchange Commission of Pakistan for its valuable support, assistance and guidance. The Board also thanks the employees of the Management Company and the Trustee for their dedication and hard work and the unit holders for their confidence in the Management.

For and on behalf of the Board

27 August 2014
Karachi

Maheen Rahman
Chief Executive

REPORT OF THE FUND MANAGER

Type of Fund

Open-end Scheme

Category of Fund

Shariah compliant Asset Allocation Scheme

Investment Objective

The investment objective of Alfalah GHP Islamic Fund (AGIF) is seeking long term capital appreciation and income from a diversified portfolio developed in consistence with the principles of Shariah.

Accomplishment of Objective

The Fund has strived to achieve its objective as it provided the unit holders a competitive and attractive return as compared to peer funds via investments in Shariah Compliant avenues.

Review of the Market

The equity market maintained its upward drive in FY14 with the KMI-30 index giving a return of 28%. This follows the 54% return witnessed in FY13 bringing total absolute return over 24 months to 97%. The stock market in FY14 continued to re-rate on the back of positive economic news and continued foreign flows in the bourses amid doubling of Pakistan's weight in MSCI Frontier Market Index. Forex reserves rebounded after a multi-year low, post re-entry in IMF program, successful Euro bond offering, higher financial aid and resumption of multilateral funding. Resultantly, the PKR witnessed strong appreciation at the end of 3QFY14 and stayed steady thereon. Decline in headline inflation along with improving macroeconomic indicators resulted in consistent foreign portfolio investment.

Further interest in the market developed with the secondary offerings of UBL and PPL. UBL in particular was able to attract strong foreign interest. FY14 also saw KSE-All Share volumes augment by 7% YoY to average 216mn shares per day, while in contrast, the value traded increased by a higher 51% YoY to PKR8.7bn indicating a broad based rather than select stock/blue chip rally.

Should the privatization process continue at this pace we can expect to see continued participation in the stock market from both domestic and foreign investors. Additionally, corporate earnings will continue to dictate the price level at the equity bourse.

Fund Performance

During the year under review the fund posted an appreciation of 18.42% (FY13: 36.27% p.a.) compared to benchmark return of 17.11%. AGIF successfully beat the benchmark return (50% KMI 30 Index + 50% 6M deposit rates) by 131 basis points on the back of exposure to Construction & Material Sector, Oil & Gas Sector and Chemical Sector. The fund also initiated exposure to Auto Sector on the back of favorable news for the sector performance. During the year, the fund also diversified across Corporate Sukuks (particularly WAPDA and K-Electric) to generate higher returns via investment in high quality assets. The fund completed the year with net assets amounting to PKR 332 million (FY12: PKR 349 million).

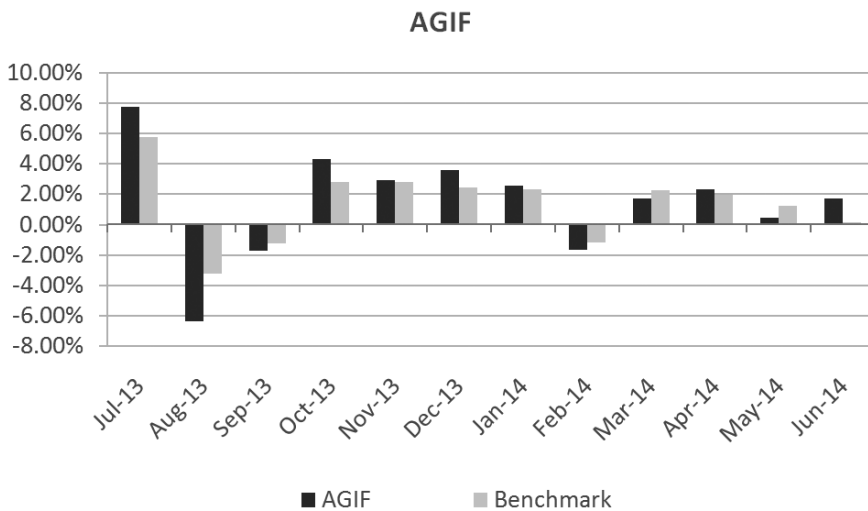
Going forward, the fund plans to maintain its equity exposure in the range of 60-70% and intends to increase exposure to good quality Corporate Sukuks. Equity exposure and composition will be largely in line with the KMI-30 benchmark index in order to prevent excessive risk-taking positions in the fund. This will also allow the fund to minimize tracking error and outpace the benchmark.

The fund's credit rating was reduced to "3-STAR" by PACRA.

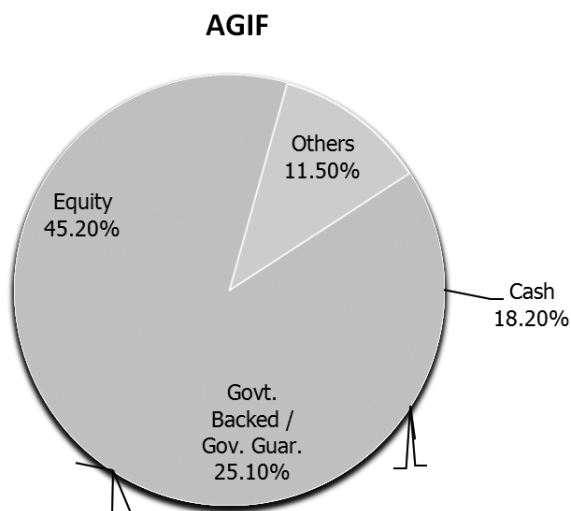
Benchmark

The Fund's benchmark is 50% KMI-30 index and 50% Avg. 6 month Islamic Deposit Rate

Performance comparison with Benchmark



Asset Allocation



Significant changes in Assets Allocation during the period

The fund maintained an optimal mix of Shariah Compliant equities and Shariah Compliant fixed income securities over the year to achieve a healthy return. Fixed income exposure was spread over government backed Ijara Sukuks and good quality bank deposits. Towards the end of the year, exposure was also initiated in corporate Sukuks of high credit quality to further elevate fund return. At the closing date of the fiscal year, 'Other' section increased abnormally owing to annual fund payout.

Distribution

At the end of the year under review, the fund paid out cash dividend of Rs 14.9910 per unit translating into 27.8751 bonus units for every 100 units held. This is 97% payout of total earnings as per NBFC regulations.

Significant changes in the state of the affairs

There were no significant changes in the state of affairs during the period under review.

Breakdown of unit holdings by size

| Holdings | No. of unit holder | Investment Amount |
|-----------------------------|--------------------|--------------------|
| PkR 01 to 100,000 | 22 | 389,252 |
| PkR 100,000 to 1,000,000 | 12 | 3,208,174 |
| PkR 1,000,000 to 10,000,000 | 1 | 3,976,323 |
| PkR 10,000,000 and above | 3 | 324,400,006 |
| Total | 38 | 331,973,755 |

Unit Splits

There were no unit splits during the period.

Circumstances materially affecting the interest of unit holders

Any significant change in market rates of the instruments invested in and any significant change in the credit profile of the counterparties can materially affect the interest of unit holders.

Fund Manager

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

ALFALAH GHP 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

We Central Depository Company of Pakistan Limited, being the Trustee of Alfalah GHP Islamic Fund (the Fund) are of the opinion that Alfalah GHP Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2014 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.



Aftab Ahmed Diwan
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 21, 2014



REPORT OF THE SHARIAH ADVISORY BOARD ALFALAH GHP ISLAMIC FUND

We, the Shariah Advisers of the Alfalah GHP Islamic Fund ('AGIF') managed by Alfalah GHP Investment Management Limited, are issuing this report in accordance with clause 3.2 of the Trust deed of the said Fund. The scope of the report is to express an opinion on the Shariah Compliance of the Fund's activities.

It is the responsibility of the Management Company of the said Fund to establish and maintain a system of internal controls to ensure compliance with issued Shariah guidelines. As a Shariah Advisors our responsibility is to express an opinion, based on our review of the representations made by the management, to the extent where such compliance can be objectively verified.

In the capacity of Shariah Advisor, we have checked following avenues presented to us by the Management in which AGIF made investment during the period from July 01, 2013 to June 30, 2014.

| Investment Head | Investment Avenue |
|----------------------------|--|
| Equities | Equity Investments with following screening criteria: (i) Nature of Business of the Investee Company, (ii) Interest bearing debt in relation to the total assets, (iii) Illiquid assets in relation to the total assets, and (iv) Investment in Non-Shariah Compliant activities to total assets and income from non-compliant investments to gross revenues |
| Sukuk | Government of Pakistan Ijarah Sukuk and Sukuk Certificates of WAPDA and K-Electric with following screening criteria: (i) Mode of Investment in accordance with shariah guidelines and perspective. |
| Term Deposit Receipt (TDR) | Islamic Commercial Banks (licensed by SBP) |

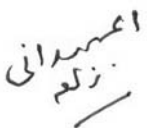
We hereby certify that all the above mentioned investments and all the provisions of the scheme made by the Fund are in compliance with the Shariah principles.

The Fund have earned a part of their income from non-compliant sources (e.g. interest income) through Investment, 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.

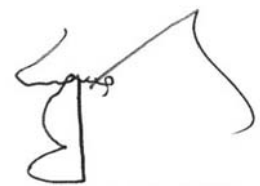
Outstanding balance of charity account amounts to Rupees **263,741**.

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

For and on behalf of Shariah Advisory Board



Dr. Ejaz Ahmed Samdani



Mufti Khalil Ahmad Aazami



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

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Fax: +9221 3568 1965
eyfrsh.khi@pk.ey.com
ey.com/pk

Independent assurance report to the unit holders of the Fund in respect of the Fund's compliance with the Shariah rules and principles

We have performed an independent assurance engagement of Alfalah GHP Islamic Fund (the Fund) to ensure that the Fund has complied with the Shariah rules and principles prescribed by the Shariah Advisory Board of the Fund during the year ended 30 June 2014, in accordance with clause 3.3.1 of the Trust Deed of the Fund.

2. Management's responsibility for Shariah compliance

It is the responsibility of the management of the Fund to ensure that the financial arrangements, contracts and transactions entered into by the Fund are, in substance and in their legal form, in compliance with the requirements of the Shariah rules and principles. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

3. Our responsibility

3.1. We planned and performed our evidence gathering procedures to obtain a basis for our conclusion in accordance with International Standard for Assurance Engagements 3000 (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 regarding the subject matter i.e. the Fund's compliance with the Shariah rules and principles as determined by the Shariah Advisory Board.

3.2. The "Assurance Procedures" selected by us for the engagement were dependent on our judgment, including the assessment of the risks of material non-compliance with the Shariah rules and principles. In making those risk assessments, we considered internal controls relevant to the Fund's compliance with the Shariah rules and principles in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.

3.3. Our responsibility is to express an opinion, based on the procedures performed on the Fund's financial arrangements, contracts and transactions having Shariah implications, on a test basis whether such financial arrangements, contracts and transactions, having Shariah implications, are in line with the Shariah rules and principles as prescribed by Shariah Advisory Board of the Fund.

4. Our opinion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah rules and principles as determined by Shariah Advisory Board of the Fund during the year ended 30 June 2014.



Karachi:

Chartered Accountants

A member firm of Ernst & Young Global Limited

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2014

This statement is being presented to comply with the Code of Corporate Governance ("the Code") contained in Regulation No. 35 of the listing regulations of the Karachi Stock Exchange Limited ("the 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 Management Company has applied the principles contained in the CCG in the following manner:

- The Management Company encourages representation of independent, executive and non-executive directors. At present, the Board includes:

| Category | Names |
|-------------------------|---|
| Executive Director | Ms. Maheen Rahman (deemed director u/s 200 of Companies Ordinance, 1984) |
| Independent Directors | Mr. Asif Saad Mr. Abid Naqvi Mr. Syed Ali Sultan |
| Non-Executive Directors | Mr. David Burlison Mr. Hanspeter Beier Mr. Amin Dawood Saleh Mr. Asif Saad Mr. Abid Naqvi |

The independent directors meets the criteria of independence under clause i (b) of the Code.

- The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Management Company.
- All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- During the year two casual vacancies occurred on the Board on 05 December 2013 which have been filled by the directors on 16 December 2013.
- The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors have been taken by the Board.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before such meetings except for the 56th, 57th and 58th Board meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Three directors have obtained certification under the 'Board Development Series' program conducted by Institute of Corporate Governance.
10. The Board has approved appointment of CFO and Company Secretary, including their remuneration and terms and conditions of employment. However, CFO has resigned from its position on March 28, 2014.
11. The Directors' Report of the Fund for the year ended 30 June 2014 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 CEO and CFO of the Management Company before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the units of the Fund other than those disclosed in the Directors' Report, pattern of unit holding and notes to the financial statements.
14. The Fund has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company, including the Chairman of the Committee who is an independent director. However during the period, the CFO was the secretary of the Audit Committee.
16. The meetings of the Audit Committee were held once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference of the Audit Committee have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
17. The Board has formed Human Resource and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the Committee is a non-executive director. However, the appointment of the CEO, CFO, and Head of Internal Audit was not considered by the Human Resource and Remuneration Committee prior to approval by the Board.
18. The board has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
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 partner of the firm, their spouse and minor children do not hold 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 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. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the Net asset value of Fund, was not determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through the Exchange.
23. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Karachi, _____

Maheen Rahman
Chief Executive Officer

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

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Alfalah GHP Investment Management Limited (the Management Company) of **Alfalah GHP Islamic Fund** (the Fund) for the year ended **30 June 2014** to comply with the said Code.

The responsibility for compliance with the Code is that of the Board 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 reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement:

| Paragraph Reference | Description |
|----------------------------|---|
| 8 | The notices alongwith the agendas of 56th, 57th and 58th Board of Directors' meeting were not circulated atleast seven days before such meetings. |
| 15 | The Chief Financial Officer acted as secretary to the Audit Committee in all its meetings conducted during the year. |
| 17 | The appointment of the Chief Executive Officer, Chief Financial Officer and Head of Internal Audit was not considered by the Human Resource and Remuneration Committee prior to approval by the Board of Directors. |
| 21 | The 'closed period' was not determined and intimated to directors, employees and stock exchange. |

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Alfalah GHP Islamic Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2014** and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management'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 requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2014 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of matter

We draw attention to note 1.2 to the accompanying financial statements. As more fully explained in the said note, a single unit holder holds 91.57% of the units in issue of the Fund as of 30 June 2014. Therefore, the future operations of the Fund are dependent upon the continuity of the said unit holder. Our opinion is not modified in respect of the above matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

August 27, 2014
Karachi

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2014

| | | 30 June 2014 | | 30 June 2013 |
|--|-------------|-------------------------------|--|--------------------|
| | <i>Note</i> | ----- (Rupees) ----- | | |
| Assets | | | | |
| Bank balances | 4 | 77,746,619 | | 116,939,910 |
| Investments | 5 | 300,815,593 | | 282,524,356 |
| Security deposits | 6 | 2,600,000 | | 2,600,000 |
| Other receivables | 7 | 3,727,602 | | 845,315 |
| Receivable against sale of shares | | 43,227,731 | | - |
| Total assets | | 428,117,545 | | 402,909,581 |
| Liabilities | | | | |
| Payable to the Management Company | 8 | 2,269,614 | | 1,015,332 |
| Remuneration payable to the Trustee | 9 | 131,010 | | 66,843 |
| Annual fee payable to the Securities and Exchange Commission of Pakistan | 10 | 357,647 | | 330,768 |
| Provision for Workers' Welfare Fund | 11 | 8,336,338 | | 7,041,525 |
| Accrued and other liabilities | 12 | 1,242,403 | | 619,404 |
| Distribution payable | | 83,806,778 | | 44,552,915 |
| Total liabilities | | 96,143,790 | | 53,626,787 |
| Net assets attributable to unit holders | | 331,973,755 | | 349,282,794 |
| Unit holders' funds (as per statement attached) | | 331,973,755 | | 349,282,794 |
| Contingencies and Commitments | | | | |
| | 13 | ----- (Number of units) ----- | | |
| Number of units in issue | | 6,104,848 | | 5,948,435 |
| | | ----- (Rupees) ----- | | |
| Net asset value per unit | | 54.38 | | 58.72 |

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

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

Chief Executive

Director

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

| | <i>Note</i> | 30 June 2014 | 30 June 2013 |
|--|-------------|--------------------------|---------------------------|
| | | ----- (Rupees) ----- | |
| Income | | | |
| Dividend income | | 14,010,634 | 18,456,893 |
| Profit on deposit accounts with banks | | 8,928,521 | 10,903,547 |
| 'At fair value through profit or loss' - held-for-trading | | | |
| - Gain on sale of investments | | 23,245,792 | 34,278,110 |
| - Unrealised appreciation in the value of investments | 5.3 | 29,060,278 | 69,888,503 |
| | | 52,306,070 | 104,166,613 |
| Available-for-sale investments | | | |
| - Income from sukuk certificates | | 2,053,045 | 1,620,311 |
| - Loss on sale of investments | | (16,500) | (14,840,831) |
| - Reversal of impairment in the value of investments | 5.5 | - | 12,166,091 |
| | | 2,036,545 | (1,054,429) |
| Total income | | <u>77,281,770</u> | <u>132,472,624</u> |
| Expenses | | | |
| Remuneration of the Management Company | | 7,529,104 | 7,107,584 |
| Sales tax on management fee | | 1,204,706 | 1,147,218 |
| Federal excise duty on management fee | 14 | 1,397,410 | 62,530 |
| Remuneration of the Trustee | | 752,837 | 712,458 |
| Annual fee to the Securities and Exchange Commission of Pakistan | | 357,646 | 330,769 |
| Amortisation of preliminary expenses and floatation costs | | - | 122,045 |
| Bank and settlement charges | | 289,237 | 234,436 |
| Legal and professional charges | | - | - |
| Auditors' remuneration | 15 | 528,525 | 559,100 |
| Brokerage expense, federal excise duty and capital value tax | | 1,701,625 | 1,073,486 |
| Provision for Workers' Welfare Fund | 11 | 1,294,813 | 2,391,252 |
| Fees and subscriptions | | 130,000 | 140,000 |
| Printing and related cost | | 221,650 | 144,670 |
| Charity | 12.1 | 371,346 | - |
| Total expenses | | <u>15,778,899</u> | <u>14,025,548</u> |
| Net income from operating activities | | 61,502,871 | 118,447,076 |
| Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed | | <u>1,941,552</u> | <u>(1,274,357)</u> |
| Net income for the year before taxation | | 63,444,423 | 117,172,719 |
| Taxation | 16 | - | - |
| Net income for the year after taxation | | <u><u>63,444,423</u></u> | <u><u>117,172,719</u></u> |

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

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

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

| | 30 June 2014 | 30 June 2013 |
|--|-----------------------------|-------------------------|
| <i>Note</i> | ----- (Rupees) ----- | ----- |
| Net income for the year after taxation | 63,444,423 | 117,172,719 |
| Other comprehensive income / (loss): | | |
| Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - amount representing unrealised capital gains | (101,677) | 43,251 |
| Unrealised appreciation in the value of investments classified as 'available-for-sale' | | |
| Surplus for the year | - | 2,958,000 |
| Recycled through income statement | 5.5 | |
| - on sale | - | (15,908,091) |
| - on impairment | - | 3,742,000 |
| | - | (12,166,091) |
| Other comprehensive loss for the year | (101,677) | (9,164,840) |
| Total comprehensive income for the year | 63,342,746 | 108,007,879 |

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

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

Chief Executive

Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

| | 30 June 2014 | 30 June 2013 |
|--|----------------------|-----------------|
| | ----- (Rupees) ----- | |
| Undistributed income brought forward | | |
| Realised (losses) / gains | (18,394,877) | 10,056,528 |
| Unrealised gains | 69,888,503 | 3,771,896 |
| | 51,493,626 | 13,828,424 |
| Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - amount representing unrealised capital gains | (101,677) | 43,251 |
| Net income for the year before taxation | 63,444,423 | 117,172,986 |
| Interim distribution for the year ended June 30, 2014: | | |
| - Cash distribution of Rs.14.9910 (2013: Rs.13.47 per unit) | (83,806,778) | (75,298,340) |
| - Issue of 112,240 bonus units (2013: 74,738 units) | (6,029,628) | (4,252,695) |
| | (26,493,660) | 37,665,202 |
| Undistributed income carried forward | | |
| Realised losses | (4,060,312) | (18,394,877) |
| Unrealised gains | 29,060,278 | 69,888,503 |
| | 24,999,966 | 51,493,626 |

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

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

Chief Executive

Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED 30 JUNE 2014

| | 30 June 2014 | 30 June 2013 |
|--|----------------------|--------------------|
| | ----- (Rupees) ----- | |
| Net assets at the beginning of the year | 349,282,794 | 324,602,150 |
| Issue of 697,514 units (2013: 169,714 units) | 45,750,838 | 9,809,467 |
| Redemption of 653,341 units (2013: 319,935 units) | (40,755,969) | (19,069,468) |
| | 4,994,869 | (9,260,001) |
| Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased: | | |
| - amount representing loss / income and capital (losses) / gains - transferred to the income statement | (1,941,552) | 1,274,357 |
| - amount representing unrealised capital gains / (losses) - transferred directly to the Distribution Statement | 101,677 | (43,251) |
| | (1,839,875) | 1,231,106 |
| Interim distribution of 112,240 bonus units for the year ended June 30, 2014 (2013: 74,738 units) | 6,029,628 | 4,252,695 |
| Net unrealised appreciation on revaluation of investments classified as 'available-for-sale' | - | (9,208,091) |
| Capital gain on sale of investments | 23,229,292 | 19,437,279 |
| Unrealised appreciation in the value of investments | 29,060,278 | 69,888,503 |
| Other net income for the year | 11,154,853 | 27,846,937 |
| Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - amount representing unrealised capital gains | (101,677) | 43,251 |
| Interim distribution for the year ended June 30, 2014: | | |
| - Cash distribution of Rs.14.9910 (2013: Rs.13.47 per unit) | (83,806,778) | (75,298,340) |
| - Issue of 112,240 bonus units (2013: 74,738 units) | (6,029,628) | (4,252,695) |
| Net income for the year less distribution | (26,493,660) | 37,664,935 |
| Net assets at the end of the year | 331,973,755 | 349,282,794 |
| Net asset value per unit at the beginning of the year | 58.72 | 53.89 |
| Net asset value per unit at the end of the year | 54.38 | 58.72 |

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

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

Chief Executive

Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

| | 30 June 2014 | 30 June 2013 |
|---|----------------------|-----------------|
| | ----- (Rupees) ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the year before taxation | 63,444,423 | 117,172,719 |
| Adjustments for: | | |
| 'At fair value through profit or loss' - held-for-trading | | |
| - Unrealised appreciation in the value of investments Available-for-sale investments | (29,060,278) | (69,888,503) |
| - Reversal of impairment in the value of investments | - | (12,166,091) |
| Dividend income | (14,010,634) | (18,456,893) |
| Profit on deposit accounts with banks | (8,928,521) | (10,903,547) |
| Amortisation of preliminary expenses and floatation costs | - | 122,045 |
| Income from sukuk certificates | (2,053,045) | (1,620,311) |
| Provision for Workers' Welfare Fund | 1,294,813 | 2,391,252 |
| Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed | (1,941,552) | 1,274,357 |
| | 8,745,206 | 7,925,028 |
| Increase in assets | | |
| Investments | 10,769,041 | (19,753,497) |
| Other receivables | (682,162) | - |
| Receivable against sale of shares | (43,227,731) | - |
| | (33,140,852) | (19,753,497) |
| Increase in liabilities | | |
| Payable to the Management Company | 1,254,282 | 256,917 |
| Remuneration payable to the Trustee | 64,167 | 7,721 |
| Annual fee payable to the Securities and Exchange Commission of Pakistan | 26,879 | 20,674 |
| Accrued and other liabilities | 622,999 | (312,311) |
| Distribution payable | 39,253,863 | 44,552,915 |
| | 41,222,190 | 44,525,916 |
| Dividend and profit received | 22,792,075 | 31,893,018 |
| Net cash flow generated from operating activities | 39,618,618 | 64,590,465 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Amount received on issue of units | 45,750,838 | 9,808,524 |
| Payment against redemption of units | (40,755,969) | (19,069,468) |
| Cash dividend paid | (83,806,778) | (75,298,340) |
| Net cash flow used in financing activities | (78,811,909) | (84,559,284) |
| Net decrease in cash and cash equivalents during the year | (39,193,291) | (19,968,819) |
| Cash and cash equivalents at beginning of the year | 116,939,910 | 136,908,729 |
| Cash and cash equivalents at end of the year | 77,746,619 | 116,939,910 |

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

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

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Alfalah GHP Islamic Fund is an open-end collective investment scheme (the Fund) 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). The Trust Deed was executed on April 11, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the NBFC (Establishment and Regulation) Rules 2003 (NBFC Rules), on March 29, 2007.

The Management Company of the Fund has been licensed by SECP to act as an Asset Management Company under NBFC Rules. The registered office of the Management Company is situated at 8th Floor, Executive Tower, Dolmen Mall, Block-4, Clifton, Karachi.

Alfalah GHP Islamic Fund is listed on the Karachi Stock Exchange. The Units of the Fund are offered to public on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorized as 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 the Shariah Advisory Board of the Fund.

The Fund has three classes of units. Class A (restricted / core) units were issued to core investors with no sales load. These units cannot be redeemed for a period of two years from the date of initial public offer and shall be charged no sales load. Class B units were offered and issued during the private placement and initial period of offer and shall be charged no sales load. Class C units were offered and issued after the initial period of offer and shall be issued with or without sales load.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 'AM3+' (Outlook: Stable) to the Management Company in its rating report dated June 20, 2014 and 3-Star (short-term) and 3-Star (long-term) to the Fund in its rating report dated November 27, 2013.

The '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.

1.2 As at June 30, 2014, Bank Alfalah Limited (the Bank) held 5,590,077 (June 30, 2013: 5,590,077) units representing 91.57% (June 30, 2013: 93.98%) of the units in issue of the Fund as at that date. The Management Company of the Fund based on discussions with the Bank considers that the Bank will continue its investment in the Fund, as the Fund has made profit during this period and is confident that this trend will continue in the future.

2. BASIS OF PRESENTATION

The transactions undertaken by the Fund are in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Advisory Board of the Fund.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan, the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). 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. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments held at 'fair value through profit or loss' category are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund.

2.4 Use of estimates and judgment

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

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

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

- a) Classification and valuation of financial instruments (notes 3.2 and 5)
- b) Impairment (notes 3.3)
- c) Provisions (notes 3.8)
- d) Taxation (notes 3.12)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described in note 3.1 below.

3.1 New and amended standards and interpretations

IAS 19 – Employee Benefits – (Revised)

IFRS 7 – Financial Instruments: Disclosures – (Amendments)
– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

3.2 Financial instruments

The Fund classifies its financial instruments and derivatives in the following categories:

a) Financial instruments at fair value through profit or loss

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

Upon initial recognition attributable transaction costs are recognised in Income Statement when incurred. Financial instruments 'at fair value through profit or loss' are measured at fair value, and changes therein are recognised in the Income Statement.

b) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in market prices, are classified as 'available-for-sale'.

c) Loans and receivables

Loans and receivables 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 'fair value through profit or loss' or 'available-for-sale'. This includes receivable against sale of investments and other receivables and are carried at amortized cost using the effective yield method, less impairment losses, if any.

d) Financial liabilities

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

Recognition

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

A regular way purchase of financial assets is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

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

Measurement

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

Subsequent to initial recognition, financial instruments classified as '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. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Unit Holders' Fund until derecognised or impaired, then the accumulated fair value adjustments recognised in Unit Holders' Fund are included in the Income Statement.

Fair value measurement principles

Basis of valuation of Quoted Equity Securities

The fair value of quoted equity securities is based on their price quoted on the Karachi Stock Exchange at the balance sheet date without any deduction for estimated future selling costs.

Basis of valuation of Sukuk Certificates

- Investment in sukuk certificates have been valued on the basis of period end rates quoted by the Mutual Fund Association of Pakistan.
- Provision against non performing debt securities is made in accordance with the provisioning criteria prescribed by the Securities Exchange Commission of Pakistan and the Fund's provisioning criteria. These are elaborated in note 3.3 to these financial Statements.

3.3 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, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognised in income statement.

Impairment of debt securities held by the Fund is determined on the basis of repayment passed due from its contractual maturity. Such provisions are made as per criteria specified in Circular 33 of 2012 issued by SECP. Accelerated provisions are made if circumstances warrant, as per the provisioning policy approved by the Board of the Management Company.

However, the decrease in impairment loss on debt securities classified as available-for-sale is recognised in income statement. The reversal of impairment of debt security reclassified as performing by MUFAP in terms of Circular No 33 of 2012 issued by SECP is made to the extent of increased price difference between amount recorded in books

prior to reclassification as performing and price announced by MUFAP on reclassification.

In case of investments classified as available-for-sale, a significant and prolong decline in the fair value of security below its cost is considered an indicator that the securities are impaired. If such indication exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on financial asset previously recognised is removed from unit holders' fund and recognised in income statement. Decrease in impairment loss on available-for-sale equity securities is recognised in unit holders' fund.

3.4 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with International Accounting Standard 39: Financial Instruments; Recognition and Measurement.

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

3.5 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual profit in the Fund's assets.

3.6 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 during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load and any provision for duties and charges, if applicable. The sales load is payable to investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, and charges on redemption, if applicable.

3.7 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) included in prices of units sold less those in units repurchased' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The Fund records the net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accounting period in the Income Statement while the portion of the element of income / (loss) and capital gains / (losses) that relates to unrealised gains / (losses) held by the Fund is recorded in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders.

During the year, the management has revised the method of computation of the "Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed" (the Element) in the Fund. As per revised methodology, the Element is arrived at by comparing the unit prices with opening Ex-NAV at the beginning of the year. Previously, the Fund used to calculate the Element by comparing unit prices with the face value of the units.

The impact of change has been incorporated in the financial statements of the Fund with effect from July 01, 2013. However, the interim financial statements of the Fund for the half year ended December 31, 2013 and three months period ended March 31, 2014 did not include the effect of this change as the methodology to compute Element was changed during the last quarter of the financial year effective from the beginning of the current year.

The revised methodology would ensure that the continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. Since the element is an equalisation account between income for the period and undistributed income, the change did not have any impact on Net Asset Value (NAV) of the Fund. Had the methodology

not been changed, the total comprehensive income for the year ended June 30, 2014 would have been higher by Rs.1.364 million.

3.8 Provisions

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

3.9 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from 03 September 2007 as per Trust Deed of the Fund.

3.10 Net asset value per unit

The net asset value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue.

3.11 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management's determination of weighted average units for calculating EPU is not practicable.

3.12 Taxation

Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax to any income derived by a Mutual Fund, if not less than ninety percent of its accounting income of a year as reduced by capital gains whether realized or unrealized is distributed among the unit holders.

3.13 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.14 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Income on sukuk certificates, bank deposits and placements is recognized on a time proportionate basis using effective yield method.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.
- Dividend Income is recognised when the right to receive the dividend is established.

3.15 Expenses

All expenses including Management Fee and Trustee Fee are recognised in the Income Statement on an accrual basis.

3.16 Cash and cash equivalents

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

3.17 Dividend distribution and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

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

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations and amendments:

| Standard, interpretation or amendment | Effective date (accounting periods beginning on or after) |
|--|--|
| IFRS 10 – Consolidated Financial Statements | January 01, 2015 |
| IFRS 11 – Joint Arrangements | January 01, 2015 |
| IFRS 12 – Disclosure of Interests in Other Entities | January 01, 2015 |
| IFRS 13 – Fair Value Measurement | January 01, 2015 |
| IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization | January 01, 2016 |
| IAS 16 & 41 – Agriculture: Bearer Plants | January 01, 2016 |
| IAS 19 - Employee Contributions | July 01, 2014 |
| IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment) | January 01, 2014 |
| IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment) | January 01, 2014 |
| IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment) (see note 3 below) | January 01, 2014 |
| IFRIC 21 – Levies | January 01, 2014 |

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not materially affect the Fund's financial statements in the period of initial application.

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard | IASB Effective date (annual periods beginning on or after) |
|--|---|
| IFRS 9 – Financial Instruments: Classification and Measurement | January 01, 2018 |
| IFRS 14 – Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 15 – Revenue from Contracts with Customers | January 01, 2017 |

| | Note | 30 June 2014 | 30 June 2013 |
|-------------------------|------|----------------------|--------------------|
| | | ----- (Rupees) ----- | |
| 4. BANK BALANCES | | | |
| Deposit accounts | 4.1 | 77,726,164 | 116,919,455 |
| Current accounts | | 20,455 | 20,455 |
| | | <u>77,746,619</u> | <u>116,939,910</u> |

4.1 This represents saving deposit accounts maintained with various Islamic banks or Islamic banking division of conventional banks carrying profit rate of 7% to 9.80% (June 30, 2013: 6% to 10.76%) per annum.

5. INVESTMENTS

Financial assets classified as 'at fair value through profit or loss' - held-for-trading

| | | | |
|----------------------------|-----|--------------------|--------------------|
| Equity securities - quoted | 5.1 | 193,434,793 | 282,524,356 |
| Sukuk certificates | 5.2 | 107,380,800 | - |
| | | <u>300,815,593</u> | <u>282,524,356</u> |

5.1 Investment in quoted equity securities - 'at fair value through profit or loss' - held-for-trading

| Name of the investee company | As at July 01, 2013 | Purchased during the year | Bonus / rights Issue during the year | Sold during the year | As at 30 June 2014 | Cost as at 30 June 2014 | Market value as at 30 June 2014 | Market value as a percentage of: | | Investee company paid-up capital |
|---------------------------------------|---------------------------|---------------------------------|---|----------------------------|--------------------------------|----------------------------------|--|-------------------------------------|----------------------|---|
| | | | | | | | | Net asset | Total investments | |
| | | | | | ----- (Number of shares) ----- | | ---- (Rupees) ---- | | | |
| Chemicals | | | | | | | | | | |
| Fauji Fertilizer Bin Qasim Limited | - | 360,000 | - | 280,000 | 80,000 | 3,127,544 | 3,181,600 | 0.96% | 1.06% | 0.01% |
| Fauji Fertilizer Company Limited | 250,000 | 168,500 | - | 208,000 | 210,500 | 23,093,982 | 23,628,625 | 7.12% | 7.85% | 0.01% |
| Fatima Fertilizer Company Limited | - | 219,500 | - | 52,000 | 167,500 | 5,367,040 | 4,857,500 | 1.46% | 1.61% | 0.36% |
| ICI Pakistan Limited | - | 34,600 | - | 34,600 | - | - | - | - | - | - |
| | | | | | | <u>31,588,566</u> | <u>31,667,725</u> | <u>9.54%</u> | <u>10.53%</u> | <u>0.38%</u> |
| Banks | | | | | | | | | | |
| BankIslami Pakistan Limited | 1,730,517 | - | - | 1,730,517 | - | - | - | - | - | - |
| Meezan Bank Limited | - | - | - | - | - | - | - | - | - | - |
| | | | | | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Construction and materials | | | | | | | | | | |
| D.G Khan Cement Company Limited | 462,000 | 100,000 | - | 482,000 | 80,000 | 7,319,416 | 7,036,800 | 2.12% | 2.34% | 0.02% |
| Fauji Cement Company Limited | - | 200,000 | - | 40,500 | 159,500 | 3,045,258 | 3,068,780 | 0.92% | 1.02% | 0.01% |
| Kohat Cement Company Limited | - | 100,000 | - | 80,000 | 20,000 | 2,388,271 | 2,556,400 | 0.77% | 0.85% | 0.01% |
| Maple Leaf Cement Company Limited | - | 75,000 | - | 15,500 | 59,500 | 1,867,622 | 1,787,975 | 0.54% | 0.59% | 0.01% |
| Lafarge Pakistan Cement Limited | - | 150,000 | - | - | 150,000 | 2,243,755 | 2,397,000 | 0.72% | 0.80% | 0.01% |
| Lucky Cement Limited | 170,000 | 5,300 | - | 130,400 | 44,900 | 7,088,505 | 18,422,470 | 5.55% | 6.12% | 0.01% |
| | | | | | | <u>23,952,826</u> | <u>35,269,425</u> | <u>10.62%</u> | <u>11.72%</u> | <u>0.08%</u> |
| Electricity | | | | | | | | | | |
| The Hub Power Company Limited | 542,303 | 345,000 | - | 612,303 | 275,000 | 14,630,426 | 16,153,500 | 4.87% | 5.37% | 0.02% |
| | | | | | | <u>14,630,426</u> | <u>16,153,500</u> | <u>4.87%</u> | <u>5.37%</u> | <u>0.02%</u> |
| Oil and gas | | | | | | | | | | |
| Pakistan Petroleum Limited | 172,500 | 143,700 | 38,920 | 256,900 | 98,220 | 18,225,515 | 22,034,675 | 6.64% | 7.32% | 0.00% |
| Pakistan State Oil Company Limited | 185,580 | 39,600 | 5,718 | 189,600 | 41,298 | 9,669,172 | 16,058,727 | 4.84% | 5.34% | 0.02% |
| Oil & Gas Development Company Limited | 60,500 | 205,900 | - | 167,300 | 99,100 | 24,210,435 | 25,892,848 | 7.80% | 8.61% | 0.00% |
| Attock Refinery Limited | - | 12,000 | - | 2,400 | 9,600 | 2,078,397 | 2,037,984 | 0.61% | 0.68% | 0.01% |
| Shell Pakistan Limited | - | 22,000 | - | 14,000 | 8,000 | 2,031,300 | 2,210,240 | 0.67% | 0.73% | 0.01% |
| Pakistan Oilfields Limited | 54,000 | 85,000 | - | 109,300 | 29,700 | 15,160,661 | 17,056,710 | 5.14% | 5.67% | 0.01% |
| | | | | | | <u>71,375,480</u> | <u>85,291,184</u> | <u>25.69%</u> | <u>28.35%</u> | <u>0.05%</u> |
| Automobile and parts | | | | | | | | | | |
| Pak Suzuki Motor Company Limited | - | 120,000 | - | 80,100 | 39,900 | 7,940,100 | 10,928,211 | 3.29% | 3.63% | 0.05% |
| | | | | | | <u>7,940,100</u> | <u>10,928,211</u> | <u>3.29%</u> | <u>3.63%</u> | <u>0.05%</u> |

5.1 Investment in quoted equity securities - 'at fair value through profit or loss' - held-for-trading

| Name of the investee company | As at July 01, 2013 | Purchased during the year | Bonus / rights Issue during the year | Sold during the year | As at 30 June 2014 | Cost as at 30 June 2014 | Market value as at 30 June 2014 | Market value as a percentage of: | | Investee company paid-up capital |
|--|---------------------|---------------------------|--------------------------------------|----------------------|--------------------|-------------------------|---------------------------------|----------------------------------|-------------------|----------------------------------|
| | | | | | | | | Net asset | Total investments | |
| ----- (Number of shares) ----- | | | | | | ----- (Rupees) ----- | | | | |
| Fixedline telecom | | | | | | | | | | |
| Pakistan Telecommunication Company Limited | - | 2,669,500 | | 2,669,500 | - | - | - | - | - | - |
| General industrials | | | | | | | | | | |
| Packages Limited | - | 13,000 | | 2,400 | 10,600 | 5,756,484 | 5,316,642 | 1.60% | 1.77% | 0.01% |
| | | | | | | 5,756,484 | 5,316,642 | 1.60% | 1.77% | 0.01% |
| Personal goods | | | | | | | | | | |
| Nishat Mills Limited | - | 989,900 | | 911,200 | 78,700 | 8,002,818 | 8,808,106 | 2.65% | 2.93% | 0.02% |
| | | | | | | 8,002,818 | 8,808,106 | 2.65% | 2.93% | 0.02% |
| Pharma and bio tech | | | | | | | | | | |
| Glaxo-Smith Kline Pakistan Limited | - | 75,100 | | 75,100 | - | - | - | - | - | - |
| | | | | | | - | - | - | - | - |
| Total | 3,627,400 | 6,133,600 | 44,638 | 8,143,620 | 1,662,018 | 163,246,701 | 193,434,793 | | | |

5.1.1 Following shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin:

| | 30 June 2014 | 30 June 2013 |
|---------------------------------------|--------------------------------|----------------|
| | ----- (Number of shares) ----- | |
| Oil & Gas Development Company Limited | 35,000 | - |
| The Hub Power Company Limited | - | 200,000 |
| Pakistan Petroleum Limited | 50,000 | - |
| | <u>85,000</u> | <u>200,000</u> |

5.2 Investment in quoted equity securities - 'at fair value through profit or loss' - held-for-trading

| Name of the investee company | Maturity | Profit / Mark-up Percentage | As at July 01, 2013 | Purchased during the year | Sold during the year | Redemption during the year | As at 30 June 2014 | Cost as at 30 June 2014 | Market value as at 30 June 2014 | Market value as a percentage of: | | Outstanding principal value as a percentage of issued debt capital |
|-------------------------------------|---------------|-----------------------------|---------------------|---------------------------|----------------------|----------------------------|--------------------|-------------------------|---------------------------------|----------------------------------|-------------------|--|
| | | | | | | | | | | Net asset | Total investments | |
| ----- (Number of Sukuk bonds) ----- | | | | | | ----- (Rupees) ----- | | | | | | |
| GOP Ijara sukuk - VII | - | - | - | 600 | - | 600 | - | - | - | - | - | - |
| GOP Ijara sukuk - IX | December 2014 | 9.98% | - | 3,000 | - | - | 3,000 | 15,184,500 | 15,192,000 | 4.58% | 5.05% | 0.00% |
| GOP Ijara sukuk - X | March 2015 | 9.98% | - | 600 | - | - | 600 | 3,034,500 | 3,058,800 | 0.92% | 1.02% | 0.00% |
| WAPDA Sukuk - III | October 2021 | 6M KIBOR +1% | - | 11,000 | - | - | 11,000 | 57,145,000 | 58,245,000 | 17.55% | 19.36% | 0.55% |
| K-Electric Sukuk - II | March 2017 | 3M KIBOR +2.25% | - | 6,000 | - | - | 6,000 | 30,885,000 | 30,885,000 | 9.30% | 10.27% | 0.80% |
| | | | | | | | | <u>106,249,000</u> | <u>107,380,800</u> | | | |

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

| | 30 June 2014 | 30 June 2013 |
|---|----------------------|-------------------|
| | ----- (Rupees) ----- | |
| Market value of investments | 300,815,593 | 282,524,356 |
| Less: Cost of investments | (269,495,701) | (211,819,853) |
| | <u>31,319,892</u> | <u>70,704,503</u> |
| Net unrealised appreciation in the value of investment at the beginning of the year | (70,704,503) | (7,981,000) |
| Realised on disposal during the year | 68,444,889 | 7,165,000 |
| | <u>(2,259,614)</u> | <u>(816,000)</u> |
| Net unrealised appreciation in the value of investment for the year | <u>29,060,278</u> | <u>69,888,503</u> |

5.4 Non compliant investments

| Name of non compliant investment | Note | Type of investment | Value of investment before provision | Impairment held if any | Value of investment after impairment | Market value as a % of gross assets | Market value as a % of net assets |
|----------------------------------|-------|--------------------|--------------------------------------|------------------------|--------------------------------------|-------------------------------------|-----------------------------------|
| | | | ----- (Rupees) ----- | | | ----- (%) ----- | |
| WAPDA Sukuk - III | 5.4.1 | Sukuk certificates | 58,245,000 | - | 58,245,000 | 13.60% | 17.55% |

5.4.1 The above exposure is not in accordance with the requirements of Circular No. 7 of 2009 dated March 06, 2009 and disclosure of the non-compliance is made as required by Circular No. 16 of 2010 dated July 07, 2010 issued by the SECP.

| 5.5 Net unrealised appreciation / (diminution) in the value of investments classified as 'available-for-sale' | Note | 30 June 2014 | 30 June 2013 |
|---|------|----------------------|------------------|
| | | ----- (Rupees) ----- | |
| Market value of investments classified as 'available-for-sale' | | - | - |
| Less: Cost of investments classified as 'available-for-sale' | | - | - |
| Net unrealised (appreciation) / diminution in the value of investments | | - | - |
| Impairment charged to income statement | | - | 3,742,033 |
| Reversal of impairment on sale of equity securities | | - | 8,000 |
| Reversal of impairment | | - | (15,916,124) |
| Net unrealised (appreciation) / diminution in the value of investments at the beginning of the year | | - | 2,958,000 |
| Net unrealised appreciation / (diminution) in the value of investments at the end of the year | | - | (9,208,091) |
| 5.6 Particulars of impairment in the value of investments classified as 'available-for-sale' | | | |
| Opening balance | | - | 12,174,091 |
| Charge for the year | | - | 3,742,033 |
| Reversal of impairment | | - | (15,916,124) |
| Closing balance | | - | - |
| 6. SECURITY DEPOSITS | | | |
| Security deposits with: | | | |
| - Central Depository Company of Pakistan Limited | | 100,000 | 100,000 |
| - National Clearing Company of Pakistan Limited (NCCPL) | | 2,500,000 | 2,500,000 |
| | | 2,600,000 | 2,600,000 |
| 7. OTHER RECEIVABLES | | | |
| Dividend receivable | | 249,923 | 105,873 |
| Profit receivable on deposit accounts with banks | | 492,942 | 739,442 |
| Income receivable on sukuk certificates | | 2,302,575 | - |
| Security margin with NCCPL | | 682,162 | - |
| | | 3,727,602 | 845,315 |
| 8. PAYABLE TO THE MANAGEMENT COMPANY | | | |
| Remuneration payable to the Management Company | 8.1 | 696,203 | 839,029 |
| Sales tax payable on management fee | | 112,942 | 113,773 |
| Sales tax payable on management fee | | 1,460,469 | 62,530 |
| Federal excise duty payable on management fee | | 2,269,614 | 1,015,332 |

8.1 Under the provisions of NBFC Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 2% per annum for the current year.

| | <i>Note</i> | 30 June 2014 | 30 June 2013 |
|---|-------------|-------------------------|-----------------|
| | | ----- (Rupees) ----- | |
| 9. REMUNERATION PAYABLE TO THE TRUSTEE | | | |
| Trustee fee | <i>9.1</i> | 130,230 | 64,855 |
| CDS charges payable | | 780 | 1,988 |
| | | <u>131,010</u> | <u>66,843</u> |

- 9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily NAV of the Fund. The remuneration is payable to the Trustee according to the following tariff structure:

**Average net asset value
(Rupees in Million)**

| From | To | Tariff per annum |
|-------------|-----------|---|
| 1 | 1,000 | Rs 0.7 million or 0.20% pa of NAV whichever is higher |
| >1,000 | & above | Rs 2.0 million plus 0.085% pa of NAV exceeding Rs.1,000 million |

10. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of NBFC Regulations 2008, an open ended asset allocation scheme is required to pay an annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the Fund.

11. PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts 2006 and 2008 have been declared unconstitutional and therefore struck down. In March 2013, the SHC larger bench issued a judgment in response to various petitions in similar cases whereby the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Acts 2006 and 2008 respectively (Money Bills) have been declared constitutional and overruled a single-member Lahore High Court (LHC) bench judgment issued in August 2011. However, as mentioned above, the constitutional petition challenging the applicability of WWF on mutual funds is still pending adjudication and not yet decided. The Management Company has considered the implications of the above judgment of SHC and is of the view that the matter will eventually be settled in its favor and WWF will not be levied on the Fund.

Further, in May 2014, the Honourable Peshawar High Court (PHC) held that the impugned levy of contribution introduced in the Ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money Bill under the constitution and, hence, the amendments made through the Finance Acts are declared as 'Ultra Vires'.

In view of the uncertainty on the applicability of WWF to mutual funds, the Management Company as a matter of prudence, has decided to continue to maintain the provision for WWF amounting to Rs.8.336 million (June 30, 2013: Rs.7.041 million) up to June 30, 2014. Had the provision not been made, the NAV per unit would have been higher by Rs.1.37 (2.51%) per unit (June 30, 2013: Rs.1.18 (2.02%) per unit).

| | <i>Note</i> | 30 June 2014 | 30 June 2013 |
|--|-------------|-----------------------------|-------------------------|
| | | ----- (Rupees) ----- | ----- |
| 12. ACCRUED AND OTHER LIABILITIES | | | |
| Legal and professional charges | | - | - |
| Auditors' remuneration | | 530,226 | 500,000 |
| Brokerage payable | | 205,487 | 61,641 |
| Settlement charges | | 22,115 | 16,342 |
| Charity payable | <i>12.1</i> | 371,346 | - |
| Other liabilities | | 113,229 | 41,421 |
| | | <u>1,242,403</u> | <u>619,404</u> |

12.1 According to the instructions of the Shariah Advisory Board, any income earned by the Fund from investments whereby a portion of investment of such investee has been made in non-shariah compliant avenues, such portion of the income of the Fund from that investee should be donated for charitable purposes directly by the Fund.

13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at June 30, 2014.

14. FEDERAL EXCISE DUTY ON MANAGEMENT FEE

As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the services of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED results in double taxation, does not appear to be the spirit of the law. The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies and Central Depository Company of Pakistan Limited on behalf of schemes through a constitutional petition filed in the Honourable Sindh High Court (SHC) during September 2013 which is pending adjudication. However, the SHC has issued a stay order against the recovery of FED. The Fund, as a matter of abundant caution, has charged FED and sales tax thereon in its financial statements with effect from June 13, 2013.

15. AUDITORS' REMUNERATION

| | | |
|-----------------------------------|-----------------------|----------------|
| Audit fee | 302,500 | 275,000 |
| Other certifications and services | 205,700 | 275,000 |
| | 508,200 | 550,000 |
| Sales tax | 20,325 | - |
| Out of pocket expenses | - | 9,100 |
| | <u>528,525</u> | <u>559,100</u> |

16. TAXATION

The income of the Fund is exempt from income tax under Clause (99) of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 (Clause 99) subject to the condition that not less than 90 percent of the accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders.

The Management Company has distributed not less than 90 percent of its annual accounting income to avail the tax exemption. Accordingly, no provision for current and deferred tax has been made in these financial statements.

17. REMUNERATION TO THE SHARIAH ADVISORY BOARD

The Management Company has appointed Mufti Khalil Ahmed Aazami and Dr. Ejaz Ahmed Samadani as its Shariah Advisers. As per the Shariah Advisory agreement, the remuneration to the Shariah Advisory Board shall be paid by the Management Company.

18. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons / related parties include Alfalah GHP Investment Management Limited being the Management Company, GHP Arbitrium AG, Bank Alfalah Limited and MAB Investment Incorporated being associated companies of Management Company, directors and key management personnel of Alfalah GHP Investment Management Limited and Central Depository Company of Pakistan Limited (CDC) being the trustee of the Fund, and other associated companies and connected persons. The transactions with connected persons are in the normal course of business and at contractual rates.

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively.

18.1 Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

| | 30 June 2014 | 30 June 2013 |
|---|-------------------------|--------------------|
| | ----- (Rupees) ----- | |
| Alfalah GHP Investment Management Limited - Management Company | | |
| Balance at beginning of the year | 1,015,332 | 758,415 |
| Remuneration of the Management Company | 7,529,104 | 7,107,584 |
| Federal excise duty on management fee | 1,397,410 | 62,530 |
| Front end load | 56,459 | 190,476 |
| Sales tax on management fee | 1,204,706 | 1,147,218 |
| | 10,187,679 | 8,507,808 |
| Amount paid during the year | (8,933,397) | (8,250,891) |
| Balance at the end of the year | 2,269,614 | 1,015,332 |
| Central Depository Company of Pakistan Limited | | |
| Balance at beginning of the year | 66,843 | 58,993 |
| Remuneration of the Trustee | 752,837 | 712,458 |
| CDS Charges for the year | 46,234 | 24,805 |
| | 799,071 | 737,263 |
| Amount paid during the year | (734,904) | (729,413) |
| Balance at the end of the year | 131,010 | 66,843 |
| Security deposit | 100,000 | 100,000 |
| Bank Alfalah Limited - Islamic Banking Division | | |
| Deposits at the end of the year | 1,128,075 | 116,907,687 |
| Profit on deposit accounts for the year | 7,299,881 | 10,903,547 |
| Bank charges for the year | 3,851 | 5,693 |

18.2 Unit Holder's Fund

| Name of the investee company | June 30, 2014 | | | | | | | | | |
|---|---------------------------|--|-------|---|--------------------------|---------------------------|--|--------|---|--|
| | As at July 01, 2013 | Issued for cash / conversion in / transfer in | Bonus | Redeemed / conversion out / transfer out | As at 30 June 2014 | As at July 01, 2013 | Issued for cash / conversion in / transfer in | Bonus | Redeemed / conversion out / transfer out | Net asset value as at June 30, 2014 |
| | ----- (Units) ----- | | | | | ----- (Rupees) ----- | | | | |
| Associated Companies / Undertakings | | | | | | | | | | |
| Bank Alfalah Limited - Islamic Banking Division | 5,590,077 | - | - | - | 5,590,077 | 328,249,334 | - | - | - | 303,988,399 |
| Key Management Personnel | | | | | | | | | | |
| Ather Husain Medina | - | 5,973 | 1,665 | - | 7,638 | - | 399,967 | 89,539 | - | 415,347 |
| Unit holder holding 10% or more Units | | | | | | | | | | |
| Bank Alfalah Limited - Islamic Banking Division | 5,590,077 | - | - | - | 5,590,077 | 328,249,334 | - | - | - | 303,988,399 |

| | June 30, 2013 | | | | | | | | | |
|---|---------------------|---|-------|--|--------------------|---------------------|---|-------|--|-------------------------------------|
| | As at July 01, 2012 | Issued for cash / conversion in / transfer in | Bonus | Redeemed / conversion out / transfer out | As at 30 June 2013 | As at July 01, 2012 | Issued for cash / conversion in / transfer in | Bonus | Redeemed / conversion out / transfer out | Net asset value as at June 30, 2013 |
| | (Units) | | | | | (Rupees) | | | | |
| Associated Companies / Undertakings | | | | | | | | | | |
| Bank Alfalah Limited - Islamic Banking Division | 5,590,077 | - | - | - | 5,590,077 | 301,249,261 | - | - | - | 328,249,334 |
| Key Management Personnel | | | | | | | | | | |
| Nil | - | - | - | - | - | - | - | - | - | - |
| Unit holder holding 10% or more Units | | | | | | | | | | |
| Bank Alfalah Limited - Islamic Banking Division | 5,590,077 | - | - | - | 5,590,077 | 301,249,261 | - | - | - | 328,249,334 |

19. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is creation and protection of unit holder(s) value. Risk is inherent in Fund's activities therefore the Fund's risk management policies are established to manage risk on integrated basis to identify and analyze all risks faced by the Fund and to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Fund has exposure to markets risk (which includes profit rate risk, currency risk and other price risk), credit risk, liquidity risk and operational risks arising from the financial instruments it holds. The Fund's risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

19.1 Market risk

Market risk is the risk that changes in market prices, such as profit rate or equity prices will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within the investment parameters as defined in the Fund's constitutive and investment policy documents, while optimizing the return. The Fund is categorized as an asset allocation fund. The objective of the Fund is to provide a regular stream of income at a competitive rate of return from a diversified portfolio developed in accordance with the principles of Shariah. Investments of the Fund are diversified both in terms of securities within an asset class as well as across asset classes. The Management Company manages risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: Profit rate risk, Currency risk and other price risk.

19.1.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market Profit rates.

The majority of Fund's profit rate risk exposure arises on Fund's investment on Sukuks. Cash and cash equivalents are not subject to fair value profit rate risks.

The Fund manages profit rate risk by keeping a major portion of funds into short terms investments in the rising profit rate environment. Profit rate risk in debt securities are mitigated by investing mostly in instrument carrying floating rate coupons which are linked to market profit rates, and are re-priced on quarterly / semi-annual basis.

A summary of the Funds profit rate gap position, categorized by maturity date, is as follows:

| | | June 30, 2014 | | | | |
|---|---|-------------------------------------|--|--------------------|--------------------|--|
| Effective rate of mark-up/return % | | Exposed to yield / profit rate risk | | | Total | |
| | | Upto three months | More than three months and upto one year | More than one year | | Not exposed to yield /profit rate risk |
| | | ----- (Rupees) ----- | | | | |
| On balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 7% to 9.8% | 77,706,619 | - | - | 40,000 | 77,746,619 |
| Investments | 3 months KIBOR + 2.25 to 6 months KIBOR + 1.0 | 107,380,800 | - | - | 193,434,793 | 300,815,593 |
| Dividend and profit receivable | | - | - | - | 3,727,602 | 3,727,602 |
| Deposits, prepayments and other receivables | | - | - | - | 2,600,000 | 2,600,000 |
| | | <u>185,087,419</u> | <u>-</u> | <u>-</u> | <u>199,802,395</u> | <u>384,889,814</u> |
| Financial liabilities | | | | | | |
| Payable to the Management Company | | - | - | - | 2,269,614 | 2,269,614 |
| Remuneration payable to the Trustee | | - | - | - | 131,010 | 131,010 |
| Accrued and other liabilities | | - | - | - | 1,242,403 | 1,242,403 |
| Distribution payable | | - | - | - | 83,806,778 | 83,806,778 |
| | | - | - | - | 87,449,805 | 87,449,805 |
| On balance sheet gap | | <u>185,087,419</u> | <u>-</u> | <u>-</u> | <u>112,352,590</u> | <u>297,440,009</u> |
| | | ----- (Rupees) ----- | | | | |
| | | June 30, 2013 | | | | |
| Effective rate of mark-up/return % | | Exposed to yield / profit rate risk | | | Total | |
| | | Upto three months | More than three months and upto one year | More than one year | | Not exposed to yield /profit rate risk |
| | | ----- (Rupees) ----- | | | | |
| On balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 6% to 10.44% | 116,919,917 | - | - | 20,000 | 116,939,917 |
| Investments | | - | - | - | 282,524,356 | 282,524,356 |
| Dividend and profit receivable | | - | - | - | 845,315 | 845,315 |
| Deposits, prepayments and other receivables | | - | - | - | 2,600,000 | 2,600,000 |
| | | <u>116,919,917</u> | <u>-</u> | <u>-</u> | <u>285,989,671</u> | <u>402,909,588</u> |
| Financial liabilities | | | | | | |
| Payable to the Management Company | | - | - | - | 1,015,332 | 1,015,332 |
| Remuneration payable to the Trustee | | - | - | - | 66,843 | 66,843 |
| Accrued and other liabilities | | - | - | - | 619,404 | 619,404 |
| Distribution payable | | - | - | - | 44,552,915 | 44,552,915 |
| | | - | - | - | 46,254,494 | 46,254,494 |
| On balance sheet gap | | <u>116,919,917</u> | <u>-</u> | <u>-</u> | <u>239,735,177</u> | <u>356,655,094</u> |
| | | ----- (Rupees) ----- | | | | |

The above table shows Fund's yield / profit rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity risk.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds ijara sukuk certificates exposing the Fund to cash flow interest rate risk. Fund's exposure in these sukuk certificates amount to Rs.107.381 million as at June 30, 2014. The Management have determined that a fluctuation in KIBOR interest rate of 100 basis points at June 30, 2014, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.0.023 million (2013: Rs.Nil).

b) Sensitivity analysis for fixed rate instruments

The Fund does not hold any fixed rate debt instruments as at June 30, 2014 which are classified as at fair value through profit or loss and available-for-sale exposing the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio and profit rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2014 is not necessarily indicative of future movements in profit rates.

19.1.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

19.1.3 Other Price Risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk), whether caused by factor specific to an individual investment, its issuer or factors affecting all instrument traded in the market.

The Fund has exposure to equity price risk arising from the Fund investments in equity securities. The Fund manages its price risks arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's Constitutive Documents, NBFC Regulations and circulars issued by SECP from time to time.

The Fund's equity investments are concentrated in the following sectors:

| Sectors | June 30, 2014 Sector | June 30, 2013 Sector |
|----------------------------|-------------------------------------|-------------------------------------|
| | ----- (%) ----- | ----- |
| Banks | - | 3.99 |
| Electricity | 8.35 | 11.83 |
| Oil and gas | 44.09 | 48.37 |
| Chemicals | 16.37 | 9.51 |
| Construction and materials | 18.23 | 26.31 |
| House hold | - | - |
| Personal goods | 4.55 | - |
| Fixed line telecom | - | - |
| Automobile and parts | 5.65 | - |
| General industrials | 2.76 | - |
| Total | 100.00 | 100.00 |

The table below summarizes the sensitivity of the Fund's net assets attributable to unit holders to the equity price movements as at June 30, 2014. The analysis is based on the assumption that KSE-100 index increase by 10% (June 30, 2013: 10%) and decreases by 10% (June 30, 2013: 10%), with all other variables held constant and that the fair value of the Fund's portfolio of equity securities moved according to their historical correlation with index this represents managements' best estimate of a reasonable possible shift in the KSE-100 index, having regards to the historical volatility of index of past three years.

At June 30, 2014, the fair value of equity securities exposed to price risk was disclosed in note 5.1.

| | June 30, 2014 | June 30, 2013 |
|---|--------------------------|-------------------|
| | ----- (Rupees) ----- | |
| <i>Effect due to increase / decrease in KSE 100 index</i> | | |
| Investment and net assets | <u>19,343,479</u> | <u>28,252,436</u> |
| Income statement | <u>19,343,479</u> | <u>28,252,436</u> |

19.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The credit risk of the Fund principally arises from its investment in debt securities. The Fund is also exposed to counterparty, credit risk on cash and cash equivalents, deposits and other receivable balances.

Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein.

Credit risk on debt securities is mitigated by investing primarily investment grade securities both listed and unlisted. The Fund's cash and cash equivalents are held mainly with Bank Alfalah Limited, which is rated AA by PACRA (2013: AA by PACRA).

The Management Company follows Circular 33 of 2012 issued by SECP containing criteria for provisioning of non-performing debt securities issued by SECP for the purpose of making provision against non-performing debt securities. Further, Management Company has devised provisioning policy duly approved by its Board of Directors.

Management Company has policies of reviewing the credit worthiness of its counterparties by analysing sector performance, financial ratios, making Issuing Entity's Assessment, assessment of collateral/security structure, credit ratings.

Concentration of Credit Risk

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

All deposits with Banks and Central Depository Company of Pakistan Limited - CDC are highly rated and risk of default is considered minimal.

The Fund manager reviews credit concentration of debt securities held by counterparties and sectors.

As at the reporting date, the Fund's debt securities exposures were concentrated in the following industry.

| | June 30, 2014 ----- (Rupees) ----- | June 30, 2013 ----- |
|-----------------------------------|--|---------------------------|
| Financial assets | | |
| Bank balances | 77,746,619 | 116,939,910 |
| Investments in sukuk certificates | 107,380,800 | - |
| Dividend and profit receivables | 3,727,602 | 845,315 |
| Security deposits | 2,600,000 | 2,600,000 |
| | <u>191,455,021</u> | <u>120,385,225</u> |
| | | |
| Secured | 107,380,800 | - |
| Unsecured | 84,074,221 | 120,385,225 |
| | <u>191,455,021</u> | <u>120,385,225</u> |

The analysis below summarizes the credit quality of the Company's bank balances as at June 30, 2014 and June 30, 2013:

| | | |
|--------------------------------|-------------------|--------------------|
| Bank balances by category wise | | |
| AA | 1,139,425 | 116,918,998 |
| AA- | 10,000 | 10,000 |
| A | 10,455 | 10,919 |
| A- | 76,586,739 | - |
| | <u>77,746,619</u> | <u>116,939,917</u> |

19.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund is exposed to daily cash redemptions, if any. The Management Company manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption. No such borrowings have arisen during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

The table below analyses 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 in the table are the contractual undiscounted cash flows.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

| | 30 June 2014 | | | |
|--|-----------------------|-----------------------|--|--|
| | Carrying value | Upto one month | More than one month and upto three months | More than three month and upto one year |
| ----- (Rupees) ----- | | | | |
| On balance sheet financial liabilities and others | | | | |
| Liabilities | | | | |
| Payable to the Management Company | 696,203 | 696,203 | - | - |
| Remuneration payable to the Trustee | 131,010 | 131,010 | - | - |
| Accrued and other liabilities | 1,242,403 | 22,115 | 1,220,288 | - |
| Distribution payable | 83,806,778 | 83,806,778 | - | - |
| | <u>85,876,394</u> | <u>84,656,106</u> | <u>1,220,288</u> | <u>-</u> |
| | | | | |
| | 30 June 2013 | | | |
| | Carrying value | Upto one month | More than one month and upto three months | More than three month and upto one year |
| ----- (Rupees) ----- | | | | |
| On balance sheet financial liabilities and others | | | | |
| Liabilities | | | | |
| Payable to the Management Company | 839,029 | 839,029 | - | - |
| Remuneration payable to the Trustee | 66,843 | 66,843 | - | - |
| Accrued and other liabilities | 619,404 | 16,342 | 603,062 | - |
| Distribution payable | 44,552,915 | 44,552,915 | - | - |
| | <u>46,078,191</u> | <u>45,475,129</u> | <u>603,062</u> | <u>-</u> |

Units of the Fund are redeemable on demand at the holder's option. However, holders of these instruments typically retain them from medium to long-term.

19.4 Operational risk

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

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

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors.

This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;

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

19.5 Unit Holders' Fund risk management

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

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets conditions. The capital structure depends on the issuance and redemption of units.

Alfalah GHP Islamic Fund (AGIF) is an open-end collective investment scheme. The capital of the open end schemes is represented by the net assets attributable to unit holders.

In accordance with the NBFC Regulations, the Fund is required to distribute at least ninety percent of its income from sources other than capital gain whether realised or unrealised as reduced by such expenses as are chargeable to the Fund.

Capital risk in case of open end scheme is the risk that the amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemption of Units at the discretion of unit holders and occurrence of unexpected losses in investment portfolio which may cause adverse effects on the Fund's continuation as going concern.

The objective of Management Company when managing capital of the Fund is to maintain the Fund's ability to continue as a going concern in order to provide returns to unit holders on their investments.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to liquid assets;
- Redeem and issue unit in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions as allowed under rules and regulations; and
- Monitor portfolio allocations and return on net assets and where required make necessary adjustments in portfolio allocations in light of changes in market conditions.

The Fund Manager / Investment Committee members and the Chief Executive of the company critically monitor capital of the Fund on the basis of the value of net assets attributable to the unit holders and track the movement of 'Assets under Management' as well returns earned on the net assets to maintain investors confidence and achieve future growth in business. Further the Board of Directors is updated about the Fund yield and movement of NAV and total fund size at the end of each quarter.

In accordance with the NBFC Regulations, the Fund is required to maintain minimum net assets of one hundred million rupees at all times during the life of the scheme.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

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

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

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

The table below analyses financial instruments measured at the end of the reporting year by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | 30 June 2014 | | | |
|---|---------------------|--------------------|----------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees) | | | |
| Financial assets classified as 'at fair value through profit or loss' - held-for-trading | | | | |
| - Equity securities - quoted | 193,434,793 | - | - | 193,434,793 |
| - Sukuk certificates | - | 107,380,800 | - | 107,380,800 |
| | <u>193,434,793</u> | <u>107,380,800</u> | <u>-</u> | <u>300,815,593</u> |
| | | | | |
| | 30 June 2013 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees) | | | |
| Financial assets classified as 'at fair value through profit or loss' - held-for-trading | | | | |
| - Equity securities - quoted | 282,524,356 | - | - | 282,524,356 |
| | <u>282,524,356</u> | <u>-</u> | <u>-</u> | <u>282,524,356</u> |

During the year ended June 30, 2014, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

21. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern of the Fund, top ten brokers of the Fund, members of the Investment Committee, fund manager and meetings of the Board of Directors, as required under Schedule V of the NBFC Regulations has been disclosed in Annexure I to the financial statements.

22. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on August 27, 2014.

23. GENERAL

Figures are rounded off to the nearest rupee.

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

Chief Executive

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
AS REQUIRED UNDER SECTION 6(D), (F), (G), (H), (I), AND (J)
OF THE FIFTH SCHEDULE TO THE
NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

1.2 PATTERN OF UNIT HOLDING

| Category | 30 June 2014 | | | |
|------------------------------------|---------------------------|------------------|--------------------|--|
| | Number of unit holders | Units held | (Rupees) | Percentage of total investment (%) |
| Individual | 34 | 129,900 | 7,063,805 | 2% |
| Associated companies and Directors | 1 | 5,590,077 | 303,981,196 | 92% |
| Retirement Funds | 1 | 9,374 | 509,765 | 0% |
| Others | 2 | 375,496 | 20,418,989 | 6% |
| | 38 | 6,104,848 | 331,973,755 | 100% |

| Category | 30 June 2013 | | | |
|------------------------------------|---------------------------|------------------|--------------------|--|
| | Number of unit holders | Units held | (Rupees) | Percentage of total investment (%) |
| Individual | 26 | 30,603 | 1,796,960.27 | 1% |
| Associated companies and Directors | 1 | 5,590,077 | 328,240,572.76 | 94% |
| Retirement funds | 3 | 327,755 | 19,245,260.65 | 6% |
| | 30 | 5,948,435 | 349,282,794 | 100% |

(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

| | 30 June 2014 |
|--|-----------------|
| Topline Securities Limited | 10% |
| Opimus Capital Management (Pvt.) Limited | 9% |
| Foundation Securities Limited | 9% |
| IGI Finex Securities Limited | 8% |
| Alhabib Capital Markets | 6% |
| Cedar Capital (Pvt.) Limited | 6% |
| Global Securities Pakistan Limited | 5% |
| Shajar Capital Pakistan (Private) Limited | 5% |
| Taurus Securities Limited | 5% |
| Invest & Finance Securities Limited | 4% |
| | 30 June 2013 |
| Taurus Securities Limited | 12% |
| DJM Securities (Private) Limited | 9% |
| FDM Capital Securities (Pvt.) Ltd. | 8% |
| Nael Capital (Pvt.) Ltd | 7% |
| Top line Securities (Pvt) Ltd. | 7% |
| Invest and Finance Securities Ltd. | 6% |
| Live Securities (Private) Limited | 5% |
| Elixir Securities Pakistan (Pvt) Ltd. | 5% |
| AL Habib Capital Markets (Private) Ltd. | 5% |
| MRA Securities (Pvt) Ltd. | 5% |

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the members of the Investment Committee of the Fund:

Maheen Rahman
Ather Husain Medina
Noman Soomro
Shariq Mukhtar Hashmi
Muddasir Ahmed Shaikh
Nabeel Malik
Imran Altaf

Maheen Rahman – CEO

Maheen Rahman has over ten years of experience in the financial services industry. Prior to joining Alfalah GHP Investment Management Limited she was Head of Business Development at IGI Securities the brokerage arm of IGI Financial Services. She has also served as Head of Research for BMA Capital Management where she spearheaded the research effort to provide sound and in depth investment advice across all capital markets to a wide range of corporate and institutional clients. Ms Rahman has also worked with Merrill Lynch in their Investment Banking Group and was a key team member for several high profile international transactions that spanned the Asia Pacific region and North America. She has also worked with ABN Amro Bank in Corporate Finance and M&A Advisory and was involved in a series of equity raising and IPO activity across south-east Asia.

Ather Husain Medina

Mr. Medina, a qualified professional with extensive work experience of over 20 years in the financial sector is serving Alfalah GHP Investment Management Ltd. as Chief Investment Officer. Prior to joining the company he was associated with Invest Capital Investment Bank Ltd. as Head of Business Development and Atlas Asset Management as Chief Investment Officer. He has also worked with some other leading organizations which include National Investment Trust where he was heading the Research team, and SG Securities (HK) Holdings Ltd. and Indosuez W.I Carr Securities Pakistan in the Investment Research area. His expertise includes the banking sector of Pakistan as well, in which he worked at two leading commercial banks, Habib Bank Ltd. and MCB Bank Ltd. By qualification Mr. Medina is an MBA from the Institute of Business Administration (IBA), Karachi and holds a Computer Science degree from National University of Computer and Emerging Sciences (FAST-NU), Karachi.

Noman Soomro

Mr. Soomro is a qualified Chartered Accountant from the Institute of Chartered Accountant of Pakistan (ICAP). Prior to joining Alfalah GHP Investment Management Limited, he was Chief Financial Officer & Company Secretary of HBL Asset Management Limited for seven years. During his tenor as CFO, he was responsible for all financial and fiscal management aspects of Company operations and Mutual Funds/Pension Schemes under management of the Company. The job also included providing leadership and coordination in the administrative, business planning, strategy, accounting, taxation and budgeting efforts of the Company. Before HBL Asset Management Limited, he was working at A F Ferguson Chartered Accountants; a member firm of PricewaterhouseCoopers (PwC). During his five years at A.F Ferguson with the Assurance and Business Advisory Services of the firm, he conducted audits of major financial institutions of Pakistan including local and foreign commercial banks, mutual funds, modarbas, housing finance company and leasing companies. He was also a key member of the team which conducted pre-acquisition Financial and Taxation Due Diligence Review of a commercial bank in Pakistan. Mr. Soomro has also conducted Internal Audit reviews of a large commercial bank and a foreign bank, where the responsibilities included reporting on effectiveness and efficiency of internal audit department, and independent reporting on internal control weaknesses.”

Shariq Mukhtar Hashmi

Mr. Hashmi holds a diversified experience of over 11 years with various private sector enterprises of repute. He joined IGI Funds Limited (which subsequently merged into Alfalah GHP Investment Management Limited in Oct. 2013) in 2010 to lead the back office function as Head of Operations & Settlements. His association has continued, post-merger, as Head of Compliance & Risk Management. He has previously served National Asset Management

Company as Head of Internal Audit and Feroze Sharif Tariq & Co Chartered Accountants in various capacities. He has also headed the Internal Audit Department of the Company. Mr. Hashmi is a qualified Accountant from the Association of Chartered Certified Accountants, UK and holds MBA degree in Finance from SZABIST University. He is also enrolled for Financial Risk Manager Certification of Global Association of Risk Professionals; USA.

Muddasir Ahmed Shaikh

Mr. Muddasir has more than 10 years of experience in Investment Management & Equity Research. During his career, he has served a number of public and private institutions of repute. Prior to joining IGI Funds Limited, he has been associated with Atlas Asset Management Limited, National Investment Trust Limited, and JS Investments Limited (Formerly JS Abamco Ltd.). Mr. Muddasir holds a Masters degree in Business Administration from Institute of Business Administration, Karachi.

Nabeel Malik

Mr. Nabeel Malik brings with him a rich and diversified experience in the field of fund management and fixed income trading/facilitation. Before becoming a part of IGI Funds' team, he was associated with Pak-Oman Asset Management Co, heading its Fixed Income Fund Management Dept. where he proficiently handled money market trading, liquidity and funds management contributing positively towards bottom line profitability. His diverse experience in the field of finance includes names like Pak-Kuwait Investment Co, Orix Investment Bank, KASB Securities, and Mobilink GSM.

Imran Altaf

Mr. Altaf has over six years of experience in Investment Valuation, Financial Research and Portfolio Management. Before joining Alfalah GHP Investment Management as a portfolio manager, he was associated with Faysal Asset Management as a fixed income portfolio manager over 2012 to 2014. He was previously affiliated with Faysal Bank Limited and its Equity Capital Market (ECM) division from 2010 to 2012 in the capacity of an investment analyst. Mr. Altaf is a CFA Charter holder and has an MBA Degree from SZABIST University.

(iv) ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 54th, 55th, 56th, 57th, 58th, 59th, 60th, 61st Board Meetings were held on 12 Aug 2013, 08 Oct 2013, 04 Dec 2013, 27 Feb 2014, 02 Apr 2014, 24 Apr 2014 and 30 June 2014 respectively.

| Name of Director | Number of Meetings | | | |
|-------------------------|--------------------|----------|---------------|----------------------|
| | Held | Attended | Leave granted | Meeting not attended |
| Syed Ali Sultan | 8 | 7 | 1 | 1 |
| Mr. Amin Dawood Saleh | 8 | 8 | 0 | 0 |
| Mr. Kashif Abdur Rahman | 4 | 3 | 1 | 1 |
| Mr. David Burlison | 8 | 6 | 2 | 2 |
| Mr. Suleman Hudda | 4 | 0 | 4 | 4 |
| Mr. Hanspeter Beier | 8 | 4 | 4 | 4 |
| Mr. Abdul Aziz Anis | 2 | 2 | 0 | 0 |
| Ms. Maheen Rahman | 6 | 6 | 0 | 0 |
| Mr. Abid Naqvi | 4 | 4 | 0 | 0 |
| Mr. Asif Saad | 4 | 2 | 2 | 2 |

PERFORMANCE TABLE - AGIF

| | 30 June 2014 | 30 June 2013 | 30 June 2012 | 30 June 2011 | 30 June 2010 |
|-------------------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | ----- (Rupees in '000) ----- | | | | |
| Net Assets | <u>331,974</u> | <u>349,282</u> | <u>324,602</u> | <u>327,397</u> | <u>328,896</u> |
| NAV per unit | <u>54.3800</u> | <u>58.7200</u> | <u>53.8900</u> | <u>56.7300</u> | <u>56.7300</u> |
| Selling price per unit | <u>58.0387</u> | <u>61.6600</u> | <u>56.5800</u> | <u>59.5700</u> | <u>59.5700</u> |
| Redemption price per unit | <u>54.3800</u> | <u>58.7200</u> | <u>53.8900</u> | <u>56.7300</u> | <u>56.7300</u> |
| Highest selling price per unit | <u>73.7277</u> | <u>71.7400</u> | <u>64.2300</u> | <u>62.6700</u> | <u>66.4600</u> |
| Highest redemption price per unit | <u>69.0800</u> | <u>68.3200</u> | <u>61.1700</u> | <u>59.6900</u> | <u>66.5500</u> |
| Lowest selling price per unit | <u>58.0387</u> | <u>56.1700</u> | <u>54.0200</u> | <u>56.6600</u> | <u>58.5400</u> |
| Lowest redemption price per unit | <u>54.3800</u> | <u>53.5000</u> | <u>51.4500</u> | <u>53.9600</u> | <u>56.5800</u> |
| Total interim distribution per unit | <u>14.991</u> | <u>13.47</u> | <u>5.75</u> | <u>4</u> | <u>Nil</u> |
| Interim distribution date | <u>30-Jun-14</u> | <u>27-Dec-12</u> | <u>27-Jun-12</u> | <u>21-Oct-10</u> | <u>N/A</u> |
| | <u>N/A</u> | <u>27-Jun-13</u> | <u>N/A</u> | <u>30-Dec-10</u> | <u>N/A</u> |
| Final distribution per unit | <u>Nil</u> | <u>Nil</u> | <u>Nil</u> | <u>3.5</u> | <u>2</u> |
| Final distribution date | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>7-Jul-11</u> | <u>21-Oct-10</u> |
| Annualized returns | <u>18.42%</u> | <u>36.27%</u> | <u>12.11%</u> | <u>11.08%</u> | <u>0.35%</u> |
| Income distribution | <u>25.53%</u> | <u>25.00%</u> | <u>10.80%</u> | <u>13.70%</u> | <u>15.00%</u> |
| Weighted avg. portfolio duration | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

Return since inception is **169.08%**

The past performance is not necessarily indicative of future performance and that units prices and investment returns may go down, as well as up.