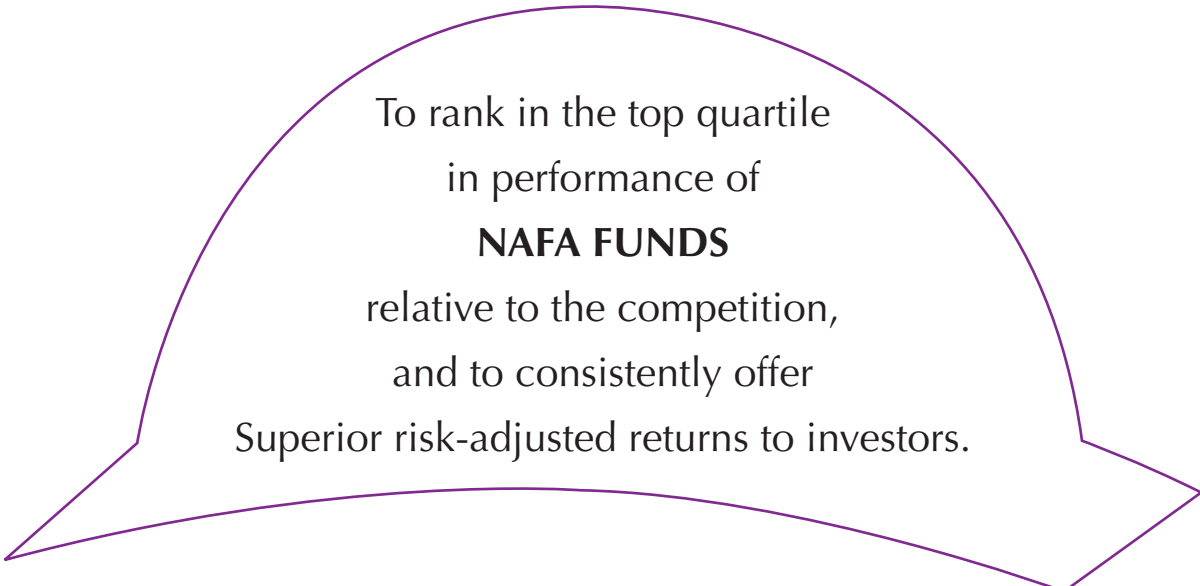


MISSION STATEMENT



To rank in the top quartile
in performance of
NAFA FUNDS
relative to the competition,
and to consistently offer
Superior risk-adjusted returns to investors.

NAFA Government Securities Liquid Fund

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Syed Ahmed Iqbal Ashraf	Director
Mr. Wah Geok Sum	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Patrick Pang Chin Hwang	Chairman
Mr. Shehryar Faruque	Member
Syed Ahmed Iqbal Ashraf	Member

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shahr-e-Faisal, Karachi.

Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (PAK) Limited
United Bank Limited

NAFA Government Securities Liquid Fund

Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road,
P.O.Box 4716
Karachi.

Legal Advisor

M/s Jooma Law Associates
205, E.I. Lines, Dr. Daudpota Road,
Karachi.

Head Office:

9th Floor, Adamjee House,
I.I. Chundrigar Road,
Karachi

Lahore Office:

House # 10 - A, Block -S, Gulberg - II, Lahore.
UAN: (+92-42) 111-111-NFA (632)
Fax No: (+92-42) 35760373

Islamabad Office:

Plot No. 395, 396
Industrial Area, 1-9/3 Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

1st Floor, Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshawar.
Phone: 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

NBP Corporate Branch
3rd Floor, Park Lane Tower, Near Shahjahan Banquet Hall,
Officers Colony, Khanewal Road. Multan.
Tel : 92-061-6214070
Fax: 92-061-6214062
UAN: 92-061-111-111-632

NAFA Government Securities Liquid Fund

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NAFA Government Securities Liquid Fund

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Third Annual Report of **NAFA Government Securities Liquid Fund** for the year ended June 30, 2011.

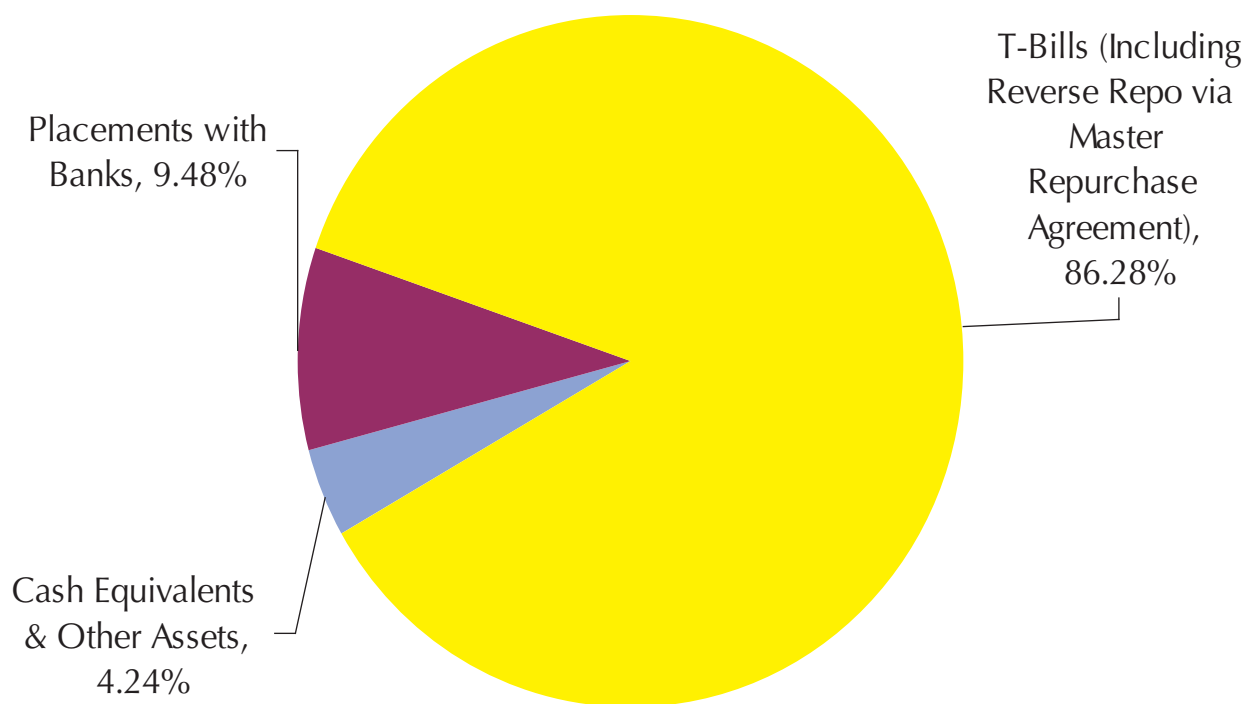
Fund's Performance

The size of NAFA Government Securities Liquid Fund has increased from Rs. 5,805 million to Rs. 10,810 million during the period, i.e. a growth of 86.22%. During the said period, the unit price of the Fund has increased from Rs. 9.0466 (distribution adjusted) on June 30, 2010 to Rs. 10.0837 (Ex-Div) on June 30, 2011, thus showing an annualized return of 11.46% as compared to its Benchmark (70%3-MonthT-Bills & 30% average 3-Month deposit rate of 'AA' & above rated banks) annualized return of 11.35% for the same period.

NGSLF's Fund stability rating is 'AAA(f)' awarded by PACRA. The rating reflects exceptionally strong credit and liquidity profile of your Fund. NGSLF (i) allocates a minimum of 85% to Government Securities; and (ii) maintains maximum maturity of a single T-Bill to three months. The investment value of NGSLF has not declined on any day since the launch of the Fund in May 2009.

The Fund has earned a total income of Rs.1,237.13 million during the year. After deducting total expenses of Rs.154.30 million, the net income is Rs.1,082.83 million.

The asset allocation of NAFA Government Securities Liquid Fund as on June 30, 2011 is as follows:



NAFA Government Securities Liquid Fund

Income Distribution

In addition to interim distribution of 7.75%, the Board of Directors of the Management Company has also approved a final distribution of 2.75%, translating into total distribution of 10.50% of opening ex-NAV (10.526% of the par value). After final distribution, the net asset value per unit will be Rs.10.0837 on June 30, 2011.

Taxation

As the above distribution is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

Auditors

The present auditors, Messers A.F.Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held five meetings during the current financial year. The attendance of all directors is disclosed in the note 27 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 26 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 23 to these financial statements.

NAFA Government Securities Liquid Fund

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
NBP Fullerton Asset Management Limited

Dr. Amjad Waheed, CFA
Chief Executive

Shahid Anwar Khan
Chairman

Date: September 29, 2011
Place: Karachi.

NAFA Government Securities Liquid Fund

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA GOVERNMENT SECURITIES LIQUID 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

NAFA Government Securities Liquid Fund (the Fund), an open-end fund was established under a trust deed dated April 10, 2009, executed between NBP Fullerton Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 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 6, 2011

NAFA Government Securities Liquid Fund

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

NAFA Government Securities Liquid Fund (the Fund) is an open end mutual fund and is listed at the Lahore Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of NAFA and other necessary personnel to manage its affairs.

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. At present the Board consists of seven non-executive directors including two independent directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred during the year in the Board of the Management Company due to resignation of Mr. Gerard Lee How Cheng and Mr. Qamar Hussain was filled by Mr. Choy Peng Wah and Syed Iqbal Ashraf on November 15, 2010 and March 25, 2011. Further, the casual vacancy due to resignation of Mr. Choy Peng Wah was filled by Mr. Wah Geok Sum on February 18, 2011.
5. The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the directors and distributed to employees of the Management Company.

NAFA Government Securities Liquid Fund

6. The Board has developed a vision/mission statement overall corporate strategy and significant policies of the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. 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 meeting were appropriately recorded and circulated.
9. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. All the members of Board are well aware of operations of the Fund and Management Company, therefore no orientation courses were arranged during the year.
11. The Board has approved the appointment of Head of Internal Audit and his terms of employment.
12. Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 23 to the financial statements "Transactions with Connected Persons".
15. The Management Company has complied with the corporate and financial reporting requirements of the Code with respect to the Fund.
16. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the Committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Fund as required by the Code. Terms of Reference of the Audit Committee have been prepared and advised to the Committee for compliance.

NAFA Government Securities Liquid Fund

18. There exists an effective internal audit function within the Management Company. The Management Company has appointed the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
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, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
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. We confirm that all other material principles contained in the Code have been complied with.

Dated: September 29, 2011
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA Government Securities Liquid Fund

FUND MANAGER REPORT

NAFA Government Securities Liquid Fund

NAFA Government Securities Liquid Fund is an open-end Money Market Scheme.

Investment Objective of the Fund

The objective of NAFA Government Securities Liquid Fund is to generate optimal return with minimum risk, to provide easy liquidity and reasonable income to its unit holders by investing primarily in short-term Government Securities.

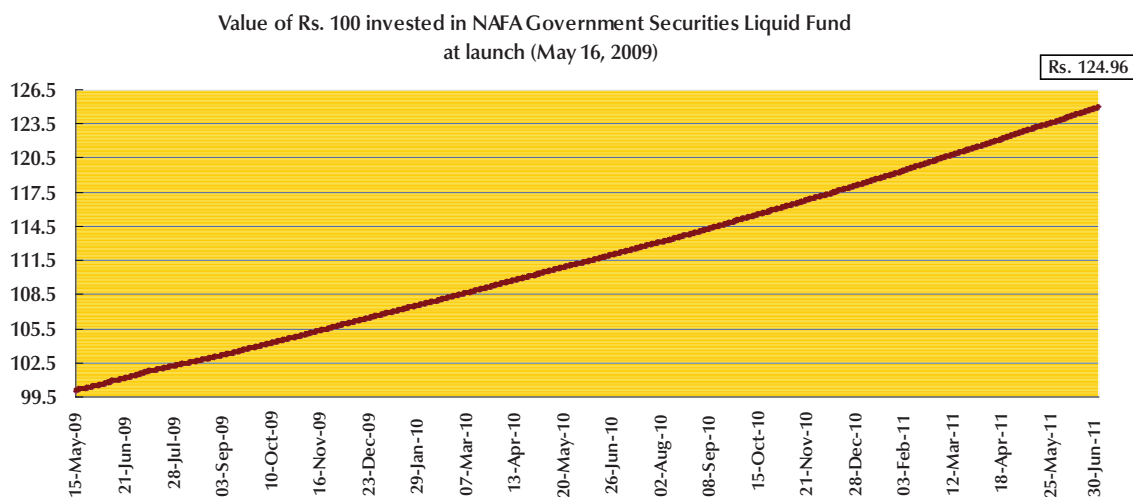
Benchmark

70% 3-Month T-Bills and 30% average 3-Month deposit rates of AA and above rated banks.

Fund's Performance Review

This is the third Annual report since the launch of the Fund on May 16, 2009. The Fund size as on June 30, 2011 is Rs. 10.81 billion during the period, i.e. a growth of 86.22%. The Fund's annualized return since inception is 11.05%. During the same period the benchmark return has been 11.08%. The Fund's return in FY 2011 is 11.46%. During the same period the benchmark return has been 11.35%.

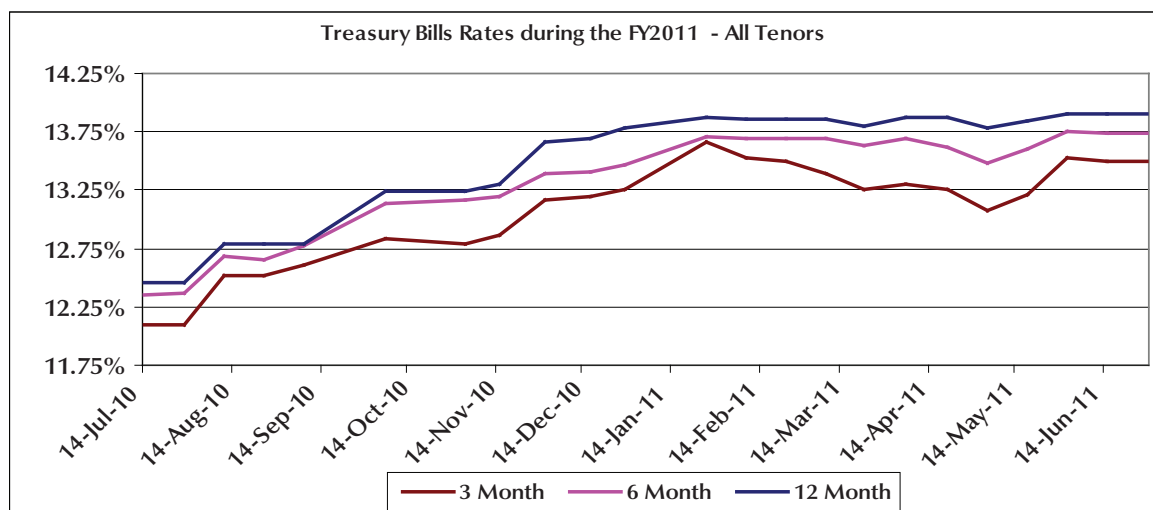
NGSLF's stability rating is 'AAA (f)' awarded by PACRA. The rating reflects exceptionally strong credit and liquidity profile of your Fund. The investment value of NGSLF has not declined on any day since the launch of the Fund in May 2009.



T-Bills are the major asset class of NGSLF. These are highly liquid instruments, therefore the liquidity risk of the Fund is extremely low. The quality of liquidity of the Fund is also very high due to (i) maximum maturity of three months for T-Bills (ii) maximum maturity of six months for any other instrument in the Fund; (iii) the Fund's weighted average maturity cannot exceed 90 days as per the Regulations and its Trust Deed, and 45 days for T-Bills asset class as per its internal policy; (iv) minimum rating of any instrument is AA. The Fund also has a very low interest rate risk due to its short duration. Moreover, NGSLF, being a Money Market Fund, cannot invest in equities, TFCs (corporate bonds), MTS and RFS (stocks related spread transactions) thereby eliminating risks associated with these investment avenues. The fund has achieved its stated objectives.

NAFA Government Securities Liquid Fund

Going forward the return on the Fund is expected to remain attractive. T-Bills yields during the year are shown in below graph:



Asset Allocation (% of NAV)	30-Jun-11	30-Jun-10
T-Bills (Including Reverse Repo via Master Reprchase Agreement)	86.28%	76.87%
Placements with Banks	9.48%	18.95%
Cash Equivalents	4.14%	5.15%
Other Assets / (Liabilities)	0.10%	-0.97%
Total	100.00%	100.00%

Distribution for the Financial Year 2011

Interim Period / Quarter	Dividend as a % of Par Value (Rs.10)	Cumulative Dividend Price per unit (Rs)	Ex-dividend Price per unit (Rs)
July 01-Sep 30, 10	2.5060%	10.3377	10.0871
Oct 1-Dec 31, 10	2.5060%	10.4652	10.2146
Jan 1- Mar 31, 11	2.7570%	10.4048	10.1291
Apr 1- Jun 30, 11	2.7570%	10.3594	10.0837

Subsequent to year-end, the Management has adopted the policy of monthly declaration of dividends.

During the period there has been no significant change in the state of affairs of the Fund. NAFA Government Securities Liquid Fund does not have any soft commission arrangement with any broker in the industry.

NAFA Government Securities Liquid Fund

Following is the unit holder pattern of NAFA Government Securities Liquid Fund by the size of unit holdings as of June 30, 2011.

Size of Unit Holding (Units)	# of Unit Holders
1 - 1000	163
1001 - 5000	337
5001 - 10000	238
10001 - 50000	869
50001 - 100000	249
100001 - 500000	344
500001 - 1000000	63
1000001 - 5000000	64
5000001 - 10000000	17
10000001 - 100000000	19
100000001 - 1000000000	2
	2,365

NAFA Government Securities Liquid Fund

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 contained in the Code of Corporate Governance prepared by the Board of Directors of **NBP Fullerton Asset Management Limited** (the Management Company) for and on behalf of **NAFA Government Securities Liquid Fund (the Fund)** to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance 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 the 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-regulation (xiii a) of the Listing Regulation No. 35 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 the 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 procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

Chartered Accountants
Karachi
Dated: October 03, 2011

NAFA Government Securities Liquid Fund

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of NAFA Government Securities Liquid Fund which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company'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 approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing 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 misstatements.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the financial position of NAFA Government Securities Liquid Fund as of June 30, 2011 and of its financial performance and cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: October 03, 2011
Karachi.

NAFA Government Securities Liquid Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2011

	Note	2011 -----Rupees in '000-----	2010
ASSETS			
Balances with banks	4	872,997	1,401,344
Investments	5	7,918,819	3,851,815
Loans and receivables	6	2,008,467	610,766
Profit receivable	7	55,740	29,671
Prepayments and other receivables	8	7,386	8,338
Preliminary expenses and floatation costs	9	2,849	3,841
Total assets		10,866,258	5,905,775
LIABILITIES			
Payable to the Management Company	10	11,221	11,866
Payable to the Trustee	11	732	442
Payable to Securities and Exchange Commission of Pakistan	12	6,756	2,982
Payable on redemption of units		3,638	74,062
Accrued expenses and other liabilities	13	33,477	11,045
Total liabilities		55,824	100,397
NET ASSETS		<u>10,810,434</u>	<u>5,805,378</u>
Unit Holders' Funds (as per statement attached)		<u>10,810,434</u>	<u>5,805,378</u>
Contingencies and Commitments	14	-----Number of units-----	
Number of units in issue		<u>1,043,538,317</u>	<u>565,044,796</u>
		-----Rupees-----	
Net asset value per unit	15	<u>10.3594</u>	<u>10.2742</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA Government Securities Liquid Fund

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 -----Rupees in '000-----	2010
INCOME			
Capital loss on sale of investments - net		(1,882)	(566)
Income from government securities		832,315	334,886
Income from term deposit receipts		97,125	51,804
Income from money market transactions		178,736	40,425
Profit on bank deposits	16	36,088	45,719
Net unrealised diminution in the value of investments carried at fair value through profit or loss'	5.2	(4,425)	(1,812)
Total Income		<u>1,137,957</u>	<u>470,456</u>
EXPENSES			
Remuneration of the Management company	10.1	112,597	51,956
Remuneration of the Trustee	11.1	7,506	3,732
Annual fee - Securities and Exchange Commission of Pakistan	12.1	6,756	2,982
Securities transaction cost		2,641	1,128
Bank charges		930	762
Annual listing fee		40	20
Auditors' remuneration	17	352	340
Legal and professional charges		70	40
Amortisation of preliminary expenses and floatation costs	9	992	991
Other charges		313	506
Total Expenses		<u>132,197</u>	<u>62,457</u>
Net income from operating activities		<u>1,005,760</u>	<u>407,999</u>
Element of income and capital losses included in prices of units issued less those in units redeemed - net		99,167	88,353
Provision for workers' welfare fund	18	(22,099)	(10,325)
Net income for the year before taxation		<u>1,082,828</u>	<u>486,027</u>
Taxation	19	-	-
Net income for the year after taxation		<u>1,082,828</u>	<u>486,027</u>
Earnings per unit	20		

The annexed notes 1 to 34 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA Government Securities Liquid Fund

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	-----Rupees in '000-----	
Net income for the year after taxation	1,082,828	486,027
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,082,828</u>	<u>486,027</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA Government Securities Liquid Fund

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	-----Rupees in '000-----	
Undistributed income brought forward comprising :		
Realised income	153,313	20,051
Unrealised loss	(1,974)	(162)
	<u>151,339</u>	<u>19,889</u>
Final distribution for the year ended June 30, 2010 : 2.5010% (2009: 1.40%) (Date of distribution: July 5, 2010)		
- Cash distribution	(6,140)	(2,941)
- Bonus units	(135,165)	(16,591)
Interim distribution for the period ended September 30, 2010: 2.5060% (Date of distribution: October 18, 2010) (2009: 2.5010%)		
- Cash distribution	(15,135)	(4,880)
- Bonus units	(166,851)	(62,876)
Interim distribution for the period ended December 31, 2010: 2.5060% (Date of distribution: February 18, 2011) (2009: 2.5010%)		
- Cash distribution	(19,953)	(4,903)
- Bonus units	(238,988)	(109,483)
Interim distribution for the period ended March 31, 2011 : 2.7570% (Date of distribution: April 19, 2011) (2010: 2.5010%)		
- Cash distribution	(20,645)	(6,142)
- Bonus units	(279,950)	(147,742)
Net income for the year	1,082,828	486,027
Element of income and capital losses included in prices of units issued less those in units redeemed - amount representing income and capital loss that form part of unit holders' funds transferred to Distribution Statement	9,739	981
Undistributed income carried forward	<u>361,079</u>	<u>151,339</u>
Undistributed income comprising:		
- Realised income	365,504	153,313
- Unrealised loss	(4,425)	(1,974)
	<u>361,079</u>	<u>151,339</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA Government Securities Liquid Fund

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	-----Rupees in '000-----	
Net assets at the beginning of the year	5,805,378	1,415,232
Issue of 1,675,235,946 units - including 81,057,485 bonus units (2010: 1,365,027,422 units)	16,371,595	13,632,118
Redemption of 1,196,742,425 units (2010: 939,516,916 units)	(12,288,327)	(9,620,780)
Final distribution	4,083,268	4,011,338
Issue of 13,484,007 bonus units (2009: 1,657,567 units) for the year ended June 30, 2010: 2.5010% declared on July 05, 2010 (2009: 1.40%)	135,165	16,591
Net element of income and capital loss included in prices of units issued less those in units redeemed		
- amount representing income and capital loss transferred to Income Statement	(99,167)	(88,353)
- amount representing income and capital loss that form part of unit holders' funds transferred to Distribution Statement	(9,739)	(981)
	(108,906)	(89,334)
Net unrealised diminution in the value of investments carried at 'fair value through profit or loss'	(4,425)	(1,812)
Capital loss on sale of investments - net	(1,882)	(566)
Other income (net of expenses)	1,089,135	488,405
	1,082,828	486,027
Less: Distribution		
Final distribution for the year ended June 30, 2010 : 2.5010% (2009: 1.40%) (Date of distribution: July 5, 2010)		
- Cash distribution	(6,140)	(2,941)
- Bonus units	(135,165)	(16,591)
Interim distribution for the period ended September 30, 2010: 2.5060% (Date of distribution: October 18, 2010) (2009: 2.5010%)		
- Cash distribution	(15,135)	(4,880)
- Bonus units	(166,851)	(62,876)
Interim distribution for the period ended December 31, 2010: 2.5060% (Date of distribution: February 18, 2011) (2009: 2.5010%)		
- Cash distribution	(19,953)	(4,903)
- Bonus units	(238,988)	(109,483)
Interim distribution for the period ended March 31, 2011 : 2.7570% (Date of distribution: April 19, 2011) (2010: 2.5010%)		
- Cash distribution	(20,645)	(6,142)
- Bonus units	(279,950)	(147,742)
	(882,827)	(355,558)
Interim distributions: Issue of bonus units	685,789	320,101
Element of income and capital losses included in prices of units sold less those in units redeemed - amount representing income and capital loss that form part of the unit holders' fund	9,739	981
Net assets at the end of the year	10,810,434	5,805,378

The annexed notes 1 to 34 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA Government Securities Liquid Fund

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-----Rupees in '000-----	
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year before taxation		1,082,828	486,027
Adjustments			
Net unrealised diminution in the value of investment at fair value through profit or loss		4,425	1,812
Amortisation of preliminary expenses and floatation costs		992	991
Element of income and capital losses included in prices of units issued less those in units redeemed		(99,167)	(88,353)
		<u>989,078</u>	<u>400,477</u>
(Increase) / decrease in assets			
Investments		(4,071,429)	(2,942,450)
Loans and receivables		(1,397,701)	(380,766)
Profit receivable		(26,069)	(25,216)
Prepayments and other receivables		952	(7,153)
		<u>(5,494,247)</u>	<u>(3,355,585)</u>
Increase / (decrease) in liabilities			
Payable to the Management Company		(645)	4,973
Payable to the Trustee		290	298
Payable to Securities and Exchange Commission of Pakistan		3,774	2,868
Accrued expenses and other liabilities		22,432	10,698
		<u>25,851</u>	<u>18,837</u>
Net cash outflow on operating activities		<u>(4,479,318)</u>	<u>(2,936,271)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from issue of units		16,371,595	13,632,118
Payments on redemption of units		(12,358,751)	(9,550,682)
Distributions paid		(61,873)	(18,866)
Net cash inflow from financing activities		<u>3,950,971</u>	<u>4,062,570</u>
Net (decrease) / increase in cash and cash equivalents during the year		<u>(528,347)</u>	<u>1,126,299</u>
Cash and cash equivalents at the beginning of the year		1,401,344	275,045
Cash and cash equivalents at the end of the year	4	<u><u>872,997</u></u>	<u><u>1,401,344</u></u>

The annexed notes 1 to 34 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA Government Securities Liquid Fund

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Government Securities Liquid Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on April 10, 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to Act as an Asset Management Company under the NBFC rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 9th floor, Adamjee House, I.I Chundrigar Road, Karachi. The Management Company is a member of The Mutual Fund Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units of the Fund can be transferred to / from the Funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The Fund is categorized as an Open-End "Money Market Scheme" as per the criteria laid down by Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS).

The objective of the Fund is to generate optimal return with minimum risk, to provide easy liquidity and reasonable income to its unit holders by investing primarily in short-term Government Securities.

Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2- (Positive outlook) to the Management Company and a short-term rating of AAA (f) to the Fund based on the performance for the year ended June 30, 2010.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, 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 directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

NAFA Government Securities Liquid Fund

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and 5).

2.5 Accounting Convention

These financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair value.

2.6 Functional and Presentation Currency

These financial statements are presented in Pak Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks, other short term highly liquid investments with current maturities of three months or less and bank overdrafts.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available for sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets at fair value through profit or loss category.

b) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are recognised in the income statement.

3.2.4 Subsequent measurement

Subsequent to initial recognition, government securities designated by the management as at fair value through profit or loss and available for sale are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

NAFA Government Securities Liquid Fund

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss and available for sale are taken to the income statement and statement of comprehensive income respectively.

Loans and receivables are carried at amortised cost using the effective interest rate method.

3.2.5 Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence 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 that financial asset previously recognised in the Income Statement is reclassified from Unit Holders' Fund to the Income Statement.

For financial assets classified as loans and receivables, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to original terms. The amount of the provision is the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and liabilities

Financial assets and financial 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.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial liabilities carried on the Statement of Assets and Liabilities include payable to the Management Company, payable to Trustee, payable against redemption of units and accrued expenses and other liabilities.

3.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC regulations.

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, provision for transaction costs and any provision for duties and charges, if applicable. Currently, the fund is not charging any sales load (front end load). Transaction cost are recovered as income of the fund.

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, charges on redemption and any provision for transaction costs, if applicable.

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

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to income / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the 'income statement'.

NAFA Government Securities Liquid Fund

3.7 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.9 Proposed distributions

Distributions declared subsequent to the year end are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.10 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Income from Term Deposit Receipts is recognised on an accrual basis.
- Income from government securities is accrued using the effective interest rate method.
- Unrealised gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the 'income statement' in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

3.11 Net asset value per unit

The net asset value (NAV) 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 at the year end.

	Note	2011	2010	
		-----Rupees in '000-----		
4	BALANCES WITH BANKS			
		13,464	1,576	
	Current accounts	4.1 434,533	299,768	
	Savings accounts	4.2 425,000	1,100,000	
	Term deposit receipts	<u>872,997</u>	<u>1,401,344</u>	
4.1	The balance in savings account bears expected profit which ranges from 5% to 12% per annum (2010: 5% to 12% per annum).			
4.2	The term deposit receipts bears expected profit which ranges from 11.90% to 13.75% per annum (2010: 11.90% to 12.50% per annum).			
		Note	2011	2010
			-----Rupees in '000-----	
5	INVESTMENTS			
	At fair value through profit or loss - held for trading			
	Government securities - Market Treasury Bills	5.1	<u>7,918,819</u>	<u>3,851,815</u>
			<u>7,918,819</u>	<u>3,851,815</u>

NAFA Government Securities Liquid Fund

5.1 Investment in government securities - 'At fair value through profit or loss'

Issue date	Tenor	Face value				Market value as at June 30, 2011	Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2010	Purchases during the year	Sales / matured during the year	As at June 30, 2011			
----- Rupees in '000 -----								
Market Treasury Bills								
January14,2010	6 months	200,000	-	200,000	-	-	-	-
July16,2009	12 months	405,000	-	405,000	-	-	-	-
April22,2010	3 months	310,000	-	310,000	-	-	-	-
May06,2010	3 months	274,500	100,000	374,500	-	-	-	-
May20,2010	3 months	370,000	-	370,000	-	-	-	-
August27,2009	12 months	50,000	50,000	100,000	-	-	-	-
February25,2010	6 months	450,000	-	450,000	-	-	-	-
February25,2010	12 months	-	300,000	300,000	-	-	-	-
February11,2010	6 months	765,000	-	765,000	-	-	-	-
August13,2009	12 months	300,000	-	300,000	-	-	-	-
June03,2010	3 months	420,000	-	420,000	-	-	-	-
June17,2010	3 months	310,000	-	310,000	-	-	-	-
September26,2009	12 months	50,000	775,000	825,000	-	-	-	-
September10,2009	12 months	-	325,000	325,000	-	-	-	-
March25,2010	6 months	-	400,000	400,000	-	-	-	-
March11,2010	6 months	-	765,000	765,000	-	-	-	-
April08,2010	6 months	-	500,000	500,000	-	-	-	-
July15,2010	3 months	-	580,000	580,000	-	-	-	-
April22,2010	6 months	-	434,000	434,000	-	-	-	-
July29,2010	3 months	-	1,350,000	1,350,000	-	-	-	-
October08,2009	12 months	-	350,000	350,000	-	-	-	-
August26,2010	3 months	-	767,500	767,500	-	-	-	-
August03,2010	6 months	-	385,000	385,000	-	-	-	-
August13,2010	3 months	-	1,635,000	1,635,000	-	-	-	-
September09,2010	3 months	-	1,945,930	1,945,930	-	-	-	-
June17,2010	6 months	-	150,000	150,000	-	-	-	-
October07,2010	3 months	-	1,525,000	1,525,000	-	-	-	-
October21,2010	3 months	-	1,931,000	1,931,000	-	-	-	-
November04,2010	3 months	-	1,965,000	1,965,000	-	-	-	-
November04,2010	6 months	-	40,000	40,000	-	-	-	-
November16,2010	3 months	-	1,520,000	1,520,000	-	-	-	-
December02,2010	3 months	-	2,419,000	2,419,000	-	-	-	-
December18,2010	3 months	-	1,605,000	1,605,000	-	-	-	-
December30,2010	3 months	-	937,500	937,500	-	-	-	-
January13,2011	3 months	-	2,640,000	2,640,000	-	-	-	-
January27,2011	3 months	-	3,690,500	3,690,500	-	-	-	-
February10,2011	3 months	-	3,075,000	3,075,000	-	-	-	-
February24,2011	3 months	-	1,300,000	1,300,000	-	-	-	-
March10,2011	3 months	-	1,180,000	1,180,000	-	-	-	-
March24,2011	3 months	-	100,000	100,000	-	-	-	-
April07,2011	3 months	-	1,090,000	1,090,000	-	-	-	-
June17,2010	12 months	-	2,585,100	2,585,100	-	-	-	-
June03,2010	12 months	-	483,000	483,000	-	-	-	-
April21,2011	3 months	-	1,887,500	1,750,000	137,500	136,803	1.27	1.73
May05,2011	3 months	-	2,095,000	225,000	1,870,000	1,851,085	17.12	23.38
January27,2011	6 months	-	700,000	-	700,000	692,919	6.41	8.75
December18,2010	6 months	-	415,000	415,000	-	-	-	-
May19,2011	3 months	-	2,108,500	-	2,108,500	2,076,552	19.21	26.22
February02,2011	6 months	-	489,500	-	489,500	483,667	4.47	6.11
February10,2011	6 months	-	718,500	-	718,500	707,613	6.55	8.94
June02,2011	3 months	-	320,000	110,000	210,000	205,767	1.90	2.60
March10,2011	6 months	-	400,000	-	400,000	389,956	3.61	4.92
March24,2011	6 months	-	300,000	-	300,000	290,993	2.69	3.67
June16,2011	3 months	-	1,197,000	210,000	987,000	962,217	8.90	12.15
June30,2011	3 months	-	125,000	-	125,000	121,247	1.12	1.53
						7,918,819	100.00	
Carring value before fair value adjustment as at June 30, 2011.						7,923,244		

5.1.1 These carry a rate of return ranging from 11.95% to 13.63% (2010: 11.27% to 13.26%) per annum.

5.2 Net unrealised diminution in value of investments at fair value through profit or loss	Note	-----Rupees in '000-----	
		2011	2010
Market value of investments	5.1	7,918,819	3,851,815
Less: Cost of investments	5.1	(7,923,244)	(3,853,627)
		(4,425)	(1,812)
6 LOANS AND RECEIVABLES			
Term Deposit Receipts			
Money Market Placements - Reverse Repo		600,000	-
		1,408,467	610,766
		2,008,467	610,766

NAFA Government Securities Liquid Fund

	Note	2011	2010
-----Rupees in '000-----			
7 PROFIT RECEIVABLE			
Profit on savings deposits		851	1,384
Profit on money market placements		32,407	17,082
Profit on term deposit receipts		22,482	11,205
		<u>55,740</u>	<u>29,671</u>
8 PREPAYMENTS AND OTHER RECEIVABLES			
Prepaid rating fee		100	-
Receivable from the Management Company		6,980	6,980
Advance tax		3	-
Receivable against transfer sales		303	1,358
		<u>7,386</u>	<u>8,338</u>
9 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Balance as at the beginning of the year	9.1	3,841	4,832
Less: amortisation during the year		992	991
Balance as at the end of the year		<u>2,849</u>	<u>3,841</u>

9.1 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 May 16, 2009 as per the requirements set out in the Trust Deed of the Fund.

	Note	2011	2010
-----Rupees in '000-----			
10 PAYABLE TO THE MANAGEMENT COMPANY			
Management fee	10.1	11,190	6,909
Others		31	4,957
		<u>11,221</u>	<u>11,866</u>

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 1.25% per annum for the year from July 1, 2010 to June 30, 2011 (1.5% per annum for the year from July 1, 2009 to June 13, 2010). The remuneration is paid to the Management Company monthly in arrears.

	Note	2011	2010
-----Rupees in '000-----			
11 PAYABLE TO THE TRUSTEE			
Trustee fee	11.1	<u>732</u>	<u>442</u>

11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.15% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 1.5 million plus 0.075% p.a. of NAV exceeding Rs. 1,000 million.

	Note	2011	2010
-----Rupees in '000-----			
12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual Fee	12.1	<u>6,756</u>	<u>2,982</u>

12.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as money market scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. The Fund has been categorised as a money market scheme by the Management company.

NAFA Government Securities Liquid Fund

	Note	2011	2010
		-----Rupees in '000-----	
13 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		256	235
Payable to brokers		318	144
Bank charges		99	6
Provision for workers' welfare fund	18	32,424	10,325
Others		<u>380</u>	<u>335</u>
		<u>33,477</u>	<u>11,045</u>

14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011 and 2010.

15 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 circulation at the year end.

	Note	2011	2010
		-----Rupees in '000-----	
16 PROFIT ON BANK DEPOSITS			
Income on savings deposits	4.1	<u>36,088</u>	<u>45,719</u>
17 AUDITORS' REMUNERATION			
Audit fee		231	210
Half yearly review		92	85
Out of pocket expenses		<u>29</u>	<u>45</u>
		<u>352</u>	<u>340</u>

18 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 32.4 million (including Rs. 22.1 million for the current year) in these financial statements.

19 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company has distributed more than ninety percent of the Fund's accounting income for the current period as reduced by capital gains, whether realised or unrealised, to its unit holders.

20 EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended June 30, 2011 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

NAFA Government Securities Liquid Fund

21 FINANCIAL INSTRUMENTS BY CATEGORY

	-----2011-----		
	Loans and receivables	Assets at fair value through profit or loss	Total
	----- Rupees in '000 -----		
Assets			
Balances with banks	872,997	-	872,997
Investments	-	7,918,819	7,918,819
Loans and receivables	2,008,467	-	2,008,467
Profit receivable	55,740	-	55,740
Other receivables	7,386	-	7,386
	<u>2,944,590</u>	<u>7,918,819</u>	<u>10,863,409</u>

	-----2011-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----		
Liabilities			
Payable to the Management company	-	11,221	11,221
Payable to the Trustee	-	732	732
Payable on redemption of units	-	3,638	3,638
Accrued expenses and other liabilities	-	941	941
	<u>-</u>	<u>16,532</u>	<u>16,532</u>

	-----2010-----		
	Loans and receivables	Assets at fair value through profit or loss	Total
	----- Rupees in '000 -----		
Assets			
Balances with banks	1,401,344	-	1,401,344
Investments	-	3,851,815	3,851,815
Loans and receivables	610,766	-	610,766
Profit receivable	29,671	-	29,671
Other receivables	8,338	-	8,338
	<u>2,050,119</u>	<u>3,851,815</u>	<u>5,901,934</u>

	-----2010-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----		
Liabilities			
Payable to the Management company	-	11,866	11,866
Payable to the Trustee	-	442	442
Payable on redemption of units	-	74,062	74,062
Accrued expenses and other liabilities	-	720	720
	<u>-</u>	<u>87,090</u>	<u>87,090</u>

22 COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the fund as 'Money Market Scheme'.

Clause (vi) of the investment criteria laid down for 'Money Market Scheme' requires that the ratings of any banks and DFIs with which funds of the Fund are placed should not be lower than AA (Double A). However, as at June 30, 2011, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

NAFA Government Securities Liquid Fund

Type of investment	Name of non-compliant investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
--------------------	----------------------------------	--------------------------------------	------------------------	-------------------------------------	--------------------------	----------------------------

----- Rupees in '000 -----

Bank balances*	KASB Bank Limited	84	-	84	0.0008%	0.0008%
	NIB Bank Limited	20,194	-	20,194	0.19%	0.19%

* The fund maintained balances with above mentioned banks for the purpose of sales and redemptions of the Fund. The management is taking steps to ensure compliance with the above requirements.

23 TRANSACTIONS WITH CONNECTED PERSONS

- 23.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company (NAFA), Central Depository Company of Pakistan Limited (CDC) being Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 23.2 On March 31, 2010, NIB Bank Limited sold out its shareholding of NAFA to NBP. Accordingly, thereafter NIB is no longer a connected person for the Management Company.
- 23.3 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 23.4 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 23.5 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.
- 23.6 Details of the transactions with connected persons are as follows:

	2011	2010
	Rupees in '000	
NBP Fullerton Asset Management Limited - Management Company		
Management fee for the year	112,597	51,956
Units issued during the year (9,077,384 units; 2010: 6,143,744 units)	93,169	63,000
Units redeemed during the year (7,968,569 units; 2010: 6,172,224 units)	81,629	63,279
Bonus units issued during the year (64,961 units; 2010: 28,480 units)	-	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year	7,506	3,732
National Bank of Pakistan - Sponsor		
Units issued during the year (9,622,046 units; 2010: Nil units)	100,000	-
Cash dividend paid during the year	8,145	2,671
Market treasury bills purchased during the year	99,576	97,785
Market treasury bills sold during the year	1,323,409	-
NIB Bank Limited - previously a Sponsor		
Units redeemed during the year (Nil; 2010: 1,500,000 units)	-	15,489
Profit on bank deposits during the year	-	81
Market treasury bills purchased during the year	-	1,777,136
Cash dividend paid during the year	-	1,170
Alexandra Fund Management Pte. Limited - Sponsor		
Units redeemed during the year (2,176,558 units; 2010: Nil units)	22,000	-
Bonus units issued during the year (289,349 units; 2010: 364,524 units)	-	-
Chief Executive Officer		
Units issued during the year (958,240 units; 2010: 196,352 units)	10,000	2,000
Units redeemed during the year (364,083 units; 2010: 193,429 units)	3750	2,000
Bonus units issued during the year (43,294 units; 2010: 72 units)	-	-

NAFA Government Securities Liquid Fund

	2011	2010
	Rupees in '000	
Chief Financial Officer		
Units issued during the year (1,165,496 units; 2010: 258,476 units)	12,075	2,351
Units redeemed during the year (1,126,744 units; 2010: 263,499 units)	11,724	2,706
Bonus units issued during the year (Nil units; 2010: 3,536 units)	-	-
NAFA Provident Fund Trust - Provident Fund		
Units issued during the year (2,117,208 units; 2010: 797,499 units)	21,769	8,120
Units redeemed during the year (2,162,528 units; 2010: 391,479 units)	22,178	3,992
Bonus units issued during the year (44,993 units; 2010: 9,823 units)	-	-
Employees of the Management Company		
Units issued during the year (3,635,389 units; 2010: 6,281,426 units)	37,181	64,176
Units redeemed during the year (3,754,663 units; 2010: 5,655,241 units)	38,472	57,797
Bonus units issued during the year (100,228 units; 2010: 70,677 units)	-	-
NBP Employees Pension Fund		
Units issued during the year (Nil units; 2010: 9,813,927 units)	-	100,000
Bonus units issued during the year (1,113,875 units; 2010: 746,543 units)	-	-
NBP Endowment Funds Students Loan Scheme		
Units issued during the year (12,935,610 units; 2010: Nil)	134,000	-
Bonus units issued during the year (325,409 units; 2010: Nil)	-	-
NBP Exchange Company Limited		
Units issued during the year (19,335,399 units; 2010: Nil)	200,379	-
Bonus units issued during the year (1,012,273 units; 2010: Nil)	-	-
NBP Leasing Limited Employees Provident Fund		
Units issued during the year (6,795 units; 2010: Nil)	70	-
	2011	2010
Amounts outstanding as at period end	Rupees in '000	
NBP Fullerton Asset Management Limited - Management Company		
Receivable from the Management Company	6,980	6,980
Management fee payable	11,190	6,909
Other payable	31	4,957
Investment held by the Sponsor in the Fund (1,173,777 units; 2010: Nil units)	12,160	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	732	442
National Bank of Pakistan - Sponsor		
Investment held by the Sponsor in the Fund (12,622,046 units; 2010: 3,000,000 units)	130,757	30,823
Balance in current account	13,464	1,576
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the Sponsor in the Fund (2,477,314 units; 2010: 4,364,524 units)	25,663	44,842
Chief Executive Officer		
Investment held by the Chief Executive Officer in the Fund (640,446 units; 2010: 2,995 units)	6,635	31
Chief Financial Officer		
Investment held by the Chief Financial Officer in the Fund (38,752 units; 2010: Nil units)	401	-
NAFA Provident Fund Trust - Provident Fund		
Investment held by NAFA Provident Fund Trust in the Fund (415,516 units; 2010: 415,843 units)	4,304	4,272
Employees of the Management Company		
Investment held by the executives in the Fund (936,489 units; 2010: 1,006,403 units)	9,701	10,340

NAFA Government Securities Liquid Fund

	2011	2010
	Rupees in '000	
NBP Employees Pension Fund Investment held by the executives in the Fund (11,674,345 units; 2010: 10,560,470 units)	120,939	108,500
NBP Endowment Funds Students Loan Scheme Investment held by the executives in the Fund (13,261,018 units; 2010: Nil)	137,376	-
NBP Exchange Company Limited Investment held by the executives in the Fund (20,347,672 units; 2010: Nil)	210,790	-
NBP Leasing Limited Employees Provident Fund Investment held by the executives in the Fund (6,975 units; 2010: Nil)	70	-
NAFA Asset Allocation Fund Receivables against transfer sales	303	-
NAFA Cash Fund Receivables against transfer sales	-	133
NAFA Saving Plus Fund Receivables against transfer sales	-	1,225

24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

----- 2011 -----		
	Qualification	Experience in years"
1 Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	23
2 Sajjad Anwar	CFA / MBA Finance	11
3 Tanvir Abid	CFA / MBA / FRM	12
4 Ahmed Nouman*	CFA / EMBA	15

*Mr. Ahmed Nouman is the manager of the Fund. He is also the fund manager of NAFA Income Fund and NAFA Savings Plus Fund.

25 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

		2011
1	JS Global Capital Limited	23.01%
2	BMA Capital Management Limited	18.56%
3	Invisor Securities (Private) Limited	15.75%
4	Elixir Securitized Limited	8.29%
5	Invest & Finance Securities (Private) Limited	7.61%
6	KASB Securities Limited	6.88%
7	Global Securities Pakistan Limited	6.70%
8	Alfalah Securities Limited	2.66%
9	Summit Capital Market (Private) Limited	2.61%
10	ICON Securities (Private) Limited	2.13%
		2010
1	Invest Capital Investment Bank Limited	36.01%
2	Global Securities Pakistan Limited	16.17%
3	Invisor Securities (Private) Limited	10.72%
4	Elixir Securities Pakistan (Private) Limited	10.10%
5	Alfalah Securities (Private) Limited	9.47%
6	JS Global Capital Limited	6.03%
7	BMA Capital Management Limited	5.12%
8	KASB Securities Limited	3.38%
9	Atlas Capital Market (Private) Limited	1.37%
10	First Capital Securities Corporation Limited	0.90%

NAFA Government Securities Liquid Fund

26 PATTERN OF UNIT HOLDING

-----2011-----			
Category	Number of unit holders	Investment amount	Percentage of total
(Rupees in '000)			
Individuals	2,188	1,845,851	17.08%
Associated companies / Directors	6	175,215	1.62%
Insurance companies	6	528,937	4.89%
Banks / DFIs	4	362,317	3.35%
NBFCs	1	11	0.00%
Retirement funds	51	596,589	5.52%
Public Limited companies	50	1,636,607	15.14%
Others	59	5,664,907	52.40%
	2,365	10,810,434	100.00%

-----2010-----			
Category	Number of unit holders	Investment amount	Percentage of total
(Rupees in '000)			
Individuals	1,417	1,143,184	19.69%
Associated companies / Directors	5	95,379	1.64%
Insurance companies	5	421,636	7.26%
Banks / DFIs	3	306,493	5.28%
NBFCs	-	-	0.00%
Retirement funds	46	428,937	7.39%
Public Limited companies	37	1,168,484	20.13%
Others	46	2,241,265	38.61%
	1,559	5,805,378	100.00%

27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 27th, 28th, 29th, 30th and 31st Board meetings were held on July 05, 2010, August 25, 2010, October 18, 2010, February 18, 2011 and April 19, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Qamar Hussain*	4	2	2	29th, 30th meeting
Mr. Shahid Anwar Khan	5	4	1	27th meeting
Dr. Asif A. Brohi*****	4	0	4	28th, 29th, 30th & 31st meeting
Mr. Shehryar Faruque	5	3	2	27th & 29th meeting
Mr. Kamal Amir Chinoy	5	3	2	27th & 30th meeting
Syed Iqbal Ashraf**	1	1	-	
Mr. Gerard Lee How Cheng***	3	2	1	29th meeting
Mr. Patrick Pang Chin Hwang	5	5	-	
Mr. Choy Peng Wah****	1	0	1	30th meeting
Mr. Wah Geok Sum*****	1	1	-	
Dr. Amjad Waheed	5	5	-	

* Mr. Qamar Hussain retired from the board with effect from March 25, 2011.

** Mr. Syed Iqbal Ashraf was co-opted on the board with effect from March 25, 2011.

*** Mr. Gerard Lee How Cheng retired from the board with effect from November 15, 2010.

**** Mr. Choy Peng Wah was co-opted on the board with effect from November 05, 2010 & has retired from the board with effect from February 18, 2011.

***** Mr. Wah Geok Sum was co-opted on the board with effect from February 18, 2011.

***** Dr. Asif A. Brohi was co-opted on the board with effect from August 09, 2010

NAFA Government Securities Liquid Fund

28 FINANCIAL RISK MANAGEMENT

The Fund is a money market fund which primarily invests in government securities. The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

28.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, yield / interest rate risk and other price risk.

28.1.1 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 its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

28.1.2 Yield / Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2011, the Fund does not hold any variable rate instruments and is not exposed to cash flow interest rate risk

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2011 the Fund holds Treasury Bills which are classified as 'At fair value through profit or loss', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on June 30, 2011, with all other variables held constant, the net income for the period and net assets would be lower by Rs. 13.535 million (2010: 4.539 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2011, with all other variables held constant, the net income for the period and net assets would be higher by Rs 13.559 million (2010: 4.059 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

----- 2011 -----				
Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk
	Upto three months	Over three months and upto one year	More than one year	
------(Rupees in '000)-----				

On-balance sheet financial instruments

Financial Assets

Balances with banks	872,997	859,533	-	-	13,464
Investments	7,918,819	7,918,819	-	-	-
Loans and receivables	2,008,467	1,408,467	600,000	-	-
Profit receivable	55,740	-	-	-	55,740
Other receivables	7,386	-	-	-	7,386
	10,863,409	10,186,819	600,000	-	76,590

Financial Liabilities

Payable to the Management Company	11,221	-	-	-	11,221
Payable to the Trustee	732	-	-	-	732
Payable on redemption of units	3,638	-	-	-	3,638
Accrued expenses and other liabilities	941	-	-	-	941
	16,532	-	-	-	16,532
	10,846,877	10,186,819	600,000	-	60,058

On-balance sheet gap

Off-balance sheet financial instruments

Off-balance sheet gap

NAFA Government Securities Liquid Fund

2010				
Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk
	Upto three months	More than three month and upto one year	More than one year	

(Rupees in '000)

On balance sheet financial instruments

Financial Assets

Balances with banks	1,401,344	1,399,768	-	-	1,576
Investments	3,851,815	3,851,815	-	-	-
Loans and receivables	610,766	328,338	282,428	-	-
Profit receivable	29,671	-	-	-	29,671
Other receivables	8,338	-	-	-	8,338
	5,901,934	5,579,921	282,428	-	39,585

Financial Liabilities

Payable to the Management Company	11,866	-	-	-	11,866
Payable to the Trustee	442	-	-	-	442
Payable on redemption of units	74,062	-	-	-	74,062
Accrued expenses and other liabilities	720	-	-	-	720
	87,090	-	-	-	87,090

On balance sheet gap

	5,814,844	5,579,921	282,428	-	(47,505)
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Off balance sheet financial instruments

	-	-	-	-	-
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Off balance sheet gap

	-	-	-	-	-
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The rates of return on financial instruments are as follows:

	2011 Percentage per annum
Balances with banks	5.00 - 12.00
Term deposit receipts	11.90 - 13.75
Market treasury bills	11.95 - 13.63

The rates of return on financial instruments are as follows:

	2010 Percentage per annum
Balances with banks	5.00 - 12.00
Term deposit receipts	11.90 - 12.50
Market treasury bills	11.27 - 13.26

28.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from yield / interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as on June 30, 2011.

28.2 Credit risk and management of credit risk

Credit risk arising from the inability of the counterparties to fulfill their obligations in respect of financial instrument contracts, is generally limited to the principal amount and accrued income thereon. The Fund's policy is to enter into financial instrument contracts by following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

The analysis below summarises the credit quality of the Fund's bank deposits as at June 30, 2011:

Bank Balances by rating category	2011	2010
A1+	98.1302%	98.4865%
A-1+	1.8602%	1.5122%
A2, A1	0.0096%	0.0013%

NAFA Government Securities Liquid Fund

28.3 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 mainly comprise of government securities and remaining transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than government.

28.4 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in government securities that can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. However, during the current period, no borrowing was obtained by the Fund. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests 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 Fund did not withhold any significant redemptions during the year.

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.

----- 2011-----			
Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000)-----			

Liabilities

Payable to the Management company	11,221	11,221	-	-
Payable to the Trustee	732	732	-	-
Payable on redemption of units	3,638	3,638	-	-
Accrued expenses and other liabilities	1,053	1,053	-	-
	16,644	16,644	-	-

----- 2010-----			
Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000)-----			

Liabilities

Payable to the Management company	11,866	8,025	991	2,850
Payable to the Trustee	442	442	-	-
Payable on redemption of units	74,062	74,062	-	-
Accrued expenses and other liabilities	720	720	-	-
	87,090	83,249	991	2,850

NAFA Government Securities Liquid Fund

29 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Asset Management Company has taken undertaking from sponsors to invest Rs 50 million for at least two years in compliance with Regulation 44 (3) (e) (ii) of the NBFC Regulations.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 27, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair values.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradeable 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 not considered to be significantly different from book values as the items are either short term in nature or periodically repriced.

According to the amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

Investments of the Fund carried at fair value are categorised in the level 1 category.

31 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on July 04, 2011 have proposed a final distribution at the rate of 2.7570%. The financial statements of the Fund for the year ended June 30, 2011 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2012.

32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 29, 2011.

33 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. During the current year, there were no major reclassifications.

34 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA Government Securities Liquid Fund

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2011	For the year ended June 30, 2010	For the period from April 29, 2009 to June 30, 2009
Net assets at the year / period ended (Rs '000)	10,810,434	5,805,378	1,415,232
Net income for the year / period ended (Rs '000)	1,082,828	486,027	19,889
Net Asset Value per unit at the year / period ended (Rs)	10.0837	10.0241	10.0025
Offer Price per unit	10.0837	10.0241	10.0025
Redemption Price per unit	10.0837	10.0241	10.0025
Highest offer price per unit (Rs)	10.0837	10.0241	10.0025
Lowest offer price per unit (Rs)	9.0603	9.0731	9.8802
Highest redemption price per unit (Rs)	10.0837	10.0241	10.0025
Lowest redemption price per unit (Rs)	9.0603	9.0731	9.8802
Total return of the fund	11.46%	10.53%	1.43%
Capital growth	0.96%	0.53%	0.03%
Income distribution	10.50%	10.00%	1.40%
Distribution			
Interim distribution per unit	0.7769	0.7503	-
Final distribution per unit	0.2757	0.2501	0.1400
Distribution Dates			
Interim	18-Oct-10, 18-Feb-11, 19-Apr-11	28-Oct-09, 17-Feb-10, 29-Apr-10	-
Final	4-Jul-11	5-Jul-10	3-Jul-09
Average annual return of the fund (launch date May 16, 2009)			
(Since inception to June 30, 2011)	11.05%		
(Since inception to June 30, 2010)		10.68%	
(Since inception to June 30, 2009)			11.88%
Portfolio Composition (Please see Fund Manager Report)			
Weighted average portfolio duration	43 days	46 days	90 days
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up			

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