

NAFA GOVERNMENT SECURITIES LIQUID FUND
**HALF YEARLY REPORT
FOR THE HALF YEAR ENDED
DECEMBER 31, 2009
(UN-AUDITED)**

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NAFAGOVERNMENT SECURITIES LIQUID FUND

DIRECTORS'REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFAGovernment Securities Liquid Fund for the half year ended December 31, 2009.

Fund's Performance

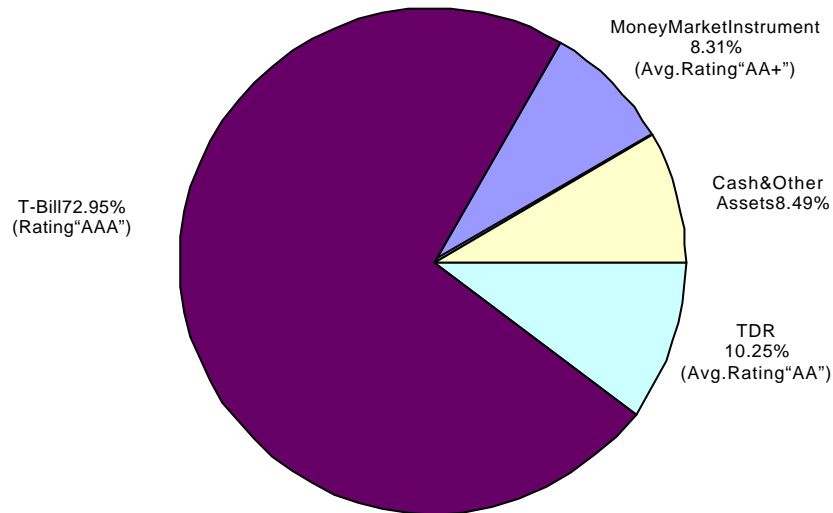
The size of NAFAGovernment Securities Liquid Fund has increased from Rs. 1,415 million to Rs. 3,413 million during the period, i.e. a growth of 141.20%. During the said period, the unit price of NAFAGovernment Securities Liquid Fund has increased from Rs. 9.7603 (Ex-Div) on June 30, 2009 to Rs. 10.2663 on December 31, 2009, thus showing an annualized return of 10.55% as compared to its Benchmark (70% 3-Month T-Bills & 30% average 3-Month deposit rate of 'AA' & above rated banks) of 11.38% for the same period.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a stability rating of AA+(f) to NAFAGovernment Securities Liquid Fund.

NAFAGovernment Securities Liquid Fund has earned total income of Rs. 179.53 million during the period. After deducting expenses of Rs. 24.58 million, the net income is Rs. 154.95 million, translating into earning per unit of Rs. 0.506.

The asset allocation of the Fund as on December 31, 2009 is as follows:

Asset Allocation as on December 31, 2009



NAFAGOVERNMENT SECURITIES LIQUID FUND

Income Distribution

The Board of Directors of the Management Company has approved an interim distribution of 2.5010%. After interim distribution, the net asset value per unit will be Rs. 10.0162 on December 31, 2009.

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 commitments shown by the staff and the Trustee.

On behalf of the Board of
National Fullerton Asset Management Limited

Chief Executive

Chairman

Date: February 17, 2010
Place: Karachi.

NAFAGOVERNMENT SECURITIES LIQUID FUND

TRUSTEEREPORTTOTHEUNITHOLDERS

ReportoftheTrusteepursuanttoRegulation41(h)oftheNon-BankingFinanceCompaniesandNotified EntitiesRegulations,2008

NAFAGovernmentSecuritiesLiquidFund(theFund),anopen-endschemewasestablishedunderatrusteddated April10,2009,executedbetweenNationalFullertonAssetManagementLimited,asthemanagementcompanyand CentralDepositoryCompanyofPakistanLimited,asthetrustee.

Inouropinion,theManagementCompanyhasinallmaterialrespectsmanagedtheFundduringtheperiodfromJuly 01,2009toDecember31,2009inaccordancewiththeprovisionsofthefollowing:

- (i) Limitationsimposedontheinvestmentpowersofthemanagementcompanyundertheconstitutive documentsoftheFund;
- (ii) Thepricing,issuanceandredemptionofunitsarecarriedoutinaccordancewiththerequirementsofthe constitutivedocumentsoftheFund;and
- (iii) TheNon-BankingFinanceCompanies(EstablishmentandRegulations)Rules,2003,theNon-Banking FinanceCompaniesandNotifiedEntitiesRegulations,2008andtheconstitutedocumentsoftheFund.

MuhammadHanifJakhura
ChiefExecutiveOfficer
CentralDepositoryCompanyofPakistanLimited

Karachi,February24,2010

NAFAGOVERNMENT SECURITIES LIQUID FUND

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFAGOVERNMENT SECURITIES LIQUID Fund** as at December 31, 2009, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' funds together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2009. The Management Company (National Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' funds for the quarter ended December 31, 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2009.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standard on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A.F. Ferguson & Co.
Chartered Accountants.

Date: February 24, 2010
Karachi

NAFA GOVERNMENT SECURITIES LIQUID FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2009

	Note	Unaudited December 31, 2009	Audited June 30, 2009
-----Rupees in '000-----			
Assets			
Balances with banks		252,081	275,045
Investments	4	2,489,366	911,177
Loans and receivables		633,508	230,000
Profit receivable	5	17,490	4,455
Prepayments and other receivables		33,202	1,185
Preliminary expenses and floatation costs		4,332	4,832
Total Assets		3,429,979	1,426,694
Liabilities			
Payable to National Fullerton Asset Management Limited - Management Company		9,688	6,893
Payable to Central Depository Company of Pakistan Limited - Trustee		300	144
Payable to Securities and Exchange Commission of Pakistan		1,019	114
Payable on redemption of units		6,001	3,964
Accrued expenses and other liabilities	6	464	347
Total Liabilities		17,472	11,462
Net Assets		<u>3,412,507</u>	<u>1,415,232</u>
Unit Holders' Funds (as per statement of movement in Unit Holders' Fund)		<u>3,412,507</u>	<u>1,415,232</u>
Contingencies and commitments	9	-	-
Number of units in issue		<u>332,398,141</u>	<u>139,534,290</u>
		Rupees	
Net asset value per unit		<u>10.2663</u>	<u>10.1425</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

**For National Fullerton Asset Management Limited
(Management Company)**

Chief Executive

Chairman

NAFAGOVERNMENT SECURITIES LIQUID FUND

CONDENSEDINTERIMINCOMESTATEMENT(UNAUDITED) FORTHEHALFYEARANDQUARTERENDEDECEMBER31,2009

	Note	Half year ende d De ce mber 31, 2009	Quarter ende d December 31, 2009
-----Rupeesin'000-----			
INCOME			
Gain/(loss)onsaleofinvestments-net		(76)	(76)
Incomefromtreasurybills		114,642	70,651
Incomefromtermdepositreceipts		18,956	11,039
Incomefrommoneymarketplacements		9,517	7,858
Profitonbankdeposits		19,090	10,808
Unrealised(loss)/gainoninvestmentsatfairvaluethroughprofitorloss-net		(793)	1,493
TotalIncome		161,336	101,773
EXPENSES			
RemunerationofNationalFullertonAssetManagementLimited -ManagementCompany		20,375	12,620
RemunerationofCentralDepositoryCompanyofPakistanLimited-Trustee		1,397	820
Annualfee-Securitiesand ExchangeCommissionofPakistan		1,019	631
Securitiestransactioncost		402	247
Bankcharges		423	306
Annua listingfee		10	5
Auditors' remuneration		200	95
Amortisationofpreliminaryexpensesandfloatationcosts		500	250
Othercharges		254	191
TotalExpenses		24,580	15,165
Netincomefromoperatingactivities		136,756	86,608
Elementofincome/(loss)andcapitalgains/(losses)includedinprices ofunitsissuedlessthoseinunitsredeemed		18,194	(271)
Netincomefortheperiodbeforetaxation		154,950	86,337
Taxation	7	-	-
Netincomefortheperiodaftertaxation		154,950	86,337
EarningsperUnit	8	-	-

Theannexednotes1to12formanintegralpartofthesecondensedinterimfinancialstatements.

**ForNationalFullertonAssetManagementLimited
(ManagementCompany)**

ChiefExecutive

Chairman

NAFA GOVERNMENT SECURITIES LIQUID FUND

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

	Note	Half year ended December 31, 2009	Quarter ended December 31, 2009
		-----Rupees in '000-----	
Net income for the period after taxation		154,950	86,337
Other comprehensive income			
Element of income/(loss) and capital gains (losses) included in prices of units sold less those in units repurchased-		462	(2,834)
Total comprehensive income for the period		<u>155,412</u>	<u>83,503</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

**For National Fullerton Asset Management Limited
(Management Company)**

Chief Executive

Chairman

NAFAGOVERNMENT SECURITIES LIQUID FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

Note	Half year ended December 31, 2009	Quarter ended December 31, 2009
	-----Rupees in '000-----	
Undistributed income brought forward comprising:		
Realised income	20,051	74,552
Unrealised (loss)/income	(162)	(2,286)
	19,889	72,266
Final distribution for the year ended June 30, 2009: 1.40% (declared on July 3, 2009)		
- Bonus Units	(16,591)	-
- Cash Distribution	(2,941)	-
Interim distribution for the quarter ended September 30, 2009: 2.5010% (declared on October 28, 2009)		
- Bonus Units	(62,876)	(62,876)
- Cash Distribution	(4,880)	(4,880)
Net income for the period	154,950	86,337
Other comprehensive income		
Element of income/(loss) and capital gains/(losses) included in prices of units sold less those in units repurchased	462	(2,834)
Undistributed income carried forward	88,013	88,013
Undistribution income comprising:		
Realised income	88,968	88,968
Unrealised (loss)/income	(955)	(955)
	88,013	88,013

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

**For National Fullerton Asset Management Limited
(Management Company)**

Chief Executive

Chairman

NAFA GOVERNMENT SECURITIES LIQUID FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

Note	Half year ended December 31, 2009	Quarter ended December 31, 2009
-----Rupees in '000-----		
Net assets at the beginning of the period	1,415,232	2,946,287
Issue of 486,847,815 units-including 7,895,439 bonus units	4,869,372	2,923,685
Redemption of 293,983,964 units	(3,001,032)	(2,539,193)
	1,868,340	384,492
Net element of (income)/loss and capital (gains)/losses included in prices of units issued less those in units redeemed		
- amount representing (income)/losses and capital (gains)/losses transferred to income statement	(18,194)	271
- amount representing (income)/losses that form part of the unit holders' fund transferred to statement of comprehensive income	(462)	2,834
	(18,656)	3,105
Unrealised (loss)/gain on investments at fair value through profit or loss-net	(793)	1,493
Gain/(loss) on sale of investments-net	(76)	(76)
Other income (net of expenses)	155,819	84,920
Net income for the period	154,950	86,337
Distribution:		
Final Distribution for the year ended June 30, 2009: 1.40%		
- Bonus Units	(16,591)	-
- Cash Distribution	(2,941)	-
Interim Distribution for the quarter ended September 30, 2009: 2.5010%		
- Bonus Units	(62,876)	(62,876)
- Cash Distribution	(4,880)	(4,880)
Add: Bonus distribution during the period		
- Final Distribution	16,591	-
- Interim Distribution	62,876	62,876
Other comprehensive income		
Element of income/(loss) and capital gains/(losses) included in prices of units sold less those in units repurchased	462	(2,834)
Net assets at the end of the period	<u>3,412,507</u>	<u>3,412,507</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

**For National Fullerton Asset Management Limited
(Management Company)**

Chief Executive

Chairman

NAFA GOVERNMENT SECURITIES LIQUID FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

	Half year ended December 31, 2009	Quarter ended December 31, 2009
-----Rupees in '000-----		
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	154,950	86,337
Adjustments		
Unrealised loss on investments at fair value through profit or loss - net	793	(1,493)
Amortisation of preliminary expenses and floatation costs	500	250
Element of (income)/loss and capital (gains)/losses included in prices of units issued less those in units redeemed	<u>(18,194)</u>	<u>271</u>
	138,049	85,365
(Increase)/decrease in assets		
Investments - net	(1,578,982)	(344,089)
Loans and receivables	(403,508)	(308,281)
Profit receivable	(13,035)	(3,232)
Prepayments and other receivables	(32,017)	(30,451)
	(2,027,542)	(686,053)
Increase/(decrease) in liabilities		
Payable to National Fullerton Asset Management Limited - Management Company	2,795	1,640
Payable to Central Depository Company of Pakistan Limited - Trustee	156	84
Payable to Securities and Exchange Commission of Pakistan	905	631
Payable on redemption of units	2,037	5,367
Accrued expenses and other liabilities	117	207
	6,010	7,929
Net cash outflow on operating activities	(1,883,483)	(592,759)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	4,869,372	2,923,685
Payments on redemption of units	(3,001,032)	(2,539,193)
Distribution paid	(7,821)	(4,880)
Net cash inflow from financing activities	1,860,519	379,612
Net increase in cash and cash equivalents during the period	(22,964)	(213,147)
Cash and cash equivalents at the beginning of the period	275,045	465,228
Cash and cash equivalents as at December 31, 2009	<u>252,081</u>	<u>252,081</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

**For National Fullerton Asset Management Limited
(Management Company)**

Chief Executive

Chairman

NAFA GOVERNMENT SECURITIES LIQUID FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Government Securities Liquid Fund (NGSL/the Fund) was established under a Trust Deed executed between National 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).

NGSL 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 are transferable and can be redeemed by surrendering to the Fund. The units of the Fund were initially offered for public subscription at par from May 11, 2009 to May 15, 2009.

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.

In accordance with the Trust Deed, the first accounting period of the Fund commenced on the date on which the Trust Property was first paid or transferred to the Trustee, i.e. April 29, 2009.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2 to the Management Company. The stability rating of the Fund evaluated by PACRA is AA+(f).

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.2 These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance.

2.3 The directors of the asset management company declare that these condensed interim financial statements give a true and fair view of the Fund.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended June 30, 2009.

NAFA GOVERNMENT SECURITIES LIQUID FUND

- 3.2** The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2009:

IAS 39 (amendment), 'Financial Instruments: Recognition and Measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with the evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Fund's financial statements.

IFRS 7 (amendment) 'Financial Instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, which would be detailed in the financial statements for the year ending June 30, 2010, but does not have an impact on the Fund's financial position or performance.

IAS 32 (amendment), 'Financial Instruments: Presentation', and IAS 1 (amendment), 'Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation'. The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. One of the particular features is that apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity. In this connection, Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 mandate the payment of 90% of the Fund's profits for the year as dividends, therefore the amendment has not changed the classification of units.

- 3.3** There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2009 but were considered not to be relevant or did not have any significant effect on the Fund's operations.

	Note	Un-audited December 31, 2009	Audited June 30, 2009
-----Rupees in '000-----			
4 INVESTMENTS			
At fair value through profit or loss - held for trading			
Government securities - Market Treasury Bills	4.1	<u>2,489,366</u>	<u>911,177</u>
		<u>2,489,366</u>	<u>911,177</u>

NAFAGOVERNMENT SECURITIES LIQUID FUND

4.1 Investmentingovernmentsecurities-'Atfairvaluethroughprofitorloss'

Issue date	Tenor	----Face value (Rupees in '000)----				Balance as at December 31, 2009	Market value as a percentage of net assets	Market value as a percentage of total invest- ments
		As at July 01, 2009	Purchas es during the period	Sales / matured during the period	As at December 31, 2009	Market Value		
TreasuryBills								
February12,2009	6months	475,000	-	475,000	-	-	-	-
January29,2009	6months	325,000	-	325,000	-	-	-	-
June18,2009	6months	25,000	75,000	100,000	-	-	-	-
February26,2009	6months	100,000	150,000	250,000	-	-	-	-
January15,2009	6months	-	75,000	75,000	-	-	-	-
March26,2009	6months	-	425,000	425,000	-	-	-	-
October23,2008	12months	-	25,000	25,000	-	-	-	-
January15,2009	12months	-	150,000	-	150,000	149,310	4.38	6.00
January29,2009	12months	-	200,000	-	200,000	198,171	5.81	7.96
April09,2009	6months	-	100,000	100,000	-	-	-	-
April23,2009	6months	-	250,000	250,000	-	-	-	-
May07,2009	6months	-	550,000	550,000	-	-	-	-
June04,2009	6months	-	100,000	100,000	-	-	-	-
July16,2009	6months	-	125,000	-	125,000	124,425	3.65	5.00
September10,2009	3months	-	300,000	300,000	-	-	-	-
November05,2009	3months	-	400,000	-	400,000	396,342	11.61	15.92
February12,2009	12months	-	500,000	-	500,000	493,162	14.45	19.81
September10,2009	6months	-	525,000	-	525,000	513,113	15.04	20.61
December03,2009	3months	-	487,500	200,000	287,500	282,277	8.27	11.34
February26,2009	12months	-	50,000	-	50,000	49,092	1.44	1.97
October22,2009	3months	-	212,500	65,000	147,500	146,821	4.30	5.90
October08,2009	3months	-	450,000	450,000	-	-	-	-
March26,2009	12months	-	40,000	-	40,000	38,917	1.14	1.56
March12,2009	12months	-	100,000	-	100,000	97,736	2.86	3.93
		<u>925,000</u>	<u>5,290,000</u>	<u>3,690,000</u>	<u>2,525,000</u>	<u>2,489,366</u>	<u>72.95</u>	<u>100.00</u>

CostofinvestmentsasatDecember31,2009

2,490,321

**Un-audited
December31,
2009** **Audited
June30,
2009**

-----Rupeesin'000-----

5 PROFITRECEIVABLE

Profitonsavingsdeposits	3,273	1,551
Profitonmoneymarketplacements	8,273	-
Profitontermdepositreceipts	<u>5,944</u>	<u>2,904</u>
	<u>17,490</u>	<u>4,455</u>

6 ACCRUEDEXPENSESANDOTHERLIABILITIES

Auditors'remuneration	191	185
Payabletobrokers	96	68
Bankchargespayable	26	8
Others	<u>151</u>	<u>86</u>
	<u>464</u>	<u>347</u>

NAFAGOVERNMENT SECURITIES LIQUID FUND

7 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 90 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 a tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2010 as reduced by capital gains (whether realised or unrealised) to its unit holders.

8 EARNINGS PER UNITS

Earning per unit (EPU) for the half year and quarter ended December 31, 2009 has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

9 CONTINGENCIES AND COMMITMENTS

- 9.1 The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' was amended to include therein any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it can be construed that all Collective Investment Schemes (CIS) whose income exceeds Rs 0.5 million in a tax year are brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2 percent of their total accounting or taxable income, whichever is higher. In case of the Funds such contribution works out to Rs 3.497 million approximately as at December 31, 2009. However, the final contribution amount will be based on the income earned by the Fund for the year ending June 30, 2010.

To avoid any claim in this regard by the relevant authorities, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the High Court of Sindh praying it to declare that CIS are not liable to pay contribution to the WWF on the ground that CIS do not have any workers or employees. The legal proceedings in respect of the aforementioned petition are recurrently in progress and the outcome cannot be reasonably ascertained.

The Management Company, based on the advice of the MUFAP's legal counsel is confident of favorable decision and accordingly no provision for any liability that may arise in this respect has been made in the condensed interim financial statements of the Funds.

- 9.2 There are no commitments outstanding as at December 31, 2009 and June 30, 2009.

10 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include National Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being Trustee, National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

NAFA GOVERNMENT SECURITIES LIQUID FUND

10.1 Details of the transactions with connected persons are as follows:	Unaudited	
	Half year ended December 31, 2009	Quarter ended December 31, 2009
	-----Rupees in '000-----	
National Fullerton Asset Management Limited-Management Company		
Management fee expense for the period	20,375	12,620
Units Issued (1,856,262 units)	19,000	10,000
Units Redeemed (1,856,262 units)	19,067	10,050
Central Depository Company of Pakistan Limited-Trustee		
Remuneration	1,397	820
National Bank of Pakistan-Sponsor		
Cash dividend	1,170	750
T-bills purchased during the period	221,258	-
NIB Bank Limited-Sponsor		
Profit on bank deposit	54	26
Cash dividend	795	375
Units Redeemed (1,500,000 units)	15,489	15,489
T-bills purchased during the period	1,483,692	485,691
Alexandra Fund Management Pte. Limited-Sponsor		
Bonus units issued (156,634 units)	1,574	1,014
Chief Financial Officer		
Bonus units issued (1,161 units)	16	12
Units Issued (230,323 units)	2,351	2,351
Units Redeemed (119,981 units)	1,234	1,234
Employees of the Management Company		
Bonus units issued (22,698 units)	224	178
Units Issued/trasferred in (3,232,107 units)	32,948	18,851
Units Redeemed/transferred out (2,609,051 units)	26,575	15,125

10.2 Amounts outstanding as at period end	Un-audited	Audited
	December 31, 2009	June 30, 2009
	-----Rupees in '000-----	
National Fullerton Asset Management Limited-Management Company		
Management fee payable	4,731	1,651
Others	4,957	5,242
Central Depository Company of Pakistan Limited-Trustee		
Remuneration payable	300	144
National Bank of Pakistan-Sponsor		
Investment held by the Sponsor in the Fund (3,000,000 units; June 30, 2009: 3,000,000 units)		30,428
Balance in current account	30,799	341
NIB Bank Limited-Sponsor		
Investment held by the Sponsor in the Fund (1,500,000 units; June 30, 2009: 3,000,000 units)		30,428
Balance in saving account	15,399	303
	757	

NAFA GOVERNMENT SECURITIES LIQUID FUND

	Un-audited December 31, 2009	Audited June 30, 2009
-----Rupees in '000-----		
Alexandra Fund Management Pte. Limited - Sponsor Investment held by the Sponsor in the Fund (4,156,634 units; June 30, 2009: 4,000,000 units)	42,673	40,570
NAFA Cash Fund Receivable on account of Units transferred in	33,084	-
NAFA Islamic Income Fund Receivable on account of Units transferred in	34	-
Chief Financial Officer Investment held by the Chief Financial Officer in the Fund (141,141 units; June 30, 2009: 1,487 units)	1,449	15
Employees of the Management Company Investment held by the executives in the Fund (959,464 units; June 30, 2009: 345,448 units)	9,850	3,504

11 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on February 17, 2010.

12 GENERAL

12.1 Figures have been rounded off to the nearest thousand rupees.

12.2 Amount aggregating Rs 12.115 million has been reclassified from unrealised income to realised income as at June 30, 2009 as presented in the condensed interim distribution statement. The reclassification did not have any effect on net asset of the Fund of either the current or prior periods presented.

12.3 Since the Fund's first accounting period commenced from April 29, 2009 the comparative figures for corresponding half-year and quarter of last year are not available in respect of condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement.

**For National Fullerton Asset Management Limited
(Management Company)**

Chief Executive

Chairman