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## FUND'S INFORMATION

<b>Management Company:</b>	Alfalah GHP Investment Management Limited 8-B, 8th Floor, Executive Tower, Dolmen City, Block-4, Clifton, Karachi..
<b>Board of Directors of the Management Company:</b>	<ul style="list-style-type: none"><li>- Ms. Maheen Rahman</li><li>- Syed Ali Sultan</li><li>- Mr. David Burlison</li><li>- Mr. Hanspeter Beier</li><li>- Mr. Amin Dawood Saleh</li><li>- Mr. Muhammad Asif Saad</li><li>- Mr. Abid Naqvi</li></ul>
<b>Head of Finance:</b>	- Syed Hyder Raza Zaidi
<b>Company Secretary:</b>	- Moin Uddin
<b>Audit Committee:</b>	<ul style="list-style-type: none"><li>- Syed Ali Sultan</li><li>- Mr. Abid Naqvi</li><li>- Mr. Amin Dawood Saleh</li></ul>
<b>HR Committee:</b>	<ul style="list-style-type: none"><li>- Syed Ali Sultan</li><li>- Mr. David Burlison</li><li>- Ms. Maheen Rahman</li></ul>
<b>Trustee:</b>	Central Depository Company of Pakistan Limited CDC House, 99-B, Block 'B', SMCHS, Main Shara-e-Faisal, Karachi
<b>Fund Manager:</b>	Mr. Nabeel Malik
<b>Bankers to the Fund:</b>	Bank Alfalah Limited
<b>Auditors:</b>	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road P.O.Box 15541, Karachi 75530 Pakistan
<b>Legal Advisor:</b>	Bawaney & Partners Room No. 404, 4th Floor Beaumont Plaza, 6-cl-10 Beaumont Road, Civil Lines Karachi.
<b>Registrar:</b>	Alfalah GHP Investment Management Limited 8-B, 8th Floor, Executive Tower, Dolmen City, Block-4, Clifton, Karachi.
<b>Distributor:</b>	Bank Alfalah Limited
<b>Rating:</b>	Stability Rating A- (f) 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 Income Multiplier 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 US1.8bn 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.

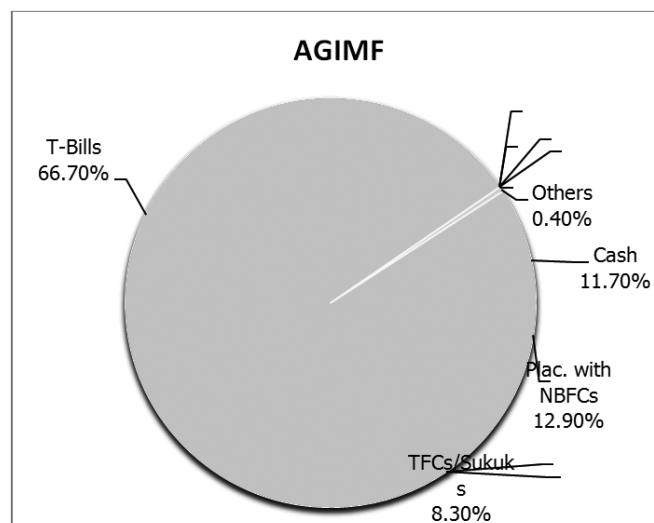
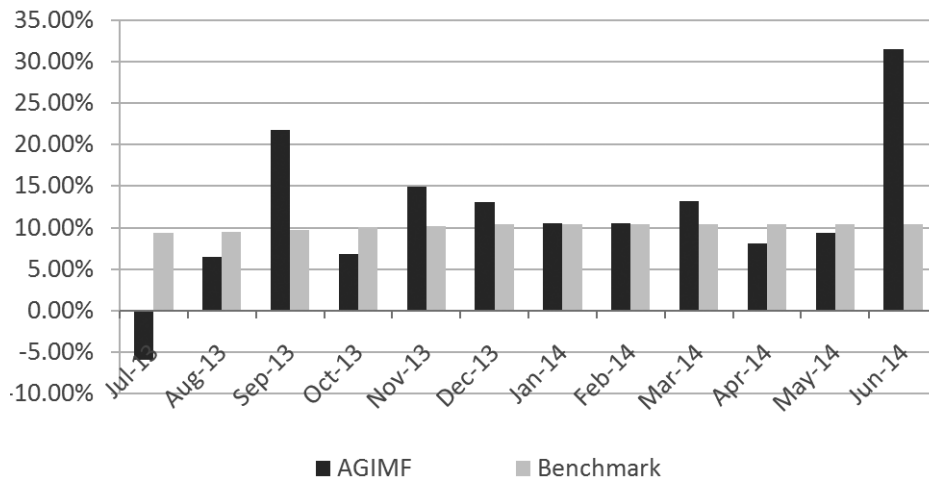
**FUND PERFORMANCE AND REVIEW**

*Alfalah GHP Income Multiplier Fund: Fund Operations and Performance*

During the year under review the Fund posted an appreciation of 12.35% in NAV. During the same period the benchmark return (12M Kibor) was 10.16%. The performance resulted primarily on the back of inflows from non performing corporate bonds whose status turned to performing during the year. The fund followed a strategy of maintaining low cash levels and focus remained on short to midterm government treasuries. The bottom line was supported by capturing placements with banks and DFI's at better rates.

The fund's credit rating has been upgraded to "A-" by PACRA. The fund size on June 30th 2014 stood at PKR 1.566 bn compared to PKR 0.333 bn on June 30th 2013.

**AGIMF**



## Payout

At the end of the year under review, the fund paid out final cash dividend of Rs. 4.0442 per unit translating into 8.4196 bonus units for every 100 units held. This payout was in addition to interim distribution of Rs. 1.0003 per unit making the full year payout of Rs. 5.0445 per unit. This is 97% payout of total earnings as per NBFC regulations.

## Future Outlook

Going forward, the Fund plans to maintain its position in treasury securities while raising its duration by investing in medium term Government bonds. The fund will maintain low cash reserves, opting for short term T-Bills and high yielding placements to bolster the bottom line.

## 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) to 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 # 19.2
- 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 # 19.2;

## 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

Aggressive Income Scheme

### Investment Objective

The investment objective of Alfalah GHP Income Multiplier Fund (AGIMF) is to generate stable and consistent returns while seeking capital preservation through a diversified portfolio of high quality debt securities and liquid money market instruments and placements.

### Accomplishment of Objective

The Fund has achieved its objective of generating regular income by investing in low-medium duration fixed income instruments within the guidelines provided under NBFC rules.

### Fund performance review and strategies employed

During the year under review the Fund posted an appreciation of 12.35% in NAV. During the same period the benchmark return (12M Kibor) was 10.16%. The performance resulted primarily on the back of inflows from non performing corporate bonds whose status turned to performing during the year. The fund followed a strategy of maintaining low cash levels and focus remained on short to midterm government treasuries. The bottom line was supported by capturing placements with banks and DFI's at better rates. Going forward, the Fund plans to maintain its position in treasury securities while raising its duration by investing in medium term Government bonds. The fund will maintain low cash reserves, opting for short term T-Bills and high yielding placements to bolster the bottom line.

The fund's credit rating has been upgraded to "A-" by PACRA. The fund size on June 30th 2014 stood at PKR 1.566 bn compared to PKR 0.333 bn on June 30th 2013.

### Review of the market invested in

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 sukuk especially those issued by financial institutions remained high.

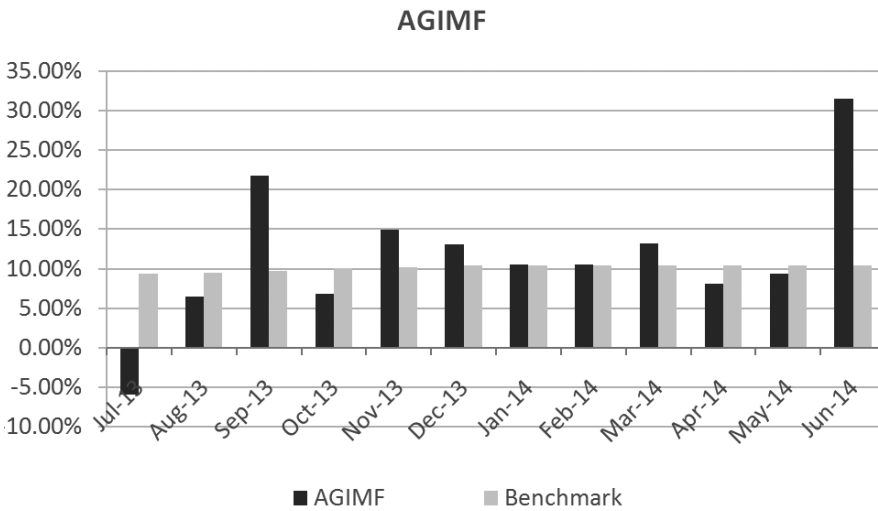
The Islamic bond market witnessed considerable maturities which widened the gap between demand and supply and increased demand for Islamic instruments. Total Government Sukuk issuance was 49.54 bn in the Ijarah auction held in June'14.

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.

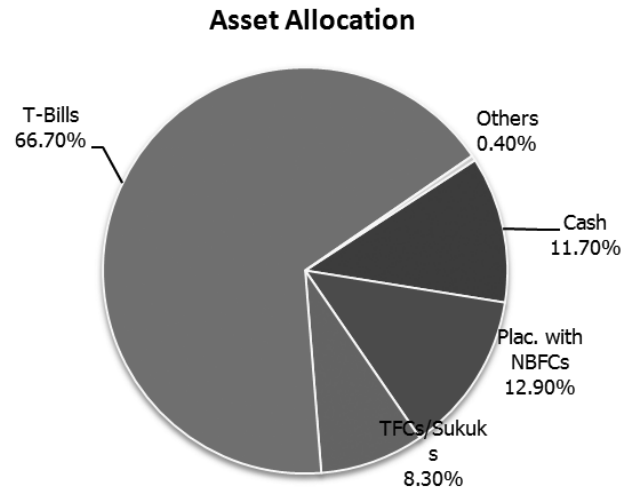
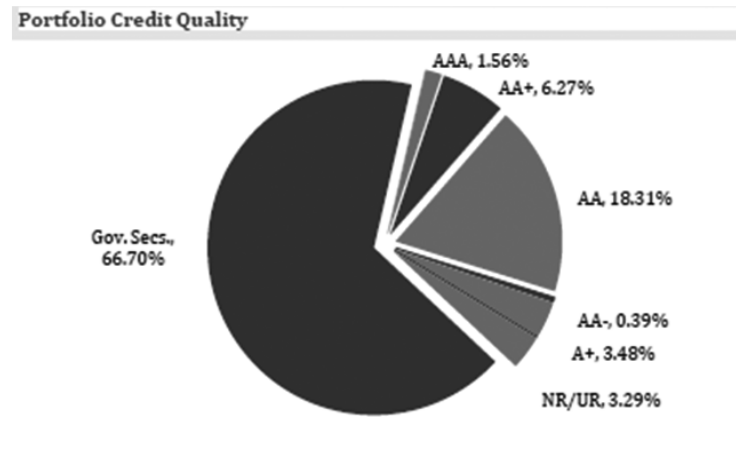
**Benchmark**

The Fund's benchmark is **12 month KIBOR**.

**Performance comparison with Benchmark**



**Assets Allocation/Portfolio quality**



**Significant changes in Assets Allocation during the period**

In comparison to previous year, AGIMF has targeted its allocation to building its T-bills and corporate bonds portfolio, coupled with placements with banks/DFIs based on the interest rate outlook. Subsequently, all other exposures were accordingly adjusted in order to assist the bottom line.

**Distribution**

At the end of the year under review, the fund paid out final cash dividend of Rs. 4.0442 per unit translating into 8.4196 bonus units for every 100 units held. This payout was in addition to interim distribution of Rs. 1.0003 per unit making the full year payout of Rs. 5.0445 per unit. 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	10	332,025
PkR 100,000 to 1,000,000	35	14,251,201
PkR 1,000,000 to 10,000,000	36	108,188,222
PkR 10,000,000 and above	18	1,443,182,248
<b>Total</b>	<b>99</b>	<b>1,565,953,696</b>

**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.

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**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 INCOME MULTIPLIER 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 Income Multiplier 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



## 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:

1. 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.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Management Company.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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 Income Multiplier 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 Income Multiplier 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.

### 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

	<i>Note</i>	30 June 2014	30 June 2013
		----- (Rupees) -----	
<b>Assets</b>			
Bank balances	4	166,046,127	28,636,343
Investments	5	1,401,940,553	311,521,917
Security deposits	6	2,600,000	2,600,000
Other receivables	7	23,346,208	17,439,895
<b>Total assets</b>		<b>1,593,932,888</b>	<b>360,198,155</b>
<b>Liabilities</b>			
Payable to the Management Company	8	3,711,464	458,732
Remuneration payable to the Trustee	9	113,529	49,053
Annual fee payable to the Securities and Exchange Commission of Pakistan	10	544,923	212,991
Provision for Workers' Welfare Fund	11	6,857,114	3,925,817
Accrued and other liabilities	12	945,882	647,417
Redemption payable		15,806,280	-
Distribution payable		-	21,157,569
<b>Total liabilities</b>		<b>27,979,192</b>	<b>26,451,579</b>
<b>Net assets attributable to unit holders</b>		<b><u>1,565,953,696</u></b>	<b><u>333,746,576</u></b>
<b>Unit holders' funds (as per statement attached)</b>		<b><u>1,565,953,696</u></b>	<b><u>333,746,576</u></b>
<b>Contingencies and commitments</b>	13	----- (Number of units) -----	
<b>Number of units in issue</b>		<b><u>32,573,743</u></b>	<b><u>7,049,373</u></b>
		----- (Rupees) -----	
<b>Net asset value per unit</b>		<b><u>48.0741</u></b>	<b><u>47.3441</u></b>

The annexed notes from 1 to 24 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) -----	-----
<b>Income</b>			
Finance income	14	85,686,299	35,918,422
'At fair value through profit or loss' - held-for-trading			
- Net gain on sale of investments		(39,379)	448,191
- Unrealised appreciation in the value of investments	5.4	869,346	149,134
		829,967	597,325
Available-for-sale investments			
- Loss on sale of investments		(180,000)	(29,766,481)
- Reversal of impairment in value of investments	5.8	19,437,774	29,144,455
		19,257,774	(622,026)
<b>Total income</b>		<b>105,774,040</b>	<b>35,893,721</b>
<b>Expenses</b>			
Remuneration of the Management Company		9,082,144	3,544,854
Sales tax on management fee		1,444,501	573,617
Federal excise duty on management fee	15	1,694,294	39,704
Remuneration of the Trustee		1,179,053	594,820
Annual fee to the Securities and Exchange Commission of Pakistan		544,923	212,991
Brokerage expense		68,416	19,391
Bank and settlement charges		47,647	25,122
Fees and subscriptions		397,657	287,401
Auditor's remuneration	16	528,528	491,500
Provision for Workers' Welfare Fund	11	2,931,297	604,247
Printing charges		140,698	141,400
		18,059,158	6,535,047
<b>Net income from operating activities</b>		<b>87,714,882</b>	<b>29,358,674</b>
Net element of income and capital gains included in prices of units issued less those in units redeemed		55,795,377	249,426
<b>Net income for the year</b>		<b>143,510,259</b>	<b>29,608,100</b>
Taxation	17	-	-
<b>Net income for the year after taxation</b>		<b>143,510,259</b>	<b>29,608,100</b>

The annexed notes from 1 to 24 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
	----- (Rupees) -----	
<b>Net income for the year after taxation</b>	<b>143,510,259</b>	29,608,100
Other comprehensive income:		
Element of income and capital gains included in prices of units sold less those in units redeemed - amount representing unrealised gains	-	70,333
Unrealised appreciation in the value of investments classified as 'available-for-sale'		
Surplus for the year	<b>28,296,239</b>	206,493
Recycled through income statement		
- on appreciation / sale	<b>(22,936,374)</b>	(51,798,358)
- on impairment	<b>3,498,600</b>	22,653,903
	<b>(19,437,774)</b>	(29,144,455)
Other comprehensive income for the year	<b>8,858,465</b>	(28,867,629)
<b>Total comprehensive income for the year</b>	<b>152,368,724</b>	740,471

The annexed notes from 1 to 24 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

	<b>30 June 2014</b>	<b>30 June 2013</b>
	----- (Rupees) -----	
Undistributed (loss) brought forward		
- Realised losses	<b>(18,880,294)</b>	(21,594,888)
- Unrealised gains / (losses)	<b>149,134</b>	(59,112)
	<b>(18,731,160)</b>	(21,654,000)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing unrealized capital gains / (losses)	-	70,333
Net income for the year after taxation	<b>143,510,259</b>	29,608,100
Final distribution for the year ended June 30, 2013:		
- Cash distribution: Rs.1.0003 per unit approved on January 04, 2014 (2013: Rs.Nil)	<b>(5,564,583)</b>	-
- Issue of 155,149 bonus units approved on January 04, 2014 (2013: Nil units)	<b>(7,556,703)</b>	-
Interim distribution for the period ended June 30, 2014:		
- Cash distribution: Rs.4.0442 approved on June 30, 2014 (2013: 3.86 per unit: June 28, 2013)	<b>(23,114,948)</b>	(21,157,569)
- Issue of 2,111,006 bonus units approved on June 30, 2014 (2013: 118,132 bonus units: June 28, 2013)	<b>(101,397,766)</b>	(5,597,024)
	<b>5,876,259</b>	2,923,840
Undistributed loss carried forward		
- Realised losses	<b>(13,724,247)</b>	(18,880,294)
- Unrealised gains	<b>869,346</b>	149,134
	<b>(12,854,901)</b>	(18,731,160)

The annexed notes 1 to 24 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 period	333,746,576	253,874,990
Issue 29,432,341 units (2013: 1,417,279 units)	1,475,864,270	71,500,000
Redemption of 6,174,126 units (2013: 748 units)	(311,548,694)	(35,988)
	1,164,315,576	71,464,012
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased:		
- amount representing accrued loss / (income) and realised capital losses / (gains) - transferred to the Income Statement	(55,731,636)	(249,426)
- amount representing unrealised loss / (gains) - transferred directly to the Distribution Statement	(63,738)	(70,333)
	(55,795,374)	(319,759)
Bonus distribution of 2,266,155 (2013: 118,294) bonus units declared for the year ended June 30, 2014	108,952,474	5,597,000
Net unrealised appreciation on revaluation of investments classified as 'available-for-sale'	8,858,185	206,493
Capital loss on sale of investments	(180,000)	(29,766,481)
Unrealised appreciation in the value of investments - 'at fair value through profit or loss'	869,346	149,134
Other net income for the year	142,820,913	59,225,447
Element of income and capital gains included in prices of units sold less those in units repurchase	-	70,333
Final distribution for the year ended June 30, 2013:		
- Cash distribution: Rs.1.0003 per unit approved on January 04, 2014 (2013: Rs.Nil)	(5,564,583)	-
- Issue of 155,149 bonus units approved on January 04, 2014 (2013: Nil units)	(7,556,703)	-
Interim distribution for the period ended June 30, 2014:		
- Cash distribution: Rs.4.0442 approved on June 30, 2014 (2013: 3.86 per unit : June 28, 2013)	(23,114,948)	(21,157,569)
- Issue of 2,111,006 bonus units approved on June 30, 2014 (2013: 118,132 bonus units : June 28, 2013)	(101,397,766)	(5,597,024)
Net income for the year less distribution	5,876,259	2,923,840
<b>Net assets at the end of the year</b>	<b>1,565,953,696</b>	<b>333,746,576</b>
	----- (Rupees) -----	
Net asset value per unit at the beginning of the year	47.3441	46.0373
Net asset value per unit at the end of the year	48.0741	47.3441

The annexed notes 1 to 24 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
<i>Note</i>	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year after taxation	143,510,259	29,608,100
<b>Adjustments for:</b>		
Unrealised appreciation in the value of investments - 'at fair value through profit or loss'	(869,346)	(149,134)
Reversal of impairment in the value of investments classified as 'available-for-sale'	(19,437,774)	(29,144,455)
Income from term finance certificates / sukuk certificates	(24,599,193)	(16,442,408)
Profit on deposit accounts with banks	(2,576,116)	(1,176,144)
Income from term deposit receipts	(2,031,573)	(1,518,904)
Provision for Workers' Welfare Fund	2,931,297	604,247
Net element of income and capital gains included in prices of units issued less those in units repurchased	(55,795,377)	(249,426)
	41,132,177	(18,468,124)
<b>Increase in assets</b>		
Investments	(570,030,385)	(68,390,000)
Deposits and prepayments	-	-
Other receivables	(1,450,377)	-
	(571,480,762)	(68,390,000)
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	3,252,732	155,000
Remuneration payable to the Trustee	64,476	-
Annual fee payable to the Securities and Exchange Commission of Pakistan	331,932	18,000
Accrued and other liabilities	298,465	(171,000)
Redemption payable	15,806,280	-
Distribution payable	(21,157,569)	-
	(1,403,684)	2,000
Profit received on investments	24,866,528	18,259,455
<b>Net cash used in operating activities</b>	(506,885,741)	(68,596,669)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	1,475,864,270	71,500,000
Payment against redemption of units	(311,548,694)	(35,988)
Cash dividend paid	(28,679,531)	-
<b>Net cash generated from financing activities</b>	1,135,636,045	71,464,012
Net increase in cash and cash equivalents during the year	628,750,304	2,867,343
Cash and cash equivalents at beginning of the year	28,636,343	25,769,000
Cash and cash equivalents at end of the year	657,386,647	28,636,343

The annexed notes from 1 to 24 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

Alfalah GHP Income Multiplier 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 March 08, 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 February 14, 2007.

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

Alfalah GHP Income Multiplier 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 offers two types of Units Growth and Income. Growth Unit Holders are entitled to bonus unit and Income Unit Holders are entitled to cash dividend at the time of distribution by Fund.

The Fund is categorized as an aggressive fixed income scheme and can invest in debt and money market securities as authorized in Funds Offering Document.

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 A-(f) Stability Rating to the Fund in its rating report dated March 13, 2014.

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

### 2. BASIS OF PRESENTATION

#### 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 for the investments which are accounted for as stated in note 3.2.

## 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 effect 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 and Provisions (notes 3.3 and 3.8)
- c) Taxation (note 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 years except as described in note 3.1 below.

### 3.1 New and amended standards and interpretations

The Fund has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

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 asset 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 cost is 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 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 amortised 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 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 contractor 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 instrument. Transaction costs on financial instrument 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 Statement of Comprehensive Income until derecognised or impaired, then the accumulated fair value adjustments recognised in Statement of Comprehensive Income are included in the income statement.

### *Fair value measurement principles*

Basis of valuation of Term Finance Certificates / Sukuk Certificates

Investment in term finance certificates and 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 and Exchange Commission of Pakistan and the Fund's provisioning criteria. These are elaborated in note 3.3 to these financial statements.

Basis of valuation of Government Securities

Fair value of the investments in Federal Government securities comprising Treasury Bills is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

### **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 Securities and Exchange Commission of Pakistan. Accelerated provisions are made if circumstances warrant, as per the provisioning policy approved by the Board of the Management Company.

However, the 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 term of circular 33 of 2012 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 or 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 securities is recognised in unit holders' fund and for debt securities classified as 'available-for-sale' is recognised in income statement.

### 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 interest 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 distributor 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 repurchased

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 repurchased during an accounting year in the Income Statement while the portion of the element of income / (loss) and capital gains / (losses) that relates to unrealised gains / (losses) relating to available-for-sale investments 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 net income for the year ended June 30, 2014 would have been lower by Rs.58.757 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 15 June 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 Earning per unit

Earnings per unit (EPU) for the year ended June 30, 2014 has not been disclosed in these financial statements as in the opinion of the management 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 and loss' are included in the Income Statement in the period in which they arise.
- Income on TFCs, sukuk certificates, term deposit receipts, government securities, bank deposits and placements is recognised on a time proportionate basis using effective yield method.

- Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased is included in the Income Statement on the date of issue and redemption of units.

### 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 equivalent are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for 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:

<b>Standard or Interpretation</b>	<b>Effective date (accounting periods beginning on or after)</b>
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
	<b>Effective date (accounting periods beginning on or after)</b>
<b>Standard or Interpretation</b>	
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.

<b>Standard</b>	<b>Effective date (accounting periods beginning on or after)</b>
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

<b>4. BANK BALANCES</b>	<i>Note</i>	<b>30 June 2014</b>	<b>30 June 2013</b>
		----- (Rupees) -----	
In deposit accounts	4.1	<u>166,046,127</u>	<u>28,636,343</u>
		<u>166,046,127</u>	<u>28,636,343</u>

**4.1** These balances in saving deposit accounts bear profit rates ranging from 7% to 9.25% per annum (June 30, 2013: 6% to 9% per annum).

## 5. INVESTMENTS

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

Market treasury bills	5.1	<u>1,063,142,688</u>	157,533,280
Investment in term finance certificates	5.2	<u>35,862,603</u>	6,220,960
Investment in sukuk certificates	5.3	<u>50,624,000</u>	-
		<u>1,149,629,291</u>	163,754,240

### Available-for-sale

Investment in term finance certificates	5.5	<u>973,680</u>	6,239,124
Investment in sukuk certificates	5.6	<u>44,936,170</u>	40,009,649
		<u>45,909,850</u>	46,248,773

### Held to maturity

Certificates of investment	5.9	<u>100,398,880</u>	-
Term deposit receipt	5.10	<u>106,002,532</u>	101,518,904
		<u>206,401,412</u>	101,518,904
		<u>1,401,940,553</u>	<u>311,521,917</u>

**5.1 Treasury bills - 'at fair value through profit or loss'- held-for-trading**

Issue date	Note	Face Value				Carrying amount as at 30 June 2014	Fair Value as at June 30, 2014	Unrealised (loss) / gain on revaluation	Fair value as a percentage of	
		As at July 01, 2013	Purchased during the year	Sold / matured during the year	As at 30 June 2014				net assets	total investment
		----- (Number of certificates) -----				----- (Rupees) -----				
<b>Treasury bills - having face value of Rs.100 each</b>										
Maturity upto 3 months	5.1.1	130,000,000	2,651,000,000	2,426,000,000	355,000,000	390,929,131	390,941,640	12,509	25%	28%
Maturity upto 6 months	5.1.2	30,000,000	972,000,000	420,000,000	582,000,000	525,202,358	525,068,888	(133,470)	34%	37%
Maturity upto 12 months	5.1.3	-	160,000,000	-	160,000,000	147,313,358	147,132,160	(181,198)	9%	10%
		<u>160,000,000</u>	<u>3,783,000,000</u>	<u>2,846,000,000</u>	<u>1,097,000,000</u>	<u>1,063,444,847</u>	<u>1,063,142,688</u>	<u>(302,159)</u>		

**5.1.1** These represent treasury bills having face value of Rs.355 million (June 30, 2013: Rs.130 million) and carrying purchase yield of 9.93% to 9.96% (June 30, 2013: 9.37% to 9.41%) per annum. These treasury bills have maturity upto September 04, 2014 (June 30, 2013: September 13, 2013).

**5.1.2** These represent treasury bills having face value of Rs.582 million (June 30, 2013: Rs.30 million) and carrying purchase yield of 9.98% to 10.02% (June 30, 2013: 9.37% to 9.41%) per annum. These treasury bills have maturity upto November 13, 2014 (June 30, 2013: December 27, 2013).

**5.1.3** These represent treasury bills having face value of Rs.160 million (June 30, 2013: Rs.67 million) and carrying purchase yield of 9.98% (June 30, 2013: Nil) per annum. These treasury bills have maturity of May 14, 2015 (June 30, 2013: Nil).

**5.2 Investment in quoted Term Finance Certificates - 'at fair value through profit or loss'- held-for-trading**

Name of the investee company	Rating	Maturity	Profit / Mark-up Percentage	As at July 01, 2013	Redeemed 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	Impairment in the value of Investment	Appreciation / (Diminution) in the value of investments	Market value as a percentage of:		Outstanding principal value as a percentage of issued debt capital
													Net asset	Total investments	
				----- (Number of Certificates) -----				----- (Rupees) -----				----- (%) -----			
<b>Listed term finance certificates</b>															
Bank Alfalah Limited - V(a related party)	AA-	March 2021	6M KIBOR +1.25%	1,225	-	-	-	1,225	6,122,550	6,203,643	-	81,093	0.40	0.44	0.12
Engro Fertilizer Limited III	A+	November 2015	6M KIBOR +1.55%	-	6,000	-	-	6,000	29,877,039	29,658,960	-	(218,079)	1.89	2.12	1.00
									<u>35,999,589</u>	<u>35,862,603</u>	<u>-</u>	<u>(136,986)</u>			

**5.3 Investment in Sukuk Certificates - 'at fair value through profit or loss'- held-for-trading**

Name of the investee company	Rating	Maturity	Profit / Mark-up Percentage	As at July 01, 2013	Redeemed 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	Impairment in the value of Investment	Appreciation / (Diminution) in the value of investments	Market value as a percentage of:		Outstanding principal value as a percentage of issued debt capital
													Net asset	Total investments	
				----- (Number of Certificates) -----				----- (Rupees) -----				----- (%) -----			
K-Electric Sukuk - II	A+	March 2017	3M KIBOR +2.25%	-	5,000	-	-	5,000	25,737,500	25,737,500	-	-	1.64	1.84	0.67
Wapda Sukuk - III	AAA	October 2021	6M KIBOR +1%	-	4,700	-	-	4,700	23,500,000	24,886,500	-	1,386,500	1.59	1.78	0.24
									<u>49,237,500</u>	<u>50,624,000</u>	<u>-</u>	<u>1,386,500</u>			

**5.4 Net Unrealized appreciation / (diminution) in the value of investments classified as at fair value through profit or loss'- held-for-trading**

	30 June 2014	30 June 2013
	----- (Rupees) -----	
Market value of investments	1,149,629,291	163,754,240
Less: Carrying value of investments	<u>(1,148,681,936)</u>	<u>(163,676,231)</u>
	<u>947,355</u>	<u>78,009</u>
Net unrealised (appreciation) / diminution in the value of investment at the beginning of the year	<u>(78,009)</u>	<u>71,125</u>
Net unrealised appreciation in the value of investment for the year	<u>869,346</u>	<u>149,134</u>

**5.5 Investment in term finance certificates - 'available-for-sale'**

Name of the investee company	Notes	Maturity	Profit / Mark-up Percentage	As at July 01, 2013	Purchase 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	Impairment in the value of Investment	Appreciation / (Diminution) in the value of investments	Market value as a percentage of:		Outstanding principal value as a percentage of issued debt capital	
													Net asset	Total investments		
					----- (Number of Certificates) -----			----- (Rupees) -----			----- (%) -----					
<b>Listed term finance certificates</b>																
Financial Receivable Securitization Limited (Class A)	5.5.1	January 2014	6M KIBOR + 2%	1,992	-	-	1,992	-	-	-	-	-	-	-	-	0
Trust Investment Bank Limited (TIBL)	5.5.2	July 2013	6M KIBOR + 1.85%	8,000	-	-	-	8,000	14,994,000	-	(14,994,000)	-	-	-	-	6.67
<b>Unlisted term finance certificates</b>																
Security Leasing Corporation Limited (SLCL)	5.5.3	January 2022	6%	2,000	-	-	-	2,000	1,574,227	973,680	(600,547)	-	-	0.06	0.07	1.8
Agritech Ltd (Formerly Pak American Fertilizer Limited)	5.5.4	November 2017	6M KIBOR + 1.75%	17,950	-	-	-	17,950	89,666,353	-	(89,666,353)	-	-	-	-	5.98
Agritech Ltd-IV (Formerly Pak American Fertilizer Limited)	5.5.5	January 2015	Zero Coupon	4,094	-	-	-	4,094	<u>20,470,000</u>	-	<u>(20,470,000)</u>	-	-	-	-	2.27
									<u>126,704,580</u>	<u>973,680</u>	<u>(125,730,900)</u>					

**5.5.1** These term finance certificates carry fixed mark-up rate equal to 6 months Karachi Interbank Offer Rate "ask side" plus 2% per annum, receivable semi-annually in arrears with a floor of 8% and cap of 16% per annum. These term finance certificates are secured against hypothecation charge on the future receivables under "agreement to sell and purchase receivables".

**5.5.2** These term finance certificates carry fixed mark-up rate equal to 6 months Karachi Interbank Offer Rate "ask side" plus 1.85% per annum, receivable semi-annually in arrears with a floor of 6% and cap of 10% per annum. These term finance certificates are secured against first charge on specified leased assets and associated lease receivables with a 40% margin. TIBL defaulted on its payment of principal and mark-up due on July 04, 2012. Consequently, the security was classified as non-performing by MUFAP on October 18, 2012. Accordingly, accrual of mark-up on the same has been suspended and mark-up due amounting Rs.1.437 million has been reversed and provision has been made amounting Rs.14.994 million (Rs.3.499 million in the current year) in accordance with the requirements of SECP circulars and directives issued from time to time and the Board's approved provisioning policy.

**5.5.3** These term finance certificates carry fixed mark-up rate of 6.00% per annum, receivable monthly in arrears. These term finance certificates are secured against first charge on specific leased assets with related rentals receivables with 25% margin. SLCL had rescheduled its repayments through second supplemental Trust deed executed on May 18, 2011. As per the supplemental deed, SLCL obtained the waiver from the obligation to pay the mark-up on the outstanding amount while the principal was to be repaid in 36 equal installments starting from April 29, 2011 to March 29, 2014. In February 2011, SLCL rescheduled its monthly repayment from Rs.78,125 to Rs.16,927 without any alteration in the supplemental trust deed. Subsequently the security was classified as 'non-performing' by MUFAP on April 03, 2012. Accordingly, provision was made amounting Rs.0.760 million during the year ended 2013 in accordance with the requirements of SECP circulars and directives issued from time to time and the Board's approved provisioning policy. On March 15, 2013 the security was re-classified as Performing by MUFAP accordingly provision amounting Rs.0.160 million was reversed in the current year.

**5.5.4** These term finance certificates carry fixed mark-up rate equal to 6 months Karachi Interbank Offer Rate "ask side" plus 1.75% per annum, receivable semi-annually in arrears. These term finance certificates are secured against first pari passu charge over all present and future fixed assets with a 25% margin. Agritech Limited (formerly Pak American Fertilizer Limited) defaulted on its payment of principal and mark-up due on May 29, 2010. In prior year, a restructuring agreement was signed between Agritech Limited and the Investment Agent of the term finance certificates, whereby, certain terms included in the original trust deed dated November 15, 2007 were amended, including the repayment period which was extended from November 29, 2014 to November 29, 2017. Consequently, the security was classified as non-performing by MUFAP on 14 June 2010 and accrual on the same was suspended. Accordingly, the security has been fully provided (Rs.Nil in current year) in accordance with the requirements of SECP circulars and directives issued from time to time and the Board's approved provisioning policy.

**5.5.5** This represents additional certificates of Agritech Limited received by the Fund through restructuring agreement reached between lenders and Agritech Limited. Under such agreement outstanding mark up due on May 29, 2011 and July 13, 2011 against 1st and 2nd Issue respectively amounting to Rs.20.47 million was settled in the form of certificates valuing Rs.20.47 million. These investments had been recorded as 100% impaired (Rs.Nil in current year) since these have been received in lieu of suspended overdue mark-up to be recognised to income upon realisation.



**5.6 Investment in term finance certificates - 'available-for-sale'**

Name of the investee company	Notes	Maturity	Profit / Mark-up Percentage	As at July 01, 2013	Purchase during the year	Sold during the year	Redeemed during the year	As at 30 June 2014	Cost as at 30 June 2014	Market value as at 30 June 2014	Impairment in the value of Investment	Appreciation / (Diminution) in the value of investments	Market value as a percentage of:		Outstanding principal value as a percentage of issued debt capital
													Net asset	Total investments	
				----- (Number of Certificates) -----					----- (Rupees) -----						
Maple Leaf Cement Factory Limited	5.6.1	December 2018	3M KIBOR +1%	15,000	-	-	-	15,000	57,965,625	44,936,170	(13,029,455)	-	2.87	3.21	1.88
Kohat Cement Company Limited	5.6.2	September 2016	3M KIBOR +1.50%	23,000	-	-	23,000	-	57,965,625	44,936,170	(13,029,455)	-	-	-	-
									<u>184,670,205</u>	<u>45,909,850</u>	<u>(138,760,355)</u>	<u>-</u>			
								Total Investment in 'available-for-sale'							

**5.6.1** This represents investment in sukuk certificates of Maple Leaf Cement Factory Limited (MLCF), secured against first pari passu charge over all present and future fixed assets with a 25% margin. Maple Leaf Cement Factory (MLCF) defaulted on the installment due on September 13, 2011 as per the restructured agreement. Consequently, the security was classified as non-performing by MUFAP on September 19, 2011 and accrual amounting to Rs.9.235 million on the same was reversed. However, during the current year, Maple Leaf Cement Factory has been regular in its payments as per the restructured agreement and has made payments of the overdue mark-up pertaining to the default period as well as current period aggregating to Rs.16.273 million. Therefore, MUFAP re-classified the security as performing on June 23, 2014 resulting in reversal of provision amounting to Rs.22.936 million.

**5.6.2** This represents investment in sukuk certificates of Kohat Cement Company Limited (KCCL), secured against first pari passu hypothecation charge over all present and future fixed assets of the company equivalent to the facility amount with a 25% margin and mortgage over all present and future immovable properties of KCCL with a 25% margin over the facility amount. During the year the sukuk issued by Kohat Cement Company Limited has been regular in its payments as per the restructuring agreement which resulted in reversal of provision by Rs.4.358 million. Accordingly, the maturity date of the sukuk has been reduced to June 2016 from September 2016 by exercising call option for early payments of outstanding principal.

	Note	30 June 2014	30 June 2013
<b>5.7 Net unrealized appreciation in the value of investments classified as 'available-for-sale'</b>		----- (Rupees) -----	
Market value of investments		<b>45,909,850</b>	46,248,773
Less: Carrying value of investments		<b>(184,670,205)</b>	(213,305,367)
		<b>(138,760,355)</b>	(167,056,594)
Impairment charged during the year		<b>3,498,600</b>	22,653,903
Reversal of impairment during the year	5.6.1	<b>(22,936,374)</b>	(11,971,975)
		<b>(158,198,129)</b>	(156,374,666)
Net unrealised diminution in the value of investments at the beginning of the year		<b>167,056,594</b>	196,406,000
Realised on disposals during the year		-	(39,826,383)
Net unrealised appreciation in the value of investments at the end of the year		<b>8,858,465</b>	204,951

**5.8 Particulars of impairment in the value of investments classified as 'available-for-sale'**

Opening balance	<b>167,056,594</b>	196,201,049
Charged for the year	<b>3,498,600</b>	22,653,903
Reversal due to appreciation in the value of investments	<b>(22,936,374)</b>	(11,971,975)
Reversal due to disposals during the year	-	(39,826,383)
Reversal of Impairment in the value of investments classified as 'available-for-sale' - net	<b>(19,437,774)</b>	(29,144,455)
Closing balance	<b>147,618,820</b>	167,056,594

**5.9** These certificates carry mark-up at a rate of 10.40% (June 30, 2013: Nil) per annum maturing on September 15, 2014 (June 30, 2013: Nil) and have a credit rating of AA+. Investment in certificates of investment of Pak Brunei Investment Company Limited represent 6.39% (June 30, 2013: Nil) of total investment and 7.13% (June 30, 2013: Nil) of net assets on the basis of face value.

**5.10** Term deposit receipt is maintained with Bank Alfalah Limited (a related party) and carries mark-up at a rate of 10.25% (June 30, 2013: Nil) per annum maturing on November 28, 2014 (June 30, 2013: Nil). The bank has a credit rating of AA. Investment in term deposit receipt represents 6.39% (June 30, 2013: Nil) of total investment and 7.13% (June 30, 2013: Nil) of net assets on the basis of face value.

		30 June 2014	30 June 2013
	<i>Note</i>	----- (Rupees) -----	
<b>6. SECURITY DEPOSITS</b>			
Security deposits with:			
- Central Depository Company of Pakistan Limited		100,000	100,000
- National Clearing Company of Pakistan Limited (NCCPL)		<u>2,500,000</u>	<u>2,500,000</u>
		<u><b>2,600,000</b></u>	<u><b>2,600,000</b></u>
<b>7. OTHER RECEIVABLES</b>			
Security margin with NCCPL		1,450,377	-
Receivable from term finance certificates		689,878	321,337
Receivable from sukuk certificates		20,899,298	17,117,110
Profit receivable on deposit accounts with banks		306,655	1,448
		<u><b>23,346,208</b></u>	<u><b>17,439,895</b></u>
<b>8. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration payable to the Management Company	8.1	1,357,730	360,679
Sales tax payable on management fee		201,364	58,349
Federal excise duty payable on management fee	15	1,741,966	39,704
Sales load payable		410,404	-
		<u><b>3,711,464</b></u>	<u><b>458,732</b></u>

- 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. On June 15, 2012, the Fund completed five years in operation, however, the Management Company has charged its remuneration at the rate of 1.25% (June 30, 2013: 1.25%) per annum of the average daily net assets of the Fund for the current year.

		30 June 2014	30 June 2013
	<i>Note</i>	----- (Rupees) -----	
<b>9. REMUNERATION PAYABLE TO THE TRUSTEE</b>			
Trustee fee	9.1	<u><b>113,529</b></u>	<u><b>49,053</b></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 net asset value of the Fund. The remuneration is payable to the trustee according to the following tariff structure:

Average net asset value	Tariff per annum
Up to Rs.1 billion	0.17% p.a of net assets
1 billion to 5 billion	Rs.1.7 million plus 0.085% p.a of net assets exceeding Rs.1 billion
Over 5 billion	Rs.5.1 million plus 0.07% p.a of net assets exceeding Rs.5 billion

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.075% (June 30, 2013: 0.075%) of the average daily 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 WWF Ordinance 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 WWF 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.6.857 million (June 30, 2013: Rs.3.926 million) up to June 30, 2014. Had the provision not been made, the NAV per unit would have been higher by Rs.0.21 (0.44%) per unit (June 30, 2013: Rs.0.56 (1.18%) per unit).

<b>30 June</b>	30 June
<b>2014</b>	2013
----- (Rupees) -----	

## 12. ACCRUED AND OTHER LIABILITIES

Auditors' remuneration	438,724	439,200
Withholding tax payable	176,720	3,106
NCSS charges payable	63,742	-
Other payable	266,696	205,111
	<b>945,882</b>	<b>647,417</b>

## 13. CONTINGENCIES AND COMMITMENTS

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

	30 June 2014 ----- (Rupees) -----	30 June 2013 -----
<b>14. FINANCE INCOME</b>		
Interest income on:		
<b>Investments classified as 'at fair value through profit or loss' - held-for-trading</b>		
- Sukuk and term finance certificates	<b>20,746,036</b>	515,887
- Treasury bills	<b>53,714,625</b>	16,631,171
- Pakistan investment bonds	-	149,795
- Reversal of mark-up income	-	(1,018,614)
	<b>74,460,661</b>	16,278,239
<b>Investments classified as 'available-for-sale'</b>		
- Sukuk and term finance certificates	<b>3,853,157</b>	16,945,135
<b>Held to maturity</b>		
- Letters of placement	<b>2,365,888</b>	-
- Certificates of investment	<b>398,904</b>	-
- Term deposit receipts	<b>2,031,573</b>	1,518,904
	<b>4,796,365</b>	1,518,904
<b>Others</b>		
- Bank deposits	<b>2,576,116</b>	1,176,144
	<b>85,686,299</b>	35,918,422

**15. 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.

**16. AUDITORS' REMUNERATION**

Audit fee	<b>302,500</b>	275,000
Review, other certifications and services	<b>205,700</b>	200,000
	<b>508,200</b>	475,000
Sales tax	<b>20,328</b>	-
Out of pocket expenses	-	16,500
	<b>528,528</b>	491,500

**17. 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.

<b>30 June</b>	<b>30 June</b>
<b>2014</b>	<b>2013</b>
<b>----- (Rupees) -----</b>	<b>-----</b>

**18. CASH AND CASH EQUIVALENTS**

Bank balances	<b>166,046,127</b>	28,636,343
Treasury bills maturing within 3 months	<b>390,941,640</b>	-
Certificates of investment maturing within three months	<b>100,398,880</b>	-
	<b><u>657,386,647</u></b>	<u>28,636,343</u>

**19. 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.

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

30 June      30 June  
2014      2013  
----- (Rupees) -----

**Alfalah GHP Investment Management Limited -  
Management Company**

Balance at beginning of the year	458,732	304,000
Remuneration of the Management Company	<u>9,082,144</u>	<u>3,544,854</u>
Sales tax on management fee for the year	<u>1,444,501</u>	<u>573,617</u>
Federal excise duty on management fee	<u>1,694,294</u>	<u>39,704</u>
	<u>12,220,939</u>	<u>4,158,175</u>
Amount paid during the year	<u>(8,968,207)</u>	<u>(4,003,443)</u>
Balance at the end of the year	<u>3,711,464</u>	<u>458,732</u>

**Central Depository Company of Pakistan Limited**

Balance at beginning of the year	49,053	49,180
Remuneration for the year	<u>1,179,053</u>	<u>594,820</u>
CDS charges for the year	<u>6,229</u>	<u>6,400</u>
	<u>1,185,282</u>	<u>601,220</u>
Amount paid during the year	<u>(1,120,806)</u>	<u>(601,347)</u>
Balance at the end of the year	<u>113,529</u>	<u>49,053</u>

Security deposit at the end of the year

100,000      100,000

**Bank Alfalah Limited**

Deposits at the end of the year	<u>166,028,600</u>	<u>28,618,817</u>
Profit receivable at the end of the year	<u>306,304</u>	<u>1,175</u>
Profit on deposit accounts at the end of the year	<u>2,576,116</u>	<u>762,254</u>
Bank charges	<u>72,307</u>	<u>24,660</u>

**IGI Income Fund - (Common Management)**

Treasury Bills - purchased	<u>21,064,164</u>	<u>-</u>
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**IGI Money Market Fund - (Common Management)**

Treasury Bills - sold	<u>14,975,745</u>	<u>54,420,740</u>
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**Alfalah GHP Cash Fund - (Common Management)**

Treasury Bills - purchased	<u>184,217,354</u>	<u>-</u>
Treasury Bills - sold	<u>49,835,620</u>	<u>-</u>

**19.2 Unit Holder's Fund**

	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) -----				
<b>Associated Companies / Undertakings</b>										
Bank Alfalah Limited	5,481,236	-	-	-	5,481,236	259,504,165	-	-	-	263,505,467
Management Company	-	2,031,152	177,592	192,079	2,016,664	-	99,959,594	8,543,913	10,000,000	96,949,296
<b>Unit holder holding 10% or more Units</b>										
Bank Alfalah Limited	5,481,236	-	-	-	5,481,236	259,504,165	-	-	-	263,505,467
Attock Cement Pakistan Limited	-	5,924,614	510,168	-	6,434,782	-	300,000,000	24,511,671	-	309,346,376
Habib Metropolitan Bank Limited	-	4,082,621	269,261	1,019,853	3,332,029	-	210,000,000	12,940,249	51,801,283	160,184,301

	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	Amount outstanding as at June 2013
	(Units)					(Rupees)				
<b>Associated Companies / Undertakings</b>										
Bank Alfalah Limited Management Company	5,481,236	-	-	-	5,481,236	252,341,286	-	-	-	259,504,165
	-	-	-	-	-	-	-	-	-	-
<b>Unit holder holding 10% or more Units</b>										
Bank Alfalah Limited	5,481,236	-	-	-	5,481,236	252,341,286	-	-	-	259,504,165
Clariant Pakistan Limited - Employees Gratuity Fund	-	892,651	72,824	-	965,475	-	45,000,000	3,445,632	-	45,709,542

## 20. 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 interest rate risk, currency risk and other price risk), credit risk, liquidity risk and operational risk 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.

### 20.1 Market risk

Market risk is the risk that changes in market prices, such as interest 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 funds constitutive and investment policy documents, while optimizing the return. The Fund is categorized as an aggressive fixed income scheme and can invest in debt and money market securities as authorized in Fund's Offering Documents. 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.

#### 20.1.1 Interest rate risk

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

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

The Fund manages interest rate risk by keeping a major portion of funds into short terms investments in the rising interest rate environment. Interest rate risk in debt securities are mitigated by investing mostly in instrument carrying floating rate coupons which are linked to market interest rates, and are re-priced on quarterly / semi-annual basis. As at 30 June 2014, the investment in T-Bills, TFC's and Sukuk certificates exposed to interest rate risks is detailed in note 5.1, 5.3 and 5.4 respectively.

A summary of the funds interest 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			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
----- (Rupees) -----						
<b>On balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	7% - 9.25%	166,046,127	-	-	-	166,046,127
Investments	6 months KIBOR +1% to 6 months KIBOR + 2%, 3 months KIBOR + 2.25%	490,941,640	777,201,048	132,396,453	-	1,400,539,141
Income and profit receivable		-	-	-	23,346,208	23,346,208
Deposits and prepayments		-	-	-	2,600,000	2,600,000
		<u>656,987,767</u>	<u>777,201,048</u>	<u>132,396,453</u>	<u>25,946,208</u>	<u>1,592,531,476</u>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	3,711,464	3,711,464
Remuneration payable to the Trustee		-	-	-	113,529	113,529
Accrued and other liabilities		-	-	-	945,882	945,882
Distribution payable		-	-	-	15,806,280	15,806,280
		-	-	-	20,577,155	20,577,155
<b>On-balance sheet gap</b>		<u>656,987,767</u>	<u>777,201,048</u>	<u>132,396,453</u>	<u>5,369,053</u>	<u>1,571,954,321</u>
		June 30, 2013				
	Effective rate of mark-up/return %	Exposed to yield / profit rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
----- (Rupees) -----						
<b>On balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	8 -9%	28,636,343	-	-	-	28,636,343
Investments	6 months KIBOR +1.65 to 6 months KIBOR + 2.85, 3 months KIBOR + 1.5	230,309,514	80,134,026	-	1,078,377	311,521,917
Income and profit receivable		-	-	-	17,439,895	17,439,895
Deposits and prepayments		-	-	-	2,600,000	2,600,000
		<u>258,945,857</u>	<u>80,134,026</u>	<u>-</u>	<u>21,118,272</u>	<u>360,198,155</u>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	458,732	458,732
Remuneration payable to the Trustee		-	-	-	49,053	49,053
Accrued and other liabilities		-	-	-	647,417	647,417
Distribution payable		-	-	-	21,157,569	21,157,569
		-	-	-	22,312,771	22,312,771
<b>On-balance sheet gap</b>		<u>258,945,857</u>	<u>80,134,026</u>	<u>-</u>	<u>(1,194,499)</u>	<u>337,885,384</u>

The above table shows Fund's yield / interest 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 KIBOR based interest bearing TFC's & Sukuk certificates exposing the Fund to cash flow interest rate risk. Fund's exposure in TFC's & sukuk certificates amount to Rs.131.423 million as at June 30, 2014. The Management have determined that a fluctuation in KIBOR interest rate of 100 basis points at June 30, 2013, 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.1.314 million (2013: Rs.3.24 million).

The composition of the Fund' s investment portfolio and interest 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 interest rates.

**b) Sensitivity analysis for fixed rate instruments**

Presently, the Fund holds treasury bills which are classified as 'at fair value through profit and loss' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates on June 30, 2013, the income for the period and net assets would be lower by Rs.3.2 million (2013: Rs.0.266 million).

The composition of the Fund's investment portfolio, change in interest rates are expected to change over time. Accordingly, the sensitivity.

**20.1.2 Currency risk**

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

**20.1.3 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 interest 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 is not subject to the other price risk as all investments of the Fund are in corporate debt securities (TFC / Sukuk) both listed and unlisted which are fixed income instrument.

**20.2 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 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).

Management Company has policies of reviewing the credit worthiness of its counterparties by analysis sector performance, financial ratios, making issuing entity assessment, assessment of collateral / security structure and credit ratings.

The maximum exposure to credit risk before any credit enhancements at June 30, 2014 is the carrying amount of the financial assets as set out below:

	<b>June 30, 2014</b>	June 30, 2013
	----- (Rupees) -----	
<b>Financial assets</b>		
Bank balances	<b>166,046,127</b>	28,636,343
Investments	<b>337,396,453</b>	152,469,733
Income and profit receivable	<b>21,895,831</b>	18,958,881
Deposits	<b>2,600,000</b>	2,600,000
	<b><u>527,938,411</u></b>	<u>202,664,957</u>

Interest in Government securities amounting to Rs.1,063.143 million (June 30, 2013: Rs.157.534 million) is not exposed to credit risk.

Secured	<b>337,396,453</b>	52,469,733
Unsecured	<b>190,541,958</b>	150,195,224
	<b><u>527,938,411</u></b>	<u>202,664,957</u>

None of the above financial assets were considered to be past due or impaired in 2013 and 2012 except for exposures as provided in note 5.5 and 5.6. The Management Company follows Circular 1 of 2009 containing criteria for provisioning of non-performing debt securities issued by SECP for the purpose of making provision against non-performing debt securities.

Sector wise analysis of maximum exposure to credit risk for investments in debt securities as at June 30, 2014 is given below:

Construction and material	<b>44,936,170</b>	40,009,649
Commercial banks	<b>6,203,643</b>	-
Electricity	<b>25,737,500</b>	-
Fertilizer	<b>29,658,960</b>	-
Investment Banks / Companies / Securities	-	11,381,707
Leasing Companies	<b>973,680</b>	1,078,377
Miscellaneous	<b>24,886,500</b>	-
	<b><u>132,396,453</u></b>	<u>52,469,733</u>

The analysis below summarises the credit quality of the Fund's investment in term finance certificates and sukuk certificates as at June 30, 2014 and June 30, 2013.

	<b>June 30, 2014</b>	June 30, 2013
	----- (Rupees) -----	
<b>Term Finance Certificates / Sukuk Certificates by credit rating category</b>		
A, A-, A+	<b>65.00%</b>	3.59%
BBB, BBB-, BB+, BB	<b>34.00%</b>	65.81%
CCC	<b>0.00%</b>	2.33%
Non rated / Non performing	<b>1.00%</b>	28.27%
	<b><u>100%</u></b>	<u>100%</u>

### *Concentration of credit Risk*

Concentration of credit risk exists when changes in economic or industry factors similarly affects 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 diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

All deposits with Banks are highly rated and risk of default is considered minimal.

The analysis below summarizes the credit quality of the Fund's investment in Bank balance, Term Finance Certificates and Sukuk certificates as at June 30, 2014.

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
AA	166,029,420	28,619,636
A+	16,707	16,707
A-	-	-
	<u>166,046,127</u>	<u>28,636,343</u>

### **20.3 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 period. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total 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.

	As at June 30, 2014			
	Carrying value	Upto one month	More than one month and upto three months	More than three month and upto one year
	----- (Rupees) -----			
<b>Liabilities</b>				
Payable to the Management Company	1,768,134	1,768,134	-	-
Remuneration payable to the Trustee	113,529	113,529	-	-
Accrued and other liabilities	769,162	63,742	705,420	-
Distribution payable	15,806,280	15,806,280	-	-
	<u>18,457,105</u>	<u>17,751,685</u>	<u>705,420</u>	<u>-</u>

	As at June 30, 2013			
	Carrying value	Upto one month	More than one month and upto three months	More than three month and upto one year
----- (Rupees) -----				
<b>Liabilities</b>				
Payable to the Management Company	360,679	360,679	-	-
Remuneration payable to the Trustee	49,053	49,053	-	-
Accrued and other liabilities	644,311	-	644,311	-
Distribution payable	21,157,569	21,157,569	-	-
	<u>22,211,612</u>	<u>21,567,301</u>	<u>644,311</u>	<u>-</u>

#### 20.4 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.

#### 20.5 Unit Holders' Fund risk management

Alfalah GHP Income Multiplier Fund (AGIMF) is open end collective investment scheme. The capital of the open end schemes is represented by net assets attributable to unit holders. The 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 daily basis as the Fund is subject to daily issuance and redemption of Units at the discretion of the unit holders and occurrence of the unexpected losses in investment portfolio which may causes adverse effects on the Fund's continuation as going concern.

The Fund's objective when managing net assets attributable to unit holders is to safe guard the Funds ability to continue as going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of Unit Holders' Fund. In order to maintain or adjust the capital structure, the Fund 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 size at the end of each quarter.

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 as reduced by such expenses as are chargeable to the Fund.

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.

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments on the Statement of Assets and Liabilities are carried at fair value. The Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Fund's accounting policy on fair value measurements of its investments is discussed in note 3.1 to these financial statements.

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

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

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

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

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

	<b>30 June 2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	----- (Rupees) -----			
<b>Financial assets 'at fair value through profit or loss'</b>				
Market treasury bills	-	1,063,142,688	-	1,063,142,688
Term Finance Certificates	-	35,862,603	-	35,862,603
Sukuk Certificates	-	50,624,000	-	50,624,000
	-	1,149,629,291	-	1,149,629,291
<b>Financial assets classified as 'available-for-sale'</b>				
Term Finance Certificates	-	973,680	-	973,680
Sukuk Certificates	-	44,936,170	-	44,936,170
	-	45,909,850	-	45,909,850
	-	1,195,539,141	-	1,195,539,141
<b>30 June 2013</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	----- (Rupees) -----			
<b>Financial assets 'at fair value through profit or loss'</b>				
Market treasury bills	-	157,533,280	-	157,533,280
Term Finance Certificates	-	6,220,960	-	6,220,960
Sukuk Certificates	-	-	-	-
	-	163,754,240	-	163,754,240
<b>Financial assets classified as 'available-for-sale'</b>				
Term Finance Certificates	-	6,239,124	-	6,239,124
Sukuk Certificates	-	40,009,649	-	40,009,649
	-	46,248,773	-	46,248,773
	-	210,003,013	-	210,003,013

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.

## 22. 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, meetings of the Board of Directors, credit rating of the Fund and the Management Company of the Fund as required under Schedule V of the NBFC Regulations has been disclosed in Annexure I to the financial statements.

**23. DATE OF AUTHORISATION FOR ISSUE**

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

**24. GENERAL**

Figures are rounded off to the nearest rupee.

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

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**Chief Executive**

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**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	75	4,330,854	208,201,965	13%
Associated companies and Directors	2	7,497,899	360,454,648	23%
Insurance Companies	1	1,100,397	52,900,608	3%
Banks / Financial institutions	1	3,332,029	160,184,333	10%
Retirement funds	8	3,992,495	191,935,664	12%
Others	12	12,320,068	592,276,479	38%
	<b>99</b>	<b>32,573,743</b>	<b>1,565,953,696</b>	<b>100%</b>

Category	30 June 2013			
	Number of unit holders	Units held	(Rupees)	Percentage of total investment (%)
Individual	5	14,141	669,500.29	0%
Associated companies and Directors	1	5,481,236	259,504,429.93	78%
Insurance Companies	-	-	-	0%
Banks / Financial institutions	-	-	-	0%
Retirement funds	4	1,545,887	73,188,725.84	22%
Public Limited Companies	-	-	-	0%
Others	4	8,109	383,919.94	0%
	<b>14</b>	<b>7,049,373</b>	<b>333,746,576</b>	<b>100%</b>

**(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

	<b>30 June 2014</b>
<b>JS Global Capital Limited</b>	<b>32%</b>
<b>Summit Capital</b>	<b>23%</b>
<b>JS Global Capital Limited</b>	<b>11%</b>
<b>Global Securities</b>	<b>10%</b>
<b>Invest Cap</b>	<b>9%</b>
<b>BMA Capital Management</b>	<b>6%</b>
<b>Invest one Markets</b>	<b>5%</b>
<b>Optimus Capital Management</b>	<b>2%</b>
<b>KASB Securities</b>	<b>1%</b>
<b>Pearl Securities</b>	<b>1%</b>
<b>ICON Securities</b>	<b>1%</b>
	<b>30 June 2013</b>
JS Global Capital Ltd.	40%
KASB Securities Limited	15%
C & M Management Pvt. Limited	45%



**(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 - AGIMF**

	<b>30 June 2014</b>	<b>30 June 2013</b>	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
	----- ( Rupees in '000) -----				
Net Assets	<b>1,565,954</b>	333,747	253,875	284,292	588,956
NAV per unit	<b>48.0741</b>	47.3441	46.0373	49.4753	48.5182
Selling price per unit	<b>54.1793</b>	52.7208	51.9071	53.0108	49.9737
Redemption price per unit	<b>48.2934</b>	46.5413	42.0173	47.1599	48.5182
Highest selling price per unit	<b>50.0148</b>	48.7645	47.4184	50.9595	53.0994
Highest redemption price per unit	<b>52.0771</b>	51.1852	50.3953	51.4668	53.0994
Lowest selling price per unit	<b>46.8868</b>	45.1857	40.7935	45.7863	49.9737
Lowest redemption price per unit	<b>48.0741</b>	47.3441	46.0373	49.4753	48.5182
Total interim distribution per unit	<b>5.0445</b>	3.86	N/A	N/A	2.3689
Interim distribution date	<b>4-Jan-14</b>	27-Jun-13	N/A	N/A	18-Mar-10
	<b>30-Jun-14</b>	N/A	N/A	N/A	N/A
Final distribution per unit	<b>N/A</b>	N/A	N/A	N/A	N/A
Final distribution date	<b>N/A</b>	N/A	N/A	N/A	N/A
Annualized returns	<b>12.35%</b>	11.23%	-3.90%	1.97%	-4.89%
Income distribution	<b>10.65%</b>	8.38%	Nil	Nil	5.00%
Weighted avg. portfolio duration	<b>213 Days</b>	1.15 Yrs	1.64 Yrs	3.89 Yrs	59 Days

Return since inception is **5.41%**

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