


## 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. Patrick Pang Chin Hwang	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Patrick Pang Chin Hwang	Chairman
Mr. Shehryar Faruque	Member
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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

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

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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 unaudited (reviewed) financial statements of NAFA Government Securities Liquid Fund (NGSLF) for the half year ended December 31, 2011.

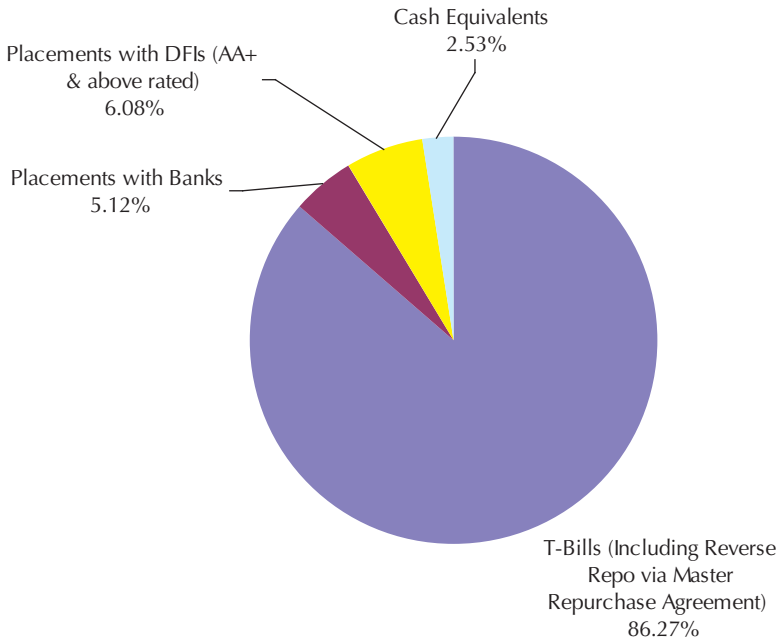
### Fund's Performance

The size of NAFA Government Securities Liquid Fund has increased from Rs. 10,810 million to Rs. 15,636 million during the period, i.e. an increase of 44.64%. During the said period, the unit price of the Fund has increased from Rs. 9.6427 (Ex-Div) on June 30, 2011 to Rs. 10.1849 on December 31, 2011, thus showing an annualized return of 11.46% as compared to its Benchmark (70%3-MonthT-Bills & 30% average 3-Month deposit rate of 'AA' & above rated banks) annualized return of 11.10% for the same period.

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

In the present economic environment money market funds are very attractive given their very low credit and interest rate risk. The management is announcing monthly dividends since July 2011 and intends to continue this policy in the future as well.

The Fund has earned total income of Rs.813.49 million during the period. After deducting expenses of Rs.121.19 million, the net income is Rs.692.30 million. The asset allocation of the Fund as on December 31, 2011 is as follows:



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Income Distribution

The Board of Directors of the Management Company has ratified interim monthly distribution of 5.38% of opening ex-NAV (5.426% of par value) for the period.

## 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: February 17, 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) 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 six months period ended December 31, 2011 in accordance with the provisions of the following:

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

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

Karachi: February 28, 2012

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNITHOLDERS

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Government Securities Liquid Fund** as at December 31, 2011 and the related 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 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, 2011. The Management Company (NBP 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 for interim financial reporting. 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 statement of movement in unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2011 and December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

### *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 Standards 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, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F. Ferguson & Co.  
Chartered Accountants

Dated: February 28, 2012

Karachi



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2011

	Note	Un-audited December 31, 2011	Audited June 30, 2011
------(Rupees in '000)-----			
<b>ASSETS</b>			
Balances with banks		1,214,826	872,997
Investments	4	11,656,044	7,918,819
Loans and receivables		2,782,765	2,008,467
Profit receivable		44,692	55,740
Prepayments and other receivables		7,007	7,386
Preliminary expenses and floatation costs		2,351	2,849
<b>Total assets</b>		<b>15,707,685</b>	<b>10,866,258</b>
<b>LIABILITIES</b>			
Payable to the Management Company		18,483	11,221
Payable to the Trustee		1,019	732
Payable to Securities and Exchange Commission of Pakistan		4,824	6,756
Payable on redemption of units		-	3,638
Accrued expenses and other liabilities		47,425	33,477
<b>Total liabilities</b>		<b>71,751</b>	<b>55,824</b>
<b>NET ASSETS</b>		<b>15,635,934</b>	<b>10,810,434</b>
<b>Unit Holders' Funds (as per statement attached)</b>		<b>15,635,934</b>	<b>10,810,434</b>
<b>Contingencies and Commitments</b>	6		
<b>Number of units in issue</b>		<b>1,535,206,226</b>	<b>1,043,538,317</b>
		<b>Rupees</b>	
<b>Net asset value per unit</b>	3.4	<b>10.1849</b>	<b>10.3594</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Note	Half year ended		Quarter ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----					
<b>INCOME</b>					
Capital gain / (loss) on sale of investments - net		1,618	(667)	2,128	(528)
Income from government securities		605,888	328,367	307,572	176,348
Income from term deposit receipts		55,187	38,985	20,108	20,983
Income from money market placements		139,658	78,508	79,887	46,638
Profit on bank deposits		18,429	18,478	9,928	8,635
Net unrealised diminution in the value of investments classified as 'financial assets at fair value through profit or loss'		(7,290)	(2,091)	(3,241)	(2,532)
<b>Total Income</b>		<b>813,490</b>	<b>461,580</b>	<b>416,382</b>	<b>249,544</b>
<b>EXPENSES</b>					
Remuneration of the Management Company		80,401	47,456	42,613	25,217
Sindh sales tax on remuneration of the Management Company	7	12,865	-	6,819	-
Remuneration of the Trustee		5,201	3,225	2,745	1,702
Annual fee - Securities and Exchange Commission of Pakistan		4,824	2,847	2,557	1,513
Securities transaction cost		2,201	844	1,138	575
Bank charges		701	323	439	142
Annual listing fee		20	20	10	12
Rating fee		100	101	50	51
Auditors' remuneration		248	225	124	109
Amortisation of preliminary expenses and floatation costs		498	500	249	250
Other charges		-	24	-	(59)
<b>Total Expenses</b>		<b>107,059</b>	<b>55,565</b>	<b>56,744</b>	<b>29,512</b>
<b>Net income from operating activities</b>		<b>706,431</b>	<b>406,015</b>	<b>359,638</b>	<b>220,032</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		-	(8,529)	-	5,614
Provision for workers' welfare fund	5	(14,133)	(7,950)	(7,197)	(4,513)
<b>Net income for the period before taxation</b>		<b>692,298</b>	<b>389,536</b>	<b>352,441</b>	<b>221,133</b>
Taxation	8	-	-	-	-
<b>Net income for the period after taxation</b>		<b>692,298</b>	<b>389,536</b>	<b>352,441</b>	<b>221,133</b>
<b>Earnings per unit</b>	3.5	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	------(Rupees in '000)-----			
Net income for the period after taxation	692,298	389,536	352,441	221,133
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>692,298</u>	<u>389,536</u>	<u>352,441</u>	<u>221,133</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----				
Undistributed income brought forward	361,079	151,339	179,921	179,934
Final distribution for the year ended June 30, 2011: 2.757% (2010: 2.5010% per unit) (Date of distribution: July 4, 2011)				
- Bonus units	(267,810)	(135,165)	-	-
- Cash distribution	(19,861)	(6,140)	-	-
	<u>73,408</u>	<u>10,034</u>	<u>179,921</u>	<u>179,934</u>
Net income for the period after taxation	692,298	389,536	352,441	221,133
Interim distributions during the half year and quarter ended December 31, 2011 and December 31, 2010 respectively				
- Bonus units	(451,922)	(166,851)	(247,406)	(166,851)
- Cash distribution	(122,091)	(15,135)	(107,966)	(15,135)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	37,102	3,149	51,805	1,652
Undistributed income carried forward	<u>228,795</u>	<u>220,733</u>	<u>228,795</u>	<u>220,733</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP 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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----				
Net assets at the beginning of the period	10,810,434	5,805,378	10,312,460	6,590,334
Issue of 1,487,043,830 units - including 71,281,876 bonus units (December 31, 2010: 670,042,949 units)	14,386,356	6,513,561	10,343,739	3,532,633
Redemption of 995,375,921 units (December 31, 2010: 509,360,226 units)	(10,111,202)	(5,212,379)	(5,264,740)	(2,840,001)
	4,275,154	1,301,182	5,078,999	692,632
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing accrued (income) / losses and capital (gains) / losses transferred to Income Statement	-	8,529	-	(5,614)
- amount representing (income) / losses that form part of the unit holders' fund transferred to Distribution Statement	(37,102)	(3,149)	(51,805)	(1,652)
	(37,102)	5,380	(51,805)	(7,266)
Unrealised loss on investments at fair value through profit or loss - net	(7,290)	(2,091)	(3,241)	(2,532)
Capital gain / (loss) on sale of investments	1,618	(667)	2,128	(528)
Other income (net of expenses)	697,970	392,294	353,554	224,193
Net income for the period	692,298	389,536	352,441	221,133
Distribution:				
Final distribution for the year ended June 30, 2011: 2.757% (June 30, 2010: 2.5010%)				
- Bonus Units	(267,810)	(135,165)	-	-
- Cash Distribution	(19,861)	(6,140)	-	-
Interim distributions during the half year and quarter ended December 31, 2011 and December 31, 2010 respectively				
- Bonus Units	(451,922)	(166,851)	(247,406)	(15,135)
-Cash Distribution	(122,091)	(15,135)	(107,966)	(166,851)
Add: Bonus distribution				
Final Distribution	267,810	135,165	-	-
Interim Distribution	451,922	166,851	247,406	166,851
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing income / (losses) that form part of the unit holders' fund	37,102	3,149	51,805	1,652
<b>Net assets at the end of the period</b>	<b>15,635,934</b>	<b>7,483,350</b>	<b>15,635,934</b>	<b>7,483,350</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the period	692,298	389,536	352,441	221,133
<b>Adjustments</b>				
Net unrealised diminution in the value of investments classified as 'financial assets at fair value through profit or loss'	7,290	2,091	3,241	2,532
Amortisation of preliminary expenses and floatation costs	498	500	249	250
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	-	8,529	-	(5,614)
	700,086	400,656	355,931	218,301
<b>(Increase) / decrease in assets</b>				
Investments	(3,744,515)	(536,842)	(4,795,021)	(295,933)
Loans and receivables	(774,298)	(1,463,433)	232,928	(379,840)
Profit receivable	11,048	(7,885)	48,254	(13,542)
Prepayments and other receivables	379	411	306	(590)
	(4,507,386)	(2,007,749)	(4,513,533)	(689,905)
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	7,262	(3,143)	1,766	(3,537)
Payable to the Trustee	287	145	225	87
Payable to Securities and Exchange Commission of Pakistan	(1,932)	(135)	2,557	1,513
Accrued expenses and other liabilities	13,948	10,366	8,850	5,127
	19,565	7,233	13,398	3,190
<b>Net cash outflow from operating activities</b>	<b>(3,787,735)</b>	<b>(1,599,860)</b>	<b>(4,144,204)</b>	<b>(468,414)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Receipts from issue of units	14,386,356	6,513,561	10,343,739	3,532,633
Payments on redemption of units	(10,114,840)	(5,286,092)	(5,269,574)	(2,841,816)
Distribution paid	(141,952)	(21,275)	(107,966)	(15,135)
<b>Net cash inflow from financing activities</b>	<b>4,129,564</b>	<b>1,206,194</b>	<b>4,966,199</b>	<b>675,682</b>
Net increase in cash and cash equivalents during the period	341,829	(393,666)	821,995	207,268
Opening balance of cash and cash equivalents	872,997	1,401,344	392,831	800,410
<b>Cash and cash equivalents at the end of the period</b>	<b>1,214,826</b>	<b>1,007,678</b>	<b>1,214,826</b>	<b>1,007,678</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

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

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

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of International Accounting Standard (IAS) 34: 'Interim Financial Reporting', the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the 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 IAS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2011.

2.3 This condensed interim financial information is unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance. Accordingly, the Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2011.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period:

The following new standards and amendments to existing standards are mandatory for the first time for the financial periods beginning July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of the revised standard did not have any impact on the Fund's condensed interim financial information.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have any impact on the Fund's condensed interim financial information.

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

## 3.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) 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 this condensed interim financial information.

## 3.3 During the current period, 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 period and on unrealised appreciation / (diminution) arising during the period 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 period 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 ICAP's recommendation to the SECP, element of income, being in the nature of "equalization account" does not qualify for recognition either as expense or income as per International Financial Reporting Standards (IFRSs). Therefore, in order to enhance harmonization 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.

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

- net income for the period would have been higher by Rs 37.102 million; and
- amount taken to distribution statement would have been higher by Rs 4.001 million.





# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

Issue Date	Tenor	Face Value				Market value as at December 31, 2011	Market value as a percentage of net asset	Market value as a percentage of total investments
		As at July 1, 2011	Purchases during the period	Sales / matured during the period	As at December 31, 2011			
		-----Rupees in '000-----				-----%		
August 11, 2011	6 months	-	1,298,000	-	1,298,000	1,281,291	8.19	10.99
August 25, 2011	6 months	-	2,271,000	1,000,000	1,271,000	1,248,992	7.99	10.72
February 24, 2011	12 months	-	400,000	-	400,000	393,074	2.51	3.37
December 01, 2011	3 months	-	750,000	-	750,000	737,013	4.71	6.32
September 08, 2011	6 months	-	70,000	-	70,000	68,480	0.44	0.59
Total as at December 31, 2011						<u>11,656,044</u>	<u>74.55</u>	<u>100.00</u>
Carrying Value as at December 31, 2011						11,663,334		
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'						<u>(7,290)</u>		
Total as at June 30, 2011						<u>7,918,819</u>		

## 5 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 Honourable High Court of Sindh ("the Court"/"SHC"), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to June 30, 2011, the Honourable 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 and struck them down. 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 46.557 million in this condensed interim financial information.

## 6 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2011 (June 30, 2011: Nil).

## 7 SINDH SALES TAX ON REMUNERATION FEE OF MANAGEMENT COMPANY

During the current period, the provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 8 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 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 provision for taxation as the Management Company, on behalf of the Fund, intends to distribute at least 90 percent of the Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealised) to its unit holders.

## 9 INTERIM DISTRIBUTIONS

The Fund makes distribution on a monthly basis and has made following distributions during the period.

Date	Rate per Unit	Bonus		Cash Distribution	Total
		Units	Amount		
-----Rupees in '000)-----					
August 02, 2011	Re 0.0908	10,262,733	103,576	6,685	110,261
September 06, 2011	Re 0.0908	9,982,674	100,940	7,440	108,380
October 03, 2011	Re 0.0908	8,373,825	84,617	6,988	91,605
November 02, 2011	Re 0.0928	8,615,593	87,115	53,081	140,196
December 02, 2011	Re 0.0887	7,488,356	75,674	47,897	123,571
		44,723,181	451,922	122,091	574,013

As per clause 11 of the Trust Deed and clause 5 of the Offering Document, the Management Company, on behalf of the Fund, on a monthly basis (except June) distributes cash dividend, bonus, partially cash / bonus or in any other form acceptable to the Commission (such as bonus units) that may qualify under the tax laws. Net income (after deducting all the expenses of the Fund) earned upto 30th of each month may be distributed by the Management Company. The Board of Directors on April 19, 2011 have passed a resolution providing standing authorisation to the Chief Executive Officer to approve and declare interim dividends out of profits earned by the Fund upto the 30th of each month.

## 10 TRANSACTIONS WITH CONNECTED PERSONS

- 10.1 Connected persons include NBP Fullerton Asset Management Limited (NAFA) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 10.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 10.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 10.1 Details of the transactions with connected persons are as follows:

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----				
<b>Management Company</b>				
Management fee expense for the period	80,401	47,456	42,613	25,217
Sindh sales tax on remuneration of the Management Company	12,865	-	6,819	-
Bonus units issued (35,153 units; December 31, 2010: 14,457 units)	-	-	-	-
Units issued (1,978,964; December 31, 2010; 3,332,175 units)	20,000	34,000	20,000	29,000
Units redeemed (3,187,894 units; December 31, 2010: 3,346,632 units)	32,356	34,168	20,249	29,146
<b>National Bank of Pakistan - Sponsor</b>				
Cash Dividend	98,163	1,502	92,391	752
T-Bills purchased during the period	-	99,576	-	-
Units issued (490,413,289 units; December 31, 2010: Nil units)	5,003,171	-	5,003,171	-
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>				
Bonus units issued (136,971 units; December 31, 2010: 165,957 units)	-	-	-	-
Units redeemed (2,614,285 units; December 31, 2010: 2,176,558 units)	26,573	22,000	26,573	22,000
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Trustee fee for the period	5,201	3,225	2,745	1,702
<b>Kamal A Chinoy - Director</b>				
Bonus units issued (4,843 units; December 31, 2010: Nil units)	-	-	-	-
<b>Chief Executive Officer</b>				
Bonus units issued (38,446 units; December 31, 2010: Nil units)	-	-	-	-
Units redeemed (677,813 units; December 31, 2010: Nil units)	6,880	-	5,480	-
<b>Chief Financial Officer</b>				
Bonus units issued (3,588 units; December 31, 2010: Nil units)	-	-	-	-
Units issued (55,440 units; December 31, 2010: Nil units)	561	-	361	-
Units redeemed (42,183 units; December 31, 2010: Nil units)	429	-	329	-
<b>NAFA Provident Fund Trust - Provident Fund</b>				
Bonus units issued (30,534 units; December 31, 2010: 17,215 units)	-	-	-	-
Units issued (864,772 units; December 31, 2010: 660,626 units)	8,770	6,716	3,429	3,350
Units redeemed (914,674 units; December 31, 2010: 811,506 units)	9,280	8,285	3,438	3,793
<b>Employees of the Management Company</b>				
Bonus units issued (76,373 units; December 31, 2010: 55,324 units)	-	-	-	-
Units issued (2,937,132 units; December 31, 2010: 1,724,576 units)	29,837	224	11,023	24
Units redeemed (3,067,304 units; December 31, 2010: 1,628,840 units)	31,148	587	11,918	94
<b>NBP Employees Pension Fund</b>				
Bonus units issued (867,678 units; December 31, 2010: Nil units)	-	-	-	-

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	------(Rupees in '000)-----			
<b>NBP Endowment Funds Students Loan Scheme</b>				
Bonus units issued (1,111,268 units; December 31, 2010: Nil units)	-	-	-	-
Units issued (3,939,516 units; December 31, 2010: Nil units)	40,000	-	15,000	-
<b>NBP Exchange Company Limited</b>				
Bonus units issued (1,513,507 units; December 31, 2010: Nil units)	-	-	-	-
Units issued (53,332 units; December 31, 2010: Nil units)	539	-	272	-
<b>NBP Leasing Limited Employees Provident Fund</b>				
Bonus units issued (2,594 units; December 31, 2010: Nil units)	-	-	-	-
Units issued (83,591 units; December 31, 2010: Nil units)	851	-	386	-

## 10.2 Amounts outstanding as at period / year end

	(Un-Audited)	(Audited)
	December 31, 2011	June 30, 2011
	------(Rupees in '000)-----	
<b>Management Company</b>		
Receivable from the management company	6,980	6,980
Management fee payable	15,933	11,190
Sindh sales tax payable on remuneration of the Management Company	2,550	-
Other payable	-	31
Investment held by the Management Company (Nil units; June 30, 2011: 1,173,777)	-	12,160
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	1,019	732
<b>National Bank of Pakistan - Sponsor</b>		
Investment held by the Sponsor in the Fund (502,955,312 units; June 30, 2011: 12,622,046 units)	5,122,550	130,757
Balance in current account	15,968	13,464
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Investment held by the Sponsor in the Fund (Nil units; June 30, 2011: 2,477,314 units)	-	25,663
<b>Chief Executive Officer</b>		
Investment held by the Chief Executive Officer (1,079 units; June 30, 2011: 640,446 units)	11	6,635
<b>Chief Financial Officer</b>		
Investment held by the Chief Financial Officer (55,597 units; June 30, 2011: 38,752 units)	566	401

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	(Un-Audited) December 31 2011 ----- <i>(Rupees in '000)</i> -----	(Audited) June 30, 2011
<b>Kamal A Chinoy - Director</b> Investment held by the Director in the Fund (70,003 units; June 30, 2011: Nil units)	713	-
<b>NAFA Provident Fund Trust - Provident Fund</b> Investment held by the Sponsor in the Fund (396,148 units; June 30, 2011: 415,516 units)	4,035	4,304
<b>Employees of the Management Company</b> Investment held by the employees in the Fund (860,205 units; June 30, 2011: 936,489 units)	8,761	9,701
<b>NBP Employees Pension Fund</b> Investment held in the Fund (12,542,023 units; June 30, 2011: 11,674,345 units)	127,739	120,939
<b>NBP Endowment Funds Students Loan Scheme</b> Investment held in the Fund (18,311,802 units; June 30, 2011: 13,261,018 units)	186,504	137,376
<b>NBP Exchange Company Limited</b> Investment held in the Fund (21,914,511 units; June 30, 2011: 20,347,672 units)	223,197	210,790
<b>NBP Leasing Limited Employees Provident Fund</b> Investment held in the Fund (92,980 units; June 30, 2011: 6,795 units)	947	70
<b>NAFA Asset Allocation Fund</b> Receivable against transfer sales	-	303

## 11 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant changes or reclassifications were made in this condensed interim financial information.

## 12 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on February 17, 2012 has ratified an interim monthly distribution at the rate of 0.887% for the month of December, 2011. The financial statements of the Fund for the half year and quarter ended December 31, 2011 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the quarter ending March 31, 2012.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 13 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on 17 February, 2012 by the Board of Directors of the Management Company.

## 14 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director