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## FUND'S INFORMATION

<b>Management Company:</b>	Alfalah GHP Investment Management Limited 12th Floor, Tower 'A', Saima Trade Towers I.I. Chundrigar Road, Karachi.
<b>Board of Directors of the Management Company:</b>	<ul style="list-style-type: none"><li>- Mr. Abdul Aziz Anis (Subject to approval of SECP)</li><li>- Mr. Syed Ali Sultan (Subject to approval of SECP)</li><li>- Mr. David Burlison (Subject to approval of SECP)</li><li>- Mr. Hanspeter Beier (Subject to approval of SECP)</li><li>- Mr. Amin Dawood Saleh (Subject to approval of SECP)</li><li>- Mr. Kashif Abdur Rahman (Subject to approval of SECP)</li><li>- Mr. Suleman Hudda (Subject to approval of SECP)</li></ul>
<b>CFO &amp; Company Secretary of the Management Company:</b>	- Mr. Omer Bashir Mirza
<b>Audit Committee:</b>	<ul style="list-style-type: none"><li>- Mr. Syed Ali Sultan</li><li>- Mr. Kashif Abdur Rahman</li><li>- Mr. Amin Dawood Saleh</li></ul>
<b>HR Committee:</b>	<ul style="list-style-type: none"><li>- Mr. Syed Ali Sultan</li><li>- Mr. Abdul Aziz Anis</li><li>- Mr. David Burlison</li></ul>
<b>Fund Manager:</b>	-Mr. Ather H. Medina
<b>Trustee:</b>	Central Depository Company of Pakistan Limited. CDC House, 99-B, Block 'B', SMCHS, Main Shara-e-Faisal, Karachi.
<b>Bankers to the Fund:</b>	Bank Alfalah Limited
<b>Auditors:</b>	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road P.O. Box 15541, Karachi 75530.
<b>Legal Advisor:</b>	Bawany & Partners Room No. 404, 4th Floor Beaumont Plaza, 6-cl-10 Beaumont Road, Civil Lines Karachi.
<b>Registrar:</b>	Alfalah GHP Investment Management Limited 12th Floor, Tower 'A', Saima Trade Towers I.I. Chundrigar Road, Karachi.
<b>Distributor:</b>	Bank Alfalah Limited
<b>Rating:</b>	4 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 2013.

### Financial Performance

Net assets under management as at 30 June 2013 were Rs.349.28 million. During the year units worth Rs. 9.81 million were issued and units worth Rs. 19.07 million were redeemed.

AGIF earned total income of Rs. 132.47 million for the year ended 30 June 2013 including the Reversal of impairment in the value of investments classified as 'available for sale' of Rs. 12.17 million. Major sources of revenue were capital gains of Rs.19.44 million, dividend income of Rs.18.46 million, profit on bank deposits of Rs. 10.90 million and Income from Sukuk Certificates of Rs. 1.62 million. After accounting for expenses of Rs. 14.03 million, the net income from operating activities for the year stands at Rs. 118.45 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 2013 has declared Interim distribution for the period ended 30 June 2013 in the form of cash dividend and bonus units at the rate of Rs. 7.97 per unit, (i.e. 14.79% of the Ex-NAV of Rs. 53.89 at the beginning of the year). The Board in its meeting held on 27 December 2012 had already paid interim distribution for the half year ended December 31, 2012 at the rate of Rs.5.50 per unit, (i.e., 10.21% of the Ex-NAV of Rs.53.89) at the beginning of the period. Therefore total distribution for the year ended 30 June 2013 amounts to Rs. 13.47 per unit.

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.

### Economic Review

Economic activity remained lackluster in FY13 as continuing problems including energy shortage, and law and order continued to cause problems, resulting in another year of missed economic targets on almost all major fronts including growth, deficits, etc. GDP growth of 3.60% during the year was again below target (4.30%), and even below the previous year's level of 3.70%. The services sector showed slightly above average growth of 3.7%, while manufacturing at 3.5% and agriculture at 3.3% growth, were below average. The Pak Rupee depreciated by over 5% during the year as the country's foreign exchange reserves dipped further to USD 11.02 billion, down USD 4.2 billion from the previous year.

Foreign remittances were up again this year to USD 13.9 billion, up 5.6% from USD 13.1 billion in the previous year. Further support was also provided by net inflows of USD 568.8 million on account of Foreign Portfolio Investment, which had recorded a net out flow of USD 189.1 million in the previous year. Nevertheless, the external account continued to face pressure due to continued lack of progress on key issues, including auctioning of 3G licenses, receipt of outstanding privatization proceeds from Etilat and dearth of new privatizations.

During FY13 net government borrowing for budgetary support took another quantum jump of 39% to PKR 1.590 trillion. Borrowing from commercial banks to meet budgetary support requirement increased to PKR 1.012 trillion (63.66%), while PKR 0.578 trillion (36.34%) of the borrowing for budgetary support was met through the State Bank of Pakistan. Consequently, Net Domestic Assets (NDA) were up 21.09% to PKR 8.6087 trillion. Increasing reliance on commercial banks to support the government's budgetary borrowing requirements continued to squeeze out the private sector, with

private sector credit offtake showing negative growth of PKR 19.1 billion, a 0.56% decline to PKR 3.376 trillion.

In the plus column, CPI inflation remained restrained during the year with 7.8% growth versus 10.8% in the previous year. This enabled the central bank to reduce the benchmark policy discount rate by 300 bps during the year to 9.0% p.a.

### Asset Allocation

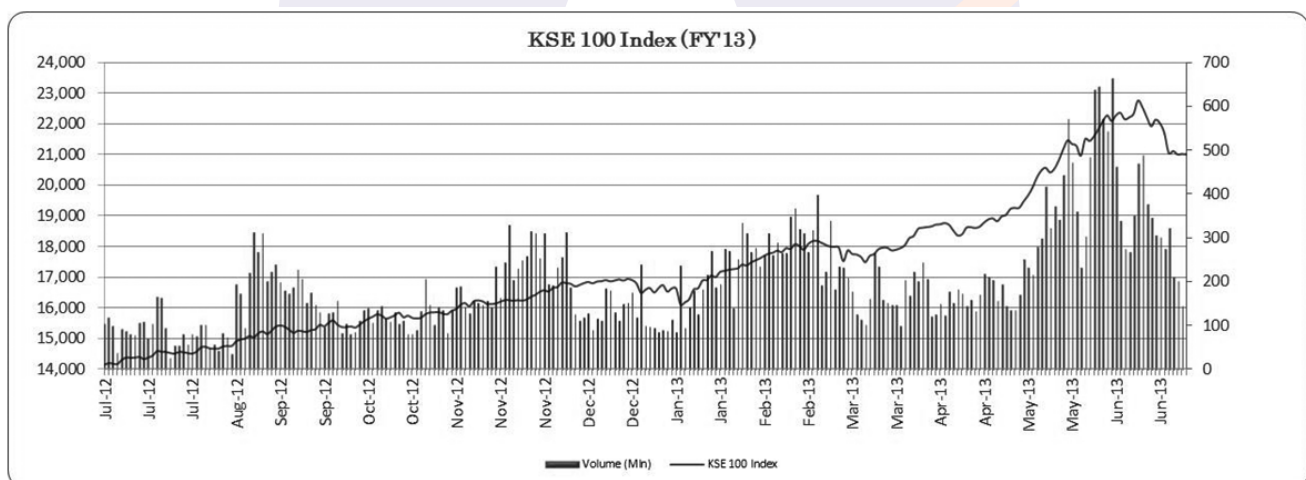
The asset allocation of the Fund as at 30 June 2013 was as follows:

Cash / Bank Deposits	29.02%
Stock / Equities	70.12%
Others	0.86%
<b>Total</b>	<b><u>100.00%</u></b>

### Stock Market Review

During FY13, the benchmark KSE 100 index powered on to all time highs, gaining 52.2% or 7,204 points to close at 21,005 points. The market remained on a bullish trend throughout the year, aided in large part by inflows on account of Foreign Portfolio Investment, which averaged USD 47.4 million per month during the year. The expectations of a peaceful transfer of power to a new democratically elected government was a key driver of the long market rally.

The pre-election rally got turbo charged from mid-April to mid-June when the index powered through to a 20% rise in the sixty day period around the election time. Foreign funds were aggressive buyers in the market during this period with May 2013 alone accounts for FIPI inflows of USD 271.3 million. Profit taking during the last fortnight of the year clipped 1,752 points (7.7%) from the index.



### Future Outlook

The newly elected government has declared its objective of addressing the energy crises and as a first step resolving the energy sector circular debt problem. Additionally, the process has been initiated to appoint in a transparent manner, professional and qualified Boards of Directors and CEOs of all public sector corporations. Progress in resolving the energy deficit can pay handsome dividends in driving corporate earnings, which could drive the market to further uncharted highs. The risk factors continue to remain a delicate economic situation, with strong pressure on the current account, along with the inability of the law enforcement agencies to arrest the deterioration in the law and order situation.

With regards to the interest rate scenario, the need to get on to another IMF program will constrain the government to implement some unpopular and inflationary policies, which coupled with a weakening exchange rate would mean that interest rates would be adjusted higher.

### 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 2013 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 2014.

### 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

12 August 2013  
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 36.27% in FY13 as compared to its benchmark which was up by 30.50% during the same period.

### Benchmark relevant to the fund

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

### Fund's performance with benchmark (Annualised)

FY'13 Return	Benchmark	Relative Performance
36.27%	30.50%	5.77%

Significant outperformance was achieved by overweighting the fund's exposure in the Oil & Gas sector which performed especially strongly in 2HFY13.

### Asset allocation (As at 30 June 2013)

Cash / Bank deposits	29.02%
Stock / Equities	70.12%
Other	0.86%
<b>TOTAL</b>	<b><u>100.00%</u></b>

### 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, 2013	As on June 30, 2012	% Change
349,282	324,602	7.60%

#### On price ^ (Rupees)

As on June 30, 2013	As on June 30, 2012	% Change **
58.72	53.89	36.27%

^ 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.

### Market and their Returns

- **Islamic Equity**  
The Shariah Compliant equities witnessed a stellar year in FY13 and KMI30 index gained 54.41%. The shariah compliant index beat outperformed the broader market due to a higher exposure to the Oil & Gas sector which performed strongly in 2HFY13.
- **Islamic Income**  
Islamic fixed income securities especially corporate Sukuks from the private sector suffered inactivity in FY 2013. 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 notes 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 investment.

### 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 offering 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.

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Fund Manager



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED****Head Office**

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URL: www.cdcPakistan.com  
Email: info@cdcpak.com

**TRUSTEE REPORT TO THE UNIT HOLDERS****ALFALAH GHP ISLAMIC FUND****Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of  
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of Alfalah GHP Islamic Fund (the Fund) are of the opinion that Alfalah GHP Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 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: September 13, 2013



**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 2013 and their evaluation according to the screening criteria established by us. (The latest half yearly of the Investee companies available as on 31 December 2012 have been used for the following calculations):

Company Name	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
	Nature of Business	Debt to Assets (<37%)	Illiquid Asset to Total Assets (>25%)	Non-Compliant Income to Gross Revenue (<5%)	% of Non-Shariah Compliant Investment (<33%)	Net Liquid Assets / Share (A)	Market Price / Share (B)
Fauji Fertilizer Co. Ltd.	Fertilizer	30.89%	51.41%	1.29%	19.90%	-14.60	117.14
Lucky Cement Ltd.	Cement	6.51%	80.94%	0.00%	0.00%	-8.9	151.54
DG Khan Cement Co. Ltd.	Cement	25.12%	59.57%	3.94%	30.40%	10.6	54.58
Hub Power Co. Ltd.	Power Generation	35.83%	35.91%	0.02%	0.00%	-29.65	45.24

Oil & Gas Development Co. Ltd.	Oil & Gas Exploration	0.00%	35.89%	3.83%	32.51%	37.05	192.61
Pakistan State Oil	Oil Marketing	15.92%	39.11%	0.53%	0.00%	-284.18	232.21
Pakistan Oilfields Ltd.	Oil & Gas Exploration	0.00%	52.91%	3.74%	0.11%	30.07	437.54
Pakistan Petroleum Ltd.	Oil & Gas Exploration	0.12%	39.44%	4.74%	23.68%	37.82	176.79

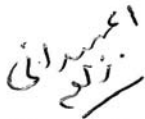
In light of the above scope, we hereby certify that all the provisions of the scheme and investment made by the Fund for the year ended 30 June, 2013 are in compliance with the Shariah principles.

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 **371,345**.

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 06 AUG 2013  
Karachi





Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
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Pakistan

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

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

We have performed an independent assurance engagement of **Alfalah GHP Islamic Fund** (the Fund) to ensure that the Fund has complied with the Shariah rules and principles prescribed by the Shariah Board of the Fund during the year ended 30 June 2013, 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 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.





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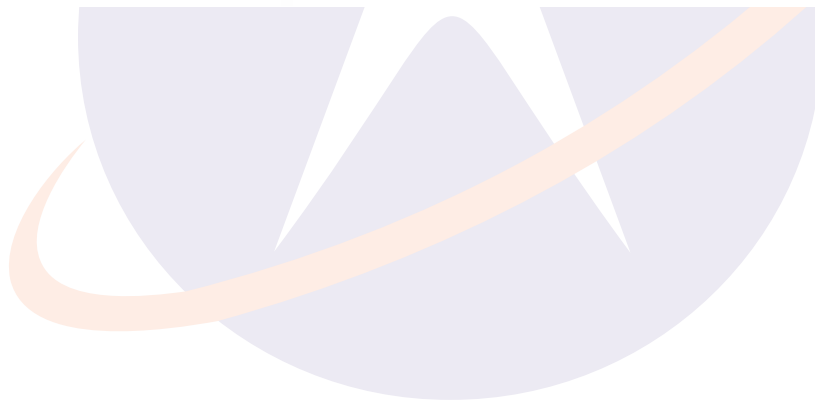
**4. Our opinion**

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 2013.

Karachi: 12 August 2013

*Emil & Young Feroz Khan Sidani Hyder*

Chartered Accountants



## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2013

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, executive and non-executive directors. At present the Board includes:

Categories	Names
Independent Directors	Mr. Kashif Abdur Rahman Mr. Suleman Hudda
Executive Director	Mr. Abdul Aziz Anis
Non-Executive Directors	Mr. Syed Ali Sultan Mr. David Burlison Mr. Hanspeter Beier Mr. Amin Dawood Saleh Mr. Kashif Abdul Rehman Mr. Suleman Hudda

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a 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 06 August 2012 and 08 April 2013 which were filled on 26 April 2013.
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 except for 51st and 53rd Board meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has not arranged orientation courses and 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 other than that disclosed in the Financial Statements.
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 an independent director. However, the audit committee has not yet appointed / designated a secretary of the audit committee.
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 Board has formed Human Resource and Remuneration Committee in its Board meeting dated, 28 August 2012. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
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. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
22. 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.
23. We confirm that all other material principles, except those mentioned above, contained in the Code have been complied with.

For and on behalf of the Board

12 August 2013  
Karachi

**Abdul Aziz Anis**  
Chief Executive





Ernst & Young Fore Rhodes Sidat Hyder  
Chartered Accountants  
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## 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.

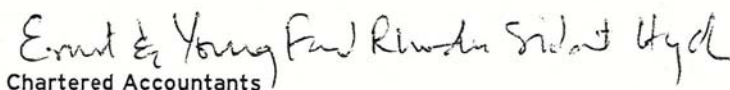
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks 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 (Guarantee) 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 2013.

We draw your attention to clause 4, 5, 6, 8, 9, 15, 18 and 23 of the Statement which mention 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.

  
Chartered Accountants

Date: 12 August 2013

Karachi



Ernst & Young Ford Rhodes Siddiqi Haseer  
Chartered Accountants  
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## 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 2013** 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.

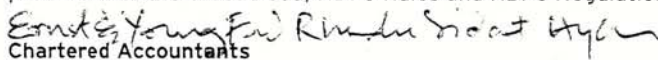
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2013** and of its financial performance, cash flows and transactions for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

  
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: 12 August 2013

Karachi

## STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2013

	<i>Note</i>	<b>30 June 2013</b>	<b>30 June 2012</b>
<b>(Rupees in '000)</b>			
<b>Assets</b>			
Bank balances	4	<b>116,940</b>	136,909
Investments	5	<b>282,524</b>	189,924
Dividend and profit receivable	6	<b>845</b>	1,758
Deposits, prepayments and other receivables	7	<b>2,600</b>	2,600
Preliminary expenses and floatation costs	8	<b>-</b>	122
<b>Total assets</b>		<b>402,909</b>	331,313
<b>Liabilities</b>			
Payable to Alfalah GHP Investment Management Limited - Management Company	9	<b>1,015</b>	758
Payable to Central Depository Company of Pakistan Limited - Trustee	10	<b>67</b>	59
Payable to Securities and Exchange Commission of Pakistan - Annual fee	11	<b>331</b>	310
Accrued expenses and other liabilities	12	<b>52,214</b>	5,584
<b>Total liabilities</b>		<b>53,627</b>	6,711
<b>Contingencies and Commitments</b>	13	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>349,282</b>	324,602
<b>Unit holders' funds (as per statement attached)</b>		<b>349,282</b>	324,602
		<b>(Number of units)</b>	
<b>Number of units in issue</b>		<b>5,948,435</b>	6,023,918
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>58.72</b>	53.89

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 2013

	<i>Note</i>	30 June 2013	30 June 2012
<b>Income</b>		(Rupees in '000)	
<b>Held for trading investments:</b>			
Capital gain on sale of investments - HFT		22,218	17,034
Unrealised appreciation in the value of investments	5.2	69,889	3,772
		<b>92,107</b>	20,806
<b>Available for sale investments:</b>			
Capital (loss) / gain on sale of investments - AFS		(2,781)	2,486
Reversal of impairment / (impairment) in the value of investments		12,166	(1,925)
		<b>9,385</b>	561
Income from sukuk certificates		1,620	1,890
Dividend income		18,457	14,451
Profit on deposit accounts with banks		10,904	12,533
<b>Total income</b>		<b>132,473</b>	50,241
<b>Expenses</b>			
Remuneration of Alfalah GHP Investment Management Limited - Management Company	9.1	7,108	7,344
Sindh sales tax on management fee	9.2	1,147	1,175
Federal excise duty on management fee	9.3	63	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	712	701
Annual fee - Securities and Exchange Commission of Pakistan	11	331	310
Amortisation of preliminary expenses and floatation costs	8	122	712
Bank and settlement charges		234	229
Legal and professional charges		-	92
Auditors' remuneration	16	560	560
Brokerage		1,073	1,216
Provision for workers' welfare fund	14	2,391	794
Fees and subscriptions		140	140
Printing and related cost		145	141
Other charges	12.1	-	255
<b>Total expenses</b>		<b>14,026</b>	13,669
<b>Net income from operating activities</b>		<b>118,447</b>	36,572
Net element of (loss)/income and capital (losses)/gains included in prices of units issued less those in units redeemed		(1,274)	2,331
<b>Net income for the year</b>		<b>117,173</b>	38,903

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 2013

	<i>Note</i>	30 June 2013 (Rupees in '000)	30 June 2012
Net income for the year		117,173	38,903
<b>Other comprehensive income / (loss):</b>			
Element of income and capital gains included in prices of units sold less those in units redeemed - amount representing unrealized capital gains		43	9
Unrealised (diminution)/appreciation in investments classified as 'available for sale':			
Surplus for the year		2,958	1,821
Recycled through income statement			
-on sale		(15,908)	(3,497)
-on impairment		3,742	1,925
		(12,166)	(1,572)
Other comprehensive loss/ (income) for the year		(9,165)	258
<b>Total comprehensive income for the year</b>		<b>108,008</b>	<b>39,161</b>

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 2013

	<i>Note</i>	<b>30 June 2013 (Rupees in '000)</b>	30 June 2012
Undistributed income brought forward			
Realised		<b>10,056</b>	24,536
Unrealised		<b>3,772</b>	4,981
		<b>13,828</b>	29,517
Element of income and capital gains included in prices of units sold less those in units redeemed - amount representing unrealized capital gains		<b>43</b>	9
Net income for the year		<b>117,173</b>	38,903
Final distribution for the year ended 30 June 2013:			
- Cash distribution of Rs. Nil (2012: Rs. 3.50 per unit)		-	(19,565)
- Issue of Nil bonus units (2012: 11,902 units)		-	(634)
Interim distribution for the year ended 30 June 2013:			
- Cash distribution of Rs. 13.47 per unit (2012: Rs. 5.75 per unit)	17	<b>(75,298)</b>	(32,143)
- Issue of 74,738 bonus units (2012: 42,182 units)		<b>(4,253)</b>	(2,259)
		<b>37,665</b>	(15,689)
Undistributed income carried forward			
Realised		<b>(18,396)</b>	10,056
Unrealised		<b>69,889</b>	3,772
		<b>51,493</b>	13,828

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 2013

	<i>Note</i>	30 June 2013 (Rupees in '000)	30 June 2012
Net assets at the beginning of the year		324,602	327,397
Issue of 169,714 units (2012: 231,405 units)		9,808	14,000
Redemption of 319,935 units (2012: 32,656 units)		(19,069)	(1,908)
		(9,261)	12,092
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased:			
- amount representing accrued loss and realised capital loss - transferred to the income statement		1,274	(2,331)
- amount representing unrealised capital gains - transferred directly to the Distribution Statement		(43)	(9)
		1,231	(2,340)
Final distribution of nil bonus units declared for the year ended 30 June 2013 (2012: 11,902 units)		-	634
Interim distribution of 74,738 bonus units for the year ended 30 June 2013 (2012: 42,185 units)		4,253	2,259
Net unrealised (diminution)/appreciation on revaluation of investments classified as 'available-for-sale'	5.5	(9,208)	249
Capital gain on sale of investments		19,437	19,520
Unrealised appreciation / (diminution) in the value of investments - 'at fair value through profit or loss'		69,889	3,772
Other net income / (loss) for the year		27,847	15,611
Element of income and capital gains included in prices of units sold less those in units redeemed - amount representing unrealised capital gains		43	9
Final distribution for the year ended 30 June 2013:			
- Cash distribution of Rs. Nil (2012: Rs. 3.50 per unit)		-	(19,565)
- Issue of Nil bonus units (2012: 11,902 units)		-	(634)
Interim distribution for the year ended 30 June 2013:			
- Cash distribution of Rs. 13.47 per unit (2012: Rs. 5.75 per unit)	17	(75,298)	(32,143)
- Issue of 74,738 bonus units (2012: 42,182 units)		(4,253)	(2,259)
Net income for the year less distribution		37,665	(15,689)
<b>Net assets at the end of the year</b>		349,282	324,602
		<b>(Rupees)</b>	
Net asset value per unit at the beginning of the year		53.89	56.73
Net asset value per unit at the end of the year		58.72	53.89

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 2013

	30 June 2013	30 June 2012
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	117,173	38,903
<b>Adjustments for:</b>		
Unrealised appreciation in the value of investments - 'at fair value through profit or loss'	(69,889)	(3,772)
Reversal of impairment /(impairment) in the value of investments	(12,166)	1,925
Dividend income	(18,457)	(14,451)
Profit on deposit accounts with banks	(10,904)	(12,533)
Amortisation of preliminary expenses and floatation costs	122	712
Income from sukuk certificates	(1,620)	(1,890)
Provision for workers' welfare fund	2,391	794
Net element of loss/(income) and capital losses/(gains) included in prices of units issued less those in units redeemed	1,274	(2,331)
	7,924	7,357
<b>Increase in assets</b>		
Investments	(19,753)	(3,605)
Deposits, prepayments and other receivables	-	-
	(19,753)	(3,605)
<b>Increase / (decrease) in liabilities</b>		
Payable against purchase of investments	-	(2,269)
Payable to Alfalah GHP Investment Management Limited - Management Company	257	153
Payable to Central Depository Company of Pakistan Limited - Trustee	8	-
Payable to Securities and Exchange Commission of Pakistan -Annual fee	21	(4)
Accrued expenses and other liabilities	44,239	133
	44,525	(1,987)
Dividend and profit received	31,894	31,139
<b>Net cash flow from operating activities</b>	64,590	32,904
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	9,808	14,000
Payment against redemption of units	(19,069)	(1,908)
Cash dividend paid	(75,298)	(51,708)
<b>Net cash flow (used in) financing activities</b>	(84,559)	(39,616)
Net decrease in cash and cash equivalents during the year	(19,969)	(6,712)
Cash and cash equivalents at beginning of the year	136,909	143,621
Cash and cash equivalents at end of the year	116,940	136,909

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 2013

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Alfalah GHP Islamic Fund is an open-end collective investment scheme ("the Fund") established through a Trust Deed under the Trust Act, 1882, executed between Alfalah GHP Investment Management Limited, ("the Management Company") and Central Depository Company of Pakistan Limited, ("the Trustee"). The Trust Deed was executed on 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.

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

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 'AM3' (Outlook: Negative) to the Management Company in its rating report dated 22 July 2013 and 4 -Star (short term) and 4-Star (long term) to the fund in its rating report dated 08 November 2012.

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

### 2.3 Functional and presentation currency

These 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 3.2 and 5)
- b) Impairment (note 3.3)
- c) Provisions (note 3.8)
- d) Taxation (note 3.12)

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 New and amended standards and interpretations

IAS - 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)

IAS - 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

### 3.2 Financial instruments

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

- a) Financial instruments at fair value through profit or loss

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

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

b) Available for sale

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

c) Loans and receivables

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

d) Financial liabilities

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

### Recognition

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

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

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

### Measurement

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

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

### Fair value measurement principles

#### *Basis of valuation of Quoted Equity Securities*

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

#### *Basis of valuation of Sukuk Certificates*

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

### 3.3 Impairment

Financial assets not carried at fair value through profit or loss are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognised in Income Statement.

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

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

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

### 3.4 Derecognition

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

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

### 3.5 Unit holders' fund

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

### 3.6 Issue and redemption of units

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

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

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

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

The Fund records the net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accounting period in the Income Statement while the portion of the element of income / (loss) and capital gains / (losses) that relates to unrealised gains / (losses) held by the Fund is recorded in a separate



reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders.

### 3.8 Provisions

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

### 3.9 Preliminary expenses and floatation costs

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

### 3.10 Net asset value per unit

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

### 3.11 Earnings per unit

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

### 3.12 Taxation

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

### 3.13 Offsetting of financial instruments

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

### 3.14 Revenue recognition

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

### 3.15 Expenses

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

### 3.16 Cash and cash equivalents

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

### 3.17 Dividend distribution and appropriations

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

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

The following revised standards, 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:

Standard of Interpretation	Effective date (annual beginning on or after)
IFRS 7 - Financial Instruments : Disclosures - (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 19 - Employee Benefits - (Revised)	01 January 2013
IAS 32- Offsetting Financial Assets and Financial Liabilities - (Amendments)	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 revision, amendments and interpretations of the standards will not affect the fund's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The fund expects that such improvements to the standard will not have any impact on the fund's financial statements in the period of initial application.

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

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

4. BANK BALANCES	<i>Note</i>	30 June 2013 (Rupees in '000)	30 June 2012
Deposit accounts	4.1	116,920	136,754
Current account		20	155
		<u>116,940</u>	<u>136,909</u>





	30 June 2013	30 June 2012
	(Rupees in '000)	
<b>5.2 Net Unrealized appreciation / (diminution) in the value of investments classified as 'at fair value through profit or loss'</b>		
Market value of investments	282,524	161,525
Less: Cost of investments	<u>(211,819)</u>	<u>(153,544)</u>
	70,705	7,981
Net unrealised (appreciation) / diminution in the value of investment at the beginning of the year	<u>(7,981)</u>	<u>(6,250)</u>
Realised on disposal during the year	<u>7,165</u>	<u>2,041</u>
	<u>(816)</u>	<u>(4,209)</u>
Net unrealised appreciation / (diminution) in the value of investment for the year	<u><u>69,889</u></u>	<u><u>3,772</u></u>

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

Name of the investee company	As at 01 July 2012	Purchases during the year	Bonus / rights Issue during the year	Sales during the year	As at 30 June 2013	Cost as at 30 June 2013	Market value as at 30 June 2013	Market value as a percentage of:		Par value as a percentage of issued capital of the investee company
								Net asset	Total investments	
----- (Number of Shares) ----- (Rupees in '000)										
<b>Oil and Gas</b>										
Pakistan Oilfields Limited	40,000	-	-	40,000	-	-	-	-	-	-
Grand total						<u>-</u>	<u>-</u>			

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

**5.4 Investment in sukuk certificates - Available for sale**

Name of the investee company	Maturity	Profit / Mark-up Percentage	As at 01 July 2012	Purchases during the year	Sales during the year	Redemption during the year	As at 30 June 2013	Cost as at 30 June 2013	Market value as at 30 June 2013	Market value as a percentage of:		Outstanding principal value as a percentage of issued debt capital
										Net asset	Total investments	
---- (Number of Sukuk bonds)---- (Rupees in '000)												
Maple Leaf Cement Factory Ltd.-I	Dec 2018	3 M+1.0%	5,000	-	5,000	-	-	-	-	-	-	-
Maple Leaf Cement Factory Ltd.-II	Mar 2013	3 M +1.0%	188	-	188	-	-	-	-	-	-	-
Total							<u>-</u>	<u>-</u>				
<b>Total Investment</b>							<u><u>-</u></u>	<u><u>-</u></u>				

	30 June 2013	30 June 2012
	(Rupees in '000)	
<b>5.5 Net unrealised appreciation / (diminution) in the value of investments classified as 'available-for-sale'</b>		
Market value of investments classified as 'available for sale'	-	28,399
Less: Cost of investments classified as 'available for sale'	-	<u>(31,357)</u>
Net unrealized (appreciation) / diminution in the value of investments	-	(2,958)
Impairment charged to income statement	3,742	1,925
Reversal of impairment on sale of equity securities	8	-
Reversal of impairment	<u>(15,916)</u>	<u>(3,497)</u>
	<u>(12,166)</u>	<u>(4,530)</u>
Net unrealized (appreciation) / diminution in the value of investments at the beginning of the year	<u>2,958</u>	<u>4,779</u>
Net unrealised appreciation / (diminution) in the value of investments at the end of the year	<u><u>(9,208)</u></u>	<u><u>249</u></u>

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

Opening balance	12,174	13,746
Charge for the year	3,742	1,925
Reversal of impairment	<u>(15,916)</u>	<u>(3,497)</u>
Closing balance	<u>-</u>	<u>12,174</u>

		30 June 2013	30 June 2012
		(Rupees in '000)	
<b>6. DIVIDEND AND PROFIT RECEIVABLE</b>	<i>Note</i>		
Dividend receivable		106	300
Profit receivable on deposit accounts with banks		739	1,458
		<u>845</u>	<u>1,758</u>
<b>7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Deposit with National Clearing Company of Pakistan Limited		2,600	2,600
		<u>2,600</u>	<u>2,600</u>
<b>8. PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Preliminary expenses and floatation costs		122	834
Amortisation during the year		(122)	(712)
		<u>-</u>	<u>122</u>
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.		
<b>9. PAYABLE TO ALFALAH GHP INVESTMENT MANAGEMENT LIMITED – MANAGEMENT COMPANY</b>		30 June 2013	30 June 2012
	<i>Note</i>	(Rupees in '000)	
Management fee	9.1, 9.2, 9.3	<u>1,015</u>	<u>758</u>
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.		
<b>9.2 SALES TAX ON MANAGEMENT FEE</b>			
	During the current year, an amount of Rs. 1.1472 million (30 June 2012: Rs. 1.175) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.		
<b>9.3 FEDERAL EXCISE DUTY ON MANAGEMENT FEE</b>			
	During the current year, an amount of Rs.0.063 million (30 June 2012: Rs. Nil) was charged on account of Federal Excise Duty on Asset Management Services levied through finance bill 2013.		
<b>10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		30 June 2013	30 June 2012
	<i>Note</i>	(Rupees in '000)	
Trustee fee	10.1	65	58
CDS charges payable		2	1
		<u>67</u>	<u>59</u>

- 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

	<i>Note</i>	<b>30 June 2013</b>	30 June 2012
		<b>(Rupees in '000)</b>	
Legal and professional charges		-	90
Auditors' remuneration		<b>500</b>	410
Brokerage payable		<b>61</b>	69
Settlement charges		<b>16</b>	17
Charity payable	12.1	-	331
Other liabilities		<b>42</b>	17
Distribution payable		<b>44,553</b>	
Provision for Workers' Welfare Fund		<b>7,042</b>	4,650
		<b><u>52,214</u></b>	<u>5,584</u>

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

#### 13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 30 June 2013.

#### 14. WORKERS' WELFARE FUND

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

In August 2011, the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts 2006 and 2008 have been declared unconstitutional and therefore struck down. However, during March 2013, the SHC larger bench issued a judgment in response to various petitions in similar cases whereby the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Acts 2006 and 2008 respectively (Money Bills) have been declared constitutional and overruled a single-member Lahore High Court (LHC) bench judgment issued in August 2011.

MUFAP's legal counsel is of the view that the stay granted to mutual funds in respect of recovery of WWF remains intact and the constitutional petition filed by the Mutual Funds to challenge the Workers Welfare Fund contribution has not been affected by the Judgment passed by the larger bench of SHC.

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.7.0415 million (30 June 2012: Rs. 4.650) up to 30 June 2013. If the same were not made the NAV per unit would be higher by Rs. 1.18.

## 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.

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.

16. AUDITORS' REMUNERATION	30 June	30 June
	2013	2012
	(Rupees in '000)	
Audit fee	275	275
Other certifications and services	275	275
Out of pocket expenses	10	10
	<u>560</u>	<u>560</u>

## 17. INTERIM DISTRIBUTIONS

The Fund has made following distribution during the year.

Date	Rate /unit (Rupees)	Bonus		Cash Distribution	Total
		Units	Amount		
27 December 2012	5.50	31,711	1,739	30,745	32,484
27 June 2013	7.97	43,027	2,514	44,553	47,067
	<u>13.47</u>	<u>74,738</u>	<u>4,253</u>	<u>75,298</u>	<u>79,551</u>

## 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 ended 30 June 2013 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 year ended 30 June 2013.

**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 2013	30 June 2012
<b>(Rupees in '000)</b>		
<b>Alfalah GHP Investment Management Limited - Management Company</b>		
Balance at beginning of the year	758	605
Remuneration for the year	7,108	7,344
Front End Load	191	-
FED on Management Fee	63	-
Sales tax on Management fee for the year	1,147	1,175
	<b>8,509</b>	8,519
Amount paid during the year	<b>(8,252)</b>	(8,366)
Balance at the end of the year	<b>1,015</b>	758
<b>Central Depository Company of Pakistan Limited</b>		
Balance at beginning of the year	59	59
Remuneration for the year	712	701
CDS Charges for the year	25	19
	737	720
Amount paid during the year	<b>(729)</b>	(720)
Balance at the end of the year	<b>67</b>	59
Deposit with Central Depository Company of Pakistan Limited	<b>100</b>	100
<b>Bank Alfalah Limited-Islamic Banking Division</b>		
Deposits at the end of the year	<b>116,908</b>	136,733
Profit on deposit accounts for the year	<b>10,904</b>	12,533
Bank charges for the year	<b>6</b>	6
	<b>(Units in '000)</b>	
Units held	<b>5,590</b>	5,590
	<b>(Rupees in '000)</b>	
Cash dividend paid	<b>75,298</b>	51,708



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

### 21.1 Market risk

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

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

#### 21.1.1 Profit rate risk

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

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

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

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

Effective rate of mark-up/return %	30 June 2013				Total	
	Exposed to yield / profit rate risk					
	Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / profit rate risk		
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	6% to 10.44%	116,920	-	-	20	116,940
Investments		-	-	-	282,524	282,524
Dividend and profit receivable		-	-	-	845	845
Deposits, prepayments and other receivables		-	-	-	2,600	2,600
		<b>116,920</b>	<b>-</b>	<b>-</b>	<b>285,989</b>	<b>402,909</b>
<b>Financial liabilities</b>						
Payable to Alfalah GHP Investment Management Limited - Management Company		-	-	-	1,015	1,015
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	67	67
Payable to Securities and Exchange Commission of Pakistan Annual Fee		-	-	-	331	331
Accrued expenses and other liabilities		-	-	-	45,172	45,172
		-	-	-	46,585	46,585
<b>On-balance sheet gap</b>		<b>116,920</b>	<b>-</b>	<b>-</b>	<b>239,404</b>	<b>356,324</b>



30 June 2012

	Effective rate of mark-up/return %	Exposed to yield / profit rate risk				Total
		Upto three months	More than three months and upto one year	More than one year	Not exposed to yield /profit rate risk	
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	5.00% to 9.27%	136,754	-	-	155	136,909
Investments	3 months KIBOR	13,721	-	-	176,203	189,924
Dividend and profit receivable	+ 1.0 to 6 months	-	-	-	1,758	1,758
Deposits, prepayments and other receivables	KIBOR + 0.4	-	-	-	2,600	2,600
		<u>150,475</u>	<u>-</u>	<u>-</u>	<u>180,716</u>	<u>331,191</u>
<b>Financial liabilities</b>						
Payable to Alfalah GHP Investment Management Limited - Management Company		-	-	-	758	758
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	59	59
Payable to Securities and Exchange Commission of Pakistan Annual Fee		-	-	-	310	310
Payable against purchase of investment		-	-	-	934	934
Accrued expenses and other liabilities		-	-	-	2,061	2,061
		<u>150,475</u>	<u>-</u>	<u>-</u>	<u>178,655</u>	<u>329,130</u>
<b>On-balance sheet gap</b>						

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

**a) Sensitivity analysis for variable rate instruments**

The Fund does not hold any variable rate instruments as at 30 June 2013 which are classified as at fair value through profit or loss and available for sale exposing the Fund to fair value profit rate risk.

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

The Fund does not hold any fixed rate debt instruments as at 30 June 2013 which are classified as at fair value through profit or loss and available for sale exposing the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio and profit rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of future movements in profit 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 profit rate risk or currency risk), whether caused by factor specific to an individual investment, its issuer or factors affecting all instrument traded in the market.

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

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

<b>Sectors</b>	<b>30 June 2013 Sector %</b>	<b>30 June 2012 Sector %</b>
Banks	<b>3.99</b>	2.23
Electricity	<b>11.83</b>	12.89
Oil And Gas	<b>48.37</b>	41.99
Chemicals	<b>9.51</b>	15.99
Construction and Materials	<b>26.31</b>	18.05
General Industrials	-	8.85
<b>TOTAL</b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>

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 2013. The analysis is based on the assumption that KSE-100 index increase by 10% (30 June 2012: 10%) and decreases by 10% (30 June 2012: 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 2013, the fair value of equity securities exposed to price risk was disclosed in notes 5.3 and 5.4.

<i>Effect due to increase / decrease in KSE 100 index</i>	<b>30 June 2013</b>	<b>30 June 2012</b>
	<b>(Rupees in '000)</b>	
Investment and net assets	<b><u>28,252</u></b>	<b><u>17,620</u></b>
Income statement	<b><u>28,252</u></b>	<b><u>17,620</u></b>

## **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 (2012: AA by PACRA)

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

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

### **Concentration of Credit Risk**

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

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

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

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

	<b>30 June 2013</b>	30 June 2012
	<b>(Rupees in '000)</b>	
<b>Financial assets</b>		
Bank balances	<b>116,940</b>	136,909
Investments in sukuk certificates	-	13,721
Dividend and profit receivables	<b>845</b>	1,758
Deposits and other receivables	<b>2,600</b>	2,600
	<b><u>120,385</u></b>	<u>154,988</u>
Secured	-	13,721
Unsecured	<b><u>120,385</u></b>	<u>141,267</u>
	<b><u>120,385</u></b>	<u>154,988</u>

The analysis below summarizes the credit quality of the Company's bank balances as at 30 June 2013 and 30 June 2012;

	<b>30 June 2013</b>	30 June 2012
	<b>(Percentage)</b>	
<b>Bank balances by category wise</b>		
AA	<b>116,928</b>	136,888
AA-	<b>10</b>	10
A	<b>2</b>	11
A-	-	-
	<b><u>116,940</u></b>	<u>136,909</u>

### **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 year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings.

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

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

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

	30 June 2013		
	Carrying value	Upto one month	More than one month and upto three months
<b>On balance sheet financial liabilities and others</b>	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to Alfalah GHP Investment Management Limited - Management Company	1,015	1,015	-
Payable to Central Depository Company of Pakistan Limited - Trustee	67	67	-
Accrued expenses and other liabilities	45,172	-	45,172
	<u>46,254</u>	<u>1,082</u>	<u>45,172</u>
30 June 2012			
	Carrying value	Upto one month	More than one month and upto three months
<b>On balance sheet financial liabilities and others</b>	----- (Rupees in '000) -----		
<b>Liabilities</b>			
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
	<u>1,751</u>	<u>817</u>	<u>934</u>

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

## 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 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:

	<b>30 June 2013</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	(Rupees in '000)			
<b>Financial assets 'at fair value through profit or loss'</b>				
- Equity securities	-	-	-	-
<b>Available-for-sale investments</b>				
- Equity securities	<b>282,524</b>	-	-	<b>282,524</b>
- Sukuk certificates	-	-	-	-
	<b>282,524</b>	<b>-</b>	<b>-</b>	<b>282,524</b>

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

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

	<b>30 June 2013</b>	30 June 2012
	(Rupees in '000)	
Transfers from Level 2 to Level 3	<u>-</u>	<u>13,721</u>

## 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 12 August 2013 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 2013	30 June 2012	30 June 2011
----- (Rupees in '000) -----			
Net assets	<u>349,282</u>	<u>324,602</u>	<u>327,397</u>
	<b>(Rupees per unit)</b>		
Net asset value per unit	<u>58.72</u>	<u>53.89</u>	<u>56.73</u>
Year end offer price	<u>61.66</u>	<u>56.58</u>	<u>59.57</u>
Highest offer price	<u>71.74</u>	<u>64.23</u>	<u>62.67</u>
Lowest offer price	<u>56.17</u>	<u>54.02</u>	<u>56.66</u>
Year end repurchase price	<u>58.72</u>	<u>53.89</u>	<u>56.73</u>
Highest repurchase price	<u>68.32</u>	<u>61.17</u>	<u>59.69</u>
Lowest repurchase price	<u>53.50</u>	<u>51.45</u>	<u>53.96</u>
Distribution - Interim (PKR Rs.)	<u>13.47</u>	<u>5.75</u>	<u>Rs. 4.00</u>
Distribution - Final (PKR Rs.)	<u>Nil</u>	<u>Nil</u>	<u>Rs. 3.50</u>
Total distribution (PKR. Rs.)	<u>13.47</u>	<u>Rs. 5.75</u>	<u>Rs. 7.50</u>
	<b>Announcement date of distribution</b>		
Interim	<u>i) 27-Dec-2012</u>		<u>(i) 21 October 2010</u>
Final	<u>ii) 27-Jun-2013</u>	<u>27-Jun-12</u>	<u>(ii) 30 December 2010</u>
	<u>N/A</u>	<u>NIL</u>	<u>07 JulY 2011</u>
	----- (Percentage) -----		
Total return of the Fund	<u>36.27%</u>	<u>12.11%</u>	<u>11.08%</u>
Annual dividend distribution (bonus units)	<u>25.00%</u>	<u>10.80% Cash (Income Units) &amp; Bonus (Growth Units)</u>	<u>13.70% Cash (Income Units) &amp; Bonus (Growth Units)</u>
Capital growth	<u>11.27%</u>	<u>-2.62%</u>	<u>-2.62%</u>
Average annual return			
- Half year	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
- First year	<u>36.27%</u>	<u>12.11%</u>	<u>11.08%</u>
- Second year	<u>24.19%</u>	<u>11.60%</u>	<u>17.22%</u>
- Third year	<u>19.82%</u>	<u>15.51%</u>	<u>12.46%</u>
- Return Since inception (Absolute)	<u>127.07%</u>	<u>66.64%</u>	<u>48.64%</u>
- Return Since inception (CAGR)	<u>15.12%</u>	<u>11.16%</u>	<u>10.93%</u>
Weighted average portfolio duration	<u>N/A</u>	<b>(Days)</b> <u>N/A</u>	<u>N/A</u>
Launch date		<b>02 September 2007</b>	
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 PATTERN OF UNIT HOLDING**

Category	As at 30 June 2013			
	Number of	Units held	Investment Amount (Rupees in '000)	Percentage (%)
Individual	26	30,603	1,797	0.51
Associated companies	1	5,590,077	328,240	93.98
Insurance companies	-	-	-	-
Retirement Funds	3	327,755	19,245	5.51
<b>Total</b>	<b>30</b>	<b>5,948,435</b>	<b>349,282</b>	<b>100.00</b>

Category	As at 30 June 2012			
	Number of	Units held	Investment Amount (Rupees in '000)	Percentage (%)
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
<b>Total</b>	<b>36</b>	<b>6,023,918</b>	<b>324,602</b>	<b>100.00</b>

**1.3 SIZE OF UNIT HOLDING**

Size of Unit Holding	Unit Holder Pattern of the Fund as at 30 June 2013			
	Number of Unit Holders	Total Units	Invested Amount	%
1 - 1,000	18	4,313	253	0.07%
100,1 - 5,000	7	19,801	1,163	0.33%
5,001 - 10,000	2	13,820	812	0.23%
10,001 - 50,000	-	-	-	0.00%
50,001 - 100,000	-	-	-	0.00%
100,001 - 6,000,000	3	5,910,501	347,054	99.36%
<b>Total</b>	<b>30</b>	<b>5,948,435</b>	<b>349,282</b>	<b>100%</b>

Size of Unit Holding	Unit Holder Pattern of the Fund as at 30 June 2012			
	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	5,846,334	315,033	97.05%
<b>Total</b>	<b>36</b>	<b>6,023,918</b>	<b>324,602</b>	<b>100%</b>

#### 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:

	<b>30 June 2013</b>
<b>Taurus Securities Limited</b>	12.43%
<b>DJM Securities (Private) Limited</b>	8.94%
<b>FDM Capital Securities (Pvt.) Ltd.</b>	7.82%
<b>Nael Capital (Pvt.) Ltd</b>	7.12%
<b>Top line Securities (Pvt) Ltd.</b>	6.71%
<b>Invest and Finance Securities Ltd.</b>	6.24%
<b>Live Securities (Private) Limited</b>	5.25%
<b>Elixir Securities Pakistan (Pvt) Ltd.</b>	5.11%
<b>AL Habib Capital Markets (Private) Ltd.</b>	5.09%
<b>MRA Securities (Pvt) Ltd.</b>	5.04%
	<b>30 June 2012</b>
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%

#### 1.5 INVESTMENT COMMITTEE

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

<b>Name</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience in years</b>
Abdul Aziz Anis	Chief Executive Officer	CFA / MBA (Finance)	17 +
Omer Bashir Mirza	CFO & Company Secretary	ACA	11 +
Ather H. Medina	Fund Manager	MBA /CFA-II	18 +
Zeshan Khalil	Fund Manager	CMA	8 +

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 48th , 49th, 50th, 51st, 52nd, 53rd Board Meetings were held on 08 Aug 2012, 16 Oct 2012, 15 Feb 2013, 28 Feb 2013, 16 Apr 2013 and 22 May 2013 respectively.

Name of Director	Number of Meetings			
	Held	Attended	Leave granted	Meeting not attended
Mr. Abdul Aziz Anis*	6	6	-	-
Mr. Hanspeter Beier*	6	-	6	-
Syed Ali Sultan*	4	4	-	-
Mr. David Burlison*	1	-	1	-
Mr. Amin Dawood Saleh*	1	1	-	-
Mr. Kashif Abdur Rehman*	1	1	-	-
Mr. Suleman Hudda*	1	1	-	-
Mr. Shakil Sadiq**	4	4	-	-
Mr. Shahab Bin Shahid ***	5	5	-	-
Mr. Shahid Hosain Kazi****	-	-	-	-

\* New Board of Directors appointed on April 26, 2013 subject to SECP approval.

\*\* Mr. Shakil Sadiq (Nominee Director - Bank Alfalah Ltd) has resigned from the Board with effect from April 08, 2013.

\*\*\* Mr. Shahab bin Shahid (Nominee Director - Bank Alfalah Ltd) has completed his tenor of Directorship on April 26, 2013.

\*\*\*\* Mr. Shahid Hosain Kazi (Nominee Director - Bank Alfalah Ltd) has resigned from the Board with effect from August 06, 2012.