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



## **MISSION STATEMENT**

*Alfalah GHP Value fund aims to provide its unit holders with sustainable return over a period through active asset allocation strategies.*

## **VISION STATEMENT**

*Alfalah GHP Value Fund aims to establish itself as the investment vehicle of choice for investors who seek to achieve sustainable and consistent return over the long term through investment exposure to various 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 Value Fund (AGVF) is pleased to present its annual report on the affairs of AGVF along with the audited accounts, report of the trustee and auditor's report to the unit holders for the year ended 30 June 2012.

### Financial Performance

Net assets under management as on 30 June 2012 were Rs. 431.93 million. During the year units worth Rs. 0.005 million were issued and units worth Rs. 15.81 million were redeemed.

AGVF earned a total income of Rs. 42.41 million for the year ended 30 June 2012 including impairment loss in the value of Investment classified as 'available for sale' of Rs. 20.87 million. Major sources of revenue were dividend income of Rs. 19.51 million, profit on bank deposits of Rs. 12.23 million, income from term finance of Rs. 7.61 million, income from sukuk certificates of Rs. 5.66 million and income from government securities of Rs. 0.64 million. After accounting for expenses of Rs. 16.67 million, the net income from operating activities for the year stands at Rs. 25.73 million.

### Income Distribution

The Board of Directors of Alfalah GHP Investment Management Ltd (AGIM), the Management Company of Alfalah GHP Value Fund (AGVF) in its meeting held on 27 June 2012 have declared Interim distribution for the period ended 30 June 2012 in the form of cash dividend and bonus units at the rate of Rs.2.75 per unit, (i.e., 5.43% of the Ex-NAV of Rs. 50.62 at the beginning of the year).

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

### Comments on Auditors Qualification

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

### Economic Review

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

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

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

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

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

### Asset Allocation

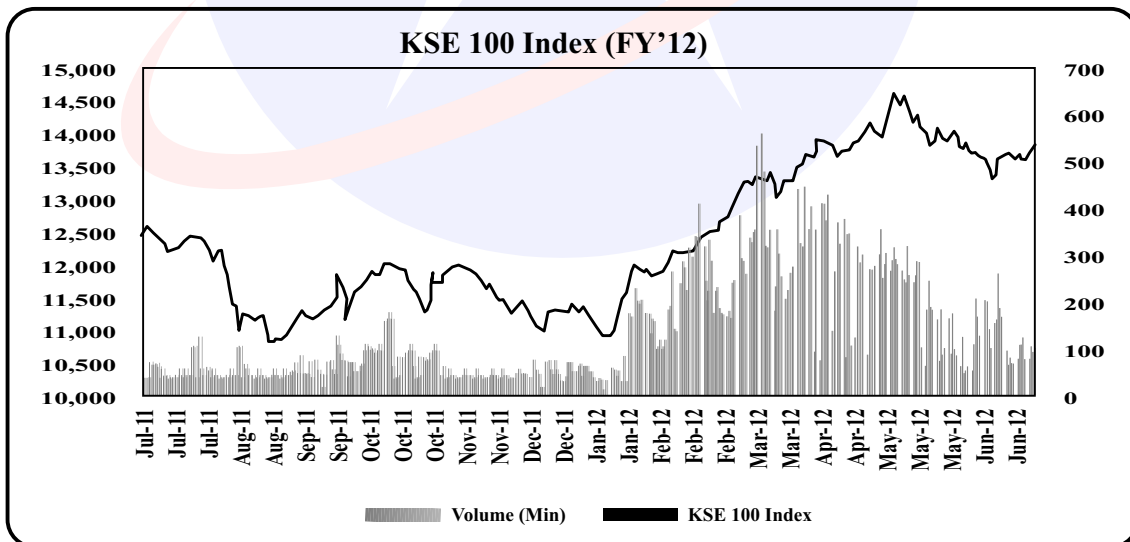
The asset allocation of AGVF as at 30 June 2012 was as follows:

Equity	45.97%
Cash / Bank deposits	43.64%
TFCs / Sukuks	9.33%
Others	1.06%
<b>TOTAL</b>	<b><u>100.00%</u></b>

### Stock Market Review

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

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



### Future Outlook

Despite a tough year on multiple fronts, including worsening macro situation, deteriorating law and order, and a virtual continuous standoff between the executive and judiciary, corporates continued to post strong earnings, and the equity markets continued to reward good performers. The risk factors continue to remain a delicate economic situation, with strong pressure on the current account and external account as election year politics will result in sustained inflated fiscal subsidies, while the upcoming external debt repayments will keep the currency under pressure. Nevertheless, we expect strong corporate earnings to continue driving the market.

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

### Statement of Compliance

- 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.
- Pattern of share holding of units is given in annexure of the annual report.
- Key financial data for the year ended 30 June 2012 is given in annexure of the annual report.
- Profile of members of investment committee is given in annexure of the annual report.

### Attendance of Board Meetings

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

### Appointment of External Auditors

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

### Acknowledgement

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

For and on behalf of the Board

16 October, 2012  
Karachi

**Abdul Aziz Anis**  
Chief Executive

## REPORT OF THE FUND MANAGER

### Investment objective

Alfalah GHP Value fund is an open ended asset allocation fund. The Fund being an asset allocation fund invests in both equity and debt and money market instruments. Added to this the Fund also seeks to make opportunistic investments in CFS and arbitrage opportunities as and when possible subject to attractive returns and market dynamics. The Fund seeks to actively switch and manage investment allocations in the above asset classes with a view to optimizing returns (on a risk adjusted basis) over the medium to long term.

### Objective accomplishment

The per unit Net Asset Value of AGVF has increased by 5.77% p.a. in FY12. Equity exposure of the fund was increased during the 1st quarter in anticipation of strong corporate earnings, peaking at 69.80% in September. Thereafter, profits were booked where possible and the equity exposure was gradually brought down to 64.14% by 2QFY12, 55.71% by 3QFY12, and 45.97% by the end of the year.

The performance of the fund's Term Finance Certificate / Sukook portfolio remained subdued during the period due to heavy provisioning and impairment losses in the prices of corporate papers. Weak economic fundamentals, deteriorating law and order situation and lack of vision and will in the ruling political leadership are the focal reasons behind the non performance of majority of the corporate sector.

### Benchmark relevant to the fund

The benchmark is 50% KSE 100 Index + 50% 6 month KIBOR.

### Funds' performance with benchmark

FY'12 Return	Benchmark	Relative Performance
5.77%	11.46%	-5.69%

The Alfalah GHP Value Fund invests in fixed return corporate debt instruments i.e., Term Finance Certificates and Sukuks. At the time these investments were initiated, the overall macroeconomic environment in the country was on an uptrend, and a low interest rate environment prevailed. However, subsequently, the economic environment has substantially deteriorated, and rising interest rates have resulted in rising cost of debt, thus leading to the inability of corporate borrowers to service their debt obligations. Due to the illiquid market for TFCs/Sukuks, the fund has not been able to divest all the fixed income instruments in its portfolio, and frequent price downward revisions in the same have adversely impacted returns for the fund during the mentioned period.

An additional factor for the underperformance of the equity component was lagging performance of blue chips stocks during the period. The energy crises in general, and gas shortfall in specific impacted the performance of blue chip stocks, causing the performance of the fund to lag its benchmark. During 3QFY12, the market rallied on the basis of a speculative run up in 2nd and 3rd tier scrips with prices defying fundamentals, which further impacted the gap between fund performance and benchmark return during the period.

**Asset allocation (As at 30 June 2012)**

Equity	45.97%
Cash / Bank Deposits	43.64%
TFCs / Sukuks	9.33%
Others	1.06%
<b>Total</b>	<b><u>100%</u></b>

**Any Significant changes in the state of affairs of fund**

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

**Fund's Performance**
**On Size (Rupees in '000)**

As on June 30, 2012	As on June, 30, 2011	% Change
431,929	437,396	-1.25%

**On Price ^ (Rupees)**

As on June 30, 2012	As on June, 30, 2011	% Change **
50.78	52.87	5.77%

^ Annualised Return based on Adjusted Prices

\*\* Return calculated after incorporating distribution during the period

**Disclosure on the Markets**

The Fund mainly invests in the following markets:

- **Equity**

In this, investment is made in shares and stocks listed on the local stock exchanges of the country. Investment is made in value, growth and high dividend paying stocks so as to optimize returns for investors over the medium to long term.

- **Debt Securities**

In this, investment is made in fixed income instruments issued by either govt. backed entities or private sectors companies at attractive rates.

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

**Markets and their Returns**

- **Equity**

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



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

- **Debt Securities**

Overall activity in debt market was in government securities. T-Bill yields witnessed downward trend in FY 2012. The cut off yields on 3, 6 & 12 Months T-Bill during the year decreased by 156.5 bps, 179.37 bps, and 195.52 bps respectively to 11.9201%, 11.9420% and 11.9522%, while the cut-off yield on 10-year PIBs decreased by 70.26 bps to 13.3847% in FY 12.

**Disclosure of Other Remunerations**

NIL

**Performance Table**

Key financial data is disclosed in annexure to the financial statements

**Risk Disclosure**

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

**Disclaimer**

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

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

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

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

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URL: www.cdcPakistan.com  
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ISO 27001 Certified

**TRUSTEE REPORT TO THE UNIT HOLDERS****ALFALAH GHP VALUE 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 Value Fund (the Fund) are of the opinion that Alfalah GHP Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

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



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

Karachi: October 23, 2012



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

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulations No. 35 of listing regulations of Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Management Company has applied the principles contained in the Code in the following manner:

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

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

2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI) or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred in the Board on 10 October 2011 and 27 April 2012, which is not filled to date.
5. The Management Company has prepared a 'Code of Conduct' which has been signed by all the directors and employees of the Company at the time of their appointment. However, it has not been placed on the Company's website.
6. The Board has developed a vision / mission statement and overall corporate strategy of the Management Company. A complete record of particulars of significant policies along with the dates will be developed and their record will be maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and Company Secretary, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has not arranged training programs for its directors during the year.
10. There was no new appointment of Chief Financial Officer (CFO) and Company Secretary during the year.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executive do not hold any interest in the units of the Fund
14. The Fund has complied with most of the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors including the Chairman of the Committee who is not an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Management Company has formed Human Resource and Remuneration Committee in its Board meeting subsequent to year end.
18. The Board has outsourced the internal audit function to M. Yousuf Adil Saleem & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company. The Management Company has not appointed / designated any person as the head of internal audit.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the Net asset value of Fund, was not determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has not submitted Secretarial Compliance Certificate as per clause xxii of the Code, which the company intends to seek compliance by the end of the next year.
24. We confirm that all other material principles, except those mentioned above, contained in the Code have been complied with.

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Chief Executive

**ERNST & YOUNG**

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530, Pakistan  
Tel: +9221 3565 0007  
Fax: +9221 3568 1965  
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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 Value Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

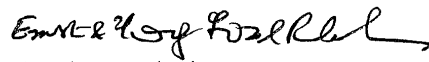
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks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

Further, Sub-Regulation (x) of Listing Regulation 35 notified by the Karachi Stock Exchange Limited requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2012.

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

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



Chartered Accountants

Date: 16 October 2012

Karachi

**ERNST & YOUNG**

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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 Value Fund (the Fund)**, which comprise the statement of assets and liabilities as at **30 June 2012** and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the financial statements*

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' responsibility*

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

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

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

#### *Basis of Qualified Opinion*

During 2011, the Fund upgraded the classification of a debt security costing Rs. 73 million from non-performing to a performing debt security in accordance with the requirements of Circular 1 dated 6 January 2009 issued by Securities and Exchange Commission of Pakistan (SECP). The Fund had made a provision for impairment against the above debt security amounting to Rs. 28 million in prior years which was not reversed upon such reclassification. We consider that this practice of the Fund is not in line with the requirements of Circular 3 dated 20 January 2010 issued by SECP which requires that no provision should be held against a performing security. Had the Fund accounted for the reversal of provision in 2011 in accordance with the requirements of above referred circulars, the profits for the current year would have been lower by Rs. 28 million.



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

**Qualified Opinion**

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

**Other matters**

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

*Ernst & Young Ford Rhodes Sidat Hyder*  
Chartered Accountants

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

## STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2012

	<i>Note</i>	<b>30 June 2012</b>	30 June 2011
		(Rupees in '000)	
<b>Assets</b>			
Bank balances	4	<b>192,531</b>	143,349
Investments	5	<b>243,988</b>	291,096
Dividend and profit receivable	6	<b>2,072</b>	9,031
Advances, Deposits and other receivables	7	<b>2,600</b>	3,600
<b>Total assets</b>		<b>441,191</b>	447,076
<b>Liabilities</b>			
Payable against Purchase of Investments		<b>805</b>	1,865
Payable to Alfalah GHP Investment Management Limited - Management Company	9	<b>841</b>	720
Payable to Central Depository Company of Pakistan Limited - Trustee	10	<b>77</b>	72
Payable to Securities and Exchange Commission of Pakistan - Annual fee	11	<b>409</b>	429
Accrued expenses and other liabilities	12	<b>7,130</b>	6,593
<b>Total liabilities</b>		<b>9,262</b>	9,679
<b>Contingencies and Commitments</b>	13	-	-
<b>Net assets</b>		<b>431,929</b>	437,397
<b>Unit holders' funds (as per statement attached)</b>		<b>431,929</b>	437,397
		<b>(Number of units)</b>	
<b>Number of units in issue</b>		<b>8,505,506</b>	8,272,524
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>50.78</b>	52.87

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**



## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
<b>Income</b>		
Gain / (loss) on sale of investment- HFT	22,355	9,012
Gain / (loss) on sale of investment- AFS	(24,708)	32,129
Income from sukuk certificates	5,663	10,222
Income from term finance certificates	7,606	75
Income from government securities	640	-
Dividend income	19,510	19,657
Profit on deposit accounts with banks	12,231	13,048
Unrealised (diminution) in the value of investments		
-'at fair value through profit or loss'	5.3 (10,600)	(2,820)
Impairment in the value of investments classified as 'available for sale'	5.8.1 (20,873)	(25,605)
Reversal of impairment in the value of investments classified as 'available for sale'	5.8.1 29,976	-
Amortization of discount on TFC's / sukuk certificates	610	560
<b>Total income</b>	<b>42,410</b>	<b>56,278</b>
<b>Expenses</b>		
Remuneration of Alfalah GHP Investment Management		
Limited - Management Company	9.1 8,602	9,798
Sales tax on Management fee	9.2 1,376	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1 860	904
Annual fee - Securities and Exchange Commission of Pakistan	11 409	429
Amortisation of preliminary expenses and floatation costs	8 -	164
Bank and settlement charges	329	286
Legal and professional charges	92	172
Auditors' remuneration	16 425	520
Brokerage expense	3,774	2,979
Provision for workers' welfare fund	14 502	761
Fees and subscriptions	140	174
Printing and related cost	162	165
<b>Total expenses</b>	<b>16,671</b>	<b>16,352</b>
<b>Net income from operating activities</b>	<b>25,739</b>	<b>39,926</b>
Net element of income / (loss) and capital gains/(losses)		
included in prices of units issued less those in units redeemed	(696)	(2,615)
<b>Net income for the year</b>	<b>25,043</b>	<b>37,311</b>

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	<i>Note</i>	<b>30 June 2012 (Rupees in '000)</b>	30 June 2011
Net income for the year		<b>25,043</b>	37,311
<b>Other comprehensive income / (loss):</b>			
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing unrealized capital gains / (losses)		5	1,438
Net unrealised appreciation / (diminution) during the year in fair value of investments classified as 'available for sale'	5.8	<b>(955)</b>	(4,776)
Other comprehensive income / (loss) for the year		<b>(950)</b>	(3,338)
<b>Total comprehensive income for the year</b>		<b>24,093</b>	33,973

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	<i>Note</i>	<b>30 June 2012</b>	<b>30 June 2011</b>
		<b>(Rupees in '000)</b>	
Undistributed income / (loss) brought forward:			
Realised		<b>243,567</b>	218,989
Unrealised		<b>(222,624)</b>	(219,804)
		<b>20,943</b>	(815)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing unrealized capital gains / (losses)		<b>5</b>	1,438
Net income for the year		<b>25,043</b>	37,311
Final distribution for the year ended 30 June 2011 as on 7 July 2012			
- Cash distribution of Rs. 2.25 per unit (2010: nil)		<b>(6,502)</b>	-
- Issue of 239,259 bonus units (2010: nil)		<b>(12,111)</b>	-
Interim distribution for the year ended 30 June 2012 as on 27 June 2012			
- Cash distribution of Rs. 2.75 per unit (2011: Rs.2.00 per unit)	<i>17</i>	<b>(7,947)</b>	(5,779)
- Issue of 289,638 bonus units (2011: 213,244 units)		<b>(14,650)</b>	(11,212)
		<b>(16,162)</b>	21,758
Undistributed income / (loss) carried forward:			
Realised		<b>15,381</b>	23,763
Unrealised		<b>(10,600)</b>	(2,820)
		<b>4,781</b>	20,943

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
Net assets at the beginning of the year	437,397	459,867
Issue of 97 units (2011: 55 units)	5	260
Redemption of 296,012 units (2011: 49,334 units)	(15,808)	(52,101)
	(15,803)	(51,841)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased:		
- amount representing accrued loss and realised capital losses - transferred to the Income Statement	696	2,615
- amount representing unrealised capital (gains) - transferred directly to the Distribution Statement	(5)	(1,438)
	691	1,177
Final bonus distribution of 239,259 units for the year ended 30 June 2011 as on 7 July 2011 (2010: nil)	12,111	-
Interim distribution of 289,638 bonus units for the year ended 30 June 2012 as on 27 June 2012 (2011: 213,244 units)	14,650	11,212
Net unrealised appreciation / (diminution) on revaluation of investments classified as 'available-for-sale'	5.8 (955)	(4,776)
(Loss) / gain on sale of investment	(2,353)	41,141
Unrealised (diminution) in the value of investments		
- 'at fair value through profit or loss'	(10,600)	(2,820)
Other net income / (loss) for the year	37,996	(1,010)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing unrealized capital gains / (losses)	5	1,438
Final distribution for the year ended 30 June 2011 as on 7 July 2011		
- Cash distribution of Rs. 2.25 per unit (2010: nil)	(6,502)	-
- Issue of 289,638 bonus units (2011: 213,244 units)	(12,111)	-
Interim distribution for the year ended 30 June 2012 as on 27 June 2012		
- Cash distribution of Rs. 2.75 per unit (2011: Rs.2.00 per unit)	(7,947)	(5,779)
- Issue of 289,638 bonus units (2011: 213,244 units)	(14,650)	(11,212)
Net income / (loss) for the year less distribution	(16,162)	21,758
<b>Net assets at the end of the year</b>	<b>431,929</b>	<b>437,397</b>
	(Rupees)	
<b>Net asset value per unit at the beginning of the year</b>	<b>52.87</b>	<b>50.75</b>
<b>Net asset value per unit at the end of the year</b>	<b>50.78</b>	<b>52.87</b>

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	25,043	37,311
<b>Adjustments for:</b>		
Unrealised (diminution) in the value of investments - 'at fair value through profit or loss'	10,600	2,820
Impairment in the value of investments classified as 'available for sale'	20,873	25,605
Reversal of impairment in the value of investments classified as 'available for sale'	(29,537)	-
Dividend income	(19,510)	(19,657)
Profit on deposit accounts with banks	(12,231)	(13,048)
Amortisation of preliminary expenses and floatation costs	-	164
Income from sukuk certificates	(5,663)	(10,222)
Income from term finance certificates	(7,606)	(75)
Amortization of discount on TFC's / sukuk certificates	(610)	(560)
Provision for workers' welfare fund	502	761
Net element of income / (loss) and capital gains/(losses) included in prices of units issued less those in units redeemed	696	2,615
	(17,443)	25,714
<b>(Increase) / decrease in assets</b>		
Investments	44,217	(2,778)
Advances, deposits and other receivables	1,000	100
	45,217	(2,678)
<b>Increase / (decrease) in liabilities</b>		
Payable against purchase of investments	(1,060)	1,865
Payable to Alfalah GHP Investment Management Limited - Management Company	121	(258)
Payable to Central Depository Company of Pakistan Limited - Trustee	5	(6)
Payable to Securities and Exchange Commission of Pakistan -Annual fee	(20)	185
Accrued expenses and other liabilities	35	57
	(919)	1,843
Dividend and profit received	52,579	36,972
<b>Net cash flows (used in) / from operating activities</b>	79,434	61,851
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	5	260
Payment against redemption of units	(15,808)	(52,101)
Cash dividend paid	(14,449)	(5,779)
<b>Net cash flows (used in) / from financing activities</b>	(30,252)	(57,620)
Net increase / (decrease) in cash and cash equivalents during the year	49,182	4,231
Cash and cash equivalents at beginning of the year	143,349	139,118
Cash and cash equivalents at end of the year	192,531	143,349

The annexed notes from 1 to 24 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Alfalah GHP Value 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 19th May 2005 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 13th May 2005.

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 Value Fund is listed on the Karachi Stock Exchange. The units of the fund are offered to public on a continuous basis. The units are transferable and can be redeemed by surrendering them to the fund. The fund offers two types of units Growth and Income. Growth unit holders are entitled to bonus unit and Income unit holders are entitled to cash dividend at the time of distribution by the fund.

The fund is categorized as an asset allocation scheme and can invest in equity, debt and money market securities as authorized in Fund Offering Document.

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

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

### 2. BASIS OF PRESENTATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirement of approved accounting standards as applicable in Pakistan, the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP shall prevail.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the investments which are accounted for as stated in note 3.1.

#### 2.3 Functional and presentation currency

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

## 2.4 Use of estimates and judgment

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

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

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

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

## 2.5 Changes in accounting policy and disclosures

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Financial instruments

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

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

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

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

#### b) Available for sale

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

#### c) Loans and receivables

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

#### d) Financial liabilities

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

#### Recognition

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

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

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

#### Measurement

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



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

### **Fair value measurement principles**

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

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

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

- Investment in sukuk certificates have been valued on the basis of period end rates quoted by the Mutual Fund Association of Pakistan.
- Provision against non performing debt securities is made in accordance with the provisioning criteria prescribed by the Securities Exchange Commission of Pakistan and the Fund's provisioning criteria. These are elaborated in note 3.2 to these financial Statements.

### **3.2 Impairment**

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

Impairment of debt securities held by the Fund is determined on the basis of repayment passed due from its contractual maturity. Such provisions are made as per criteria specified in Circular 01 of 2009 and Circular 03 of 2010. Accelerated provisions are made if circumstances warrant, as per the provisioning policy approved by the Board of the Management Company as per Circular 13 of 2009.

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

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

### **3.3 Derecognition**

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

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

### 3.4 Unit holders' fund

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

### 3.5 Issue and redemption of units

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

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

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

An equalization 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 year 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 year (whether gain or loss) is included in the amount available for distribution to the unit holders.

### 3.7 Provisions

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

### 3.8 Preliminary expenses and floatation costs

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

### 3.9 Net asset value per unit

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

### 3.10 Earnings per unit

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

### 3.11 Taxation

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

### 3.12 Offsetting of financial instruments

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

### 3.13 Revenue recognition

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

### 3.14 Expenses

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

### 3.15 Cash and cash equivalents

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

### 3.16 Dividend distribution and appropriations

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

### 3.17 Standards, interpretations and amendments to approved 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:

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

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

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

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

<b>4 BANK BALANCES</b>	<i>Note</i>	<b>30 June 2012</b>	<b>30 June 2011</b>
		<b>(Rupees in '000)</b>	
Deposit accounts	<i>4.1</i>	<u><b>192,531</b></u>	<u><b>143,349</b></u>

- 4.1 This represents saving deposit accounts maintained with various banks carrying mark-up rate of 5 % to 11% (30 June 2011: 5% to 10.5%) per annum. This includes Rs. 5.776 million (30 June 2011: 143.309 million) with a related party which carries markup ranging from 5 % to 11% per annum.

**5. INVESTMENTS**

	<i>Note</i>	<b>30 June 2012</b>	30 June 2011
<b>(Rupees in '000)</b>			
<b>- At fair value through profit or loss-held for trading</b>			
In quoted equity securities	5.1	<b>202,110</b>	225,943
Investment in Government Securities	5.2	-	-
		<b>202,110</b>	225,943
<b>- Available for sale</b>			
In quoted equity securities	5.4	<b>716</b>	691
Investment in term finance certificates	5.5	-	17,486
Investment in sukuk certificates	5.6	<b>41,162</b>	46,976
		<b>41,878</b>	65,153
		<b>243,988</b>	291,096

**5.1 Quoted equity securities - held for trading**

Name of the investee company	Note	As at 01 July 2011	Purchases during the year	Bonus/ Rights Issue	Sales during the year	As at 30 June 2012	Cost as at 30 June 2012	Market value as at 30 June 2012	Market value as a percentage of:		Par Value as percentage of issued share capital
						(Rupees in '000)		net assets		total investments	
----- Number of shares -----											
<b>Chemicals</b>											
Arif Habib Corporation Limited		-	1,588,094	-	1,388,094	200,000	6,206	6,186	1.43	2.54	0.05
Engro Corporation Limited		120,422	491,295	37,626	649,343	-	-	-	-	-	-
Fatima Fertilizer Company Limited		20,000	2,248,185	-	1,988,185	280,000	6,844	6,908	1.60	2.83	0.00
Fauji Fertilizer Bin Qasim Limited		90,000	831,921	-	921,921	-	-	-	-	-	-
Fauji Fertilizer Company Limited		101,367	295,000	48,683	395,050	50,000	5,625	5,552	1.29	2.28	0.00
ICI Pakistan Limited		77,000	51,645	-	107,000	21,645	3,076	2,837	0.66	1.16	0.02
Lotte Pakistan		-	610,000	-	610,000	-	-	-	-	-	-
						21,751	21,483				
<b>Banks</b>											
Askari Bank Limited		350,000	850,000	105,000	700,000	605,000	8,946	8,210	1.90	3.36	0.07
Bank Alfalah Limited (Related party)		-	1,092,291	-	1,092,291	-	-	-	-	-	-
Bank Al-Habib Limited		-	150,000	15,000	107,080	57,920	1,642	1,649	0.38	0.68	0.00
Faysal Bank Limited		-	1,450,576	-	267,698	1,182,878	15,174	12,940	3.00	5.30	0.00
Habib Bank Limited		-	60,000	4,000	64,000	-	-	-	-	-	-
Habib Metropolitan Bank Limited		222,000	-	-	222,000	-	-	-	-	-	-
JS Bank Limited		-	424,668	-	424,668	-	-	-	-	-	-
MCB Bank Limited		45,000	144,343	6,050	195,393	-	-	-	-	-	-
National Bank of Pakistan		295,000	799,833	26,800	807,833	313,800	14,193	13,663	3.16	5.60	0.02
Soneri Bank Limited		-	100,000	-	100,000	-	-	-	-	-	-
Summit Bank Limited (formerly My Bank Limited)		1,550,600	1,354,374	-	2,503,365	401,609	2,607	1,277	0.30	0.52	0.00
United Bank Limited		110,000	85,000	-	195,000	-	-	-	-	-	-
						42,562	37,739				
<b>Non- Life Insurance</b>											
Adamjee Insurance Company Limited		-	100,000	-	100,000	-	-	-	-	-	-
<b>Construction and Material</b>											
D. G. Khan Cement Company Limited		-	3,236,366	-	3,004,658	231,708	9,889	9,125	2.11	3.74	0.05
Dewan Cement Limited		-	815,450	-	192,000	623,450	3,698	2,138	0.49	0.88	0.00
Flying Cement Limited		-	1,914,763	-	200,000	1,714,763	6,147	4,630	1.07	1.90	0.01
Lafarge Pakistan Cement		-	500,000	-	500,000	-	-	-	-	-	-
Lucky Cement Limited		-	1,596,258	-	1,455,381	140,877	17,616	16,256	3.76	6.66	0.01
Maple Leaf Cement Company Limited		-	100,000	-	100,000	-	-	-	-	-	-
						37,350	32,149				

Name of the investee company	Note	As at 01 July 2011	Purchases during the year	Bonus/ Rights Issue	Sales during the year	As at 30 June 2012	Cost as at 30 June 2012	Market value as at 30 June 2012	Market value as a percentage of:		Par Value as percentage of issued share capital
									net assets	total investments	
<b>Electricity</b>											
Japan Power Company Limited		-	809,850	-	809,850	-	-	-	-	-	-
Kot Addu Power Company Limited		-	148,712	-	148,712	-	-	-	-	-	-
Nishat Chunian Power Limited		-	1,300,000	-	1,300,000	-	-	-	-	-	-
Nishat Power Limited		-	200,000	-	-	200,000	3,012	2,940	0.68	1.20	0.06
The Hub Power Company Limited	5.1.2	800,000	50,000	-	559,160	290,840	6,097	12,183	2.82	4.99	0.00
							<u>9,109</u>	<u>15,123</u>			
<b>Oil and Gas</b>											
Attock Petroleum Limited		-	4,841	-	4,841	-	-	-	-	-	-
Attock Refinery Limited		-	61,316	-	61,316	-	-	-	-	-	-
National Refinery Limited		-	4,500	-	4,500	-	-	-	-	-	-
Oil and Gas Development Company Limited	5.1.2	131,718	254,923	-	293,205	93,436	14,726	14,991	3.47	6.14	0.00
Pakistan Oilfields Limited	5.1.2	67,080	203,023	-	188,411	81,692	29,220	29,976	6.94	12.29	0.00
Pakistan Petroleum Limited		110,000	126,000	10,650	120,500	126,150	23,489	23,753	5.50	9.74	0.01
Pakistan State Oil Company Limited		72,000	102,500	-	130,500	44,000	11,455	10,377	2.40	4.25	0.03
							<u>78,890</u>	<u>79,097</u>			
<b>Fixed Line Telecommunication</b>											
Pakistan Telecommunication Company Limited		-	200,000	-	200,000	-	-	-	-	-	-
WorldCall Telecommunication Limited		-	305,000	-	305,000	-	-	-	-	-	-
Wateen Telecom Limited (Related party)		331,518	21,735	-	-	353,253	3,368	707	0.16	0.29	0.00
							<u>3,368</u>	<u>707</u>			
<b>General Industries</b>											
Thal Limited		65,000	87,821	14,600	123,965	43,456	3,905	4,041	0.94	1.66	0.00
							<u>3,905</u>	<u>4,041</u>			
<b>Personal Goods</b>											
Amtex Limited		-	1,871,587	-	693,696	1,177,891	3,310	2,521	0.58	1.03	0.45
Nishat (Chunian) Limited		25,000	125,000	-	150,000	-	-	-	-	-	-
Nishat Mills Limited		134,000	809,651	-	749,245	194,406	10,759	9,250	2.14	3.79	0.00
							<u>14,069</u>	<u>11,771</u>			
<b>Grand total</b>							<u><b>211,004</b></u>	<u><b>202,110</b></u>			

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

5.1.2 Investment includes 150,000 shares of Hub Power Limited, 15,000 shares of Pakistan Oilfields Limited and 15,000 shares of Oil and Gas Development Company Limited, which have been deposited with National Clearing Company of Pakistan Limited as collateral against exposure margin and mark to market losses for settlement of the Fund's trades as allowed in Circular no.11 dated 23 October 2007 issued by Securities and Exchange Commission of Pakistan.

## 5.2 Investment in Government Securities

### 5.2.1 Treasury Bills

Issue Date	Tenor	Face value				As at 30 June 2012	Quantity as at 30 June 2012	Cost as at 30 June 2012	Market Value as at 30 June 2012	Market value as a percentage of:	
		As at 01 July 2011	Purchases during the year	Sales during the year	Matured during the year					net assets	total investments
-----'(Rupees in '000)-----											
05 May 2011	3 Months	-	50,000	-	50,000	-	-	-	-	-	-
10 February 2011	6 Months	-	100,000	50,000	50,000	-	-	-	-	-	-
Total											

**5.2.2 Pakistan Investment Bonds**

Issue Date	As at 01 July 2011	Purchases during the year	Sales during the year	Matured during the year	As at 30 June 2012	Cost as at 30 June 2012	Market Value as at 30 June 2012	Market value as a percentage of:	
								net assets	total investments
-----'(Rupees in '000)-----						(Rupees in '000)			
Maturity up to 3 years	-	25,000	25,000	-	-	-	-	-	-
Maturity up to 5 years	-	25,000	25,000	-	-	-	-	-	-
Total						-	-		
Total in Government securities						-	-		
<b>Grand Total</b>						<b>211,004</b>	<b>202,110</b>		

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

**30 June 2012**      30 June 2011  
(Rupees in '000)

Market value of investments	<b>202,110</b>	225,943
Less: Cost of investments	<b>(211,004)</b>	(238,185)
	<b>(8,894)</b>	(12,242)
Net unrealised (appreciation) / diminution in the value of investment at the beginning of the year	<b>12,242</b>	1,803
Realised on disposal during the year	<b>(13,948)</b>	7,619
	<b>(1,706)</b>	9,422
Net unrealised appreciation / (diminution) in the value of investment for the year	<b>(10,600)</b>	(2,820)

**5.4 Quoted equity securities - Available for sale**

Name of the investee company	Note	As at 01 July 2011	Purchases during the period	Bonus/Rights Issue	Sales during the year	As at 30 June 2012	Cost as at 30 June 2012	Market value as at 30 June 2012	Market value as a percentage of:		Par Value as percentage of issued share capital
									net assets	total investments	
----- Number of shares -----						(Rupees in '000)					
<b>Banks</b>											
Summit Bank Limited (formerly My Bank Limited)	11,000	-	-	-	11,000	160	35	0.01	0.01	0.00	
						160	35				
<b>Oil &amp; Gas</b>											
Oil & Gas Development Company Limited	3,282	-	-	-	3,282	164	527	0.12	0.22	0.00	
Pakistan Oilfields Limited	420	-	-	-	420	43	154	0.04	0.06	0.00	
						207	681				
<b>Grand Total</b>						<b>367</b>	<b>716</b>				

**5.5 Investment in Term Finance Certificates - available for sale**

Name of the investee company	Notes	Maturity	Mark-up Percentage	As at 01 Jul 2011	Purchases during the year	Sales during the year	Redemption during the year	As at 30 June 2012	Cost as at 30 June 2012	Market value as at 30 June 2012	Impairment in the value of investments	Market value as a percentage of:		Outstanding principal value as a percentage of issued debt capital
												net assets	total investments	
----- Number of shares -----						(Rupees in '000)								
<b>Unlisted Term Finance Certificates</b>														
Agritech Limited (I issue) (formerly Pak American Fertilizer Limited)	Nov 2014	6M+1.75%	5,000	-	5,000	-	-	-	-	-	-	-	-	-
Agritech limited (II issue) (formerly Pak American Fertilizer Limited)	Jan 2015	6M+1.75%	3,000	-	3,000	-	-	-	-	-	-	-	-	-
Agritech limited (IV issue) (formerly Pak American Fertilizer Limited)	5.5.1	Jan 2015	0%	-	1,521	-	-	1,521	7,605	-	7,605	-	-	-
									7,605	-	7,605			

5.5.1 This represent additional TFC's of Agritech Ltd (formerly Pak American Fertilizer Limited ) received by the fund through restructuring agreement reached between lender and Agritech Ltd. under such agreement outstanding markup due on 29 May 2011 amounting to Rs. 7.61 million was settled in the form of zero coupon TFCs valuing Rs. 7.61 million. These investment have been recorded as 100% impaired (Rs. 7.61 million in the current year) since these have been received in lieu of suspended overdue markup to be recognized to income upon realization.

**5.6 Investment in unquoted Sukuk certificates - available for sale**

Name of the investee company	Notes	Maturity	Mark-up Percentage	As at 01 July 2011	Purchases during the period	Sales during the period	Redemption during the period	As at 30 June 2012	Cost as at 30 June 2012	Market value as at 30 June 2012	Impairment in the value of investments	Market value as a percentage of:		Outstanding principal value as a percentage of issued debt capital
												net assets	total investments	
				----- Number of shares -----					(Rupees in '000)					
Maple Leaf Cement Factory Limited -I	5.6.1	Dec 2018	3 M+1%	15,000	-	-	-	15,000	73,845	41,162	33,714	9.53	16.87	1.88
Maple Leaf Cement Factory Limited -II	5.6.2	Mar 2013	3 M+1%	563	-	-	-	563	2,815	-	2,815	-	-	0.94
									<u>76,660</u>	<u>41,162</u>	<u>36,529</u>			
									<u>44,134</u>					

5.6.1 This represents investment in sukuk certificates of Maple Leaf Cement Factory Limited (MLCF), secured against first pari passu charge over all present and future fixed assets with a 25% margin. Maple Leaf Cement Factory (MLCF) defaulted on the installment due on 13 September 2011 as per the restructured agreement. Consequently, the security was classified as non-performing by MUFAP on 19 September 2011 and accrual amounting to Rs. 9.24 million on the same was reversed. Accordingly, provision has been made (including Rs. 5.77 million provided in current year) in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy.

5.6.2 This represents additional sukuku of MLCF received by the Fund through restructuring agreement reached between lenders and MLCF. Under such agreement outstanding mark up due on 03 December 2009 amounting to Rs. 5.81 million was settled partially in cash and partially in the form sukuku certificates valuing Rs. 2.81 million. These investments have been recorded as 100% impaired (Rs. Nil in current period) since these have been received in lieu of suspended overdue mark up to be recognised to income upon realisation. During the year the security was classified by MUFAP as non-performing due to non payment of markup due on 31 December 2011. Furthermore the issuer has requested to extend the payment of suspended overdue markup amounting Rs. 2.81 million due on March 2012 to further one year i.e. March 2013 in 9 equal monthly installments with first installment due on 31 July 2012.

**5.7 Details of Non-Compliant Investment with the investment criteria as specified by the Securities and Exchange Commission of Pakistan**

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

Type of investment	Name of Non-compliant investment	Value before provision before provision	Provision Balance as on 01 July 2011	Provision During the year	Provision held, if any	Value of investment after provision	Fair value as a percentage of		Credit rating
							Net assets	Gross assets	
----- (Rupees in '000) -----									
Sukuk Certificate	Maple Leaf Cement Factory Ltd.-I	74,876	(27,940)	(5,774)	(33,714)	41,162	9.53	9.33	D
Sukuk Certificate	Maple Leaf Cement Factory Ltd - II	2,815	(2,815)	-	(2,815)	-	-	-	D
Term finance certificates	Agritech Limited -IV	7,605	-	(7,605)	(7,605)	-	-	-	D

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



		<b>30 June 2012</b>	<b>30 June 2011</b>
		<b>(Rupees in '000)</b>	
<b>5.8</b>	<b>Net unrealized appreciation / (diminution) in the value of investments classified as 'available for sale'</b>		
	Market value of investments	<u>41,877</u>	<u>65,153</u>
	Less: Cost of investments	<u>(84,632)</u>	<u>(116,056)</u>
		<b>(42,755)</b>	<b>(50,903)</b>
	Impairment charged during the year	<b>20,873</b>	<b>25,605</b>
	Reversal of impairment during the year	<u>(29,976)</u>	<u>-</u>
		<b>(51,858)</b>	<b>(25,298)</b>
	Net unrealized diminution in the value of investments at the beginning of the year	<b>50,903</b>	<b>20,512</b>
	Realized on disposals during the year	<b>-</b>	<b>10</b>
	Net unrealized (diminution) / appreciation in the value of investments at the end of the year	<u><b>(955)</b></u>	<u><b>(4,776)</b></u>
<b>5.8.1</b>	<b>Particulars of impairment in the value of investments classified as 'available for sale'</b>		
	Opening Balance	<b>59,380</b>	<b>33,775</b>
	Charged for the year	<b>20,873</b>	<b>25,605</b>
	Reversal of impairment during the year	<u>(29,976)</u>	<u>-</u>
	Closing balance	<u><b>50,277</b></u>	<u><b>59,380</b></u>
<b>6.</b>	<b>DIVIDEND AND PROFIT RECEIVABLE</b>		
	Dividend receivable	<b>319</b>	<b>752</b>
	Profit receivable on deposit accounts with banks	<b>1,753</b>	<b>1,397</b>
	Profit receivable on term finance certificates	<b>-</b>	<b>6,882</b>
		<u><b>2,072</b></u>	<u><b>9,031</b></u>
<b>7.</b>	<b>DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Deposit with Central Depository Company of Pakistan Limited	<b>100</b>	<b>100</b>
	Deposit with National Clearing Company of Pakistan Limited	<u><b>2,500</b></u>	<u><b>3,500</b></u>
		<u><b>2,600</b></u>	<u><b>3,600</b></u>
<b>8.</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		
	Preliminary expenses and floatation costs	<b>-</b>	<b>164</b>
	Amortisation during the year	<u><b>-</b></u>	<u><b>(164)</b></u>
		<u><b>-</b></u>	<u><b>-</b></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 28 October 2005 as per the Trust Deed of the Fund.		
<b>9.</b>	<b>PAYABLE TO ALFALAH GHP INVESTMENT MANAGEMENT LIMITED – MANAGEMENT COMPANY</b>		
		<b>30 June 2012</b>	<b>30 June 2011</b>
		<b>(Rupees in '000)</b>	
	Management fee	<b>841</b>	<b>719</b>
	Sales load payable	<b>-</b>	<b>1</b>
		<u><b>841</b></u>	<u><b>720</b></u>

9.1 Under the provisions of the NBFC Regulations 2008, the Management Company of the Fund is entitled to 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 remuneration at the rate of 2% p.a. for the current period.

9.2 Sales Tax on Management fee

During the current year, an amount of Rs. 1.376 million (30 June 2011: Rs. Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

<b>10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	<i>Note</i>	<b>30 June 2012</b>	30 June 2011
		<b>(Rupees in '000)</b>	
Trustee fee	<i>10.1</i>	<b>72</b>	71
CDS charges payable		<b>5</b>	1
		<u><b>77</b></u>	<u>72</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:

<b>Average Net Asset Value (Rupees in Million)</b>		<b>Tariff per annum</b>
From	To	
1	1,000	Rs 0.7 million or 0.20 % P.a. of NAV whichever is higher
>1,000	& above	Rs 2.0 million plus 0.10 % P.a. 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.

<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>30 June 2012</b>	30 June 2011
	<b>(Rupees in '000)</b>	
Legal and professional charges	<b>106</b>	120
Auditors' remuneration	<b>300</b>	400
Brokerage payable	<b>269</b>	59
Withholding tax payable	-	61
Settlement Charges	<b>17</b>	16
Zakat payable	-	5
Other Liabilities	<b>386</b>	382
Provision for Workers' Welfare Fund	<b>6,052</b>	5,550
	<u><b>7,130</b></u>	<u>6,593</u>

### 13. CONTINGENCIES AND COMMITMENTS

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

### 14. WORKERS' WELFARE FUND

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

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 15 July 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

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

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 6.052 million (30 June 2011: Rs. 5.550 million) up to 30 June 2012. If the same were not made the NAV per unit would be higher by Rs. 0.71 and return of the Fund would be higher by 0.12%.

**15. CLASSES OF UNITS IN ISSUE**

15.1 The Fund may issue following classes of units:

<b>Class</b>	<b>Note</b>	<b>Description</b>
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. These units cannot be redeemed for a period of two years from the date of closure of Initial Public Offer. At the year ended 30 June 2012 the units outstanding in the class are 2,249,319 as growth units and 2,000,000 as income units.

15.1.2 These units were offered and issued during the private placement and Initial Period of Offer.

15.1.3 These units were offered and issued after the Initial Period of Offer. At the year ended 30 June 2012 the units outstanding in the class are 3,366,448 as growth units and 889,739 as income units.

**16. AUDITORS' REMUNERATION**

	<b>30 June 2012</b>	<b>30 June 2011</b>
	<b>(Rupees in '000)</b>	
Audit fee	250	250
Other certifications and services	175	225
Out of pocket expenses	-	45
	<u>425</u>	<u>520</u>

**17. INTERIM DISTRIBUTIONS**

The Fund has made following distribution during the year.

<b>Date</b>	<b>Per Unit Rupees</b>	<b>Bonus</b>		<b>Cash Distribution (Rupees in '000)</b>	<b>Total</b>
		<b>Units</b>	<b>Amount</b>		
27 June 2012	2.75	289,639	14,650	7,947	22,597

**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 realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Management Company intends to distribute sufficient accounting income of the Fund for the year ending 30 June 2012 in order to comply with the above stated clause to enjoy the tax exemption. Accordingly, no tax provision has been made in financial information for the year ended 30 June 2012.

**19. 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.

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

	30 June 2012	30 June 2011
	(Rupees in '000)	
<b>Alfalah GHP Investment Management Limited - Management Company</b>	<b>720</b>	978
Balance at beginning of the year	8,602	9,798
Remuneration for the year	1,376	-
Sales tax on Management fee for the year	10,698	10,776
Amount paid during the year	(9,857)	(10,056)
Balance at the end of the year	<u>841</u>	<u>720</u>
<b>Central Depository Company of Pakistan Limited</b>		
Balance at beginning of the year	72	78
Remuneration for the year	860	904
CDS Charges for the year	58	40
	990	1,022
Amount paid during the year	(913)	(950)
Balance at the end of the year	<u>77</u>	<u>72</u>
Deposit with Central Depository Company of Pakistan Limited	<u>100</u>	<u>100</u>
<b>Bank Alfalah Limited</b>		
Profit on deposit accounts	3,187	13,047
Balance in deposit accounts	5,776	143,309
Bank charges	33	13
Capital gain on sale of shares	2,744	38
Mark-up receivable on bank deposits	<u>146</u>	<u>1,396</u>

	<b>June 30 2012</b>		<b>June 30 2011</b>	
	<b>(No. of shares)</b>	<b>(Rupees in '000)</b>	<b>(No. of shares)</b>	<b>(Rupees in '000)</b>
<b>Wateen Telecom Limited</b>				
Investment held by fund	<u>353,253</u>	<u>707</u>	<u>331,518</u>	<u>690</u>
Capital gain / (loss) on sale of securities	<u>-</u>	<u>-</u>	<u>668,482</u>	<u>(4,312)</u>
<b>Bank Alfalah Limited</b>				
Capital gain / (loss) on sale of securities	<u>1,092,291</u>	<u>2,744</u>	<u>-</u>	<u>-</u>
	<b>(Units in '000)</b>	<b>(Rs. in '000)</b>	<b>(Units in '000)</b>	<b>(Rs. in '000)</b>
<b>Bonus units distributed to:</b>				
Bank Alfalah Ltd - Employees' Provident Fund	<u>67</u>	<u>3,392</u>	<u>24</u>	<u>1,276</u>
Bank Alfalah Ltd - Employees' Gratuity Fund	<u>70</u>	<u>3,524</u>	<u>25</u>	<u>1,325</u>
MAB Investment Incorporated	<u>168</u>	<u>8,473</u>	<u>60</u>	<u>3,187</u>
GHP Arbitrium AG	<u>90</u>	<u>4,519</u>	<u>32</u>	<u>1,700</u>

	<b>30 June 2012</b>	<b>30 June 2011</b>
	<b>(Units in '000)</b>	
<b>Units held by:</b>		
Bank Alfalah Limited	<u>2,890</u>	<u>2,890</u>
MAB Investment Incorporated	<u>1,822</u>	<u>1,654</u>
GHP Arbitrium AG	<u>972</u>	<u>882</u>
Bank Alfalah Limited - Employees' Provident Fund	<u>729</u>	<u>662</u>
Bank Alfalah Limited - Employees' Gratuity Fund	<u>758</u>	<u>688</u>
<b>Dividend paid to:</b>	<b>(Rupees in '000)</b>	
Bank Alfalah Limited	<u>14,449</u>	<u>5,779</u>

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

### 20.1 Market risk

Market risk is the risk that changes in market prices, such as interest rate or equity prices will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within the investment parameters as defined in the Fund's constitutive and investment policy documents, while optimizing the return. The Fund is categorized as asset allocation scheme

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

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

### 20.1.1 Interest rate risk

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

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

The Fund manages interest rate risk by keeping a major portion of funds into short terms investments in the rising interest rate environment. Interest rate risk in debt securities are mitigated by investing mostly in instrument carrying floating rate coupons which are linked to market interest rates, and are re-priced on quarterly / semi-annual basis. As at 30 June 2012, the investment in TFCs and Sukuk certificates exposed to interest rate risks is detailed in Note 5.5 & 5.6.

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

	Effective rate of mark-up/return %	30 June 2012				Total
		Exposed to yield / Interest rate risks				
		Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield/Interest rate risk	
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	5.00% to 11.00%	192,531	-	-	-	192,531
Investments	3-6 months KIBOR + 1.0 to 1.75	-	-	41,162	202,826	243,988
Dividend and profit receivable		-	-	-	2,072	2,072
Deposits, prepayments and other receivables		-	-	-	2,600	2,600
		<u>192,531</u>	<u>-</u>	<u>41,162</u>	<u>207,498</u>	<u>441,191</u>
<b>Financial liabilities</b>						
Payable to Alfalah GHP Investment Management Limited - Management Company		-	-	-	841	841
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	77	77
Payable to Securities and Exchange Commission of Pakistan - Annual fee		-	-	-	409	409
Payable against purchase of investment		-	-	-	805	805
Accrued expenses and other liabilities		-	-	-	1,078	1,078
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,210</u>	<u>3,210</u>
<b>On-balance sheet gap</b>		<u>192,531</u>	<u>-</u>	<u>41,162</u>	<u>204,288</u>	<u>437,981</u>

	Effective rate of mark-up/return %	30 June 2011				Total
		-----Exposed to yield / Interest rate risks -----				
		Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield/ Interest rate risk	
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	5.00% to 11.00%	143,349	-	-	-	143,349
Investments	3-6 months KIBOR + 1.0 to 1.75	-	-	64,462	226,634	291,096
Dividend and profit receivable		-	-	-	9,031	9,031
Deposits, prepayments and other receivables		-	-	-	3,600	3,600
		<u>143,349</u>	<u>-</u>	<u>64,462</u>	<u>239,265</u>	<u>447,076</u>
<b>Financial liabilities</b>						
Payable to Alfalah GHP Investment Management Limited - Management Company		-	-	-	720	720
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	72	72
Payable to Securities and Exchange Commission of Pakistan - Annual fee		-	-	-	429	429
Payable against purchase of investment		-	-	-	1,865	1,865
Accrued expenses and other liabilities		-	-	-	982	801
		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,068</u>	<u>3,887</u>
<b>On-balance sheet gap</b>		<u>143,349</u>	<u>-</u>	<u>64,462</u>	<u>235,197</u>	<u>443,189</u>

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

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

Presently, the Fund holds KIBOR based interest bearing sukuk certificates exposing the Fund to cash flow interest rate risk. Fund's exposure in TFC's & sukuk certificates amount to Rs. 41.16 million as at 30 June 2012. The Management have determined that a fluctuation in KIBOR interest rate of 100 basis points at June 30, 2012, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 0.25 million (2011 Rs. 0.75 million).

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

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

**20.1.2 Currency risk**

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

**20.1.3 Other Price Risk**

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

The Fund 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 2012 Sector %</b>	<b>30 June 2011 Sector %</b>
Banks	<b>18.62</b>	19.70
Chemicals	<b>10.59</b>	22.38
Construction and Materials	<b>15.85</b>	0.00
Electricity	<b>7.46</b>	13.24
Fixed Line Tele Communication	<b>0.35</b>	0.30
General Industrials	<b>1.99</b>	2.90
Oil And Gas	<b>39.33</b>	38.26
Personal Goods	<b>5.80</b>	3.22
<b>TOTAL</b>	<b><u>100.00</u></b>	<u>100.00</u>

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

At 30 June 2012, the fair value of equity securities exposed to price risk was disclosed in notes 5.1 and 5.4.

	<b>30 June 2012 (Rupees in '000)</b>	<b>30 June 2011</b>
Effect due to increase / decrease in KSE 100 index		
Investment and net assets	<b><u>20,283</u></b>	<u>29,110</u>
Income statement	<b><u>20,283</u></b>	<u>29,110</u>

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

## 20.2 Credit Risk

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

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

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

The management company follows Circulars 1 of 2009 containing criteria for provisioning of non-performing debt securities issued by SECP for the purpose of making provision against non-performing debt securities. Further, Management Company has devised provisioning policy duly approved by its Board of Directors for making provision over and above that required by the said circular against non performing assets.

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

### Concentration of credit Risk

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

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

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

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

	<b>30 June 2012</b>	30 June 2011
	<b>--- Rupees in '000 ---</b>	
<b>Financial assets</b>		
Bank balances	<b>192,531</b>	143,349
Investments in sukuk certificates	<b>41,162</b>	46,976
Investment in term finance certificates	-	17,486
Dividend and profit receivables	<b>2,072</b>	9,031
Deposits, prepayments and other receivables	<b>2,600</b>	3,600
	<b><u>238,365</u></b>	<u>220,442</u>
Secured	<b>41,162</b>	64,462
Unsecured	<b>197,203</b>	155,980
	<b><u>238,365</u></b>	<u>220,442</u>
Not Past due	<b>197,203</b>	202,956
past due	<b>41,162</b>	17,486
	<b><u>238,365</u></b>	<u>220,442</u>

Impairment in above financial assets is disclosed in note 5.6.1 & 5.6.2.

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

	<b>30 June 2012</b>	30 June 2011
	<b>---- Rupees in '000 ----</b>	
Cement	<b>41,162</b>	46,976
Fertilizers	-	17,486
	<b><u>41,162</u></b>	<u>64,462</u>

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

	<b>30 June 2012</b>	30 June 2011
	<b>(Percentage)</b>	
<b>Sukuk certificates by credit rating category</b>		
Non rated / Non performing	<b><u>100.00%</u></b>	<u>100.00%</u>

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

	<b>30 June 2012</b>	30 June 2011
	<b>(Rupees in '000)</b>	
<b>Bank balances by category wise</b>		
AA	<b>192,494</b>	143,312
AA+	<b>20</b>	19
AA-	<b>11</b>	11
A	<b>6</b>	-
A-	-	7
	<b><u>192,531</u></b>	<u>143,349</u>

### 20.3 Liquidity risk

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

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

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

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

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

	As at 30 June 2012		
	Carrying Value	Up to one month	More than one month and up to three months
<b>On balance sheet financial liabilities and others</b>	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable against purchase of investments	805	805	-
Payable to Alfalah GHP Investment Management Limited - Management Company	841	841	-
Payable to Central Depository Company of Pakistan Limited - Trustee	77	77	-
Accrued expenses and other liabilities	1,078	-	1,078
	<u>2,801</u>	<u>1,723</u>	<u>1,078</u>

	As at 30 June 2011		
	Carrying Value	Up to one month	More than one month and up to three months
<b>On balance sheet financial liabilities and others</b>	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable against purchase of investments	1,865	1,865	-
Payable to Alfalah GHP Investment Management Limited - Management Company	720	720	-
Payable to Central Depository Company of Pakistan Limited - Trustee	72	72	-
Accrued expenses and other liabilities	982	-	982
	<u>3,639</u>	<u>2,657</u>	<u>982</u>

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

#### 20.4 Operational risk

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

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

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

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

## 20.5 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 Value Fund (AGVF) 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.

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

	30 June 2012			
	Level 1	Level 2	Level 3	Total
<b>Financial assets 'at fair value through profit or loss'</b>	----- (Rupees in '000) -----			
- Equity securities	202,110	-	-	202,110
<b>Available-for-sale investments</b>				
- Equity securities	716	-	-	716
- Sukuk certificates	-	-	41,162	41,162
- Term finance certificates	-	-	-	-
	<u>202,826</u>	<u>-</u>	<u>41,162</u>	<u>243,988</u>
	-----			
	30 June 2011			
	Level 1	Level 2	Level 3	Total
<b>Financial assets 'at fair value through profit or loss'</b>	----- (Rupees in '000) -----			
- Equity securities	225,943	-	-	225,943
<b>Available-for-sale investments</b>				
- Equity securities	691	-	-	691
- Sukuk certificates	-	46,976	-	46,976
- Term finance certificates	-	17,486	-	17,486
	<u>226,634</u>	<u>64,462</u>	<u>-</u>	<u>291,096</u>

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

	30 June 2012	30 June 2011
	---- Rupees in '000 ----	
Transfers from Level 2 to Level 3	<u>41,162</u>	<u>-</u>

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

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

## 22. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern of the Fund, top ten brokers of the Fund, members of the Investment Committee, Fund manager, meetings of the Board of Directors, credit rating of the Fund and the Management Company of the Fund as required under Schedule V of Non Banking Finance Companies and Notified Entities Regulations, 2008 has been disclosed in Annexure I to the financial statements.

## 23. DATE OF AUTHORIZATION FOR ISSUE

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

## 24. 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**

	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
	----- <b>(Rupees in '000)</b> -----		
Net assets	<u>431,929</u>	<u>437,397</u>	<u>459,867</u>
	<b>(Rupees per Unit)</b>		
Net asset value per unit	<u>50.78</u>	<u>52.87</u>	<u>50.75</u>
Year end offer price	<u>53.32</u>	<u>55.52</u>	<u>53.29</u>
Highest offer price	<u>58.38</u>	<u>57.66</u>	<u>66.83</u>
Lowest offer price	<u>48.98</u>	<u>52.27</u>	<u>53.09</u>
Year end repurchase price	<u>50.78</u>	<u>52.87</u>	<u>50.75</u>
Highest repurchase price	<u>55.60</u>	<u>54.92</u>	<u>65.20</u>
Lowest repurchase price	<u>46.65</u>	<u>49.78</u>	<u>50.75</u>
Distribution - Interim	<u>2.75</u>	<u>2.00</u>	<u>Nil</u>
Distribution - Final	<u>Nil</u>	<u>2.25</u>	<u>Nil</u>
Total distribution	<u>2.75</u>	<u>4.25</u>	<u>Nil</u>
	<b>(Announcement date of distribution)</b>		
Interim	<u>27 June 2012</u>	<u>30 December 2010</u>	<u>N/A</u>
Final	<u>N/A</u>	<u>7-Jul-11</u>	<u>N/A</u>
	----- <b>(Percentage)</b> -----		
Total return of the Fund	<u>5.77%</u>	<u>8.14%</u>	<u>-0.63%</u>
Annual dividend distribution (bonus units)	<u>5.43% Cash (Income Units) &amp; Bonus (Growth Units)</u>	<u>8.37% Cash (Income Units) &amp; Bonus (Growth Units)</u>	<u>26% Bonus Units</u>
Capital growth	<u>0.34%</u>	<u>-0.23%</u>	<u>-26.63%</u>
Average annual return			
- Half year	<u>N/A</u>	<u>N/A</u>	<u>-0.01%</u>
- First year	<u>5.77%</u>	<u>8.14%</u>	<u>35.21%</u>
- Second year	<u>6.96%</u>	<u>13.58%</u>	<u>12.37%</u>
- Third year	<u>10.98%</u>	<u>8.65%</u>	<u>14.91%</u>
- Return Since inception (Absolute)	<u>90.83%</u>	<u>80.42%</u>	<u>70.76%</u>
- Return Since inception (CAGR)	<u>10.18%</u>	<u>10.98%</u>	<u>12.15%</u>
		<b>(Days)</b>	
Weighted average portfolio duration	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Launch date		<u>28 October 2005</u>	
Portfolio Composition (See Fund Manager Report).			



**Disclaimer**

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

**1.2 RATING**

Credit rating of the Management Company is 'AM3'

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

**1.3 PATTERN OF UNIT HOLDING**

Category	As at 30 June 2012			
	Number of Unit Holders	Units	Investment Amount (Rupees in '000)	Percentage of total investment (%)
Individual	225	162,981	8,277	1.92
Associated companies	2	3,861,393	196,090	45.40
Bank / Financial Institutions	-	-	-	-
Retirement Funds	4	1,581,713	80,323	18.60
Others	7	2,899,419	147,239	34.09
	<b>238</b>	<b>8,505,506</b>	<b>431,929</b>	<b>100.00</b>

Category	As at 30 June 2011			
	Number of Unit Holders	Units	Investment Amount (Rupees in '000)	Percentage of total investment (%)
Individual	263	2,879,162	152,232	34.80
Associated companies	2	3,772,071	199,442	45.60
Bank / Financial Institutions	1	169,125	8,942	2.04
Retirement Funds	4	1,436,308	75,943	17.36
Others	3	15,858	838	0.19
	<b>273</b>	<b>8,272,524</b>	<b>437,397</b>	<b>100.00</b>

**SIZE OF UNIT HOLDING**

Size of Unit Holding	Unit Holders Pattern of the Fund as at 30 June, 2012			
	Number of Unit Holders	Total Units	Invested Amount	%
1 - 1000	197	36,618	1,860	0.43%
1001 - 5000	23	52,612	2,672	0.62%
5001 - 10000	6	40,299	2,046	0.47%
10001 - 50000	3	82,565	4,193	0.97%
50001 - 100000	1	63,193	3,209	0.74%
100001 - 500000	2	835,803	42,444	9.83%
500001 - 1000000	4	3,022,038	153,466	35.53%
1000001 - 2000000	1	1,482,639	75,292	17.43%
2000001 - 3000000	1	2,889,739	146,747	33.97%
<b>Total</b>	<b>238</b>	<b>8,505,506</b>	<b>431,929</b>	<b>100%</b>

**SIZE OF UNIT HOLDING**
**Unit Holders Pattern of the Fund as at 30 June, 2011**

Size of Unit Holding	Number of Unit Holders	Total Units	Invested Amount	%
1 - 1000	213	40,548	2,144	0.49%
1001 - 5000	38	81,932	4,332	0.99%
5001 - 10000	7	47,541	2,514	0.57%
10001 - 50000	6	136,718	7,229	1.65%
50001 - 100000	1	57,383	3,034	0.69%
100001 - 500000	2	620,267	32,796	7.50%
500001 - 1000000	4	2,744,227	145,097	33.17%
1000001 - 2000000	1	1,654,169	87,461	20.00%
2000001 - 3000000	1	2,889,739	152,790	34.93%
<b>Total</b>	<b>273</b>	<b>8,272,524</b>	<b>437,397</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 2012</b>
<b>Arif Habib Limited</b>	<b>8.70%</b>
<b>Al Habib Capital Markets (Private) Limited</b>	<b>7.81%</b>
<b>Habib Metropolitan Financial Services Limited</b>	<b>7.48%</b>
<b>Top line Securities (Pvt) Ltd.</b>	<b>7.32%</b>
<b>Elixir Securities Pakistan (Pvt) Limited</b>	<b>7.26%</b>
<b>Taurus Securities Limited</b>	<b>7.02%</b>
<b>Nael Capital (Pvt) Limited</b>	<b>5.87%</b>
<b>KASB Securities Limited</b>	<b>5.76%</b>
<b>Live Securities (Private) Limited</b>	<b>5.29%</b>
<b>Fortune Securities Limited</b>	<b>5.20%</b>
	<b>30 June 2011</b>
DJM Securities (Private) Limited	8.63%
JS Global Capital Ltd.	7.31%
Invisor Securities (Pvt) Ltd.	6.40%
Taurus Securities Limited	5.04%
Nael Capital (Pvt.) Ltd	4.90%
Next Capital Limited	4.32%
AKD Securities Limited	4.31%
Elixir Securities Pakistan (Pvt) Ltd.	4.28%
Sherman Securities (Pvt.) Ltd.	3.95%
Top line Securities (Pvt) Ltd.	3.78%

## 1.5 INVESTMENT COMMITTEE

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

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

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

- Alfalah GHP Islamic Fund
- Alfalah GHP Alpha Fund

## 1.6 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

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

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

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

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