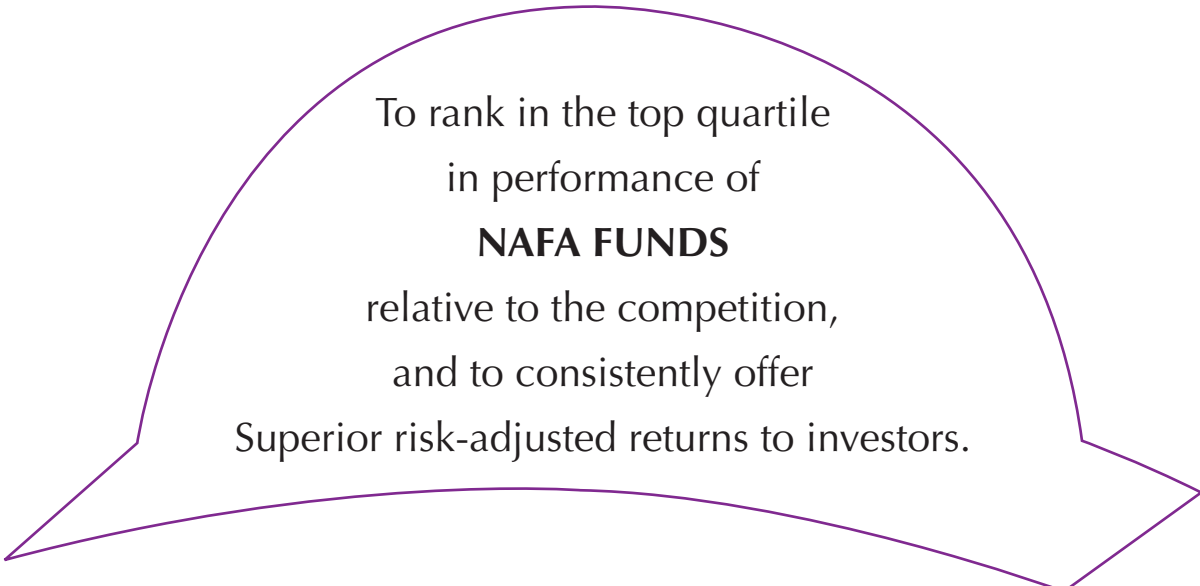


MISSION STATEMENT



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
Mr. Amir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	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. Koh Boon San	Chairman
Mr. Shehryar Faruque	Member
Mr. Amir Shehzad	Member

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shakra-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
MCB Bank Limited
NIB Bank Limited
United Bank Limited
National Bank of Pakistan
KASB Bank Limited
Standard Chartered Bank (Pak) Limited
Barclays Bank Plc 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
UAN: 021-111-111-NFA (632)
Toll Free: 0800-20001
Fax: 021-32467605

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 City Branch, Hussain-a-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

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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 Fourth Annual Report of **NAFA Government Securities Liquid Fund** for the year ended June 30, 2012.

Fund's Performance

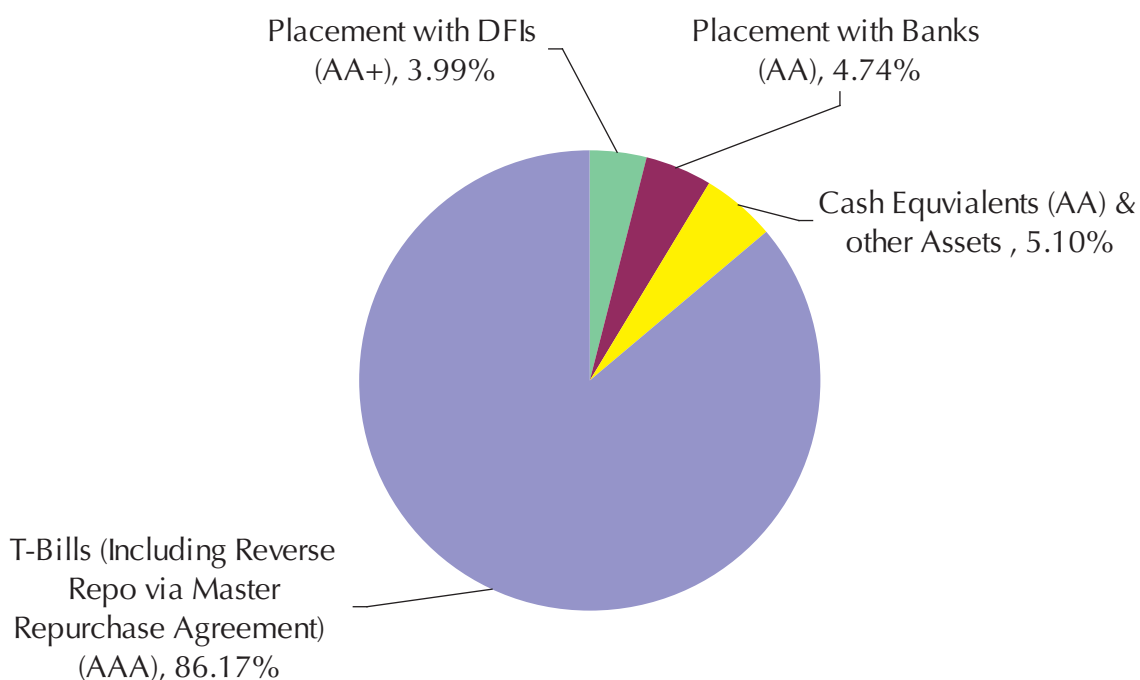
The size of **NAFA Government Securities Liquid Fund** has increased from Rs. 10,810 million to Rs. 14,772 million during the period, i.e. an increase of 36.65%. During the said period, the unit price of the Fund has increased from Rs. 9.0649 (Ex-Div) on June 30, 2011 to Rs. 10.0523 on June 30, 2012, thus showing an annualized return of 10.86% as compared to its Benchmark (70% 3-Month T-Bills & 30% average 3-Month deposit rate of 'AA' & above rated banks) annualized return of 10.78% for the same period.

NGSLF's Fund stability rating awarded by PACRA is 'AAA(f)'. 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. With some letup in inflationary pressures and improved external accounts, SBP slashed the Policy Rate during FY12 by 2% to 12%. The investment value of NGSLF has not declined on any day since the launch of the Fund in May 2009. The Fund is categorized as a Money Market Scheme.

The management is announcing monthly dividends since July 2011 and intends to continue this policy in the future as well.

The Fund has earned a total income of Rs.1,755.43 million during the year. After deducting total expenses of Rs.270.95 million, the net income is Rs.1,484.48 million.

The asset allocation of NAFA Government Securities Liquid Fund as on June 30, 2012 is as follows:



NAFA GOVERNMENT SECURITIES LIQUID FUND

Income Distribution

The Board of Directors of the Management Company has approved interim distribution of 10.70% of opening ex-NAV (10.7890% of the par value) during the year.

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. In their place, the Board has approved the appointment of Messers KPMG Taseer Hadi & Co., Chartered Accountants for the year ending June 30, 2013.

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 Financial Reporting 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 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 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 20 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

Chief Executive

Director

Date: September 11, 2012

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Government Securities Liquid Fund (the Fund) are of the opinion that NBP Fullerton Asset 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: September 26, 2012

NAFA GOVERNMENT SECURITIES LIQUID FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA GOVERNMENT SECURITIES LIQUID FUND FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Government Securities Liquid Fund** (the Fund) to comply with the Best Practices of Code of Corporate Governance (CCG) contained in Regulation No. 35, Chapter XI of Listing Regulations of Lahore Stock Exchange 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.

NBP Fullerton Asset Management Limited, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Lahore Stock Exchange.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. The Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Shahid Anwar Khan (Chairman) 2. Dr. Asif.A Brohi 3. Mr. Amir Shahzad 4. Mr. Wah Geok Sum 5. Mr. Koh Boon San

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable). However, the requirement of serving as a director of seven listed companies is applicable from the date of next elections of directors.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the board on August 27, 2011 and March 31, 2012 during the year. First casual vacancy was filled up by the director within 24 days and the second casual vacancy was filled up by the director on the same day.
5. Subsequent to year end, the Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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 particulars of significant policies 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. There is no other executive-director of the Company besides CEO.
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. In order to apprise the directors on their duties and responsibilities and requirements of CCG, the code requires company to conduct formal orientation for directors. The board did not arrange director training /education program required under the code as all the directors meet the exemption criteria of minimum fourteen years of education and fifteen years of experience. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the Units of the Fund other than that disclosed in note 20 to the financial statements " Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is a non-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 and as required by the CCG. The revised terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR Committee. It comprises of four members, of who are non-executive directors and the chairman of the committee is a non-independent director.
18. The board has set up an effective internal audit function.

NAFA GOVERNMENT SECURITIES LIQUID 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 (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 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. There was no 'closed period' prior to the announcement of interim/final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied with.

Karachi
September 11, 2012

For and behalf of the board

Dr. Amjad Waheed
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

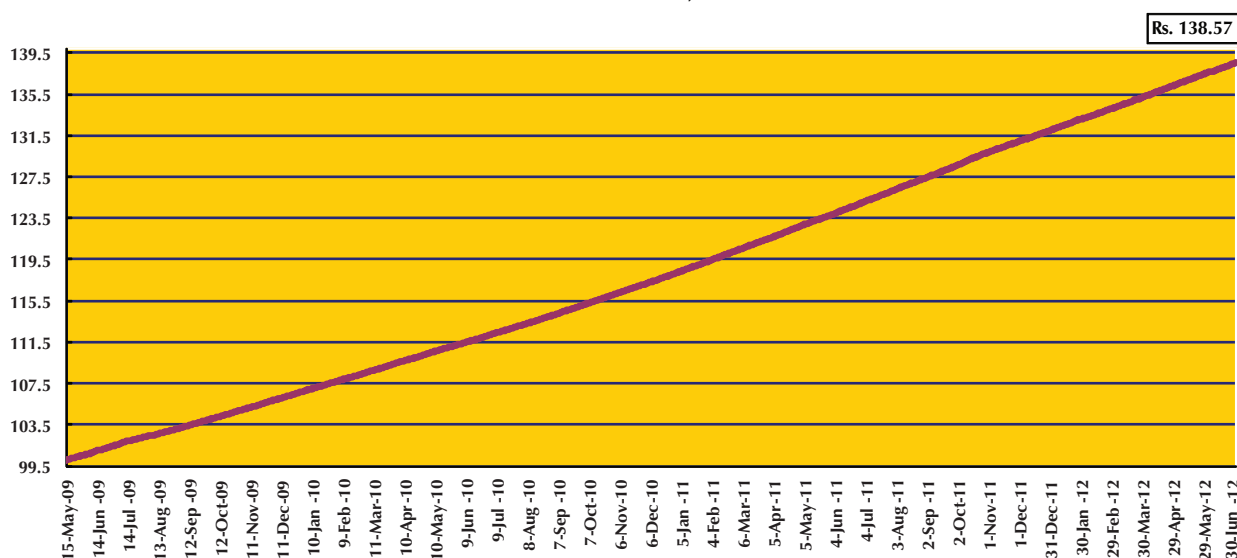
70% 3-Month T-Bills and 30% average 3-Month deposit rates of AA and above rated banks.

Fund Performance Review

This is the fourth Annual report since the launch of the Fund on May 16, 2009. The Fund size increased by around 37% during FY12 and stands at Rs 14.77 billion as on June 30, 2012. The Fund's annualized return since inception is 10.99% versus the benchmark return of 10.99%. The Fund's return for FY 2012 is 10.86% as against the benchmark return of 10.78%. Thus the fund has achieved its stated objectives.

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.

Value of Rs. 100 invested in NAFA Government Securities Liquid Fund at Launch (May16, 2009)



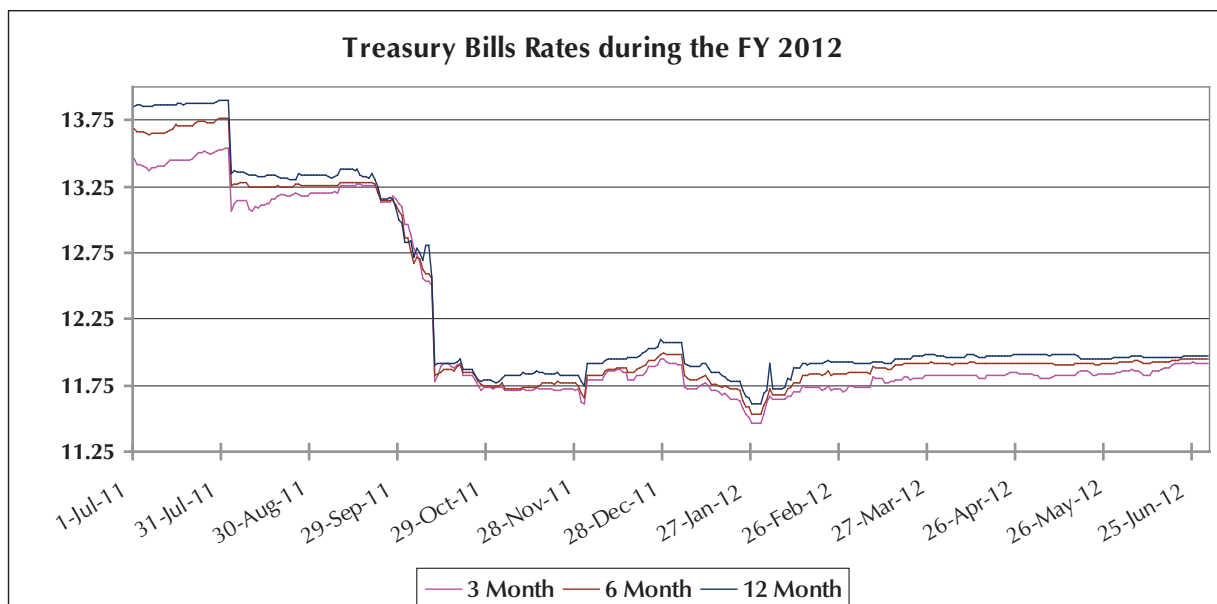
T-Bills are the major asset class of the Fund. Exposure of the Fund to credit, liquidity and interest rate risk is exceptionally low due to requirement of 85% minimum investment in Government securities (T-Bill) with average maturity of the Fund at 45 days. The Fund is allowed to invest in minimum AA rated Bank/DFIs with maximum maturity of six months.

NAFA GOVERNMENT SECURITIES LIQUID FUND

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-12	30-Jun-11
T-Bills (Including Reverse Repo via Master Repurchase Agreement)	86.17%	86.28%
Placement with DFIs	3.99%	-
Placement with Banks	4.74%	9.48%
Cash Equivalents & Other Assets	5.10%	4.24%
Total	100.00%	100.00%

Inflation as measured by CPI stood at 11% for FY12 as against 13.3% during the preceding year. With this letup in inflation and to spur private sector investment, SBP reduced the Discount Rate from 14% to 12%. Correspondingly the 3-Months T-Bills yields declined to 11.92% from 13.53% during the year. Going forward, the Fund is expected to continue to offer competitive returns. T-Bills yields during the year are shown in below graph:



NAFA GOVERNMENT SECURITIES LIQUID FUND

Distribution for the Financial Year 2012

Interim Period / Quarter	Dividend as a % of Par Value (Rs.10)	Cummlative Div. Price / Unit	Ex- Div. Price
Jul-11	0.908%	10.1832	10.0924
Aug-11	0.908%	10.2023	10.1115
Sep-11	0.908%	10.1957	10.1049
Oct-11	0.928%	10.2041	10.1113
Nov-11	0.887%	10.1943	10.1056
Dec-11	0.887%	10.1904	10.1017
Jan-12	0.887%	10.1782	10.0895
Feb-12	0.887%	10.1628	10.0741
Mar-12	0.887%	10.1550	10.0663
Apr-12	0.887%	10.1477	10.0590
May-12	0.887%	10.1513	10.0626
Jun-12	0.928%	10.1339	10.0411

Unit Holding Pattern of NAFA Government Securities Liquid Fund as on 30th June 2012

Size of Unit Holding (Units)	# of Unit Holders
1 - 1000	222
1001 - 5000	302
5001 - 10000	140
10001 - 50000	702
50001 -100000	273
100001 - 500000	310
500001 - 1000000	58
1000001 - 5000000	58
5000001 - 10000000	16
10000001 - 100000000	20
100000001 - 1000000000	3
	2,104

During the period under question:

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.

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 62,718,910/-. If the same were not made the NAV per unit/ FY 2012 return of scheme would be higher by Rs. 0.0427/ 0.47%. For details investors are advised to read note 16 of the Financial Statement of the Scheme for the year ended June 30, 2012.

NAFA GOVERNMENT SECURITIES LIQUID FUND

REVIEW REPORT 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 of **NAFA Government Securities liquid Fund**, to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange 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. 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 Company'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 Company's personnel and review of various documents prepared by the 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.

Regulation 35 (x) of the listing regulations notified by the Lahore Stock Exchange (Guarantee) Limited requires the 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 above requirements 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 for and on behalf of the Fund, 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, 2012.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: September 26, 2012

NAFA GOVERNMENT SECURITIES LIQUID FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS *Report on the Financial Statements*

We have audited the accompanying financial statements of **NAFA Government Securities Liquid Fund (here in after referred to as "the Fund")**, which comprise the statement of assets and liabilities as at June 30, 2012, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund 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 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 misstatement, 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 financial position of the Fund as at June 30, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 26, 2012
Karachi

NAFA GOVERNMENT SECURITIES LIQUID FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2012

	Note	2012 (Rupees in '000)	2011
ASSETS			
Bank balances	4	1,556,170	872,997
Investments	5	13,319,080	9,927,286
Profit receivable	6	50,810	55,740
Prepayments and other receivables	7	7,093	7,386
Preliminary expenses and floatation costs	8	1,858	2,849
Total assets		14,935,011	10,866,258
LIABILITIES			
Payable to the Management Company	9	19,201	11,221
Payable to Central Depository Company of Pakistan Limited - Trustee	10	1,056	732
Payable to Securities and Exchange Commission of Pakistan	11	10,894	6,756
Payable on redemption of units		25,511	3,638
Accrued expenses and other liabilities	12	106,124	33,477
Total liabilities		162,786	55,824
NET ASSETS		14,772,225	10,810,434
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		14,772,225	10,810,434
CONTINGENCIES AND COMMITMENTS	13		
		-----Number of units-----	
NUMBER OF UNITS IN ISSUE	18	1,469,543,330	1,043,538,317
		-----Rupees-----	
NET ASSET VALUE PER UNIT	3.10	10.0523	10.3594

The annexed notes 1 to 30 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, 2012

	Note	2012 -----Rupees in '000-----	2011
INCOME			
Capital loss on sale of investments - net		(2,300)	(1,882)
Income from investment in government securities		1,386,618	832,315
Income from investment in term deposit receipts		79,053	97,125
Income from money market transactions		263,715	178,736
Profit on bank deposits	14	34,162	36,088
Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.3	(5,815)	(4,425)
Total Income		1,755,433	1,137,957
EXPENSES			
Remuneration of the Management company	9.1	181,570	112,597
Sindh Sales Tax on Management Company's remuneration	9.2	29,052	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	11,644	7,506
Annual fee - Securities and Exchange Commission of Pakistan	11.1	10,894	6,756
Securities transaction cost		4,477	2,641
Bank charges		1,281	930
Annual listing fee		40	40
Auditors' remuneration	15	397	352
Legal and professional charges		40	70
Amortisation of preliminary expenses and floatation costs	8	991	992
Other charges		271	313
Total Expenses		240,657	132,197
Net income from operating activities		1,514,776	1,005,760
Net element of income and capital gains included in the prices of units issued less those in units redeemed		-	99,167
Provision for Workers' Welfare Fund	16	(30,295)	(22,099)
Net income for the year before taxation		1,484,481	1,082,828
Taxation	17	-	-
Net income for the year after taxation		1,484,481	1,082,828
Earnings per unit	3.11		

The annexed notes 1 to 30 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, 2012

	2012	2011
	(Rupees in '000)	
Net income for the year after taxation	1,484,481	1,082,828
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,484,481</u>	<u>1,082,828</u>

The annexed notes 1 to 30 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, 2012

	2012	2011
	(Rupees in '000)	
Undistributed income brought forward comprising :		
Realised income	365,504	153,313
Unrealised loss	<u>(4,425)</u>	<u>(1,974)</u>
	361,079	151,339
Net income for the year	1,484,481	1,082,828
Final distribution during the year		
- Re 0.2757 per unit declared on July 4, 2011 (2011: Re 0.2501 per unit declared on July 5, 2010)		
- Cash distribution	(19,861)	(6,140)
- Issue of bonus units	(267,810)	(135,165)
Interim distributions during the year		
- Re 0.0908 per unit declared on August 02, 2011		
- Cash distribution	(6,685)	-
- Issue of bonus units	(103,576)	-
- Re 0.0908 per unit declared on September 06, 2011		
- Cash distribution	(7,440)	-
- Issue of bonus units	(100,940)	-
- Re 0.0908 per unit declared on October 03, 2011 (2011: Re 0.2506 per unit declared on October 18, 2010)		
- Cash distribution	(6,988)	(15,135)
- Issue of bonus units	(84,617)	(166,851)
- Re 0.0928 per unit declared on November 02, 2011		
- Cash distribution	(53,081)	-
- Issue of bonus units	(87,115)	-
- Re 0.0887 per unit declared on December 02, 2011		
- Cash distribution	(47,897)	-
- Issue of bonus units	(75,674)	-
- Re 0.0887 per unit declared on January 03, 2012 (2011: Re 0.2506 per unit declared on February 18, 2011)		
- Cash distribution	(6,167)	(19,953)
- Issue of bonus units	(130,006)	(238,988)
- Re 0.0887 per unit declared on January 30, 2012		
- Cash distribution	(8,803)	-
- Issue of bonus units	(128,939)	-
- Re 0.0887 per unit declared on February 28, 2012		
- Cash distribution	(13,193)	-
- Issue of bonus units	(127,516)	-
- Re 0.0887 per unit declared on March 29, 2012		
- Cash distribution	(14,936)	-
- Issue of bonus units	(124,851)	-
- Re 0.0887 per unit declared on April 27, 2012 (2011: Re 0.2757 per unit declared on April 19, 2011)		
- Cash distribution	(53,733)	(20,645)
- Issue of bonus units	(86,333)	(279,950)
- Re 0.0887 per unit declared on May 30, 2012		
- Cash distribution	(62,875)	-
- Issue of bonus units	(85,695)	-
- Re 0.0887 per unit declared on June 27, 2012		
- Cash distribution	(41,856)	-
- Issue of bonus units	(99,648)	-
Net element of income and capital gains included in the prices of units issued less those in units redeemed	27,777	9,739
Undistributed income carried forward	<u>27,102</u>	<u>361,079</u>
Undistributed income comprising:		
- Realised income	32,917	365,504
- Unrealised loss	<u>(5,815)</u>	<u>(4,425)</u>
	<u>27,102</u>	<u>361,079</u>

The annexed notes 1 to 30 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, 2012

	2012	2011
	(Rupees in '000)	
Net assets at the beginning of the year	10,810,434	5,805,378
Issue of 2,611,058,199 units including 149,017,182 bonus units (2011: 1,675,235,946 units including 81,057,485 bonus units)	24,964,943	16,371,595
Redemption of 2,185,053,186 units (2011: 1,196,742,425 units)	(22,144,118)	(12,288,327)
	2,820,825	4,083,268
Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	(5,815)	(4,425)
Capital loss on sale of investments - net	(2,300)	(1,882)
Other income (net of expenses)	1,492,596	1,089,135
	1,484,481	1,082,828
Element of income and capital gains included in the prices of units issued less those in units redeemed	-	(99,167)
- amount representing income and capital gain transferred to Income Statement	(27,777)	(9,739)
- amount representing income and capital gain that form part of unit holders' funds transferred to Distribution Statement	(27,777)	(108,906)
Distributions of bonus units during the year / period		
Interim distributions	1,234,910	685,789
Final distribution	267,810	135,165
Final distribution during the year		
- Re 0.2757 per unit declared on July 4, 2011 (2011: Re 0.2501 per unit declared on July 5, 2010)	(19,861)	(6,140)
- Cash distribution	(267,810)	(135,165)
- Issue of bonus units		
Interim distributions during the year		
- Re 0.0908 per unit declared on August 02, 2011	(6,685)	-
- Cash distribution	(103,576)	-
- Issue of bonus units		
- Re 0.0908 per unit declared on September 06, 2011	(7,440)	-
- Cash distribution	(100,940)	-
- Issue of bonus units		
- Re 0.0908 per unit declared on October 03, 2011 (2011: Re 0.2506 per unit declared on October 18, 2010)	(6,988)	(15,135)
- Cash distribution	(84,617)	(166,851)
- Issue of bonus units		
- Re 0.0928 per unit declared on November 02, 2011	(53,081)	-
- Cash distribution	(87,115)	-
- Issue of bonus units		
- Re 0.0887 per unit declared on December 02, 2011	(47,897)	-
- Cash distribution	(75,674)	-
- Issue of bonus units		
- Re 0.0887 per unit declared on January 03, 2012 (2011: Re 0.2506 per unit declared on February 18, 2011)	(6,167)	(19,953)
- Cash distribution	(130,006)	(238,988)
- Issue of bonus units		
- Re 0.0887 per unit declared on January 30, 2012	(8,803)	-
- Cash distribution	(128,939)	-
- Issue of bonus units		
- Re 0.0887 per unit declared on February 28, 2012	(13,193)	-
- Cash distribution	(127,516)	-
- Issue of bonus units		
- Re 0.0887 per unit declared on March 29, 2012	(14,936)	-
- Cash distribution	(124,851)	-
- Issue of bonus units		
- Re 0.0887 per unit declared on April 27, 2012 (2011: Re 0.2757 per unit declared on April 19, 2011)	(53,733)	(20,645)
- Cash distribution	(86,333)	(279,950)
- Issue of bonus units		
- Re 0.0887 per unit declared on May 30, 2012	(62,875)	-
- Cash distribution	(85,695)	-
- Issue of bonus units		
- Re 0.0887 per unit declared on June 27, 2012	(41,856)	-
- Cash distribution	(99,648)	-
- Issue of bonus units		
	(1,846,235)	(882,827)
Net element of income and capital gains included in the prices of units issued less those in units redeemed - amount transferred to distribution statement	27,777	9,739
Net assets at the end of the year	14,772,225	10,810,434

The annexed notes 1 to 30 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, 2012

	Note	2012	2011
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		1,484,481	1,082,828
Adjustments for:			
Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		5,815	4,425
Amortisation of preliminary expenses and floatation costs		991	992
Element of income and capital gains included in the prices of units issued less those in units redeemed		-	(99,167)
		<u>1,491,287</u>	<u>989,078</u>
(Increase) / decrease in assets			
Investments		(3,397,609)	(4,071,429)
Profit receivable		4,930	(26,069)
Prepayments and other receivables		293	952
		<u>(3,392,386)</u>	<u>(5,494,247)</u>
Increase / (decrease) in liabilities			
Payable to the Management Company		7,980	(645)
Payable to Central Depository Company of Pakistan Limited - Trustee		324	290
Payable to Securities and Exchange Commission of Pakistan		4,138	3,774
Accrued expenses and other liabilities		72,647	22,432
		<u>85,089</u>	<u>25,851</u>
Net cash used in operating activities		<u>(1,816,010)</u>	<u>(4,479,318)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of units		24,964,943	16,371,595
Payments on redemption of units		(22,122,245)	(12,358,751)
Distributions paid		(343,515)	(61,873)
Net cash generated from financing activities		<u>2,499,183</u>	<u>3,950,971</u>
Net increase / (decrease) in cash and cash equivalents during the year		<u>683,173</u>	<u>(528,347)</u>
Cash and cash equivalents at the beginning of the year		872,997	1,401,344
Cash and cash equivalents at the end of the year	4	<u><u>1,556,170</u></u>	<u><u>872,997</u></u>

The annexed notes 1 to 30 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, 2012

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 categorised as an Open-End "Money Market Scheme" as per the criteria laid down by Securities and Exchange Commission of Pakistan for categorisation 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.

The Pakistan Credit Rating Agency (PACRA) has assigned a stability rating of AAA(f) to the Fund and an asset manager rating of AM2 to the Management Company.

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 shall prevail.

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

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures' This amendment is effective from January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Fund's financial statements during the current year.
- b) IFRS 7, 'Financial instruments: Disclosures' This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Fund's financial statements during the current year.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Fund's financial statements.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. 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 revised standard does not have any impact on the Fund's financial statements.

NAFA GOVERNMENT SECURITIES LIQUID FUND

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on 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.

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

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment will not have any significant effect on the Fund's financial statements.
- b) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and 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 revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgement was exercised in application of accounting policies principally relate to classification and valuation of financial assets (note 3.2 and 5).

2.5 Accounting Convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value in accordance with the requirements of International Accounting Standards (IAS) 39; 'Financial Instruments Recognition and Measurement.'

2.6 Functional and Presentation Currency

The financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund.

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 comprise of bank balances in savings accounts and other deposits with banks having original maturities of three months or less. Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost.

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
- loans and receivables
- available for sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

NAFA GOVERNMENT SECURITIES LIQUID FUND

a) Financial assets at fair value through profit or loss

These are financial assets acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.

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

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan in accordance with the requirements of the NBFC Regulations.

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

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss, previously shown on the statement of comprehensive income, is transferred to the income statement.

b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method. Gain or loss is also recognised in the 'Income statement' when financial assets carried at amortised cost are derecognised or impaired.

3.2.5 Impairment

The carrying amounts of the Fund's assets are revalued at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. If any impairment 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 statement of comprehensive income is reclassified from other comprehensive income and recognised in 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 the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, have been realised 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.

NAFA GOVERNMENT SECURITIES LIQUID FUND

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 Non-Banking Finance Companies and Notified Entities Regulations, 2008.

3.5 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.

3.6 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.

3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company of the Fund 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). Transactions cost are recorded 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 on 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.

3.8 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.

During the current year, the Fund has revised its methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed is determined based on the income earned during the year and on unrealised appreciation / (diminution) arising during the year on available for sale securities. The amount so determined is taken directly to the distribution statement. Previously, the element was calculated based on cumulative values of undistributed income and unrealised gain / loss on available for sale securities present in the net asset value of units. The element which related to income earned during the year was recognised in the income statement, while the remaining amount was recognised in the distribution statement.

The revised methodology, in the opinion of the management, reflects a more appropriate manner for determination of element. The change in the presentation of element in the financial statements has been based on the recommendation of the Institute of Chartered Accountants of Pakistan (ICAP) to the Securities and Exchange Commission of Pakistan (SECP). As per ICAPs recommendation to the SECP, element of income, being in the nature of "equalisation account" does not qualify for recognition either as expense or income as per International Financial Reporting Standards (IFRSs). Therefore, in order to enhance harmonisation of mutual fund accounting with the primary accounting framework, the net balance of element of income at the end of the reporting period has been recognised directly in the distribution statement.

NAFA GOVERNMENT SECURITIES LIQUID FUND

The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology:

- Income for the year would have been higher by Rs 27.777 million; and
- amount taken to distribution statement would have been higher by Rs 35.657 million

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 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.

3.11 Earnings per unit

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

3.12 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.
- Unrealised capital gains / (losses) arising on re-measurement 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.
- Discount on purchase of Market Treasury Bills is amortised to income statement using the straight line method.
- Profit on bank deposits, term deposit receipts, reverse repo transactions and certificates of investments is recognised on an accrual basis.

	Note	2012	2011
		(Rupees in '000)	
4 BANK BALANCES			
In current accounts	4.1	6,191	13,464
In savings accounts	4.2	849,979	434,533
Term deposit receipts		700,000	425,000
		<u>1,556,170</u>	<u>872,997</u>

4.1 These accounts carry a rate of return ranging from 6% to 11% per annum (2011: 5% to 12% per annum).

4.2 These accounts carry a rate of return ranging from 11.9% to 13.75% per annum (2011: 11.9% to 13.75% per annum).

	Note	2012	2011
		(Rupees in '000)	
5 INVESTMENTS			
At fair value through profit or loss - held for trading			
Investment in government securities	5.1	11,229,670	7,918,819
Loans and receivables			
Investment in term deposit receipts		-	600,000
Investment in certificate of investments	5.2	590,042	-
Investment in reverse repo	5.2	1,499,368	1,408,467
		<u>13,319,080</u>	<u>9,927,286</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, 2012	Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2011	Purchases during the year	Sales / matured during the year	As at June 30, 2012			
----- Rupees in '000 -----								
Market Treasury Bills								
December 18, 2010	12 Months	-	40,000	40,000	-	-	-	-
January 27, 2011	6 Months	700,000	-	700,000	-	-	-	-
January 27, 2011	12 Months	-	325,000	325,000	-	-	-	-
February 2, 2011	6 Months	489,500	-	489,500	-	-	-	-
February 10, 2011	6 Months	718,500	-	718,500	-	-	-	-
February 10, 2011	12 Months	-	2,100,000	2,100,000	-	-	-	-
February 24, 2011	6 Months	-	40,000	40,000	-	-	-	-
February 24, 2011	12 Months	-	430,000	430,000	-	-	-	-
March 10, 2011	6 Months	400,000	2,140,000	2,540,000	-	-	-	-
March 10, 2011	12 Months	-	34,000	34,000	-	-	-	-
March 24, 2011	12 Months	-	4,265,000	4,265,000	-	-	-	-
March 24, 2011	6 Months	300,000	550,000	850,000	-	-	-	-
April 7, 2011	6 Months	-	2,580,000	2,580,000	-	-	-	-
April 7, 2011	12 Months	-	1,091,900	1,091,900	-	-	-	-
April 21, 2011	3 Months	137,500	200,000	337,500	-	-	-	-
April 21, 2011	6 Months	-	1,695,000	1,695,000	-	-	-	-
April 21, 2011	12 Months	-	280,000	280,000	-	-	-	-
May 5, 2011	3 Months	1,870,000	50,000	1,920,000	-	-	-	-
May 5, 2011	6 Months	-	2,775,000	2,775,000	-	-	-	-
May 5, 2011	12 Months	-	573,000	573,000	-	-	-	-
May 19, 2011	3 Months	2,108,500	90,000	2,198,500	-	-	-	-
May 19, 2011	6 Months	-	5,262,000	5,262,000	-	-	-	-
May 19, 2011	12 Months	-	100,000	100,000	-	-	-	-
June 2, 2011	3 Months	210,000	375,000	585,000	-	-	-	-
June 2, 2011	6 Months	-	2,575,000	2,575,000	-	-	-	-
June 2, 2011	12 Months	-	135,000	135,000	-	-	-	-
June 16, 2011	3 Months	987,000	300,000	1,287,000	-	-	-	-
June 16, 2011	6 Months	-	2,000,000	2,000,000	-	-	-	-
June 16, 2011	12 Months	-	980,000	980,000	-	-	-	-
June 30, 2011	3 Months	125,000	-	125,000	-	-	-	-
June 30, 2011	6 Months	-	1,555,000	1,555,000	-	-	-	-
June 30, 2011	12 Months	-	100,000	100,000	-	-	-	-
July 14, 2011	3 Months	-	225,000	225,000	-	-	-	-
July 14, 2011	6 Months	-	1,600,000	1,600,000	-	-	-	-
July 28, 2011	3 Months	-	925,000	925,000	-	-	-	-
July 28, 2011	6 Months	-	4,327,000	4,327,000	-	-	-	-
August 11, 2011	3 Months	-	775,000	775,000	-	-	-	-
August 11, 2011	6 Months	-	1,298,000	1,298,000	-	-	-	-
August 25, 2011	6 Months	-	2,272,000	2,272,000	-	-	-	-
September 8, 2011	6 Months	-	445,000	445,000	-	-	-	-
September 22, 2011	6 Months	-	80,200	80,200	-	-	-	-
October 6, 2011	3 Months	-	1,000,000	1,000,000	-	-	-	-
October 6, 2011	6 Months	-	1,168,200	1,168,200	-	-	-	-
October 20, 2011	3 Months	-	525,000	525,000	-	-	-	-
October 20, 2011	6 Months	-	6,028,000	6,028,000	-	-	-	-
November 3, 2011	3 Months	-	922,000	922,000	-	-	-	-
November 3, 2011	6 Months	-	3,062,000	3,062,000	-	-	-	-
November 17, 2011	3 Months	-	1,335,000	1,335,000	-	-	-	-
November 17, 2011	6 Months	-	400,000	400,000	-	-	-	-
December 1, 2011	3 Months	-	760,000	760,000	-	-	-	-
December 1, 2011	6 Months	-	135,140	135,140	-	-	-	-
December 29, 2011	3 Months	-	4,000	4,000	-	-	-	-
January 12, 2012	3 Months	-	2,891,400	2,891,400	-	-	-	-
January 26, 2012	3 Months	-	3,237,882	3,237,882	-	-	-	-
February 9, 2012	3 Months	-	312,000	312,000	-	-	-	-
February 23, 2012	3 Months	-	596,000	596,000	-	-	-	-
March 8, 2012	3 Months	-	2,275,000	2,275,000	-	-	-	-
March 22, 2012	3 Months	-	1,942,500	1,942,500	-	-	-	-
April 5, 2012	3 Months	-	4,755,400	4,755,400	-	-	-	-
July 28, 2011	12 Months	-	454,000	-	454,000	450,175	3.05	4.01
August 11, 2011	12 Months	-	945,000	-	945,000	932,805	6.31	8.31
September 8, 2011	12 Months	-	500,000	-	500,000	489,137	3.31	4.36
January 12, 2012	6 Months	-	665,000	-	665,000	662,404	4.48	5.90
January 26, 2012	6 Months	-	450,000	-	450,000	446,208	3.02	3.97
March 8, 2012	6 Months	-	500,000	-	500,000	489,137	3.31	4.36
April 19, 2012	3 Months	-	2,600,000	1,880,000	720,000	717,189	4.85	6.39
May 3, 2012	3 Months	-	1,988,000	300,000	1,688,000	1,673,777	11.33	14.90
May 17, 2012	3 Months	-	2,342,500	-	2,342,500	2,312,270	15.65	20.59
May 31, 2012	3 Months	-	2,424,000	-	2,424,000	2,381,995	16.12	21.21
June 14, 2012	3 Months	-	478,000	-	478,000	467,615	3.17	4.16
June 28, 2012	3 Months	-	212,500	-	212,500	206,958	1.40	1.84
						<u>11,229,670</u>		<u>100</u>
Carrying value before fair value adjustment as at June 30, 2012						<u>11,235,485</u>		

5.1.1 These carry a rate of return ranging from 11.27% to 13.85% (2011: 11.95% to 13.63%) per annum.

NAFA GOVERNMENT SECURITIES LIQUID FUND

5.2 Loans and receivables

Name of issuer	Maturity date	Rate	As at June 30, 2012
Certificates of Investment			
Pak Oman Investment Company Limited	9-Jul-12	12.10%	100,010
Pak Brunei Investment Company Limited	28-Aug-12	12.25%	150,011
Saudi Pak Investment Company Limited	29-Aug-12	12.25%	250,011
Pak Brunei Investment Company Limited	29-Aug-12	12.33%	90,010
			590,042
Reverse Repo			
Pak Brunei Investment Company Limited	10-Jul-12	11.83%	468,553
Pak Brunei Investment Company Limited	10-Jul-12	11.83%	468,553
Pak Brunei Investment Company Limited	10-Jul-12	11.83%	562,262
			1,499,368

	Note	2012	2011
(Rupees in '000)			
5.3 Net unrealised diminution in value of investments at fair value through profit or loss			
Market value of investments	5.1	11,229,670	7,918,819
Less: carrying value of investments	5.1	(11,235,485)	(7,923,244)
		<u>(5,815)</u>	<u>(4,425)</u>
6 PROFIT RECEIVABLE			
Profit on savings deposits		2,739	851
Profit on money market placements		39,849	32,407
Profit on Certificates of investment		7,749	-
Profit on term deposit receipts		473	22,482
		<u>50,810</u>	<u>55,740</u>
7 PREPAYMENTS AND OTHER RECEIVABLES			
Prepaid rating fee		110	100
Receivable from the Management Company		6,980	6,980
Advance tax		3	3
Receivable against transfer sales		-	303
		<u>7,093</u>	<u>7,386</u>
8 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Opening balance	8.1	2,849	3,841
Less: amortisation during the year		991	992
Balance as at the end of the year		<u>1,858</u>	<u>2,849</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 May 16, 2009 as per the requirements set out in the Trust Deed of the Fund.			
	Note	2012	2011
(Rupees in '000)			
9 PAYABLE TO THE MANAGEMENT COMPANY			
Management Company's remuneration	9.1	16,553	11,190
Sindh Sales Tax on Management Company's remuneration'	9.2	2,648	-
Others		-	31
		<u>19,201</u>	<u>11,221</u>
9.1 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, 2011 to June 30, 2012 (1.25% per annum for the year from July 1, 2010 to June 30, 2011).			
9.2 During the current year, the Provincial Government of Sindh levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011.			

NAFA GOVERNMENT SECURITIES LIQUID FUND

	Note	2012	2011
		(Rupees in '000)	
10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			

Trustee fee	10.1	1,056	732
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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, 2012 is as follows:

Amount of Funds Under Management (Average NAV)

Upto Rs 1,000 million
On an amount exceeding Rs 1,000 million

Tariff per annum

Rs 0.7 million or 0.15% p.a. of NAV, whichever is higher
Rs 1.5 million plus 0.075% p.a. of NAV exceeding Rs. 1,000 million.

	Note	2012	2011
		(Rupees in '000)	
11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			

Annual fee	11.1	10,894	6,756
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11.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as Income Scheme is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the scheme. The Fund has been classified as an Income Scheme by the Management Company.

	Note	2012	2011
		(Rupees in '000)	
12 ACCRUED EXPENSES AND OTHER LIABILITIES			

Auditors' remuneration payable		284	256
Payable to brokers		323	318
Distribution payable		41,855	-
Bank charges		208	99
Provision for workers' welfare fund		62,719	32,424
Others		735	380
		<u>106,124</u>	<u>33,477</u>

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012.

14 PROFIT ON BANK DEPOSITS

Income on savings deposits	4.1	34,162	36,088
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15 AUDITORS' REMUNERATION

Audit fee		254	231
Half yearly review		102	92
Out of pocket expenses		41	29
		<u>397</u>	<u>352</u>

16 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.

NAFA GOVERNMENT SECURITIES LIQUID FUND

During the year ended June 30, 2011, 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 the 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.

During the year ended June 30, 2012, 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 62.719 million (including Rs 30.295 million for the current year) in these financial statements. Had the same not been made the net asset value per unit / return of the Fund would have been higher by Rs 0.0427/ 0.47% per unit respectively.

17 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.

18 NUMBER OF UNITS IN ISSUE

	2012	2011
	(Number of units)	
Total units in issue at the beginning of the year	1,043,538,317	565,044,796
Add: units issued during the year	2,462,041,017	1,594,178,461
Add: bonus units issued during the year	149,017,182	81,057,485
Less: units redeemed during the year	2,185,053,186	1,196,742,425
Total units in issue at the end of the year	<u>1,469,543,330</u>	<u>1,043,538,317</u>

19 FINANCIAL INSTRUMENTS BY CATEGORY

	-----June 30,2012-----		
	Loans and receivables	Assets at fair value through profit or loss (Rupees in '000)	Total
Assets			
Bank balances	1,556,170	-	1,556,170
Investments	2,089,410	11,229,670	13,319,080
Profit receivable	50,810	-	50,810
Other receivables	7,093	-	7,093
	<u>3,703,483</u>	<u>11,229,670</u>	<u>14,933,153</u>

	-----June 30,2012-----		
	Liabilities at fair value through profit or loss	Other financial liabilities (Rupees in '000)	Total
Liabilities			
Payable to the Management company	-	19,201	19,201
Payable to Central Depository Company of Pakistan Limited - Trustee	-	1,056	1,056
Payable on redemption of units	-	25,511	25,511
Accrued expenses and other liabilities	-	43,405	43,405
	<u>-</u>	<u>89,173</u>	<u>89,173</u>

NAFA GOVERNMENT SECURITIES LIQUID FUND

	-----June 30,2011-----		
	Loans and receivables	Assets at fair value through profit or loss (Rupees in '000)	Total
Assets			
Bank balances	872,997	-	872,997
Investments	2,008,467	7,918,819	9,927,286
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>

	-----June 30,2011-----		
	Liabilities at fair value through profit or loss	Other financial liabilities (Rupees in '000)	Total
Liabilities			
Payable to the Management company	-	11,221	11,221
Payable to Central Depository Company of Pakistan Limited - 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>

20 TRANSACTIONS WITH CONNECTED PERSONS

20.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company (NAFA), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, 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

20.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

20.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

20.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

20.5 Details of the transactions with connected persons are as follows:

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

NBP Fullerton Asset Management Limited - Management Company

Remuneration for the year	181,570	112,597
Sindh Sales Tax on Management Company's remuneration	29,052	-
Issue of 12,238,524 units (2011: 9,077,384 units)	123,500	93,169
Redemption of 11,611,599 units (2011: 7,968,569 units)	117,718	81,629
Bonus of 66,677 units;(2011: 64,961 units)	-	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the year	11,644	7,506
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National Bank of Pakistan - Sponsor

Issue of 492,096,530 units (2011: 9,622,046 units)	5,020,156	100,000
Redemption of 114,273,882 units (2011: Nil)	1,159,483	-
Bonus of 15,759,231 units (2011 : Nil)	-	-
Cash dividend paid during the year	205,122	8,145
Market treasury bills purchased during the year	-	99,576
Market treasury bills sold during the year	617,674	1,323,409

Alexandra Fund Management Pte. Limited - Sponsor

Redemption of 2,614,286 units (2011: 2,176,558 units)	26,573	22,000
Bonus of 136,972 units (2011: 289,349 units)	-	-

NAFA GOVERNMENT SECURITIES LIQUID FUND

	June 30, 2012 (Rupees in '000)	June 30, 2011
Chief Executive Officer		
Issue of 99,182 units (2011: 958,240 units)	1,000	10,000
Redemption of 677,813 units (2011: 364,083 units)	6,880	3,750
Bonus of 39,431 units (2011: 43,294 units)	-	-
Chief Financial Officer		
Issue of 142,673 units (2011: 1,165,496 units)	1,441	12,075
Redemption of 54,707 units (2011: 1,126,744 units)	556	11,724
Bonus of 7,955 units (2011: Nil)	-	-
NAFA Provident Fund Trust - Provident Fund		
Issue of 1,951,079 units (2011: 2,117,208 units)	19,744	21,769
Redemption of 1,835,016 units (2011: 2,162,528 units)	18,580	22,178
Bonus of 53,704 units (2011: 44,993 units)	-	-
Employees of the Management Company		
Issue of 3,494,535 units (2011: 3,635,389 units)	35,421	37,181
Redemption of 3,584,551 units (2011: 3,754,663 units)	36,353	38,472
Bonus of 83,427 units (2011: 100,228 units)	-	-
Mr. Kamal A. Chinoy - Director		
Bonus of 9,305 units (2011: Nil)	-	-
NBP Employees Pension Fund		
Bonus of 1,667,087 units (2011: 1,113,875 units)	-	-
NBP Endowment Funds Students Loan Scheme		
Issue of 15,675,824 units (2011: 12,935,610 units)	158,970	134,000
Bonus of 2,724,444 units (2011: 325,409 units)	-	-
NBP Exchange Company Limited		
Issue of 109,634 units (2011: 19,335,399 units)	1,107	200,379
Bonus of 2,912,081 units (2011: 1,012,273 units)	-	-
NBP Leasing Limited Employees Provident Fund		
Issue of 157,422 units (2011: 6,795)	1,598	70
Redemption of 92,000 units (2011: Nil)	929	-
Bonus of 6,364 units (2011: Nil)	-	-
International Industries Limited - Provident Fund		
T-Bills purchased during the period	15,139	-
International Industries Limited - Graduity Fund		
T-Bills purchased during the period	18,055	-
Telenor Pakistan Private Limited - Employee Provident Fund		
T-Bills purchased during the period	34,298	-
NAFA Savings Plus Fund		
T-Bills purchased during the period	14,921	-
Amounts outstanding as at period end		
20.6 NBP Fullerton Asset Management Limited - Management Company		
Receivable from the Management Company	6,980	6,980
Remuneration payable	16,553	11,190
Other payable	-	31
Sindh Sales Tax Payable on remuneration payable	2,648	-
Units held: 1,867,379 units (2011: 1,173,777 units)	18,771	12,160
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	1,056	732

NAFA GOVERNMENT SECURITIES LIQUID FUND

	June 30, 2012	June 30, 2011
	(Rupees in '000)	
National Bank of Pakistan - Sponsor		
Units held: 406,203,924 units (2011: 12,622,046 units)	4,083,284	130,757
Balance in current account	6,191	13,464
Balance in saving account	10,256	-
Alexandra Fund Management Pte. Limited - Sponsor		
Units held: Nil units (2011: 2,477,314 units)	-	25,663
Chief Executive Officer		
Units held: 101,246 units (2011: 640,446 units)	1,018	6,635
Chief Financial Officer		
Units held: 134,673 units (2011: 38,752 units)	1,354	401
Mr. Kamal A. Chinoy - Director		
Units held: 74,465 units (2011: 65,160 units)	749	675
NAFA Provident Fund Trust - Provident Fund		
Units held: 585,283 units (2011: 415,516 units)	5,883	4,304
Employees of the Management Company		
Units held: 670,624 units (2011: 936,489 units)	6,741	9,701
NBP Employees Pension Fund		
Units held: 13,341,432 units (2011: 11,674,345 units)	134,112	120,939
NBP Endowment Funds Students Loan Scheme		
Units held: 31,661,286 units (2011: 13,261,018 units)	318,269	137,376
NBP Exchange Company Limited		
Units held: 23,369,387 units (2011: 20,347,672 units)	234,916	210,790
NBP Leasing Limited Employees Provident Fund		
Units held: 78,581 units (2011: 6,795 units)	790	70
NAFA Asset Allocation Fund		
Receivables against transfer sales	-	303

21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No	Name	Qualification	Experience in years"
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	24
2	Sajjad Anwar	CFA / MBA Finance	12
3	Tanvir Abid	CFA / MBA / FRM	13
4	Ahmed Nouman*	CFA / EMBA	16

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

NAFA GOVERNMENT SECURITIES LIQUID FUND

22 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

2012

1	JS Global Capital Limited	24.34%
2	Invest Capital Markets Limited	16.55%
3	Invest & Finance Securities (Private) Limited	12.37%
4	BMA Capital Management Limited	11.96%
5	Vector Capital (Private) Limited	6.43%
6	Elixir Securities (Private) Limited	4.79%
7	Global Securities Pakistan Limited	3.77%
8	Invisor Securities (Private) Limited	3.41%
9	Alfalah Securities Limited	3.32%
10	Invest One Markets Limited	3.07%

2011

1	JS Global Capital Limited	
2	BMA Capital Management Limited	23.01%
3	Invisor Securities (Private) Limited	18.56%
4	Elixir Securities (Private) Limited	15.75%
5	Invest & Finance Securities (Private) Limited	8.29%
6	KASB Securities Limited	7.61%
7	Global Securities Pakistan Limited	6.88%
8	Alfalah Securities Limited	6.70%
9	Summit Capital Market (Private) Limited	2.66%
10	ICON Securities (Private) Limited	2.61%
		2.13%

23 DETAILS OF PATTERN OF UNIT HOLDING

-----June 30, 2012-----

Category	Number of unit holders	Investment amount	Percentage of total
(Rupees in '000)			
Individuals	1,907	1,350,503	9.14%
Associated companies / Directors	9	4,797,792	32.48%
Insurance companies	6	591,035	4.00%
Banks / DFIs	6	1,806,245	12.23%
NBFCs	2	104,732	0.71%
Retirement funds	47	550,554	3.73%
Public Limited companies	24	3,553,619	24.06%
Others	103	2,017,745	13.66%
	2,104	14,772,225	100.00%

-----June 30, 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%

NAFA GOVERNMENT SECURITIES LIQUID FUND

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 32nd, 33rd, 34th, 35th and 36th Board meetings were held on July 04, 2011, September 29, 2011, October 27, 2011, February 17, 2012 and April 17, 2012 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. Shahid Anwar Khan	5	3	2	34th, 35th meeting
Dr. Asif A. Brohi	5	2	3	33rd, 34th, 35th meeting
Mr. Wah Geok Sum	5	2	3	33rd, 34th, 36th meeting
Mr. Patrick Pang Chin Hwang***	4	4	-	
Mr. Shehryar Faruque	5	3	2	32nd, 36th meeting
Mr. Kamal Amir Chinoy	5	3	2	34th, 35th meeting
Syed Iqbal Ashraf*	1	-	1	32nd meeting
Dr Amjad Waheed	5	5	-	
Mr. Amir Shehzad**	3	3	-	
Mr. Koh Boon San****	1	1	-	

* Syed Iqbal Ashraf retired from the Board with effect from August 27, 2011

** Mr.Amir Shehzad was co-opted on the Board with effect from September 20, 2011

*** Mr. Patrick Pang Chin Hwang retired from the Board with effect from March 31, 2012

**** Mr.Kow Boon San was co-opted on the Board with effect from February 17, 2012

25 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

25.1 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 investment guidelines approved by the Investment Committee and regulations laid down by SECP.

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

25.1.1 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 all transactions are carried out in Pak Rupees.

25.1.2 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, 2012, 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, 2012 the Fund holds Market 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, 2012, with all other variables held constant, the net income for the period and net assets would be lower by Rs 12.198 million (2011: 13.535 million) . In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2012, with all other variables held constant, the net income for the period and net assets would be higher by Rs 12.230 million (2011: 13.559 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, 2012 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.

NAFA GOVERNMENT SECURITIES LIQUID FUND

-----As at June 30, 2012-----

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

Bank balances	1,556,170	1,549,979	-	-	6,191
Investments	13,319,080	13,319,080	-	-	-
Profit receivable	50,810	-	-	-	50,810
Other receivables	7,093	-	-	-	7,093
	14,933,153	14,869,059	-	-	64,094

Financial Liabilities

Payable to the Management Company	19,201	-	-	-	19,201
Payable to Central Depository Company of Pakistan Limited - Trustee	1,056	-	-	-	1,056
Payable on redemption of units	25,511	-	-	-	25,511
Accrued expenses and other liabilities	43,405	-	-	-	43,405
	89,173	-	-	-	89,173

On-balance sheet gap

	14,843,980	14,869,059	-	-	(25,079)
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Off-balance sheet financial instruments

	-	-	-	-	-
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Off-balance sheet gap

	-	-	-	-	-
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-----As at June 30, 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

Bank balances	872,997	859,533	-	-	13,464
Investments	9,927,286	9,927,286	-	-	-
Profit receivable	55,740	-	-	-	55,740
Other receivables	7,386	-	-	-	7,386
	10,863,409	10,786,819	-	-	76,590

Financial Liabilities

Payable to the Management Company	11,221	-	-	-	11,221
Payable to Central Depository Company of Pakistan Limited - Trustee	732	-	-	-	732
Payable on redemption of units	3,638	-	-	-	3,638
Accrued expenses and other liabilities	941	-	-	-	941
	16,532	-	-	-	16,532

On balance sheet gap

	10,846,877	10,786,819	-	-	60,058
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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:

	2012 Percentage per annum
Bank balances	6.00 - 11.00
Term deposit receipts	11.90 - 13.75
Market treasury bills	11.27 - 13.85

The rates of return on financial instruments are as follows:

	2011 Percentage per annum
Bank balances	5.00 - 12.00
Term deposit receipts	11.90 - 12.50
Market treasury bills	11.95 - 13.63

NAFA GOVERNMENT SECURITIES LIQUID FUND

25.1.3 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, 2012.

25.2 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, 2012:

Bank Balances by rating category	2012	2011
A1+	99.9981%	98.1302%
A-1+	-	1.8602%
A3	0.0019%	-
A2, A1	-	0.0013%

25.2.1 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.

25.2.2 Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

25.3 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 Statement of Assets and liabilities to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

NAFA GOVERNMENT SECURITIES LIQUID FUND

-----As at June 30, 2012-----

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

Liabilities

Payable to the Management company	19,201	19,201		
Payable to Central Depository Company of Pakistan Limited - Trustee	1,056	1,056	-	-
Payable on redemption of units	25,511	25,511	-	-
Accrued expenses and other liabilities	43,405	43,405	-	-
	89,173	89,173	-	-

-----As at June 30, 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 Central Depository Company of Pakistan Limited - 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	-	-

26 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 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 25, 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.

27 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 Statement of Assets and liabilities 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NAFA GOVERNMENT SECURITIES LIQUID FUND

-----June 30, 2012-----

Level 1 Level 2 Level 3 Level 4

(Rupees in '000)

ASSETS

Financial assets classified as 'fair value through profit or loss'

Investment in Treasury Bills	-	11,229,670	-	11,229,670
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28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 11, 2012.

29 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.

30 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, 2012	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)	14,772,225	10,810,434	5,805,378	1,415,232
Net income for the year / period ended (Rs '000)	1,484,481	1,082,828	486,027	19,889
Net Asset Value per unit at the year / period ended (Rs)	10.0523	10.0837	10.0241	10.0025
Offer Price per unit at year end	10.0523	10.0837	10.0241	10.0025
Redemption Price per unit at year end	10.0523	10.0837	10.0241	10.0025
Highest offer price per unit (Rs)	10.0523	10.0837	10.0241	10.0025
Lowest offer price per unit (Rs)	9.0678	9.0603	9.0731	9.8802
Highest redemption price per unit (Rs)	10.0523	10.0837	10.0241	10.0025
Lowest redemption price per unit (Rs)	9.0678	9.0603	9.0731	9.8802
Total return of the fund	10.86%	11.46%	10.53%	1.43%
Capital growth	0.16%	0.96%	0.53%	0.03%
Income distribution	10.70%	10.50%	10.00%	1.40%
Distribution				
Interim distribution per unit	1.0789	0.7769	0.7503	-
Final distribution per unit		0.2757	0.2501	0.1400
Distribution Dates				
Interim	2-Aug-11	18-Oct-10	28-Oct-09	-
Interim	6-Sep-11	18-Feb-11	17-Feb-10	
Interim	3-Oct-11	19-Apr-11	29-Apr-10	
Interim	2-Nov-11			
Interim	2-Dec-11			
Interim	3-Jan-12			
Interim	30-Jan-12			
Interim	28-Feb-12			
Interim	29-Mar-12			
Interim	27-Apr-12			
Interim	30-May-12			
Interim	27-Jun-12			
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, 2012)	10.99%			
(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	35 days	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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