CONTENTS

FUND'S INFORMATION

Management Company:	Alfalah GHP Investment Management Limited 12th Floor, Tower 'A', Saima Trade Towers I.I. Chundrigar Road, Karachi.
Board of Directors of the Management Company:	- Mr. Abdul Aziz Anis - Mr. Shahid Hosain Kazi - Mr. Hanspeter Beier - Mr. Shakil Sadiq - Mr. Shahab Bin Shahid
CFO & Company Secretary of the Management Company:	- Mr. Omer Bashir Mirza
Audit Committee:	- Mr. Shahab Bin Shahid - Mr. Shahid Hosain Kazi - Mr. Shakil Sadiq
Trustee:	Central Depository Company of Pakistan Limited CDC House, 99-B, Block 'B', SMCHS, Main Shara-e-Faisal, Karachi.
Fund Manager:	- Mr. Ather H. Medina
Bankers to the Fund:	Bank Alfalah Limited
Auditors:	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road P.O. Box 15541, Karachi.
Legal Advisor:	Bawaney & Partners Room No. 404, 4th Floor Beaumont Plaza, 6-cl-10 Beaumont Road, Civil Lines Karachi.
Registrar:	Alfalah GHP Investment Management Limited 12th Floor, Tower 'A', Saima Trade Towers I.I. Chundrigar Road, Karachi.
Distributor:	Bank Alfalah Limited
Rating:	2 Star (Short term) / 4 Star (Long term) by PACRA

MISSION STATEMENT

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

VISION STATEMENT

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Alfalah GHP Investment Management Limited (AGIM), the Management Company of Alfalah GHP Islamic Fund (AGIF) is pleased to present its annual report on the affairs of AGIF along with the audited accounts, report of the trustee and auditors' report to the unit holders for the year ended 30 June 2012.

Financial Performance
Net assets under management as at 30 June 2012 were Rs.324.60 million. During the year units worth Rs. 14.00 million were issued and units worth Rs. 1.91 million were redeemed.

AGIF earned total income of Rs. 50.24 million for the year ended 30 June 2012 including impairment loss in the value of investments classified as 'available for sale' of Rs. 1.93 million. Major sources of revenue were capital gains of Rs. 19.52 million, dividend income of Rs.14.45 million, profit on bank deposits of Rs. 12.53 million and income from Sukuk Certificates of Rs. 1.89 million. After accounting for expenses of Rs. 13.67 million, the net income from operating activities for the year stands at Rs. 36.57 million.

Income distribution
The Board of Directors of Alfalah GHP Investment Management Limited (AGIM), the management company of Alfalah GHP Islamic Fund (AGIF), in its meeting held on 27 June 2012 has declared Interim distribution for the period ended 30 June 2012 in the form of cash dividend and bonus units at the rate of Rs. 5.75 per unit, (i.e. 10.80% of the Ex-NAV of Rs. 53.23 at the beginning of the year).

As the above distribution is more than 90% of the realized income for the period, the income of the Fund will not be subject to tax under clause 99 of the part I of the 2nd schedule of the income tax ordinance 2001.

Comments on Auditors Qualification
As at period end 2011 & 2012 all debt securities in portfolio of Fund are valued at MUFAP prices as required under circular 1 of 2009 and circular 3 of 2010. The amount of reversal of impairment provision of debt securities classified as available for sale from non-performing to performing during the periods are reversed through profit and loss account after calculating the difference between the acquisition cost (net of any principal repayments) and the fair value of security as announced by MUFAP on reclassification, less any impairment losses on debt securities earlier made on time based provision criteria of SECP circular 1. The management is of the opinion that accounting treatment adopted by Management for valuing debt securities and their subsequent reversals are in compliance with SECP circulars and within the laid down accounting procedures of IAS 39 and further as per AMC Board approved provision policy. For clarification the matter was referred to Trustee of the Fund ("CDC - Trustee") and SECP. The CDC-Trustee in their opinion informed management that the issue does not pertain to non-compliance of SECP circulars as the securities were valued by the Management Company (AGIM) at the rates specified by the MUFAP. The SECP in its response directed management to approach MUFAP for resolution of the said matter in light of the Regulatory Framework. In response to the SECP suggestion the management plans to take up the matter with MUFAP.

Economic Review
FY12 was another difficult year for the policymakers as the economy missed almost all the major targets set by the government including growth, deficits etc. GDP growth of 3.7% was less than the target of 4.2%, primarily driven by growth in the agriculture and services sectors as growth in manufacturing sectors remained subdued due to severe shortages of electricity/gas. Additionally, the Pak Rupee depreciated by ~9% during the year as the country's foreign exchange reserves depleted by USD 3 billion to USD 15.2 billion.

Despite strong growth in foreign remittances (USD 13.186 billion, up 17.7% from USD 11.200 billion in the previous year) the country's external side continued to face pressure on the back of prevailing uncertainty in European countries, non-materialization of 3G auction proceeds, and delays in reimbursement of Collation Support Fund (CSF) due to the continued and prolonged closure of the NATO supply route.

In order to make up for external funding squeeze and fiscal deficit financing, the government budgetary borrowing requirement stepped up substantially. Subsidies to the power sector jumped up by over 35% y-o-y to PKR 464.256 billion in FY12 from PKR 343.144 billion in FY11.

During FY12 net government budgetary borrowing for budgetary support increased by 103% to PKR 1.144 trillion. Around 55.6% of the borrowing needs were met through commercial banks and the rest 44.4% were met through SBP. The overall effect of this increased the Net Domestic Assets (NDA) by 20% to PKR 7.115 trillion. Heavy borrowing reliance on commercial banks also crowded out the private sector credit off take, which during the FY12 showed a mere ~7% growth or addition of PKR 235 billion.

On a positive note, for the fiscal year 2011-12 policy makers have succeeded in containing inflation within the target annual period average CPI of 11%. Declining commodity prices coupled with weak international oil prices were primarily responsible for containing inflationary levels over FY12, aided in part by ingenious statistical reconfiguration.

Asset Allocation

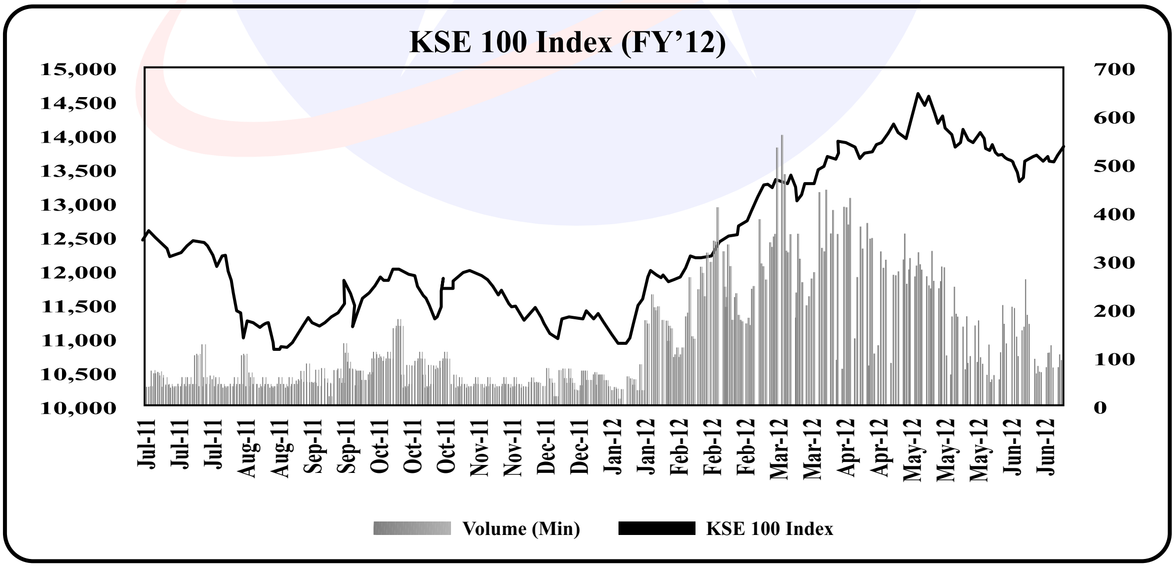
The asset allocation of the Fund as at 30 June 2012 was as follows:

Equity	53.18%
Cash / Bank Deposit	41.32%
Sukuk certificates	4.14%
Others	1.36%
Total	**100.00%**

Stock Market Review

In FY12, the benchmark KSE-100 index gained 10.4% or 1,305 points to close at 13,801 points. Weak return in the first half (-9.2%) of the year were followed by strong gains in the second half (+21.6%). Relaxation in CGT rules announced in 2HFY12 provided impetus to the dull market. The increased activity remained until early May, and thereafter, the advent of a standoff between the executive and the judiciary halted the market rise and led to a sharp decline in trading volumes.

Foreign investors were net sellers with net outflow of USD187.05 million in FY12 versus a net inflow of USD279.88 million during FY11. The average daily volumes for the full year, though improved slightly to 129.92 million shares compared to 95 million shares, a year earlier. However, in value terms the amount remained static as average daily value traded was PKR 4 billion or USD 44 million compared to PKR 3.8 billion or USD 44 million in FY11.



Future Outlook

Despite a tough year on multiple fronts, including worsening macro situation, deteriorating law and order, and a virtual continuous standoff between the executive and judiciary, corporates continued to post strong earnings, and the equity markets continued to reward good performers.

The risk factors continue to remain a delicate economic situation, with strong pressure on the current account and external account as election year politics will result in sustained inflated fiscal subsidies, while the upcoming external debt repayments will keep the currency under pressure. Nevertheless, we expect strong corporate earnings to continue driving the market.

With regards to the interest rate scenario, as per market expectations the central bank may consider a looser monetary policy on the back of easing inflation and improved external account position due to renewed flows from CSF (Coalition Support Fund). However, we would be more comfortable with the SBP following a prudent approach.

Statement of Compliance with the Code of Corporate Governance

- The financial statements prepared by the management present fairly its affairs and the results of its operations, cash flows and movement in unit holders' funds.
- The Fund has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Financial Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies (NBFC) Regulations 2008, requirements of the Trust Deed and directives of Securities and Exchange Commission of Pakistan have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon Funds' ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Karachi Stock Exchange (KSE) Listing Regulations.
- Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- Key financial data for the year ended 30 June 2012 is given in annexure of the annual report.
- Pattern of share holding of units is given in annexure of the annual report.
- Profile of members of Investment committee is given in annexure of the annual report.

Attendance of Board Meetings
Statement showing attendance of Board meetings of the Management Company - Alfalah GHP Investment Management Limited is given in annexure of the annual report.

Appointment of External Auditors
As recommended by the Audit Committee, the Board of Directors of the Management Company has appointed M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants as the Fund's Auditors for the year ending 30 June 2013.

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

For and on behalf of the Board

16 October, 2012
Karachi

Abdul Aziz Anis
Chief Executive

REPORT OF THE FUND MANAGER

Investment objective

Alfalah GHP Islamic Fund is an open end Shariah compliant asset allocation fund. The Fund seeks to invest in Shariah compliant equity and income (sukuks) instruments with a view to earning Halal income for its investors over the medium to long term. The Fund seeks to actively switch and manage investment allocations in the above asset classes with a view to optimizing returns.

Objective accomplishment

The per unit Net Asset Value of AGIF appreciated by 12.11% in FY12. Equity exposure of the fund was increased during the 1st quarter in anticipation of strong corporate earnings, peaking at 68.40% in September. Thereafter, profits were booked where possible and the equity exposure was gradually brought down to 52.45% by 2QFY12, and 47.01% by 3QFY12. Year end buying in scripts with attractive valuations lifted up the equity exposure to 53.18% by the end of the year.

Benchmark relevant to the fund

The benchmark is 50% KMI 30 Index + 50% 6 month average deposit rate of Islamic Banks.

Funds' performance with benchmark

FY'12 Return	Benchmark	Relative Performance
12.11%	10.57%	1.54%

The fund outperformed its benchmark by 1.54% during the period. The fund manager actively managed the asset allocation strategy of the fund by booking profits where possible, and reducing the equity exposure during bear spells.

Asset allocation (As at 30 June 2012)

Equity	53.18%
Cash / Bank Deposits	41.32%
Sukuk certificate	4.14%
Others	1.36%
Total	**100%**

Any Significant changes in the state of affairs of fund

There were no significant changes in state of affairs of Funds for the year under review.

Fund's Performance

On Size (Rupees in '000)

As on June 30, 2012	As on June, 30, 2011	% Change
324,602	327,397	-0.85%

On Price ^ (Rupees)

As on June 30, 2012	As on June, 30, 2011	% Change **
53.89	56.73	12.11%

^ Annualised Return based on Adjusted Prices
** Return calculated after incorporating distribution during the period

Disclosure on the Markets

The Fund mainly invests in the following markets:

- **Islamic Equity**
  In this investment is made in Shariah compliant stocks and shares listed on the stock exchanges of the country.

- **Islamic Income**
  In this investment is made in Shariah compliant income securities (sukooks) issued by govt. and semi govt. entities or by private sector corporate. Such securities can either be listed or unlisted, secured or unsecured. Investment in this asset class is subject to overall investment parameters as defined in the Fund Offering Document.

  A full list of investment avenues for the Fund can be obtained from the Fund's Offering Document.

Markets and their Returns

- **Islamic Equity**
  The Shariah Compliant equities witnessed a stellar year in FY12 and KMI30 index gained 13.57%. In contrast to broader market of conventional equity scrips, the performance of the shariah compliant scrips was more pronounced. Underperforming financial sector stocks and higher interest rates, both served as a drag on the conventional market.

- **Islamic Income**
  Islamic fixed income securities especially corporate Sukuks from the private sector suffered high inactivity in FY 2012. The majority of activity in Islamic debt market was in placements with Islamic banks and Ijara Sukuk issued by government.

Disclosure of Other Remunerations

NIL

Performance Table

Key financial data is disclosed in annexure to the financial statements

Risk Disclosure

Investors in the Fund must realize that all investment in mutual funds and securities are subject to market risks. Our target return / dividend payout cannot be guaranteed and it should be clearly understood that the portfolio of the Fund is subject to interest rates, money market and stock market fluctuations and other risks inherent in all such investments.

Disclaimer

Prices of the Units of the Fund and income from them may go up or down.

Under exceptional (extraordinary) circumstances, the Management Company may declare suspension of redemptions, invoke a queue system or announce winding-up. In such events the investor will probably have to wait for payment beyond the normal period and the redemption amount so determined may be lower than the price at the time the redemption request is lodged. Investors are advised to read the relevant clauses of the Fund's Trust Deed and Offering Document for more detailed information regarding this clause.

The Units of the Trust are not the bank deposits and are neither issued by, insured by, obligations of, nor otherwise supported by the SECP, any Government agency, the Management Company, the Trustee (except to the extent specifically stated in this document and the Trust Deed) or any of the shareholders of the Management Company or any of the Core Investors or any other bank or financial institutions.

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED
Head Office
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

ALFALAH GHP ISLAMIC FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Alfalah GHP Islamic Fund (the Fund) are of the opinion that Alfalah GHP Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 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.

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

Karachi: October 23, 2012

REPORT OF THE SHARIAH ADVISORY BOARD
ALFALAH GHP ISLAMIC FUND

We, the Shariah Advisory Board of the Fund are issuing this report in accordance with clause 3.2 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of M/s Alfalah GHP Investment Management Ltd (AGIML), the management company of the Fund, to establish & maintain a system of internal controls to ensure compliance with the Shariah Guidelines. Our responsibility is to express an opinion, based on our review of the representations made by the management, to the extent where such compliance can be objectively verified.

In the capacity of Shariah Advisor, we have prescribed criteria on the basis of the following;

(i) Nature of Business,
(ii) Interest bearing debt in relation to the total assets
(iii) Illiquid assets in relation to the total assets,
(iv) Investment in Non-Shariah Compliant activities to total assets and income from non-compliant investments to Gross revenues, and
(v) Net Liquid assets per share vs. share price.

We have reviewed and approved the modes of investments of AGIF in light of Shariah requirements. The following is a list of equity investments of AGIF as on 30 June 2012 and their evaluation according to the screening criteria established by us. (The latest half yearly of the Investee companies available as on 31 December 2011 have been used for the following calculations):

Company Name	(i) Nature of Business	(ii) Debt to Assets (<37%)	(iii) Illiquid Asset to Total Assets (>25%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) % of Non-Shariah Compliant Investment (<33%)	(vi) Net Liquid Asset Vs Share Price (B>A): Net Liquid Assets / Share (A)	Market Price / Share (B)
Fauji Fertilizer Bin Qasim Ltd.	Fertilizer	28.78%	49.09%	2.14%	22.00%	-6.52	42.43
ICI Pakistan Ltd.	Chemical	0.00%	66.14%	0.65%	0.00%	3.52	120.27
Fauji Fertilizer Co. Ltd.	Fertilizer	30.78%	48.27%	1.69%	32.87%	-3.57	149.54
Lucky Cement	Cement	16.00%	94.23%	0.00%	0.00%	-31.19	75.04

Ltd.							
DG Khan Cement Co. Ltd.	Cement	36.35%	70.51%	3.55%	22.30%	-15.17	19.03
Hub Power Co. Ltd.	Power Generation	31.05%	34.21%	0.07%	0.00%	-31.87	34.20
Oil & Gas Development Co. Ltd.	Oil & Gas Exploration	0.00%	40.78%	4.20%	18.58%	23.94	151.62
Pakistan State Oil	Oil Marketing	5.09%	32.25%	0.22%	0.00%	-304.47	227.21
Pakistan Oilfields Ltd.	Oil & Gas Exploration	0.00%	44.74%	4.21%	3.33%	55.42	346.45
Pakistan Petroleum Ltd.	Oil & Gas Exploration	0.12%	32.55%	4.85%	31.96%	48.27	168.32
Thall Ltd.	General Industrial	14.43%	73.09%	0.33%	2.45%	-20.31	81.80

In light of the above scope, we hereby certify that all the provisions of the scheme and investment made by the Fund for the year ended 30 June, 2012 are in compliance with the Shariah principles.

Where there are investments made by AGIF and Investee companies have earned a part of their income from non-compliant sources (e.g. interest income), in such cases, the management company has been directed to set aside as charity such proportion of the income from Investee companies in order to purify the earnings of the Fund.

Outstanding balance of charity account amounts to Rupees **331,407** including an amount of Rupees **254,724** transferred during the year.

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

For and on behalf of Shariah Advisory Board

Dr. Ejaz Ahmed Samdani

Mufti Khalil Ahmad Aazami

Date 17 OCT 2012
Karachi

ERNST & YOUNG

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

Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

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

We have performed an independent assurance engagement of **Alfalah GHP Islamic Fund** (the Fund) to ensure that the Fund has complied with the Shariah rules and principles prescribed by the Shariah Board of the Fund during the year ended 30 June 2012, in accordance with clause 3.3 of the Trust Deed of the Fund.

2. Management's responsibility for Shariah compliance

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

3. Our responsibility

3.1. We planned and performed our evidence gathering procedures to obtain a basis for our conclusion in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) "Assurance Engagements other than Audits or Reviews of Historical Financial information". This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Fund's compliance with the Shariah rules and principles as determined by the Shariah Board.

3.2. The "Assurance Procedures" selected by us for the engagement were dependent on our judgment, including the assessment of the risks of material non-compliance with

EYFRSH

ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

-: 2 :-

the Shariah rules and principles. In making those risk assessments, we considered internal controls relevant to the Fund's compliance with the Shariah rules and principles in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.

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

4. Our opinion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah rules and principles as determined by Shariah Board of the Fund during the year ended 30 June 2012.

Ernst & Young Ford Rhodes Sidat Hyder
Karachi: 18 October 2012 **Chartered Accountants**

A member firm of Ernst & Young Global Limited

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulations No. 35 of listing regulations of Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited) 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 Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Categories	**Names**
Independent Directors	None
Executive Director	Mr. Abdul Aziz Anis
Non-Executive Directors	Mr. Shakil Sadiq Mr. Shahid Hosain Kazi Mr. Shahab Bin Shahid

2. The directors have confirmed that none of them is serving as a director on more than ten 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 Development Finance Institution (DFI) or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancies occurred in the Board on 10 October 2011 and 27 April 2012, which is not filled to date.

5. The Management Company has prepared a 'Code of Conduct' which has been signed by all the directors and employees of the Company at the time of their appointment. However, it has not been placed on the Company's website.

6. The Board has developed a vision / mission statement and overall corporate strategy of the Management Company. A complete record of particulars of significant policies along with the dates will be developed and their record will be 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) and Company Secretary, 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 the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has not arranged training programs for its directors during the year.

10. There was no new appointment of Chief Financial Officer (CFO) and Company Secretary during the year.

11 The Directors' report for this year 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 before approval of the Board.

13 The directors, CEO and executive do not hold any interest in the units of the Fund

14 The Fund has complied with most of the corporate and financial reporting requirements of the Code.

15 The Board has formed an Audit Committee. It comprises three members, of whom all are non- executive directors including the Chairman of the Committee who is not an independent director.

16 The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17 The Management Company has formed Human Resource and Remuneration Committee in its Board meeting subsequent to year end.

18 The Board has outsourced the internal audit function to M. Yousuf Adil Saleem & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company. The Management Company has not appointed / designated any person as the head of internal audit.

19 The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21 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 stock exchange.

23 The company has not submitted Secretarial Compliance Certificate as per clause xxii of the Code, which the company intends to seek compliance by the end of the next year.

24 We confirm that all other material principles, except those mentioned above, contained in the Code have been complied with.

Chief Executive

ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

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 Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Alfalah GHP Investment Management** (the Management Company) of **Alfalah GHP Islamic Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement 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. 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.

Further, Sub-Regulation (x) of Listing Regulation 35 notified by the Karachi Stock Exchange Limited requires the Management Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure 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 in respect of the Fund for the year ended 30 June 2012.

We draw your attention to clause 4, 5, 9 & 23 of the Statement which mentions certain requirements of the Code in respect of which progress is being made by the Management Company to seek compliance by the end of next year.

Our conclusion is not qualified in respect of the above matter.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Date: 16 October 2012

Karachi

A member firm of Ernst & Young Global Limited

ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Alfalah GHP Islamic Fund (the Fund)**, which comprise the statement of assets and liabilities as at **30 June 2012** 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 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 approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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.

Basis of Qualified Opinion

During 2011, the Fund upgraded the classification of a debt security costing Rs. 24.9 million from non-performing to a performing debt security in accordance with the requirements of Circular 1 dated 6 January 2009 issued by Securities and Exchange Commission of Pakistan (SECP). The Fund had made a provision for impairment against the above debt security amounting to Rs. 9.3 million in prior years which was not reversed upon such reclassification. We consider that this practice of the Fund is not in line with the requirements of Circular 3 dated 20 January 2010 issued by SECP which requires that no provision should be held against a performing security. Had the Fund accounted for the reversal of provision in 2011 in accordance with the requirements of above referred circulars, the profits for the current year would have been lower by Rs. 9.3 million.

EY FRSH

ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Qualified Opinion

In our opinion, except for the effect of the matter described in paragraph above, the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2012** and of its financial performance, cash flows and transactions for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

The financial statements of the Fund for the year ended 30 June 2011 were audited by another firm of Chartered Accountants whose report dated 25 August 2011 expressed an unqualified opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations, 2008.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Omer Chughtai
Date: 16 October 2012
Karachi

A member firm of Ernst & Young Global Limited

STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2012

	Note	30 June 2012	30 June 2011
Assets		**(Rupees in '000)**	
Bank balances	*4*	**136,909**	143,621
Investments	*5*	**189,924**	184,223
Dividend and profit receivable	*6*	**1,758**	4,023
Deposits, prepayments and other receivables	*7*	**2,600**	2,600
Preliminary expenses and floatation costs	*8*	**122**	834
Total assets		**331,313**	335,301
Liabilities			
Payable against Purchase of Investments		**-**	2,269
Payable to Alfalah GHP Investment Management Limited - Management Company	*9*	**758**	605
Payable to Central Depository Company of Pakistan Limited - Trustee	*10*	**59**	59
Payable to Securities and Exchange Commission of Pakistan -Annual fee	*11*	**310**	314
Accrued expenses and other liabilities	*12*	**5,584**	4,657
Total liabilities		**6,711**	7,904
Contingencies and Commitments	*13*	**-**	-
Net assets		**324,602**	327,397
Unit holders' funds (as per statement attached)		**324,602**	327,397
		(Number of units)	
Number of units in issue		**6,023,918**	5,771,082
		(Rupees)	
Net asset value per unit		**53.89**	56.73

The annexed notes from 1 to 25 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 2012

	Note	**30 June 2012**	30 June 2011
		(Rupees in '000)	
Income			
Capital gain on sale of investments - HFT		**17,034**	12,858
Capital gain on sale of investments - AFS		**2,486**	24,062
Income from sukuk certificates		**1,890**	4,513
Dividend income		**14,451**	15,114
Profit on deposit accounts with banks		**12,533**	9,098
Unrealised appreciation in the value of investments -'at fair value through profit or loss'	*5.2*	**3,772**	4,981
Impairment in the value of investments classified as 'available for sale'		**(1,925)**	(4,838)
Total income		**50,241**	65,788
Expenses			
Remuneration of Alfalah GHP Investment Management Limited - Management Company	*9.1*	**7,344**	7,429
Sales tax on Management fee	*9.2*	**1,175**	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	*10.1*	**701**	700
Annual fee - Securities and Exchange Commission of Pakistan	*11*	**310**	314
Amortisation of preliminary expenses and floatation costs	*8*	**712**	710
Bank and settlement charges		**229**	225
Legal and Professional Charges		**92**	191
Auditors' remuneration	*16*	**560**	629
Brokerage		**1,216**	1,251
Provision for workers' welfare fund	*14*	**794**	1,071
Fees and subscriptions		**140**	174
Printing and related cost		**141**	167
Other charges	*12.1*	**255**	127
Total expenses		**13,669**	12,988
Net income from operating activities		**36,572**	52,800
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		**2,331**	(306)
Net income for the year		**38,903**	52,494

The annexed notes from 1 to 25 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 2012

	Note	30 June 2012	30 June 2011
		(Rupees in '000)	
Net income for the year		**38,903**	52,494
Other comprehensive income / (loss):			
Element of gain / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing unrealized capital gains / (losses).		**9**	167
Net unrealised appreciation / (diminution) during the year in fair value of investments classified as 'available for sale'	*5.5*	**249**	(18,016)
Other comprehensive income /(loss) for the year		**258**	(17,849)
Total comprehensive income / (loss) for the year		**39,161**	34,645

The annexed notes from 1 to 25 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 2012

	Note	30 June 2012	30 June 2011
		(Rupees in '000)	
Undistributed income / (loss) brought forward			
Realised		**24,536**	20,747
Unrealised		**4,981**	(9,068)
		29,517	11,679
Element of gain / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing unrealized capital gains / (losses).		**9**	167
Net income for the year		**38,903**	52,494
Interim distribution for the period ended 30 September 2010 as on 21 October 2010			
- Cash distribution of Rs. Nil (2010: Rs: 2.00 per unit)		**-**	(11,180)
- Issue of nil bonus units (2010: 7,831 units)		**-**	(429)
Interim distribution for the period ended 31 December 2010 as on 30 December 2010			
- Cash distribution of Rs. Nil (2010: Rs: 2.00 per unit)		**-**	(11,180)
- Issue of nil bonus units (2010: 7,714 units)		**-**	(439)
Final distribution for the year ended 30 June 2011 as on 7 July 2011			
- Cash distribution of Rs.3.50 per unit (2010: Rs.2.00 per unit)		**(19,565)**	(11,180)
- Issue of 11,902 bonus units (2010: 7,311 units)		**(634)**	(415)
Interim distribution for the year ended 30 June 2012 as on 27 June 2012			
- Cash distribution of Rs. 5.75 per unit (2011: Rs. Nil)	*17*	**(32,143)**	-
- Issue of 42,185 bonus units (2011: Rs. Nil)		**(2,259)**	-
		(15,689)	17,838
Undistributed income carried forward			
Realised		**10,056**	24,536
Unrealised		**3,772**	4,981
		13,828	29,517

The annexed notes from 1 to 25 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 2012

	Note	30 June 2012	30 June 2011
		(Rupees in '000)	
Net assets at the beginning of the year		**327,397**	328,896
Issue of 231,405 units (2011: 55 units)		**14,000**	3
Redemption of 32,656 units (2011: 49,334 units)		**(1,908)**	(2,746)
		12,092	(2,743)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased:			
- amount representing accrued (income) / loss and realised capital (gains) / losses - transferred to the Income Statement		**(2,331)**	306
- amount representing unrealised capital (gains) / (losses) - transferred directly to the Distribution Statement		**(9)**	(167)
		(2,340)	139
Interim distribution of 7,831bonus units for the period ended 30 September 2010 as on 23 October 2010		**-**	429
Interim distribution of 7,714 bonus units for the period ended 31 December 2010 as on 31 December 2010		**-**	439
Final distribution of 11,902 bonus units for the year ended 30 June 2011 as on 7 July 2011 (2010: 7,311 units)		**634**	415
Interim distribution of 42,185 bonus units for the year ended 30 June 2012 as on 27 June 2012 (2011: Nil units)		**2,259**	-
Net unrealised appreciation / (diminution) on revaluation of investments classified as 'available-for-sale'	5.5	**249**	(18,016)
Capital gain on sale of investments		**19,520**	36,920
Unrealised appreciation / (diminution) in the value of investments -'at fair value through profit or loss'		**3,772**	4,981
Other net income / (loss) for the year		**15,611**	10,593
Element of gain / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing unrealized capital gains / (losses).		**9**	167
Interim distribution for the period ended 30 September 2010 as on 21 October 2010			
- Cash distribution of Rs. Nil (2010: Rs: 2.00 per unit)		**-**	(11,180)
- Issue of nil bonus units (2010: 7,831 units)		**-**	(429)
Interim distribution for the period ended 31 December 2010 as on 30 December 2010			
- Cash distribution of Rs. Nil (2010: Rs: 2.00 per unit)		**-**	(11,180)
- Issue of nil bonus units (2010: 7,714 units)		**-**	(439)
Final distribution for the year ended 30 June 2011 as on 7 July 2011			
- Cash distribution of Rs.3.50 per unit (2010: Rs.2.00 per unit)		**(19,565)**	(11,180)
- Issue of 11,902 bonus units (2010: 7,311 units)		**(634)**	(415)
Interim distribution for the year ended 30 June 2012 as on 27 June 2012			
- Cash distribution of Rs. 5.75 per unit (2011: Rs. Nil)	17	**(32,143)**	-
- Issue of 42,185 bonus units (2011: Rs. Nil)		**(2,259)**	-
Net income / (loss) for the year less distribution		**(15,689)**	17,838
Net assets at the end of the year		**324,602**	327,397
		(Rupees)	
Net asset value per unit at the beginning of the year		**56.73**	56.73
Net asset value per unit at the end of the year		**53.89**	56.73

The annexed notes from 1 to 25 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 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	**38,903**	52,494
Adjustments for:		
Unrealised appreciation in the value of investments -'at fair value through profit or loss'	**(3,772)**	(4,981)
Impairment in the value of investments classified as 'available for sale'	**1,925**	4,838
Dividend income	**(14,451)**	(15,114)
Profit on deposit accounts with banks	**(12,533)**	(9,098)
Amortisation of preliminary expenses and floatation costs	**712**	710
Income from sukuk certificates	**(1,890)**	(4,513)
Provision for workers' welfare fund	**794**	1,071
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	**(2,331)**	306
	7,357	25,713
(Increase) / decrease in assets		
Investments	**(3,605)**	(17,319)
Deposits, prepayments and other receivables	**-**	100
	(3,605)	(17,219)
Increase / (decrease) in liabilities		
Payable against Purchase of Investments	**(2,269)**	2,269
Payable to Alfalah GHP Investment Management Limited - Management Company	**153**	(11)
Payable to Central Depository Company of Pakistan Limited - Trustee	**-**	2
Payable to Securities and Exchange Commission of Pakistan -Annual fee	**(4)**	154
Accrued expenses and other liabilities	**133**	(238)
	(1,987)	2,176
Dividend and profit received	**31,139**	26,346
Net cash flow from / (used in) operating activities	**32,904**	37,016
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units	**14,000**	3
Payment against redemption of units	**(1,908)**	(2,746)
Cash dividend paid	**(51,708)**	(33,540)
Net cash flow from / (used in) financing activities	**(39,616)**	(36,283)
Net increase / (decrease) in cash and cash equivalents during the year	**(6,712)**	733
Cash and cash equivalents at beginning of the year	**143,621**	142,888
Cash and cash equivalents at end of the year	**136,909**	143,621

The annexed notes from 1 to 25 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 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

Alfalah GHP Islamic Fund (the 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 11th April 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 29th March 2007.

The Management Company of the Fund has been licensed by SECP to act as an Asset Management Company under NBFC Rules. The registered office of the Management Company is situated at 12th Floor, Tower A, Saima Trade Tower, I.I Chundrigar Road Karachi.

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

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 'AM3' (Outlook: Negative) to the Management Company in its rating report dated 17 May 2012 and 2 -Star (short term) and 4-Star (long term) to the fund in its rating report dated 31 October 2011.

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

2. BASIS OF PRESENTATION

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

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirement 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 investments which are accounted for as in note 3.1.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgment

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

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

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

a) Classification and valuation of financial instruments (notes 3.1 and 5)
b) Impairment (notes 3.2)
c) Provisions (notes 3.7)
d) Taxation (notes 3.11)

2.5 Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

The Fund has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7 – Financial Instruments: Disclosures (Amendment)
IAS 24 – Related Party Disclosures (Revised)
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures
IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity
IAS 34 – Interim Financial Reporting - Significant events and transactions
IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial instruments

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

a) Financial instruments at fair value through profit or loss

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

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

b) Available for sale

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

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'fair value through profit or loss' or 'available-for-sale'. This includes receivable against sale of investments and other receivables and are carried at amortized cost using the effective yield method, less impairment losses.

d) Financial liabilities

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

Recognition

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

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

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

Measurement

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

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available-for- sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Unit Holders' Fund until derecognised or impaired, then the accumulated fair value adjustments recognised in Unit Holders' Fund are included in the Income Statement.

Fair value measurement principles

Basis of valuation of Quoted Equity Securities

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

Basis of valuation of Sukuk Certificates

- Investment in sukuk certificates have been valued on the basis of period end rates quoted by the Mutual Fund Association of Pakistan

- Provision against non performing debt securities is made in accordance with the provisioning criteria prescribed by the Securities Exchange Commission of Pakistan and the Fund's provisioning criteria. These are elaborated in note 3.2 to these financial Statements

3.2 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 01 of 2009 and Circular 03 of 2010. Accelerated provisions are made if circumstances warrant, as per the provisioning policy approved by the Board of the Management Company as per Circular 13 of 2009.

However, the decrease in impairment loss on debt securities classified as available for sale is recognised in income statement. The reversal of impairment of debt security reclasified as performing by MUFAP in terms of Circular No 1 /2009 read in conjuction Circular No 3/2010 is made to the extent of increased price difference between amount recorded in books prior to reclassification as performing and price announced by MUFAP on reclassification.

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

3.3 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.

3.4 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.

3.5 Issue and redemption of units

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

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

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

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

3.7 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.

3.8 Preliminary expenses and floatation costs

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

3.9 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.

3.10 Earnings per unit

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

3.11 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 realize or unrealized is distributed among the unit holders.

3.12 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.

3.13 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

- Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through profit or loss' are included in the Income Statement in the period in which they arise.

- Income on sukuk certificates, term deposits receipts, bank deposits and placements is recognized on a time proportionate basis using effective yield method.

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

- Dividend Income is recognised when the right to receive the dividend is estabilished.

3.14 Expenses

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

3.15 Cash and cash equivalents

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

3.16 Dividend distribution and appropriations

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

3.17 Standards, interpretations and amendments to approved accountinng standards that are not yet effective

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

		Effective date (accounting periods beginning on or after)
IFRS 7 –	Financial Instruments : Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 –	Presentation of Financial Statements – Presentation of items of comprehensive income	01 July 2012
IAS 12 –	Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19 –	Employee Benefits –(Amendment)	01 January 2013
IAS 32 –	Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IFRIC 20 –	Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

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

In addition to the above, 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.

		IASB effective date (annual periods beginning on or after)
IFRS 9 –	Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 –	Consolidated Financial Statements	01 January 2013
IFRS 11 –	Joint Arrangements	01 January 2013
IFRS 12 –	Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 –	Fair Value Measurement	01 January 2013

4. BANK BALANCES	*Note*	**30 June 2012**	30 June 2011
		(Rupees in '000)	
Deposit accounts	*4.1*	**136,754**	143,597
Current account		**155**	24
		136,909	143,621

4.1 This represents saving deposit accounts maintained with various Islamic banks or Islamic division of conventional banks carrying profit rate of 5.00% to 10.44% (30 June 2011: 5.33% to 9.27%) per annum. This includes Rs. 136.733 million (30 June 2011: Rs. 143.563 million) with a related party that carried profit rate of 5.00% to 10.44%.

5. INVESTMENTS

	Note	30 June 2012	30 June 2011
		(Rupees in '000)	
- At fair value through profit or loss-held for trading			
In quoted equity securities	5.1	**161,525**	145,006
- Available for sale			
In quoted equity securities	5.3	**14,678**	23,558
In sukuk certificates	5.4	**13,721**	15,659
		28,399	39,217
		189,924	184,223

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

Name of the investee company	Note	As at 01 July 2011	Purchases during the year	Bonus / rights Issue during the year	Sales during the year	As at 30 June 2012	Cost as at 30 June 2012	Market value as at 30 June 2012	Market value as a percentage of: Net asset	Market value as a percentage of: Total investments	Par value as a percentage of issued capital of the investee company
		------------------ (Number of Shares) ------------------					(Rupees in '000)				
Chemicals											
Fauji Fertilizer Bin Qasim Limited		200,000	301,291	-	425,000	76,291	3,093	3,114	0.96	1.64	0.00
Fauji Fertilizer Company Limited		185,000	305,000	60,000	350,000	200,000	21,980	22,210	6.84	11.69	0.00
ICI Pakistan Limited		30,000	51,796	-	60,000	21,796	3,097	2,857	0.88	1.50	0.00
							28,170	28,181			
Banks											
BankIslami Pakistan Limited		-	1,000,000	-	700,000	300,000	2,383	3,210	0.94	1.80	0.05
Meezan Bank Limited		-	25,062	-	-	25,062	666	725	0.21	0.41	0.00
							3,049	3,935			
Construction and Materials											
D.G Khan Cement Company ltd		-	1,708,258	-	1,428,258	280,000	11,156	11,026	3.40	5.81	0.02
Lucky Cement Limited		-	899,025	-	719,025	180,000	20,805	20,770	6.40	10.94	0.00
							31,961	31,796			
Electricity											
Kohinoor Energy Limited		10,000	-	-	10,000	-	-	-	-	-	-
The Hub Power Company Limited	5.1.2	692,303	-	-	150,000	542,303	15,734	22,717	7.00	11.96	0.01
							15,734	22,717			
Oil and Gas											
Attock Refinery Limited		-	25,000	-	25,000	-	-	-	-	-	-
Oil & Gas Development Company Limited		114,000	159,000	-	212,500	60,500	9,457	9,707	2.99	5.11	0.00
Pakistan Oilfields Limited		12,500	105,000	-	87,500	30,000	10,788	11,008	3.29	5.51	0.00
Pakistan Petroleum Limited		80,000	165,000	8,000	114,000	139,000	25,965	26,172	8.06	13.78	0.00
Pakistan State oil Company Limited		57,500	72,500	-	77,375	52,625	13,612	12,411	3.82	6.53	0.00
							59,822	59,298			
Automobile and Parts											
Indus Motor Company Limited		35,000	1,891	-	36,891	-	-	-	-	-	-
							-	-			
Fixedline Telecom											
Pakistan Telecommunication Company Limited		-	271,447	-	271,447	-	-	-	-	-	-
							-	-			
General Industrials											
Thal Limited		165,000	30,624	34,600	62,500	167,724	14,808	15,598	4.81	8.21	0.01
							14,808	15,598			
Grand total							**153,544**	**161,525**			

5.1.1 All shares have a face value of Rs. 10 each, except for Thal Ltd.of Rs 5 each.

5.1.2 Investments includes 200,000 shares of Hub Power Company Limited which have been deposited with National Clearing Company of Pakistan Limited as collateral against exposure margin and MTM losses for settlement of the Fund's trades as allowed in Circular number 11 dated 23 October 2007 issued by the Securities & Excahnge Commision of Pakistan.

		30 June 2012	30 June 2011
		(Rupees in '000)	
5.2	**Net Unrealized appreciation / (diminution) in the value of investments classified as 'at fair value through profit or loss'**		
	Market value of investments	**161,525**	145,006
	Less: Cost of investments	**(153,544)**	(138,756)
		7,981	6,250
	Net unrealised (appreciation) / diminution in the value of investment at the beginning of the year	**(6,250)**	5,243
	Realised on disposal during the year	**2,041**	(6,512)
		(4,209)	(1,269)
	Net unrealised appreciation / (diminution) in the value of investment for the year	**3,772**	4,981

5.3 Investment in quoted equity securities - ' available for sale'

Name of the investee company	As at 01 July 2011	Purchases during the year	Bonus / rights Issue during the year	Sales during the year	As at 30 June 2012	Cost as at 30 June 2012	Market value as at 30 June 2012	Market value as a percentage of: Net asset	Market value as a percentage of: Total investments	Par value as a percentage of issued capital of the investee company
	(Number of Shares)					(Rupees in '000)				
Banks										
BankIslami Pakistan Limited	400,000	-	-	400,000	-	-	-	-	-	-
						-	-			
Electricity										
Kohinoor Energy Limited	475,000	-	-	475,000	-	-	-	-	-	-
						-	-			
Oil and Gas										
Pakistan Oilfields Limited	40,000	-	-	-	40,000	5,470	14,678	4.52	7.73	-
						5,470	14,678			
Grand total						**5,470**	**14,678**			

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

5.4 Sukuk Certificates

Name of the investee company	Notes	Maturity	Profit / Mark-up Percentage	As at 01 July 2011	Purchases during the year	Sales during the year	Redemption during the year	As at 30 June 2012	Cost as at 30 June 2012	Market value as at 30 June 2012	Impairment in the value of investments	Market value as a percentage of: Net asset	Market value as a percentage of: Total investments	Outstanding principal value as a percentage of issued debt capital
				(Number of Sukuk bonds)					(Rupees in '000)					
Maple Leaf Cement Factory Ltd.-I	5.4.2	Dec 2018	3 M+1%	5,000	-	-	-	5,000	24,947	13,721	11,234	4.23	7.22	0.63
Maple Leaf Cement Factory Ltd.-II	5.4.3	March 2013	3 M +1%	188	-	-	-	188	940	-	940	-	-	0.31
Total									25,887	13,721	12,174			
Total Investment									**31,357**	**28,399**	12,174			

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

5.4.2 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. Maple Leaf Cement Factory (MLCF) defaulted on the installment due on 13 September 2011 as per the restructured agreement. Consequently, the security was classified as non-performing by MUFAP on 19 September 2011 and accrual amounting to Rs. 3.08 million on the same was reversed. Accordingly, provision has been made (including Rs. 1.92 million provided in current period) in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy.

5.4.3 This represents additional sukuks of MLCF received by the Fund through restructuring agreement reached between lenders and MLCF. Under such agreement outstanding mark up due on 03 December 2009 amounting to Rs. 1.94 million was settled partially in cash and partially in the form sukuks certificates valuing Rs. 0.94 million. These investments have been recorded as 100% impaired since these have been received in lieu of suspended overdue mark up to be recognised to income upon realisation.During the year the security was classified by MUFAP as non-performing due to non payment of markup due on 31 December 2011. Furthermore the issuer has requested to extend the payment of suspended overdue markup amounting 0.94 million due on March 2012 to further one year i.e. March 2013 in 9 equal monthly installments with first installment due on 31 July 2012.

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

Circular no. 16 dated 07 July 2010 issued by the SECP requires details of investments not compliant with the investment criteria specified by the category assigned to open-end collective investment schemes or the investment requirements of the constitutive documents of the Fund to be disclosed in these financial statements of the Fund. Details of such non-compliant investments are given below:

Type of Investment	Name of Non Complaint Investment	Value of Investment before provision	Provision held if any	Value of investment after provision	Market value as a percentage of: Net assets	Market value as a percentage of: Gross assets	Credit Rating
		--------------- (Rupees in '000) ---------------					
Sukuk Certificate	Maple Leaf Cement Factory Limited-I	24,947	11,234	13,721	4.23	4.14	D
Sukuk Certificate	Maple Leaf Cement Factory Limited-II	940	940	-	-	-	D

At the time of purchase / investment, the sukuks were in compliance with the investment requirement of the Constitutive Documents and investment restriction parameters laid down in NBFC Regulations or NBFC Rules. However, subsequently they were defaulted or downgraded to non investment grade or become non-compliant with investment restrictions parameters laid down in NBFC Regulations or NBFC Rules and with the requirements of Constitutive Documents.

	30 June 2012	30 June 2011
5.5 Net unrealised appreciation / (diminution) in the value of investments classified as 'available-for-sale'	**(Rupees in '000)**	
Market value of investments classified as 'available for sale'	**28,399**	39,217
Less: Cost of investments classified as 'available for sale'	**(31,357)**	(43,996)
Net unrealized diminution in the value of investments	**(2,958)**	(4,779)
Impairment charged to income statement	**1,925**	4,838
Reversal of impairment	**(3,497)**	-
	(4,530)	59
Net unrealized appreciation / (diminution) in the value of investments at the beginning of the year	**4,779**	(18,075)
Net unrealised appreciation / (diminution) in the value of investments at the end of the year	**249**	(18,016)

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

Opening balance	**13,753**	8,915
Charge for the year	**1,925**	4,838
Reversal for the year	**(3,497)**	-
Closing balance	**12,181**	13,753

6. DIVIDEND AND PROFIT RECEIVABLE

Dividend receivable	**300**	570
Profit receivable on deposit accounts with banks	**1,458**	1,162
Income receivable on sukuk certificates	**-**	2,291
	1,758	4,023

7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposit with National Clearing Company of Pakistan Limited	**2,600**	2,600

8. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs	**834**	1,544
Amortisation during the year	**(712)**	(710)
	122	834

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

9. PAYABLE TO ALFALAH GHP INVESTMENT MANAGEMENT LIMITED – MANAGEMENT COMPANY

	Note	30 June 2012	30 June 2011
		(Rupees in '000)	
Management fee	*9.1 & 9.2*	**758**	605

9.1 Under the provisions of NBFC Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 2.25% per annum for the current year.

9.2 During the current year, an amount of Rs. 1.175 million (30 June 2011: Rs. Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	Note	30 June 2012	30 June 2011
		(Rupees in '000)	
Trustee fee	*10.1*	**58**	58
CDS charges payable		**1**	1
		59	59

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

Average Net Asset Value (Rupees in Million)		**Tariff per annum**
From	To	
1	1,000	Rs 0.7 million or 0.20 % pa of NAV whichever is higher
>1,000	& above	Rs 2.0 million plus 0.085 % pa of NAV exceeding Rs. 1000 million.

11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE

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

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	30 June 2012	30 June 2011
		(Rupees in '000)	
Legal and professional charges		**90**	90
Auditors' remuneration		**410**	520
Brokerage payable		**69**	33
Settlement Charges		**17**	15
Charity payable	*12.1*	**331**	126
Other Liabilities		**17**	17
Provision for workers' welfare fund		**4,650**	3,856
		5,584	4,657

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

13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 30 June 2012.

14. 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 15 July 2010 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 (FBR) 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 formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. 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 and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During 2011, the Honourable Lahore High Court in a Constitutional Petition relating to the amendments brought in WWF Ordinance through the Finance Act 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. Further, during the year, based on such decision of Honourable High Court, the Commissioner of Inland Revenue (Appeals - II) have declared the WWF demand raised by tax authorities against certain mutual funds managed by Asset Management Companies as illegal and without jurisdiction. The management company believes that the decision of the Honourable Lahore High Court, will lend further support to the Constitutional Petition which is pending in the Honourable High Court of Sindh. Further, based on the opinion from legal counsel of Mutual Funds Association of Pakistan (MUFAP), there are good chances for the Constitutional Petition to be decided in favour of the mutual funds and accordingly mutual funds need not to make a provision regarding WWF in their financial statements.

However, keeping in view the uncertainty on the applicability of WWF to mutual fund, the management company as a matter of prudence has decided to continue to maintain the provision for WWF amounting to Rs.4.650 million (30 June 2011: Rs. 3.856) up to 30 June 2012. If the same were not made, the NAV per unit would be higher by Rs. 0.77 and return of the Fund would be higher by 0.24%.

15. CLASSES OF UNITS IN ISSUE

15.1 The Fund may issue following classes of units:

Class	*Note*	Description
A (Restricted / Core)	*15.1.1*	Units that shall be charged with no sales load.
A	*15.1.2*	Units that shall be charged with no sales load.
B	*15.1.3*	Units that shall be issued with or without sales load.

15.1.1 These 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. At the year ended 30 June 2012 the units outstanding in the class are 5,590,077 as income units.

15.1.2 These units were offered and issued during the Private Placement and Initial Period of Offer.

15.1.3 These units were offered and issued after the Initial Period of Offer. At the year ended 30 June 2012 the units outstanding in the class are 433,841 as growth units.

16. AUDITORS' REMUNERATION

	30 June 2012	30 June 2011
	(Rupees in '000)	
Audit fee	**275**	275
Other certifications and services	**275**	335
Out of pocket expenses	**10**	19
	560	629

17. INTERIM DISTRIBUTIONS

The Fund has made following distribution during the year.

Date	Rate /unit (Rupees)	Bonus Units	Bonus Amount	Cash Distribution	Total
			(Rupees in '000)		
27 June 2012	5.75	42,185	2,259	32,143	34,402

18. 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 realized or unrealized 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 2012 in order to comply with the above stated clause to enjoy the tax exemption. Accordingly, no tax provision has been made in these financial statements for the yeat ended 30 June 2012.

19. REMUNERATION TO THE SHARIAH ADVISORY BOARD

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

20. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Alfalah GHP Investment Management Limited being the Management Company, Funds under management of the Management Company, GHP Arbitrium AG, Bank Alfalah Limited and MAB Investment Incorporated being associated companies of Management Company, Bank Alfalah Limited - Employees' Provident Fund, Bank Alfalah Limited - Employees' Gratuity Fund, Alfalah GHP Investment Management Limited - Staff Provident Fund ,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, at contractual rates and terms determined in accordance with market rates.

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

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

	30 June 2012	30 June 2011
	(Rupees in '000)	
Alfalah GHP Investment Management Limited - Management Company		
Balance at beginning of the year	**605**	616
Remuneration for the year	**7,344**	7,429
Sales tax on Management fee for the year	**1,175**	-
	8,519	7,429
Amount paid during the year	**(8,366)**	(7,440)
Balance at the end of the year	**758**	605
Central Depository Company of Pakistan Limited		
Balance at beginning of the year	**59**	57
Remuneration for the year	**701**	700
CDS Charges for the year	**19**	1
	720	701
Amount paid during the year	**(720)**	(699)
Balance at the end of the year	**59**	59
Deposit with Central Depository Company of Pakistan Limited	**100**	100
Bank Alfalah Limited-Islamic Banking Division		
Deposits at the end of the year	**136,733**	143,563
Profit on deposit accounts for the year	**12,533**	9,098
Bank charges for the year	**6**	3
	(Units in '000)	
Units held	**5,590**	5,590
	(Rupees in '000)	
Cash dividend paid	**51,708**	33,540

21. FINANCIAL RISK MANAGEMENT FRAMEWORK

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 estabished 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 market risk (which includes interest rate risk, currency risk and other price risk), credit risk, liquidity risk and operational risks arising from the financial instruments it holds.The Fund's risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

21.1 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 the Fund's constitutive and investment policy documents, while optimizing the return.The Fund is categorized as money market scheme the objective of the Fund is to provide a regular stream of income at a competitive rate of return while preserving capital to the extent possible by investing in assets with low risk and a high degree of liquidity from a portfolio constituted of money market securities and placements. The Management Company manages risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

21.1.1 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 interest rate risk exposure arises on Funds investment on debt securities (Sukuks). Cash and cash equivalents are not subject to fair value interest rate risks. However deposit accounts are subject to interest rate risk on cashflows.

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 2012, the investment in Sukuk certificates is exposed to interest rate risks is detailed in Note 5.4.

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

	30 June 2012					
	Effective rate of mark-up/ return %	-----Exposed to Intrest rate risks ----				
		Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest rate risk	Total
On-balance sheet financial instruments		------------------------- (Rupees in '000) --------------------------				
Financial assets						
Bank balances	5.00% to 10.44%	136,754	-	-	155	136,909
Investments	3 months KIBOR + 1.0 to 6 months KIBOR + 0.4	13,721		-	176,203	189,924
Dividend and profit receivable		-	-	-	1,758	1,758
Deposits, prepayments and other receivables		-	-	-	2,600	2,600
		150,475	-	-	180,716	331,191
Financial liabilities						
Payable to Alfalah GHP Investment Management Limited - Management Company		-	-	-	758	758
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	59	59
Payable against purchase of investment		-	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan - Annual fee		-	-	-	310	310
Accrued expenses and other liabilities		-	-	-	934	934
		-	-	-	2,061	2,061
On-balance sheet gap		150,475	-	-	178,655	329,130

	30 June 2011					
	Effective rate of mark-up/ return %	-----Exposed to Intrest rate risks ----				
		Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest rate risk	Total
On-balance sheet financial instruments		------------------------- (Rupees in '000) --------------------------				
Financial assets						
Bank balances	5.33% to 9.27%	143,597	-	-	24	143,621
Investments	3 months KIBOR + 1.0 to 6 months KIBOR + 0.4	15,659		-	168,564	184,223
Dividend and profit receivable		-	-	-	4,023	4,023
Deposits, prepayments and other receivables		-	-	-	2,600	2,600
		159,256	-	-	175,211	334,467
Financial liabilities						
Payable to Alfalah GHP Investment Management Limited - Management Company		-	-	-	605	605
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	59	59
Payable against purchase of investment					2,269	2,269
Payable to Securities and Exchange Commission of Pakistan - Annual fee		-	-	-	314	314
Accrued expenses and other liabilities		-	-	-	801	801
		-	-	-	4,048	4,048
On-balance sheet gap		159,256	-	-	171,163	330,419

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 marturity risk.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing sukuk certificates exposing the Fund to cash flow interest rate risk. Fund's exposure in Sukuk certificates amount to Rs.13.721 million as at 30 June 2012. The Management has determined that a fluctuation in KIBOR interest rate of 100 basis points at 30 June 2012, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.08 million (2011: Rs. 0.259 million).

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instruments as at 30 June 2012 which are classified as at fair value through profit or loss and available for sale exposing the Fund to fair value interest rate risk.

The composition of the Fund's investment portfolio and interest rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2012 is not necessarily indicative of future movements in interest rates.

21.1.2 Currency risk

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

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

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

Sectors	**30 June 2012 Sector %**	30 June 2011 Sector %
Banks	**2.23**	0.81
Electricity	**12.89**	20.15
Oil And Gas	**41.99**	40.38
Chemicals	**15.99**	24.21
Construction and Materials	**18.05**	-
Automobile and Parts	**-**	4.56
General Industrials	**8.85**	9.89
TOTAL	**100.00**	100.00

The table below summarizes the sensitivity of the Fund's net assets attributable to unit holders to the equity price movements as at 30 June 2012. The analysis is based on the assumption that KSE-100 index increase by 10% (30 June 2011: 10%) and decreases by 10% (30 June 2011: 10%), with all other variables held constant and that the fair value of the Fund's portfolio of equity securities moved according to their historical correlation with index this represents managements' best estimate of a reasonable possible shift in the KSE-100 index, having regards to the historical volatility of index of past three years.

At 30 June 2012, the fair value of equity securities exposed to price risk was disclosed in notes 5.1 and 5.3.

	30 June 2012	30 June 2011
	(Rupees in '000)	
Effect due to increase / decrease in KSE 100 index		
Investment and net assets	**17,620**	18,422
Income statement	**17,620**	18,422

All other investments of the Fund are in corporate debt securities (Sukuks) which are fixed income instruments. The Fund expects minimal price fluctuation for these investments, other than those arising from interest rate and credit risk. As, a result, the Fund is not subject to significant other price risk in these investments.

21.2 Credit Risk

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

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

Credit risk on debt securities is mitigated by investing primarily investment grade securities both listed and unlisted. The Fund’s cash and cash equivalents are held mainly with Bank Alfalah Limited, which is rated AA by PACRA (2011: AA by PACRA)

The management company follows Circulars 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. Further, Management Company has revised provisioning policy duly approved by its Board of Directors for making provision over and above that required by the said circular against non performing assets.

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, credit ratings.

Concentration of credit Risk

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

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

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

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

	30 June 2012	30 June 2011
	(Rupees in '000)	
Financial assets		
Bank balances	**136,909**	143,621
Investments in sukuk certificates	**13,721**	15,659
Dividend and profit receivables	**1,758**	4,023
Deposits and other receivables	**2,600**	2,600
	154,988	165,903
Secured	**13,721**	15,659
Unsecured	**141,267**	150,244
	154,988	165,903

Impairment in value of above financial assets is disclosed in note 5.2.2 & 5.2.3.

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

	30 June 2012	30 June 2011
	(Rupees in '000)	
Cement	**13,721**	15,659

The analysis below summarizes the credit quality of the Fund's investment Sukuk certificates as at 30 June 2012.

Sukuk certificates by credit rating category	30 June 2012	30 June 2011
	(Percentage)	
Non rated / Non performing	**100.00%**	100.00%

The analysis below summarizes the credit quality of the Company's bank balances as at 30 June 2012.

Bank balances by category wise	30 June 2012	30 June 2011
	(Percentage)	
AA	**136,888**	143,593
AA-	**10**	10
A	**11**	11
A-	**-**	7
	136,909	143,621

21.3 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.

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

	30 June 2012		
On balance sheet financial liabilities and others	**Carrying value**	**Upto one month**	**More than one month and upto three months**
Liabilities	**------------- (Rupees in '000) -------------**		
Payable to Alfalah GHP Investment Management Limited - Management Company	**758**	**758**	**-**
Payable to Central Depository Company of Pakistan Limited - Trustee	**59**	**59**	**-**
Accrued expenses and other liabilities	**934**	**-**	**934**
	1,751	**817**	**934**

	30 June 2011		
On balance sheet financial liabilities and others	Carrying value	Upto one month	More than one month and upto three months
Liabilities	------------- (Rupees in '000) -------------		
Payable against purchase of investments	2,269	2,269	-
Payable to Alfalah GHP Investment Management Limited - Management Company	605	605	-
Payable to Central Depository Company of Pakistan Limited - Trustee	59	59	-
Accrued expenses and other liabilities	801	-	801
	3,734	2,933	801

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

21.4 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 the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

21.5 Capital Risk Management

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

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

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

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

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

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

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

- Monitors the level of daily issuance and redemptions relative to liquid assets;

- Redeem and issue unit in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions as allowed under rules and regulations; and

- Monitor portfolio allocations and return on net assets and where required make necessary adjustments in portfolio allocations in light of changes in market conditions.

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

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

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

	30 June 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	------------------------ (Rupees in '000) ------------------------			
Financial assets 'at fair value through profit or loss'				
- Equity securities	**161,525**	**-**	**-**	**161,525**
Available-for-sale investments				
- Equity securities	**14,678**	**-**	**-**	**14,678**
- Sukuk cetificates	**-**	**-**	**13,721**	**13,721**
	176,203	**-**	**13,721**	**189,924**

	30 June 2011			
	Level 1	Level 2	Level 3	Total
	------------------------ (Rupees in '000) ------------------------			
Financial assets 'at fair value through profit or loss'				
- Equity securities	145,006	-	-	145,006
Available-for-sale investments				
- Equity securities	23,558	-	-	23,558
- Sukuk cetificates	-	15,659	-	15,659
	168,564	15,659	-	184,223

Presented below are the transfers between different levels of the fair value hierarchy.

	30 June 2012	30 June 2011
	(Rupees in '000)	
Transfers from Level 2 to Level 3	**13,721**	-

In accordance with Circular No. 1 of 2009 issued by SECP, all traded debt securities are valued on the basis of their volume weighted average price during the last 15 days while thinly traded and non traded debt securities are valued using a valuation methodology devised by MUFAP which use variables including yields on government securities, Karachi Inter Bank Offer Rates and credit ratings. As the valuation techniques use inputs from observable market data, these securities are classified as Level 2. Rates for non-performing securities, however, are not quoted by MUFAP and are valued using provisioning criteria prescribed by the abovementioned circular and are hence classified as Level 3.

Therefore, default on installment amounts by investee companies results in transfer into Level 3 while subsequent classification of a defaulting security as performing will result in transfer from Level 3 to Level 2.

23. 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 Non Banking Finance Companies and Notified Entities Regulations, 2008 has been disclosed in Annexure I to the financial statements.

24. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 16 October 2012 by the Board of Directors of the Management Company.

25. GENERAL

Figures have been rounded off to the nearest thousand rupees.

For Alfalah GHP Investment Management Limited
(Management Company)

Chief Executive **Director**

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

1.1 PERFORMANCE TABLE

	30 June 2012	30 June 2011	30 June 2010
	--------------(**Rupees in '000**)-------------		
Net assets	**324,602**	327,397	328,896
		(Rupees per unit)	
Net asset value per unit	**53.89**	56.73	56.73
Year end offer price	**56.58**	59.57	59.57
Highest offer price	**64.23**	62.67	66.46
Lowest offer price	**54.02**	56.66	58.54
Year end repurchase price	**53.89**	56.73	56.73
Highest repurchase price	**61.17**	59.69	66.55
Lowest repurchase price	**51.45**	53.96	56.58
Distribution - Interim	**5.75**	Rs. 4.00	Nil
Distribution - Final	**Nil**	Rs. 3.50	Rs. 2.00
Total distribution	**Rs. 5.75**	Rs. 7.50	Rs. 2.00
		Announcement date of distribution	
Interim	**27 June 2012**	(i) 21 October 2010 (ii) 30 December 2010	N/A
Final	**NIL**	07 July 2011	21 October 2010

	30 June 2012	30 June 2011	30 June 2010
		(Percentage)	
Total return of the Fund	**12.11%**	11.08%	0.35%
Annual dividend distribution (bonus units)	**10.80% Cash (Income Units) & Bonus (Growth Units)**	13.70% Cash (Income Units) & Bonus (Growth Units)	15% Bonus Units
Capital growth	**-2.62%**	-2.62%	-14.65%
Average annual return			
- Half year	**N/A**	N/A	0.35%
- First year	**12.11%**	11.08%	37.79%
- Second year	**11.60%**	17.22%	15.28%
- Third year	**15.51%**	12.46%	N/A
- Return since inception (Absolute)	**66.64%**	48.64%	34.94%
- Return Since inception (CAGR)	**11.16%**	10.93%	11.20%
		(Days)	
Weighted average portfolio duration	**N/A**	N/A	N/A
Launch date		**02 September 2007**	

Portfolio Composition (See Fund Manager Report).

Disclaimer

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

1.2 RATING

Credit rating of the Management Company is 'AM3'
The credit rating of the fund is '2 Star' (short term) / '4 Star' (long term)

1.3 PATTERN OF UNIT HOLDING

	As at 30 June 2012			
Category	**Number of unit holders**	**Units held**	**Investment Amount (Rupees in '000)**	**Percentage of total investment (%)**
Individual	**29**	**44,465**	**2,396**	**0.74**
Associated companies	**1**	**5,590,077**	**301,224**	**92.80**
Insurance companies	**2**	**117,256**	**6,318**	**1.95**
Retirement Funds	**4**	**272,120**	**14,663**	**4.52**
	36	**6,023,918**	**324,602**	**100.00**

	As at 30 June 2011			
Category	Number of unit holders	Units held	Investment Amount (Rupees in '000)	Percentage of total investment (%)
Individual	32	40,478	2,296	0.70
Associated companies	1	5,590,077	317,129	96.86
Insurance companies	2	99,352	5,636	1.72
Retirement Funds	3	41,175	2,336	0.71
	38	5,771,082	327,397	100.00

SIZE OF UNIT HOLDING

	Unit Holders Pattern of the Fund as at 30 June, 2012			
Size of Unit Holding	**Number of Unit Holders**	**Total Units**	**Invested Amount**	**%**
1 - 1000	**19**	**3,746**	**202**	**0.06%**
1001 - 5000	**8**	**19,520**	**1,052**	**0.32%**
5001 - 10000	**3**	**21,053**	**1,134**	**0.35%**
10001 - 50000	**2**	**45,324**	**2,442**	**0.75%**
50001 - 100000	**1**	**87,942**	**4,739**	**1.46%**
100001 - 6000000	**3**	**5,846,333**	**315,033**	**97.05%**
Total	**36**	**6,023,918**	**324,602**	**100.00%**

	Unit Holders Pattern of the Fund as at 30 June, 2011			
Size of Unit Holding	**Number of Unit Holders**	**Total Units**	**Invested Amount**	**%**
1 - 1000	21	4,480	255	0.08%
1001 - 5000	11	27,401	1,554	0.47%
5001 - 10000	1	10,000	568	0.17%
10001 - 50000	3	64,610	3,665	1.12%
50001 - 100000	1	74,514	4,227	1.29%
100001 - 6000000	1	5,590,077	317,128	96.86%
Total	38	5,771,082	327,397	100.00%

1.4 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

List of the top ten brokers by percentage of the commission paid during the year are as follows:

	30 June 2012
Top line Securities (Private) Limited	10.39%
Taurus Securities Limited	10.32%
KASB Securities Limited	7.65%
Habib Metropolitan Financial Services Limited	7.26%
MRA Securities (Private) Limited	6.55%
DJM Securities (Private) Limited	6.40%
Nael Capital (Private) limited	5.61%
Fortune Securities Limited	5.00%
Intermarket Securities (Private) limited	4.79%
Elixir Securities Pakistan Private Limited	4.62%

	30 June 2011
DJM Securities (Private) Limited	8.74%
JS Global Capital Ltd.	7.72%
Taurus Securities Limited	7.20%
KASB Securities Limited	6.55%
Next Capital Limited	5.83%
Foundation Securities (Private) Ltd.	5.83%
Invisor Securities (Pvt) Ltd.	5.51%
Elixir Securities Pakistan (Pvt) Ltd.	4.66%
Top line Securities (Pvt) Ltd.	4.07%
AKD Securities Limited	4.00%

1.5 INVESTMENT COMMITTEE

Details of members of the investment committee of the Fund are as follows:

	Designation	Qualification	Experience in years
Abdul Aziz Anis	Chief Executive Officer	CFA / MBA (Finance)	16 +
Omer Bashir Mirza	CFO & Company Secretary	ACA	10 +
Ather H. Medina	Fund Manager	MBA /CFA-II	17+
Zeeshan Khalil	Fund Manager	ACMA	7 +

Mr. Ather H. Medina is the Fund Manager of Alfalah GHP Islamic Fund. Other Funds being managed by the Fund Manager are as follows:

- Alfalah GHP Value Fund
- Alfalah GHP Alpha Fund

1.6 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 42nd , 43rd, 44th, 45th, 46th, 47th Board Meetings were held on 07 July 2011, 25 Aug 2011, 31 Oct 2011, 16 Feb 2012, 27 Apr 2012 and 27 June 2012 respectively.

	Number of Meetings			
Name of Director	**Held**	**Attended**	**Leave granted**	**Meeting not attended**
Mr. Abdul Aziz Anis	6	6	-	-
Mr. Shakil Sadiq	6	6	-	-
Mr. Shahid Hosain Kazi	6	6	-	-
Mr. Shahab Bin Shahid	6	6	-	-
Mr. Hani Theodor Karl *	2	-	2	2
Mr. Hanspeter Beier**	3	-	3	3
Mr. Sarfraz Ali Sheikh ***	5	-	2	5

*Mr. Hani Theodor Karl (Nominee Director - GHP Arbitrim AG) has resigned from the Board with effect from October 10, 2011

**Mr. Hanspeter Beier appointed by Board as nominee Director of M/s GHP Arbitrium AG, SECP approval of Mr. Hanspeter Beier received on 28 August 2012.

*** Mr. Sarfraz Ali Sheikh been disqualied by the Board in compliance of section 188(b) of Companies Ordinance 1984.