

Half Yearly Report December 31, 2010

ALFALAH GHP Income Multiplier Fund



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FUND'S INFORMATION

Management Company:	Alfalah GHP Investment Management Limited 12th Floor, Tower 'A', Saima Trade Towers I.I. Chundrigar Road, Karachi.
Board of Directors of the Management Company:	<ul style="list-style-type: none">- Mr. Sarfraz Ali Sheikh- Mr. Abdul Aziz Anis- Mr. Shahid Hosain Kazi- Mr. Hani Theodor Karl- Mr. Shakil Sadiq- Mr. Shahab Bin Shahid- Mr. Omer Muhammad Khan
CFO & Company Secretary of the Management Company:	- Mr. Omer Bashir Mirza
Audit Committee:	<ul style="list-style-type: none">- Mr. Sarfraz Ali Sheikh- Mr. Shahid Hosain Kazi- Mr. Shakil Sadiq
Fund Manager:	- Mr. Zeeshan Khalil
Trustee:	Central Depository Company of Pakistan Limited. CDC House, 99-B, Block 'B', SMCHS, Main Shara-e-Faisal, Karachi.
Bankers to the Fund:	Bank Alfalah Limited Deutsche Bank AG
Auditors:	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road P.O. Box 8517, Karachi.
Legal Advisor:	Bawany & Partners Room No. 404, 4th Floor Beaumont Plaza, 6-cl-10 Beaumont Road, Civil Lines Karachi.
Registrar:	Alfalah GHP Investment Management Limited 12th Floor, Tower 'A', Saima Trade Towers I.I. Chundrigar Road, Karachi.
Distributor:	Bank Alfalah Limited

MISSION STATEMENT

Alfalah GHP Income Multiplier Fund aims to provide its unit holders with sustainable, consistent and inflation protected returns over a period of time through investment in income and money market instruments and securities.

VISION STATEMENT

Alfalah GHP Income Multiplier Fund aims to establish itself as the investment vehicle of choice for investors who seek to achieve sustainable, consistent and inflation protected returns over the long term through investment exposure to income and money market instruments and securities.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

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

Financial Performance

Net assets under management as on December 31, 2010 were Rs. 368.65 million. During the period units worth Rs. 213.04 million were redeemed.

AGIMF incurred total loss of Rs. 20.32 million for the half year ended December 31, 2010. Major sources of revenue were income from term finance certificates of Rs. 6.83 million, income from sukuk certificates of Rs. 6.35 million, profit on bank deposits of Rs. 3.86 million, income from government securities of Rs. 3.25 million. After accounting for expenses of Rs. 4.18 million the net loss from operating activities for the period stands at Rs. 17.17 million.

Market & Fund's Performance

The Fund ended the half year showing an annualized return of (9.70%) as compared to its benchmark index (1 Year KIBOR) showing an annualized return of 13.48%. Hence, the fund underperformed its benchmark by (23.18%) during the period.

The underperformance of the fund vis-à-vis its index is mainly due to provisioning against TFCs / Sukuks held by the fund. Pakistan witnessed an era of high GDP growth coupled with low interest rates during the 2003-07 period, with average cumulative GDP growth rate of 7.26%, and benchmark discount rate staying below 10% p.a. The high demand growth during this era attracted a number of companies to undertake debt financed capacity expansions, especially in the Cement, Auto, Textile and Fertilizer sectors. However, the boom in commodity prices in 2008 resulted in a sharp rise in inflation, leading the central bank to start hiking interest rates, with the benchmark policy discount rate currently at 14% p.a. The rising interest rates added to a rapidly deteriorating law and order situation badly impacted demand while increasing the cost of the incremental debt to unsustainable levels, which has led to the inability of issuers to service their debt obligations, and thus the need to provide against these TFCs / Sukuks.

Asset allocation as on December 31, 2010

Cash / Bank Deposits	20.91%
TFCs / Sukuks	65.09%
T-Bills	11.83%
Others	2.17%
Total	<u>100.00%</u>

Investment Outlook

We foresee a consistent but gradual uptrend in inflation and government borrowing requirements in the wake of weak revenue collection and foreign flows with slow structural reforms in areas particularly of tax collection, energy sector and supply side issues of essential commodities. Thus, we expect the central bank to continue with its tight monetary policy. We will remain cautious towards taking long term exposure especially in corporate papers. However, short to mid term exposure in risk free government papers will provide a healthy alternative investment avenue with prime focus on managing the duration of the exposure in order to minimize the interest rate and price volatility.

Acknowledgement

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

Karachi

For and on behalf of the Board

Abdul Aziz Anis
Chief Executive

TRUSTEE REPORT TO THE UNIT HOLDERS

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

The Alfalah GHP Income Multiplier Fund (the Fund), an open-end fund was established under a trust deed dated March 08, 2007, executed between Alfalah GHP Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the six month period ended December 31, 2010 in accordance with the provisions of the following:

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

For the purpose of information the attention of the unit holders is drawn towards the following facts:

1. The directives of the Securities and Exchange Commission of Pakistan (SECP) issued vide Circulars # 1 of 2009 and 3 of 2010, require that the debt securities shall only be reclassified as performing on receipt of all arrears i.e. principal as well as interest for the next two installments. The sukuk certificates of Maple Leaf Cement Factory Limited and Kohat Cement Company Limited were classified as performing in September 2010 and June 2010 based on their restructured plans approved in March 2010 and February 2010 respectively.

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

2. Management Company had requested the SECP to grant additional period to regularize the excess exposure in terms of the prescribed limits as provided under Regulation 55 (5) of the NBFC Regulations, in securities of Agritech Limited, Maple Leaf Cement Factory Limited and Kohat Cement Company Limited. However, SECP had granted the said approval for Agritech Limited only upto December 31, 2010 and declined to approve the excess exposure in Maple Leaf Cement Factory Limited and Kohat Cement Company Limited. Moreover, subsequent to December 31, 2010 no further pursuance was made with SECP for Agritech Limited.

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi

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

Introduction

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

Scope of Review

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

Conclusion

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

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

Karachi
Dated:

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

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

	Note	December 31 2010 (Un-Audited)	June 30 2010 (Audited)
----(Rupees in '000)----			
Assets			
Bank balances		77,986	66,098
Investments	5	286,865	516,214
Income and profit receivable		3,350	6,327
Deposits and prepayments		3,879	3,901
Preliminary expenses and floatation costs		848	1,142
Total assets		372,928	593,682
Liabilities			
Payable to Alfalah GHP Investment Management Limited - Management Company		403	636
Payable to Central Depository Company of Pakistan Limited - Trustee		64	102
Payable to Securities and Exchange Commission of Pakistan - Annual fee		163	234
Accrued expenses and other liabilities		3,652	3,754
Total liabilities		4,282	4,726
Contingencies and commitments	6	-	-
Net assets		368,646	588,956
Unit holders' fund (as per statement attached)		368,646	588,956
		(Number of units)	
Number of units in issue		7,938,212	12,138,871
		(Rupees)	
Net asset value per unit		46.4394	48.5182

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

For Alfalah GHP Investment Management Limited
(Management Company)

 Chief Executive

 Director

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

	Six months ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	------(Rupees in '000)-----			
Income				
Income from term finance certificates - net of amortisation of premium / discount	6,831	28,873	2,756	12,704
Income from government securities - net of amortisation of discount	3,254	1,694	2,275	1,477
Income from sukuk certificates	6,352	6,130	4,996	(3,807)
Profit on deposit accounts with banks	3,857	13,135	1,262	6,057
Capital loss on sale of investments	(11,199)	(16,683)	(5,952)	(8,325)
Income from term deposit receipts	72	-	-	-
Income from clean placement	31	808	-	689
Impairment in the value of investments classified as 'available for sale'	(45,047)	(24,877)	(45,047)	(24,877)
Reversal of impairment in the value of investments classified as 'available for sale'	22,823	-	22,823	-
Unrealised appreciation / (diminution) in the value of investments 'at fair value through profit or loss'	36	-	(20)	-
Total (loss) / income	(12,990)	9,080	(16,907)	(16,082)
Expenses				
Remuneration of Alfalah GHP Investment Management Limited - Management Company	2,724	4,908	1,204	2,348
Remuneration of Central Depository Company of Pakistan Limited - Trustee	436	786	193	376
Annual fee - Securities and Exchange Commission of Pakistan	163	294	72	141
Transaction cost	18	63	3	37
Bank and settlement charges	13	85	6	74
Fees and subscriptions	158	174	79	107
Auditors' remuneration	317	184	161	91
Legal charges	59	11	46	11
Amortisation of preliminary expenses and floatation costs	294	295	147	146
Printing and related cost	-	81	-	81
Total expenses	4,182	6,881	1,911	3,412
Net (loss) / income from operating activities	(17,172)	2,199	(18,818)	(19,494)
Net element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units repurchased	(3,146)	1,240	44	3,141
Net (loss) / income for the period	(20,318)	3,439	(18,774)	(16,353)

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

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

Chief Executive

Director

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

	Note	Six months ended		Quarter ended	
		December 31 2010	2009	December 31 2010	2009
----- (Rupees in '000) -----					
Net (loss) / income for the period		(20,318)	3,439	(18,774)	(16,353)
Other comprehensive income:					
Net unrealised appreciation in the value of investments classified as 'available for sale'	5.3	9,903	15,251	8,538	20,323
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing unrealised capital gains / (losses)		138	(10,438)	701	(14,675)
Other comprehensive income for the period		10,041	4,813	9,239	5,648
Total comprehensive (loss) / income for the period		<u>(10,277)</u>	<u>8,252</u>	<u>(9,535)</u>	<u>(10,705)</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

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

Chief Executive

Director

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

	Six months ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	------(Rupees in '000)-----			
Undistributed (loss) / income brought forward:				
- Realised	(7,118)	103,068	(9,225)	127,097
- Unrealised	(56)	(62,196)	(56)	(62,196)
	<u>(7,174)</u>	<u>40,872</u>	<u>(9,281)</u>	<u>64,901</u>
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing unrealised capital gains / (losses)	138	(10,438)	701	(14,675)
Net (loss) / income for the period	<u>(20,318)</u>	<u>3,439</u>	<u>(18,774)</u>	<u>(16,353)</u>
	<u>(20,180)</u>	<u>(6,999)</u>	<u>(18,073)</u>	<u>(31,028)</u>
Undistributed (loss) / income carried forward:				
- Realised	(27,390)	33,873	(27,334)	33,873
- Unrealised	36	-	(20)	-
	<u>(27,354)</u>	<u>33,873</u>	<u>(27,354)</u>	<u>33,873</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

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

Chief Executive

Director

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

	Six months ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	------(Rupees in '000)-----			
Net assets at the beginning of the period	588,956	695,994	391,731	845,467
Issue of nil units (2009: 5,226,514 units) and nil units (2009: 184,575 units) for the six months and quarter respectively.	-	268,505	-	9,687
Redemption of 4,200,659 units (2009: 6,624,288 units) and 270,994 units (2009: 4,192,670 units) for the six months and quarter respectively.	(213,041)	(347,591)	(12,805)	(221,625)
	(213,041)	(79,086)	(12,805)	(211,938)
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units repurchased:				
- amount representing accrued loss and realised capital losses transferred to the Income Statement	3,146	(1,240)	(44)	(3,141)
- amount representing unrealised capital (gains) / losses transferred directly to the Distribution Statement	(138)	10,438	(701)	14,675
	3,008	9,198	(745)	11,534
Net unrealised appreciation in the value of investments classified as 'available for sale'	9,903	15,251	8,538	20,323
Capital loss on sale of investments	(11,199)	(16,683)	(5,952)	(8,325)
Unrealised appreciation / (diminution) in the value of investments - 'at fair value through profit or loss'	36	-	(20)	-
Other net (loss) / income for the period	(9,155)	20,122	(12,802)	(8,028)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased	138	(10,438)	701	(14,675)
Net (loss) / income for the period less distributions	(20,180)	(6,999)	(18,073)	(31,028)
Net assets at the end of the period	368,646	634,358	368,646	634,358
	------(Rupees)-----			
Net asset value per unit at the beginning of the period	48.5182	51.2437	47.7185	52.2140
Net asset value per unit at the end of the period	46.4394	52.0637	46.4394	52.0637

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

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

Chief Executive

Director

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

	Six months ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
----- (Rupees in '000) -----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) / income for the period	(20,318)	3,439	(18,774)	(16,353)
Adjustments for:				
Net element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units repurchased	3,146	(1,240)	(44)	(3,141)
Impairment in the value of investments classified as 'available for sale'	45,047	24,877	45,047	24,877
Reversal of impairment in the value of investments classified as 'available for sale'	(22,823)	-	(22,823)	-
Unrealised (appreciation) / diminution in the value of investment 'at fair value through profit or loss'	(36)	-	20	-
Profit on deposit accounts with banks	(3,857)	(26,625)	(1,262)	(26,625)
Income from term finance certificates - net of amortisation of premium / discount	(6,831)	(70,599)	(2,756)	(70,599)
Income from sukuk certificates	(6,352)	(25,374)	(4,996)	(25,374)
Income from term deposit receipts	(72)	(3,302)	-	(3,302)
Income from clean placements	(31)	(1,683)	-	(1,683)
Amortisation of preliminary expenses and floatation costs	294	295	147	146
	(11,833)	(100,212)	(5,441)	(122,054)
(Increase) / decrease in assets				
Investments	217,064	117,967	(8,347)	62,082
Receivable against sale of investments	-	-	21,245	-
Deposits and prepayments	22	(128)	35	(72)
	217,086	117,839	12,933	62,010
Decrease / (Increase) in liabilities				
Payable to Alfalah GHP Investment Management Limited - Management Company	(233)	(147)	(22)	(182)
Payable to Central Depository Company of Pakistan Limited - Trustee	(38)	(23)	(4)	(29)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(71)	294	72	141
Accrued expenses and other liabilities	(102)	178	(239)	10
	(444)	302	(193)	(60)
Profit received on term finance certificates	9,164	74,364	3,390	81,297
Profit received on sukuk certificates	6,121	28,825	4,765	28,825
Profit received on deposit accounts with banks	4,732	26,939	1,614	26,939
Profit received on term deposit receipts	72	4,950	-	4,950
Profit received from other debt securities	31	1,683	-	1,683
Net cash from operating activities	224,929	154,690	17,068	83,590
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from sale of units	-	270,452	-	11,634
Payment against redemption of units	(213,041)	(347,591)	(12,805)	(221,625)
Cash dividend paid	-	(25,356)	-	(1,947)
Net cash used in financing activities	(213,041)	(102,495)	(12,805)	(211,938)
Net increase / (decrease) in cash and cash equivalents during the period	11,888	52,195	4,263	(128,348)
Cash and cash equivalents at the beginning of the period	66,098	133,514	73,723	314,057
Cash and cash equivalents at the end of the period	77,986	185,709	77,986	185,709

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

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

Chief Executive

Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

The Alfalah GHP Income Multiplier Fund (the Fund) was established through a Trust Deed under the Trust Act, 1882, executed between Alfalah GHP Investment Management Limited, (the Management Company) and Central Depository Company of Pakistan Limited (the Trustee) and is authorised under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules 2003). The Trust Deed was executed on 08 March 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the NBFC Rules 2003. The registered office of the Management Company is situated at 12th Floor, Tower A, Saima Trade Tower, I.I. Chundrigar Road, Karachi.

Alfalah GHP Income Multiplier Fund (AGIMF) is an open ended mutual fund. The primary objective of the Fund is to invest in high quality debt securities and liquid money market instruments and placements.

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

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.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of AM3' to the Management Company in its rating report dated 10 February 2010 and 2 star rating to the Fund in its credit rating report dated 25 Oct 2010.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

3. ACCOUNTING POLICIES

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

4. FINANCIAL RISK MANAGEMENT

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

5. INVESTMENTS

	Note	December 31 2010	June 30 2010
		----(Rupees in '000)----	
- Available for sale			
Investment in term finance certificates	5.1	112,434	213,905
Investment in sukuk certificates	5.2	130,298	112,853
		242,732	326,758
- At fair value through profit or loss			
Market treasury bills	5.5	44,133	189,456
		286,865	516,214

5.1 Investment in term finance certificates - 'available for sale'

Name of the investee company	Maturity	Profit / mark-up percentage	As at 01 July 2010	Purchases during the period	Sales during the period	Redemption during the period	As at 31 December 2010	Cost as at 31 December 2010	Market value as at 31 December 2010	Unrealised diminution in the value of investments	Investments as a percentage of net assets	Market value as a percentage of total investments	Outstanding principal value as a percentage of issued debt capital
			----- (Number of certificates) -----				----- (Rupees in '000) -----						
Listed term finance certificates													
Financial Receivable Securitization Limited	January 2014	6M KIBOR + 2%	1,992	-	-	-	1,992	5,808	5,744	(64)	1.56	2.00	1.42
Trust Investment Bank Limited (note 5.1.1)	July 2013	6M KIBOR + 1.85%	8,000	-	-	-	8,000	29,988	28,453	(1,535)	7.72	9.92	6.67
Pakistan Mobile Communication Limited	October 2013	6M KIBOR + 1.65%	12,000	-	12,000	-	-	-	-	-	-	-	-
Unlisted term finance certificates													
Security Leasing Corporation Limited	March 2014	6.00%	2,000	-	-	-	2,000	3,082	2,285	(797)	0.62	0.80	2.00
Agritech Limited (formerly Pak American Fertilizers Limited) (note 5.1.2)	November 2014	6M KIBOR + 1.75%	19,000	-	-	-	19,000	94,924	47,462	(47,462)	12.87	16.55	6.33
Al-Zamin Leasing Modaraba (note 5.1.3)	November 2013	6M KIBOR + 1.90%	10,000	-	-	-	10,000	39,583	19,792	(19,791)	5.36	6.90	7.14
Trakker (Private) Limited	September 2011	6M KIBOR + 2.85%	200	-	-	-	200	5,000	4,993	(7)	1.35	1.74	10.00
SME Leasing Limited	July 2011	3M KIBOR + 1.50%	3,000	-	-	-	3,000	3,750	3,705	(45)	1.01	1.29	1.50
Total								182,135	112,434	(69,701)			

5.1.1 During the current period, Trust Investment Bank Limited (TIBL) was regular in its repayment of principal and mark-up and its fair value increased from 88.63 as at 30 June 2010 to 94.88 as at 31 December 2010. Accordingly, the Fund has reversed the impairment loss amounting to Rs 1.874 million in the current period.

5.1.2 Agritech Limited (formerly Pak American Fertilizer Limited) has defaulted in its payment of principal and mark-up due on 29 May 2010 and MUFAP has classified such TFC in 'non performing'. Accordingly, unrealized loss amounting to Rs 18.984 million was transferred to Income Statement during the current period.

5.1.3 Al-Zamin Leasing Modaraba has defaulted in its payment of principal and mark-up during the current period and MUFAP has classified such TFC in 'non performing'. Accordingly, unrealized loss amounting to Rs 19.791 million was transferred to Income Statement during the current period.

5.2 Investment in sukuk certificates - 'available for sale'

Name of the investee company	Maturity	Profit / mark-up percentage	As at 01 July 2010	Purchases during the period	Sales during the period	Redemption during the period	As at 31 December 2010	Cost as at 31 December 2010	Market value as at 31 December 2010	Unrealised diminution in the value of investments	Investments as a percentage of net assets	Market value as a percentage of total investments	Outstanding principal value as a percentage of issued debt capital
			----- (Number of certificates) -----				----- (Rupees in '000) -----						
Maple Leaf Cement Factory Limited (note 5.2.2)	December 2018	3M KIBOR + 1%	15,000	-	-	-	15,000	74,936	46,996	(27,940)	12.75	16.38	1.88
Maple Leaf Cement Factory Limited II (note 5.2.3)	March 2012	3M KIBOR + 1%	-	562	-	-	562	2,810	1,978	(832)	0.54	0.69	0.94
Kohat Cement Company Limited (note 5.2.4)	December 2015	6M KIBOR + 1.80%	25,000	-	-	-	25,000	120,750	81,324	(39,426)	22.06	28.35	5.00
								198,496	130,298	(68,198)			

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

5.2.2 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. After restructuring, sukuk certificates of MLCF have been regularized by MUFAP i.e. repayment of markup as per the restructured terms have been received by the fund on 31 March 2010, 08 May 2010 and 03 June 2010 amounting to Rs 2.938 million, Rs 0.012 million and Rs 0.012 million respectively. However, the markup received after restructuring represents 0.5% of the actual markup and 99.5% of the remaining markup will be paid after 2 years from the date of restructuring. Furthermore, fair value of these sukuk certificates have also declined from Rs 69.97 as at 30 June 2010 to Rs 62.71 as at 31 December 2010.

5.2.3 At the time of signing of the first addendum on 30 March 2010, between MLCF and the investment agent of the sukuk certificates, the fund received an amount of Rs 2.938 million representing approximately 50% of the markup due upto 03 December 2009 and the repayment of the balance markup was settled by issuance of additional sukuk certificates. These additional units of sukuk certificates have been transferred to the fund's security account maintained with the CDC and accordingly have been recorded in the books of the fund during the period. However the fair value of these sukuk certificates have declined during the current period from Rs 75 to Rs 70.41 and accordingly the fund has recognized the unrealized loss on these sukuk certificates to Income Statement.

5.2.4 After restructuring, sukuk certificates of Kohat Cement Company Limited (KCCL) have been regularized by MUFAP i.e. two mark-up instalments have been received by the fund after restructuring, amounting to Rs 1.25 million each on due dates. Based on this situation, the Fund has reversed the provision amounting to Rs 20.95 million during the current period.

5.2.5 Detail of non-compliant investments with the investment criteria prescribed in circular 7 of 2009 issued by the Securities and Exchange Commission of Pakistan. As per circular 7 of 2009, minimum credit rating of the debt instrument in which investment is placed should not be lower than investment grade (credit rating of BBB and above). However, following investments are non-compliant, since the investment grading as per PACRA is lower than investment grade.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held if any	Value of investment after provision	Fair value as a percentage of gross assets	Credit rating
----- (Rupees in '000) -----						
Agritech Limited (formerly Pak American Fertilizers Limited)	Term finance certificates	94,924	(47,462)	47,462	12.73%	CCC
Maple Leaf Cement Factory Limited	Sukuk certificates	74,936	(27,940)	46,996	12.60%	BB+
Kohat Cement Company Limited	Sukuk certificates	120,750	(39,426)	81,324	21.81%	Non-rated
Maple Leaf Cement Factory Limited II	Sukuk certificates	2,810	(832)	1,978	0.53%	BB+

5.3 Net unrealised appreciation / (diminution) in the value of investments classified as 'available for sale'

	31 December 2010	30 June 2010
--- (Rupees in '000) ---		
Fair value of investments classified as 'available for sale'	242,732	326,758
Less: cost of investments classified as 'available for sale'	(380,631)	(452,336)
Net unrealised diminution in the value of investments	(137,899)	(125,578)
Impairment charged to income statement	45,047	28,477
Reversal of impairment during the period	(22,823)	(789)
	(115,675)	(97,890)
Net unrealised diminution in the value of investments at the beginning of the period	125,578	95,804
Net unrealised appreciation / (diminution) in the value of investments at the end of the period	9,903	(2,086)

5.4 Particulars of impairment in the value of investments classified as 'available for sale'

Balance at the beginning of the period	114,761	87,073
Charge for the period	45,047	28,477
Reversal during the period	(22,823)	(789)
	22,224	27,688
Balance at the end of the period	136,985	114,761

5.5 Investment in market treasury bills - 'at fair value through profit or loss'

Issue date	Tenor	As at 01 July 2010	Purchases during the period	Sales during the period	Matured during the period	As at 30 June 2010	Cost as at 31 December 2010	Market value as at 31 December 2010	Unrealised diminution in the value of investments	Investment as a percentage of net assets	Market value as a percentage of total investments
7-May-09	1 Year	-	50,000	-	50,000	-	-	-	-	-	-
23-Apr-09	1 Year	-	100,000	-	100,000	-	-	-	-	-	-
11-Mar-10	1 Year	-	150,000	50,000	100,000	-	-	-	-	-	-
4-Jun-09	1 Year	-	50,000	-	50,000	-	-	-	-	-	-
18-Jun-09	6 Months	-	75,000	-	75,000	-	-	-	-	-	-
17-Dec-09	6 Months	-	50,000	-	50,000	-	-	-	-	-	-
25-Mar-10	1 Year	-	50,000	-	50,000	-	-	-	-	-	-
22-Apr-10	3 months	100,000	-	25,000	75,000	-	-	-	-	-	-
8-Apr-10	3 months	90,000	-	-	90,000	-	-	-	-	-	-
6-May-10	3 months	-	27,000	-	27,000	-	-	-	-	-	-
30-Jul-09	1 year	-	50,000	-	50,000	-	-	-	-	-	-
13-Aug-09	1 year	-	50,000	-	50,000	-	-	-	-	-	-
27-Aug-09	1 year	-	50,000	-	50,000	-	-	-	-	-	-
9-Sep-10	3 months	-	50,000	5,000	45,000	-	-	-	-	-	-
7-Oct-10	3 months	-	50,000	-	50,000	-	-	-	-	-	-
2-Dec-10	3 months	-	45,000	-	-	45,000	44,153	44,133	(20)	11.97	15.38
Total investment - 'at fair value through profit or loss'							<u>44,153</u>	<u>44,133</u>	<u>(20)</u>		
Grand total							<u>424,784</u>	<u>286,865</u>			

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

	31 December 2010	30 June 2010
	---(Rupees in '000)---	
Fair value of investments classified as 'at fair value through profit or loss'	44,133	189,456
Cost of marketable securities classified as 'at fair value through profit or loss'	(44,153)	(189,512)
Net unrealised diminution in the value of investments at the end of the period	<u>(20)</u>	<u>(56)</u>
Net unrealised diminution in the value of investments at the beginning of the period	56	-
Net unrealised appreciation / (diminution) in the value of investments at the end of the period	<u>36</u>	<u>(56)</u>

6. CONTINGENCIES AND COMMITMENTS

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

7. WORKERS' WELFARE FUND

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

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

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

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 3,119,160 up to 31 December 2010.

8. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for

the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Management Company intends to distribute sufficient accounting income of the Fund for the year ending 30 June 2011 in order to comply with the above stated clause to enjoy the tax exemption. Accordingly, no tax provision has been made in these condensed interim financial information for the six months period ended 31 December 2010.

9. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of NBFC Rules 2003 and NBFC Regulations 2008 and Trust Deed respectively.

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

Transactions and balances with connected persons / related parties:

	31 December 2010		30 June 2010	
	(Units in '000)	(Rupees in '000)	(Units in '000)	(Rupees in '000)
Units sold to:				
Alfalah GHP Investment Management Limited	-	-	292	15,500
Bonus units distributed to:				
Bank Alfalah Limited	-	-	526	26,677
Alfalah GHP Investment Management Limited	-	-	14	692
Units redeemed during the period by:				
Alfalah GHP Investment Management Limited	-	-	306	15,397
Bank Alfalah Limited	4,137	210,000	-	-

	December 31 2010	June 30 2010
Units held by:		
Bank Alfalah Limited	7,650	11,787

	December 31	June 30
	2010	2010
	(Rupees in '000)	
Alfalah GHP Investment Management Limited - Management Company		
Balance at the beginning of the period	636	692
Remuneration for the period	<u>2,724</u>	<u>3,900</u>
	<u>3,360</u>	<u>4,592</u>
Amount paid during the period	<u>(2,957)</u>	<u>(3,956)</u>
Balance at the end of the period	<u>403</u>	<u>636</u>
Central Depository Company of Pakistan Limited - Trustee		
Balance at the beginning of the period	102	111
Remuneration for the period	436	624
Central Depository charges for the period	<u>11</u>	<u>36</u>
	<u>549</u>	<u>771</u>
Amount paid during the period	<u>(485)</u>	<u>(669)</u>
Balance at the end of the period	<u>64</u>	<u>102</u>
Deposit with Central Depository Company of Pakistan Limited	<u>200</u>	<u>200</u>
Bank Alfalah Limited		
Balance in deposit account at the end of the period	<u>77,953</u>	<u>66,065</u>
Profit receivable on deposit accounts at the end of the period	<u>269</u>	<u>1,143</u>
Bank charges	<u>11</u>	<u>29</u>
Profit on deposit accounts	<u>3,856</u>	<u>6,364</u>
GENERAL		

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

11. DATE OF AUTHORIZATION FOR ISSUE

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

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

Chief Executive

Director

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