

**NAFA GOVERNMENT SECURITIES LIQUID FUND**

**NAFA GOVERNMENT SECURITIES LIQUID FUND  
QUARTERLY REPORT  
FOR THE PERIOD ENDED  
MARCH 31, 2010  
(UN-AUDITED)**

## NAFA GOVERNMENT SECURITIES LIQUID FUND

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## NAFA GOVERNMENT SECURITIES LIQUID FUND

### DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFAGovernmentSecuritiesLiquidFund for the period ended March 31, 2010.

#### **Fund's Performance**

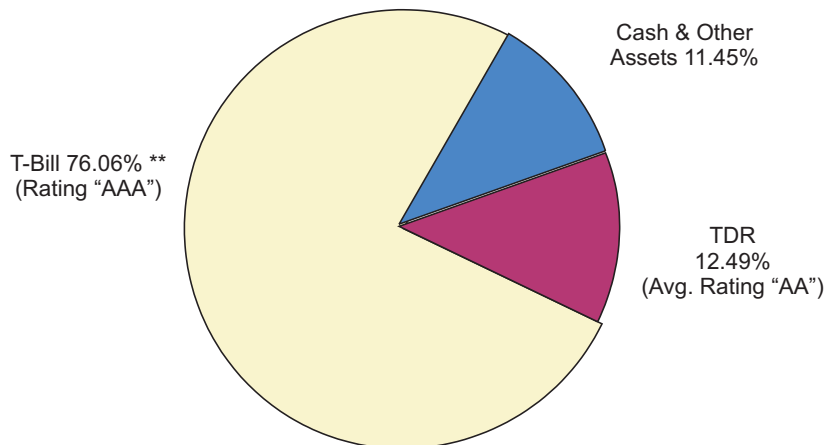
During the said period, the unit price of NAFAGovernmentSecuritiesLiquidFund has increased from Rs.9.5256 (Ex-Div) on June 30, 2009 to Rs.10.2725 on March 31, 2010, thus showing an annualized return of 10.58% (net of management fee and all other expenses). The size of NAFAGovernmentSecuritiesLiquidFund has increased from Rs.1,415 million to Rs.4,404 million during the period, i.e. a growth of 211%.

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

NAFAGovernmentSecuritiesLiquidFund has earned total income of Rs.340.14 million during the period. After deducting expenses of Rs.44.32 million, the net income is Rs.295.82 million, translating into earning per unit of Rs.0.7468.

The asset allocation of the Fund as on March 31, 2010 is as follows:

#### **Asset Allocation as on March 31, 2010**



**\*\* Include Reverse Repo Via Master Reperchase Agreement (MRA)**

## NAFA GOVERNMENT 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. 10.0224 on March 31, 2010.

### **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

Director

Date: April 29, 2010  
Place: Karachi.

## NAFA GOVERNMENT SECURITIES LIQUID FUND

### CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2010

	Note	Unaudited March 31, 2010	Audited June 30, 2009
----- Rupees in '000 -----			
<b>Assets</b>			
Balances with banks		486,456	275,045
Investments	4	2,835,764	911,177
Loans and receivables		1,064,407	230,000
Profit receivable	5	23,590	4,455
Prepayments and other receivables		4,822	1,185
Preliminary expenses and floatation costs		4,088	4,832
<b>Total assets</b>		<b>4,419,127</b>	<b>1,426,694</b>
<b>Liabilities</b>			
Payable to National Fullerton Asset Management Limited - Management Company		11,153	6,893
Payable to Central Depository Company of Pakistan Limited - Trustee		373	144
Payable to Securities and Exchange Commission of Pakistan		1,867	114
Payable on redemption of units		884	3,964
Accrued expenses and other liabilities	6	511	347
<b>Total liabilities</b>		<b>14,788</b>	<b>11,462</b>
<b>Net Assets</b>		<b>4,404,339</b>	<b>1,415,232</b>
<b>Unit Holders' Funds (as per statement attached)</b>		<b>4,404,339</b>	<b>1,415,232</b>
<b>Contingencies and Commitments</b>	9	-	-
<b>Number of units</b>			
<b>Number of units in issue</b>		<b>428,750,607</b>	<b>139,534,290</b>
<b>Rupees</b>			
<b>Net asset value per unit</b>		<b>10.2725</b>	<b>10.1425</b>

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

Director

## NAFA GOVERNMENT SECURITIES LIQUID FUND

### CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Note	Nine months ended March 31, 2010	Quarter ended March 31, 2010
----- Rupees in '000 -----			
<b>INCOME</b>			
Gain / (loss) on sale of investments - net		(405)	(329)
Income from treasury bills		211,003	96,361
Income from term deposit receipts		33,446	14,490
Income from money market placements		19,027	9,510
Profit on bank deposits		33,026	13,936
Unrealised (loss) on investments at fair value through profit or loss - net		(888)	(95)
<b>Total Income</b>		<b>295,209</b>	<b>133,873</b>
<b>EXPENSES</b>			
Remuneration of National Fullerton Asset Management Limited – Management Company		37,332	16,957
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,430	1,033
Annual fee - Securities and Exchange Commission of Pakistan		1,867	848
Securities transaction cost		725	323
Bank charges		587	164
Annual listing fee		15	5
Auditors' remuneration		262	62
Amortisation of preliminary expenses and floatation costs		744	244
Other charges		361	107
<b>Total Expenses</b>		<b>44,323</b>	<b>19,743</b>
<b>Net income from operating activities</b>		<b>250,886</b>	<b>114,130</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		44,932	26,738
<b>Net income for the period before taxation</b>		<b>295,818</b>	<b>140,868</b>
<b>Taxation</b>		-	-
<b>Net income for the period after taxation</b>	7	<b>295,818</b>	<b>140,868</b>
<b>Earnings per unit</b>	8	<b>-----</b>	<b>-----</b>

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

Director

## NAFA GOVERNMENT SECURITIES LIQUID FUND

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME ( UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Nine months ended March 31, 2010	Quarter ended March 31, 2010
	----- Rupees in '000 -----	
Net income for the period after taxation	295,818	155,412
<b>Other comprehensive income</b>		
Element of income / (loss) and capital gains (losses) included in prices of units sold less those in units repurchased -	676	214
<b>Total comprehensive income for the period</b>	<u>296,494</u>	<u>155,626</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

Director

## NAFA GOVERNMENT SECURITIES LIQUID FUND

### CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Nine months ended March 31, 2010	Quarter ended March 31, 2010
	----- Rupees in '000 -----	
Undistributed income brought forward comprising:		
Realised income	20,051	74,552
Unrealised (loss) / income	<u>(162)</u>	<u>(2,286)</u>
	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)	-
-Cash Distribution	(4,880)	-
Interim distribution for the quarter ended December 31, 2009: 2.5010% (declared on February 17, 2010)		
- Bonus Units	(109,483)	(109,483)
-Cash Distribution	(4,903)	(4,903)
Net income for the period	295,818	140,868
Other comprehensive income Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased	676	214
Undistributed income carried forward	<u>114,709</u>	<u>98,962</u>
Undistribution income comprising:		
Realised income	115,760	99,058
Unrealised (loss) / income	<u>(1,051)</u>	<u>(96)</u>
	<u>114,709</u>	<u>98,962</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

Director



## NAFA GOVERNMENT SECURITIES LIQUID FUND

### CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Nine months ended March 31, 2010	Quarter ended March 31, 2010
----- Rupees in '000 -----		
Net assets at the beginning of the period	1,415,232	3,412,507
Issue of 786,628,488 units - including 18,682,673 bonus units	7,842,124	2,972,752
Redemption of 497,412,171 units	(5,091,179)	(2,090,147)
	2,750,945	882,605
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	(44,932)	(26,738)
-amount representing (income) / losses that form part of the unit holders' fund transferred to statement of comprehensive income	(676)	(214)
	(45,608)	(26,952)
Unrealised (loss)/ gain on investments at fair value through profit or loss - net	(888)	(95)
Gain / (loss) on sale of investments - net	(405)	(329)
Other income (net of expenses)	297,111	141,292
Net income for the period	295,818	140,868
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)	-
Cash Distribution	(4,880)	-
Interim distribution for the quarter ended December 31, 2009: 2.5010% (declared on February 17, 2010)		
Bonus Units	(109,483)	(109,483)
Cash Distribution	(4,903)	(4,903)
Add: Bonus distribution during the period		
Final Distribution	16,591	-
Interim Distribution	172,359	109,483
<b>Other comprehensive income</b>		
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased	676	214
<b>Net assets at the end of the period</b>	<b>4,404,339</b>	<b>4,404,339</b>

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

Director

## NAFA GOVERNMENT SECURITIES LIQUID FUND

### CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Nine months ended March 31, 2010	Quarter ended March 31, 2010
----- Rupees in '000 -----		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	295,818	140,868
<b>Adjustments</b>		
Unrealised loss on investments at fair value through profit or loss - net	888	95
Amortisation of preliminary expenses and floatation costs	744	244
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	<u>(44,932)</u>	<u>(26,738)</u>
	252,518	114,469
<b>(Increase) / decrease in assets</b>		
Investments - net	<u>(1,925,475)</u>	<u>(346,493)</u>
Loans and receivables	<u>(834,407)</u>	<u>(430,899)</u>
Profit receivable	<u>(19,135)</u>	<u>(6,100)</u>
Prepayments and other receivables	<u>(3,637)</u>	<u>28,380</u>
	(2,782,654)	(755,112)
<b>Increase / (decrease) in liabilities</b>		
Payable to National Fullerton Asset Management Limited - Management Company	<u>4,260</u>	<u>1,465</u>
Payable to Central Depository Company of Pakistan Limited - Trustee	<u>229</u>	<u>73</u>
Payable to Securities and Exchange Commission of Pakistan	<u>1,753</u>	<u>848</u>
Payable on redemption of units	<u>(3,080)</u>	<u>(5,117)</u>
Accrued expenses and other liabilities	<u>164</u>	<u>47</u>
	3,326	(2,684)
<b>Net cash outflow on operating activities</b>	<u>(2,526,810)</u>	<u>(643,327)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	<u>7,842,124</u>	<u>2,972,752</u>
Payments on redemption of units	<u>(5,091,179)</u>	<u>(2,090,147)</u>
Distribution paid	<u>(12,724)</u>	<u>(4,903)</u>
<b>Net cash inflow from financing activities</b>	<u>2,738,221</u>	<u>877,702</u>
Net increase in cash and cash equivalents during the period	211,411	234,375
Cash and cash equivalents at the beginning of the period	275,045	252,081
<b>Cash and cash equivalents as at March 31, 2010</b>	<u><u>486,456</u></u>	<u><u>486,456</u></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

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

### 1. LEGAL STATUS AND NATURE OF BUSINESS

NAFA Government Securities Liquid Fund (NGSLF / 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).

NGSLF 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 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.

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position (referred to as the statement of assets and liabilities in these condensed interim financial statements) as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

## NAFA GOVERNMENT SECURITIES LIQUID FUND

The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present two performance statements. As a result non-owner changes in equity which were previously credited directly in the statement of movement in unit holders' fund and the distribution statement are now shown as other comprehensive income in the performance statement (referred to as statement of comprehensive income in these condensed interim financial statements). The change in presentation has not affected the values of the net assets of the Fund for either the current or any of the prior periods and hence restated statement of assets and liabilities has not been presented.

- 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 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 a 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.

## NAFA GOVERNMENT SECURITIES LIQUID FUND

<b>4 INVESTMENTS</b>	Note		(Unaudited) March 31, 2010	(Audited) June 30, 2009
<b>At fair value through profit or loss - held for trading</b>			<b>Rupees in '000</b>	
Government securities - Market Treasury Bills			2,835,764	911,177
			<u>2,835,764</u>	<u>911,177</u>

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

Issue date	Tenor	..... Face value ( Rupees in '000) .....				Balance as at March 31, 2010	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 01, 2009	Purchases during the period	Sales / matured during the period	As at March 31, 2010	Market Value		
<b>Treasury Bills (Rupees in '000)</b>								
February 12, 2009	6 months	475,000	-	475,000	-	-	-	-
January 29, 2009	6 months	325,000	-	325,000	-	-	-	-
June 18, 2009	6 months	25,000	75,000	100,000	-	-	-	-
February 26, 2009	6 months	100,000	150,000	250,000	-	-	-	-
January 15, 2009	6 months	-	75,000	75,000	-	-	-	-
March 26, 2009	6 months	-	425,000	425,000	-	-	-	-
October 23, 2008	12 months	-	25,000	25,000	-	-	-	-
January 15, 2009	12 months	-	150,000	150,000	-	-	-	-
January 29, 2009	12 months	-	200,000	200,000	-	-	-	-
April 09, 2009	6 months	-	100,000	100,000	-	-	-	-
April 23, 2009	6 months	-	250,000	250,000	-	-	-	-
May 07, 2009	6 months	-	550,000	550,000	-	-	-	-
June 04, 2009	6 months	-	100,000	100,000	-	-	-	-
July 16, 2009	6 months	-	125,000	125,000	-	-	-	-
September 10, 2009	3 months	-	300,000	300,000	-	-	-	-
November 05, 2009	3 months	-	400,000	400,000	-	-	-	-
February 12, 2009	12 months	-	500,000	500,000	-	-	-	-
September 10, 2009	6 months	-	525,000	525,000	-	-	-	-
December 03, 2009	3 months	-	487,500	487,500	-	-	-	-
February 26, 2009	12 months	-	50,000	50,000	-	-	-	-
October 22, 2009	3 months	-	212,500	212,500	-	-	-	-
October 08, 2009	3 months	-	450,000	450,000	-	-	-	-
March 26, 2009	12 months	-	40,000	40,000	-	-	-	-
March 12, 2009	12 months	-	100,000	100,000	-	-	-	-
May 07, 2009	12 months	-	250,000	-	250,000	247,076	5.61	8.71
February 11, 2010	3 months	-	512,500	-	512,500	506,505	11.50	17.86
February 25, 2010	3 months	-	575,000	-	575,000	565,662	12.84	19.95
March 11, 2010	3 months	-	245,000	-	245,000	239,918	5.45	8.46
January 14, 2010	3 months	-	150,000	-	150,000	149,619	3.40	5.28
June 04, 2009	12 months	-	250,000	-	250,000	244,815	5.56	8.63
June 18, 2009	12 months	-	150,000	-	150,000	146,219	3.32	5.16
April 09, 2009	12 months	-	170,000	-	170,000	169,569	3.85	5.98
March 25, 2010	3 months	-	250,000	-	250,000	243,699	5.53	8.59
April 23, 2009	12 months	-	325,000	-	325,000	322,682	7.33	11.38
		<u>925,000</u>	<u>8,167,500</u>	<u>6,215,000</u>	<u>2,877,500</u>	<u>2,835,764</u>	<u>64.39</u>	<u>100.00</u>

Cost of investments as at March 31, 2010

2,836,814

<b>5 PROFIT RECEIVABLE</b>			(Unaudited) March 31, 2010	(Audited) June 30, 2009
			<b>----- Rupees in '000 -----</b>	
Profit on savings deposits			4,146	1,551
Profit on money market placements			7,140	-
Profit on term deposit receipts			12,304	2,904
			<u>23,590</u>	<u>4,455</u>

## NAFA GOVERNMENT SECURITIES LIQUID FUND

	(Unaudited) March 31, 2010	(Audited) June 30, 2009
	----- Rupees in '000 -----	
<b>6 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration	158	185
Payable to brokers	135	68
Bank charges payable	8	8
Others	210	86
	<u>511</u>	<u>347</u>

### 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 nine months and quarter ended March 31, 2010 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 Fund such contribution works out to Rs 6.314 million approximately as at March 31, 2010 (including Rs. 0.398 million for the year ended June 30, 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 currently 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 March 31, 2010 and June 30, 2009.

- 10 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

	Unaudited	
	Nine months ended March 31, 2010	Quarter ended March 31, 2010
	Rupees in '000	
<b>10.1 Details of the transactions with connected persons are as follows:</b>		
<b>National Fullerton Asset Management Limited - Management Company</b>		
Management fee expense for the period	37,332	16,957
Units Issued (3,796,492 units)	39,000	20,000
Units Redeemed (3,824,972 units)	39,176	20,109
Bonus units issued (28,480 units)	289	289
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	2,430	1,033
<b>National Bank of Pakistan - Sponsor</b>		
Cash dividend	1,920	750
T-bills purchased during the period	478,522	257,264
<b>NIB Bank Limited - Sponsor</b>		
Profit on bank deposit	81	27
Cash dividend	1,170	375
Units Redeemed (1,500,000 units)	15,489	-
T-bills purchased during the period	1,777,136	293,444
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Bonus units issued (259,063 units)	2,614	1,040
<b>Chief Executive Officer</b>		
Units Issued (426,675 units)	2,000	2,000
<b>Chief Financial Officer</b>		
Bonus units issued (3,444 units)	39	23
Units Issued (230,323 units)	2,351	-
Units Redeemed (234,938 units)	2,412	1,178
<b>Employees of the Management Company</b>		
Bonus units issued (45,292 units)	453	229
Units Issued / transferred In (4,929,479 units)	50,357	17,409
Units Redeemed / transferred out (4,115,864 units)	42,046	15,471
<b>NAFA Provident Fund Trust - Provident Fund</b>		
Units Issued / transferred In (491,299 units)	5,000	5,000
Units Redeemed / transferred out (130,600 units)	1,332	1,332
	<b>Unaudited March 31, 2010</b>	<b>Audited June 30, 2009</b>
<b>10.2 Amounts outstanding as at period end</b>		
	Rupees in '000	
<b>National Fullerton Asset Management Limited - Management Company</b>		
Management fee payable	6,196	1,651
Others	4,957	5,242
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	373	144
<b>National Bank of Pakistan - Sponsor</b>		
Investment held by the Sponsor in the Fund (3,000,000 units; June 30, 2009: 3,000,000 units)	30,818	30,428
Balance in current account	542	341
<b>NIB Bank Limited - Sponsor</b>		
Investment held by the Sponsor in the Fund (1,500,000 units; June 30, 2009: 3,000,000 units)	15,409	30,428
Balance in saving account	1,111	303

## NAFA GOVERNMENT SECURITIES LIQUID FUND

	Unaudited March 31, 2010	Audited June 30, 2009
<b>Rupees in '000</b>		
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Investment held by the Sponsor in the Fund (4,259,063 units; June 30, 2009: 4,000,000 units)	43,751	40,570
<b>Chief Executive Officer</b>		
Investment held by the Chief Executive Officer in the Fund (196,352 units; June 30, 2009: Nil units)	2,017	-
<b>Chief Financial Officer</b>		
Investment held by the Chief Financial Officer in the Fund (28,467 units; June 30, 2009: 1,487 units)	292	15
<b>Employees of the Management Company</b>		
Investment held by the executives in the Fund (1,105,312 units; June 30, 2009: 345,448 units)	11,354	3,504
<b>NAFA Provident Fund Trust - Provident Fund</b>		
Investment held by the executives in the Fund (360,699 units; June 30, 2009: Nil units)	3,705	-

### 11 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on April 29, 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 assets of the Fund of either current or prior periods presented.
- 12.3 Since the Fund's first accounting period commenced from April 29, 2009 the comparative figures for corresponding period 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

Director