

**AM1**  
Rated by PACRA



NBP Fullerton  
Asset Management Ltd.  
A Subsidiary of  
National Bank of Pakistan

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## ANNUAL REPORT 2017



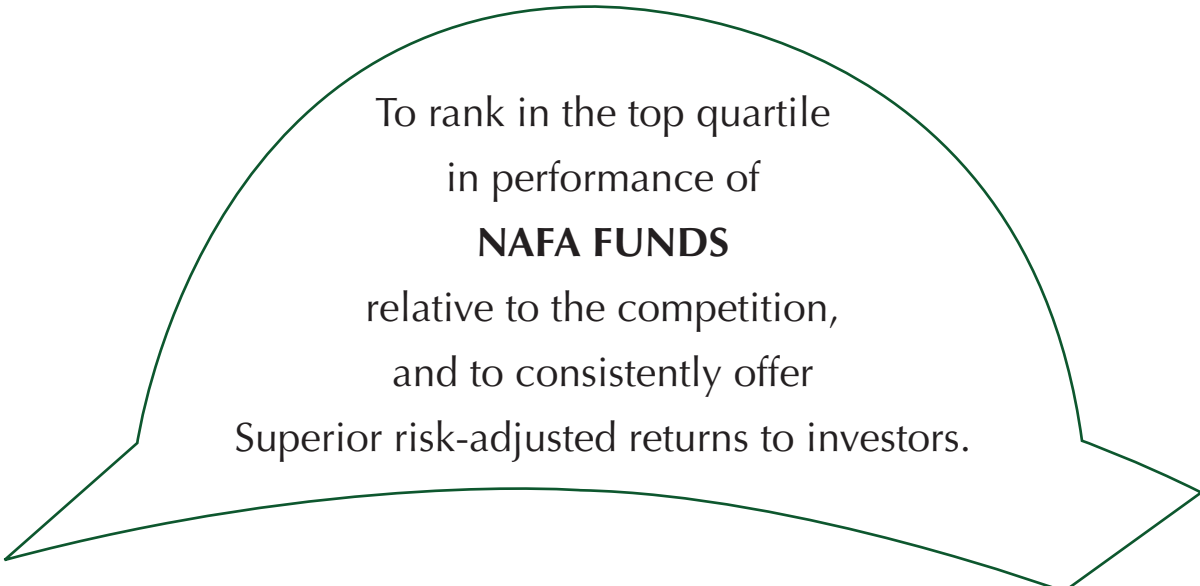
*Your investments & "NAFA" grow together*



**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## 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. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr Humayun Bashir	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Dr. Foo Chiah Shiung (Kelvin Foo)	Member
Mr. Tariq Jamali	Member

### Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Lui Mang Yin (Martin Lui)	Member
Mr. Abdul Hadi Palekar	Member

### Trustee

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

### Bankers to the Fund

Allied Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
United Bank Limited  
National Bank of Pakistan  
Summit Bank Limited  
JS Bank Limited  
Askari Bank Limited  
Sindh Bank Limited  
Samba Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Bankislami Pakistan Limited  
Zarai Taraqiyati Bank Limited  
MCB Bank Limited  
Soneri Bank Limited  
Faysal Bank Limited

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## **Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No.02  
Beaumont Road,  
Karachi - 75530, Pakistan.

## **Legal Advisor**

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

## **Head Office:**

7<sup>th</sup> Floor Clifton Diamond Building, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: 111-111-NFA (111-111-632)  
Helpline (Toll Free): 0800-20001  
Fax: (021) 35825329

## **Lahore Office:**

7-Noon Avenue, Canal Bank,  
Muslim Town, Lahore.  
UAN: 042-111-111-632  
Fax: 92-42-35861095

## **Islamabad Office:**

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

## **Peshawar Office:**

Opposite Gul Haji Plaza, 2nd Floor  
National Bank Building  
University Road Peshawar,  
UAN: 091-111 111 632 (nfa)  
Fax: 091-5703202

## **Multan Office:**

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

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# Board of Directors



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Mudassir Husain Khan  
Chairman



Mr. Kamal Amir Chinoy  
Director



Mr. Lui Mang Yin (Martin Lui)  
Director



Mr. Tariq Jamali  
Director



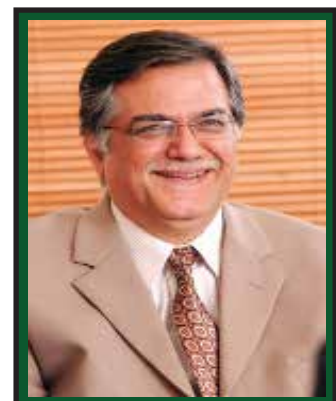
Mr. Shehryar Faruque  
Director



Dr. Foo Chiah Shiung (Kelvin Foo)  
Director

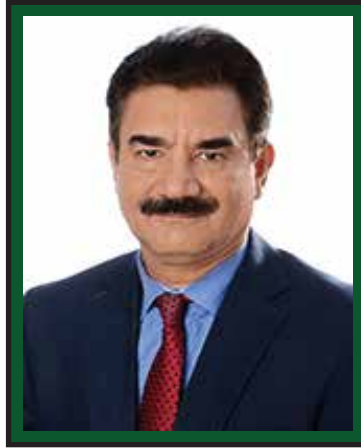


Mr. Abdul Hadi Palekar  
Director



Mr. Humayun Bashir  
Director

# Senior Management



**Dr. Amjad Waheed, CFA**  
**Chief Executive Officer**



**Mr. Sajjad Anwar, CFA**  
**Chief Investment Officer**



**Mr. M. Murtaza Ali**  
**Chief Operating Officer**  
**& Company Secretary**



**Mr. Khalid Mehmood**  
**Chief Financial Officer**



**Mr. Samiuddin Ahmed**  
**Country Head Corporate**  
**Marketing**



**Mr. Ozair Khan**  
**Chief Technology Officer**



**Mr. Hassan Raza, CFA**  
**Head of Research**



**Mr. Muhammad Ali, CFA, FRM**  
**Head of Fixed Income**



**Mr. Taha Khan Javed, CFA**  
**Head of Equity**



**Syed Ali Azhar Hasani**  
**Head of Internal Audit**



**Mr. Salman Ahmed**  
**Head of Risk Management**



**Mr. Raheel Rehman, ACA**  
**Senior Manager Compliance**



**Mr. Shahbaz Umer**  
**Head of Human Resource &**  
**Administration**

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Ninth Annual Report of **NAFA Government Securities Liquid Fund** for the year ended June 30, 2017.

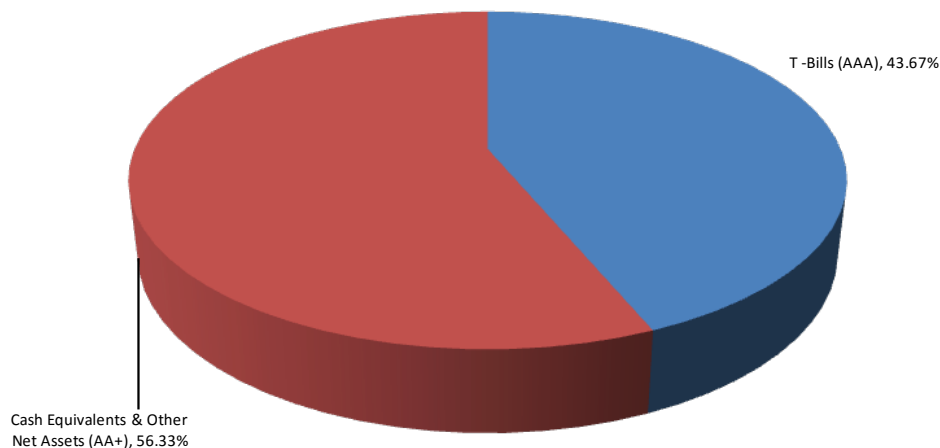
### Fund's Performance

The size of NAFA Government Securities Liquid Fund has increased from Rs. 3,172 million to Rs. 4,598 million during the period, i.e. an increase of around 45%. During the said period, the unit price of the Fund has increased from Rs. 9.4401 (Ex-Div) on June 30, 2016 to Rs. 10.1614 on June 30, 2017, thus posting a return of 7.64% as compared to its Benchmark return of 5.30% for the same period. The return of the Fund is net of management fee and all other expenses.

NGSLF's stability rating is 'AAA (f)' awarded by PACRA. NGSLF is the largest Fund in Pakistan in this rating category. The rating reflects exceptionally strong credit and liquidity profile of the Fund. T-Bills are the major asset class of the Fund. Exposure of the Fund to credit, liquidity and interest rate risks are exceptionally low due to a minimum of 70% investment in Government securities (T-Bill) with average maturity of the overall portfolio at 45 days. The Fund is allowed to invest in AA & above rated Banks/DFIs with maximum maturity of six months.

Helped by the lower food prices, inflation as measured by the CPI averaged 4.2% for FY17. During the year, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited improving economic prospects amid investment activity in the context of CPEC gathering pace; but also highlighted its concerns on surge in imports, which along with a marginal decline in exports and workers' remittances widened the current account deficit. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraging the private sector to undertake capacity expansions. Sovereign yield curve slightly steepened as the short end of the curve inched up by 5-10 basis points whereas long-term yields increased by 40-60 basis points.

The Fund has earned a total income of Rs.261.61 million during the year. After deducting total expenses of Rs.54.05 million, the net income is Rs.207.56 million. The asset allocation of NAFA Government Securities Liquid Fund as on June 30, 2017 is as follows:





# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 7.48% of opening ex-NAV (7.59% of the par value) during the year.

## Taxation

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

## Auditors

The present auditors Messrs KPMG Taseer Hadi & Co. Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(i) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs Deloitte Yousuf Adil & Co., Chartered Accountant, for the year ending June 30, 2018.

## Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the current financial year. The attendance of all directors is disclosed in the note 22 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 21 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 18 to these financial statements.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 15, 2017

Place: Karachi.

## ڈائریکٹرز رپورٹ

این بی پی فلٹرن ایسیٹ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA گورنمنٹ سیکورٹیز لیکویڈ فنڈ (NGSLF) کی نویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2017ء پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

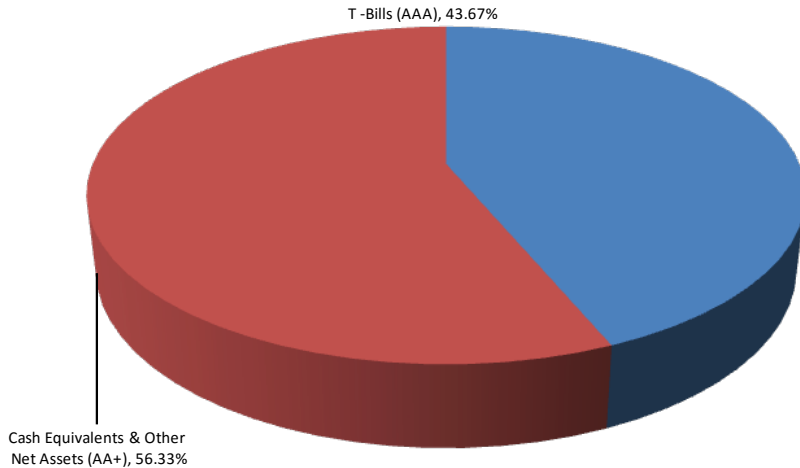
### فنڈ کی پرفارمنس

NAFA گورنمنٹ سیکورٹیز لیکویڈ فنڈ (NGSLF) کا فنڈ سائز اس مدت کے دوران 3,172 ملین روپے سے بڑھ کر 4,598 ملین روپے ہو گیا ہے، یعنی تقریباً 45% اضافہ۔ اس مدت کے دوران یونٹ کی قیمت 30 جون 2016 کو 9.4401 روپے (Ex-Div) سے بڑھ کر 30 جون 2017 کو 10.1464 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لیے فنڈ نے اپنے ہینج مارک منافع 5.30% کے مقابلے میں 7.64% منافع درج کرایا۔ فنڈ کا منافع منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NGSLF کو PACRA کی طرف سے دی گئی مستحکم ریٹنگ 'AAA(f)' ہے۔ NGSLF پاکستان میں اس ریٹنگ کیٹیگری میں سب سے بڑا فنڈ ہے۔ یہ ریٹنگ فنڈ کے غیر معمولی مستحکم کریڈٹ اور لیکویڈٹی پر فائل کی عکاسی کرتی ہے۔ T-بلز اس فنڈ کی بڑی ایسیٹ کلاس ہیں۔ مجموعی پورٹ فولیو کی 45 دن کی اوسط مچھوڑی کے ساتھ گورنمنٹ سیکورٹیز (T-بلز) میں کم از کم 70% سرمایہ کاری کے ساتھ فنڈ کے کریڈٹ، لیکویڈٹی اور انٹرسٹ ریٹ کے خطرات کی زد میں آنے کے امکانات نہ ہونے کے برابر ہیں۔ فنڈ کو زیادہ سے زیادہ چھ ماہ کی مچھوڑی کے ساتھ AA یا زائد ریٹنگ والے ڈیفیس (DFIs) میں سرمایہ کاری کرنے کی اجازت ہے۔

ایشیائے خوردنوٹس کی قیمتوں میں کمی کے سبب CPl کے مطابق مالی سال 2017 میں افراط زر اوسطاً 4.2% رہا۔ سال کے دوران اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی کی شرح 5.75% برقرار رکھی۔ SBP نے چین پاکستان اقتصادی راہداری (CPEC) کے تناظر میں منصوبوں کیلئے سرمایہ کاری کی کارروائیوں میں تیزی آنے کو معاشی صورتحال میں بہتری کا سبب قرار دیا؛ تاہم درآمدات میں اضافہ پر اپنے تحفظات کا اظہار کیا، جس کے ساتھ برآمدات میں بیرون ملک سے رقوم کی ترسیل میں کمی سے کرنٹ اکاؤنٹ کا خسارہ بڑھ گیا۔ SBP کی دانشمندانہ مانیٹری پالیسی کے نتیجے میں شرح سود میں استحکام اور کمی دیکھنے میں آئی؛ جس سے نجی شعبہ کو اپنی گنجائش بڑھانے میں حوصلہ افزائی ہوئی۔ قلیل حکومتی منافع میں 10-5 بنیادی پوائنٹس کے ساتھ بہتری آئی۔ جب کہ طویل مدت کے منافع میں 60-40 بنیادی پوائنٹس کا اضافہ ہوا۔

فنڈ نے اس سال کے دوران 261.61 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 54.05 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 207.56 ملین روپے ہے۔ NAFA گورنمنٹ سیکورٹیز لیکویڈ فنڈ کی ایسیٹ ایلوکیشن 30 جون 2017 کو بمطابق ذیل ہے:



### آمدنی کی تقسیم

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے اس سال کے دوران میں اوپننگ ex-NAV کے 7.48% (بنیادی قدر کا 7.59%) نقد ڈیویڈنڈ کی منظوری دی ہے۔

### ٹیکسیشن

درج بالا نقد منافع، سال کے دوران میں حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپیٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے سیکنڈ شیڈول کے پارٹ I کی شق 99 کے تحت ٹیکس لاگو نہیں ہے۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز KPMG تاخیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹرز کی حیثیت سے اپنی پانچ سالہ میعاد مکمل کر لی ہے اور۔ نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینڈ ریگولیشنز 2008 کی ریگولیشن (i) 38 کے تقاضے کے مطابق ان کا متبادل درکار ہوگا۔ بورڈ نے 30 جون 2018 کو ختم ہونے والے سال کے لیے میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس کی تقرری کی منظوری دے دی ہے۔

## کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔

5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔

7- سٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔

8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔

9- ٹیکسوں، ڈیوٹیز، محصولات اور چارجز کی مدین واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔

10- اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 22 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کیا گیا ہے۔

12- ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری اور ان کی بیویوں اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 18 میں ظاہر کی گئی ہے۔

## اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔ بورڈ اپنے اسٹاف اور اسٹریٹس کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلرٹن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

15 ستمبر 2017ء

مقام: کراچی

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA GOVERNMENT SECURITIES LIQUID FUND

**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Government Securities Liquid Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 26, 2017

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA GOVERNMENT SECURITIES LIQUID FUND FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented by the Board of Directors (the Board) of NBP Fullerton Asset Management Limited (the Company), the Management Company of NAFA Government Securities Liquid Fund (the Fund) to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, the Management Company, is not listed and hence, the CCG is not applicable to it. However, the Fund being listed on Pakistan Stock Exchange comes under the ambit of the CCG. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and appoints the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

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

1. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2017, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Lui Mang Yin 5. Dr. Kelvin Foo

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies were occurred on the board on November 21, 2016 and March 17, 2017 which were filled up on the same dates.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board. There is no other executive-director of the Company besides Chief Executive Officer (CEO).
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant of the relevant laws applicable to the Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. As of 30 June 2017, four directors of the Company had acquired the director's training certificate as required under the CCG. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Head of Internal Audit of the Company with remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Chief Financial Officer (CFO) during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 18 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors and the chairman of the committee is an independent director.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

18. The Board has set up an effective internal audit function headed by the Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions was determined and intimated to directors, employees and stock exchange except for 60th and 61st meeting of the Board of Directors.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with expect the following:
  - the mechanism was required to put in place for an annual evaluation of the Board within two years of coming into effect of the Code i.e. April 2014. The mechanism is in place and the Company is in the process of completion of annual evaluation of the Board.
  - the Company has not complied with the requirements relating to maintenance of register of persons employed having access to inside information nor any senior management officer has been designated by the Company responsible for maintaining proper record including basis for inclusion or exclusion of names of persons from the said list.

For and behalf of the Board

September 15, 2017  
Karachi

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**Dr. Amjad Waheed**  
Chief Executive Officer



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## FUND MANAGER REPORT

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

### Investment Objective of the Fund

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

### Benchmark

70% 3-Month PKRV & 30% average 3-Month deposit rates of three AA rated banks.

### Fund Performance Review

This is the ninth Annual report since the launch of the Fund on May 15, 2009. The Fund size increased by around 45% during FY17 and stands at Rs. 4,598 million as on June 30, 2017. The Fund's return since inception is 8.90% versus the benchmark return of 8.80%. The Fund's return for FY17 is 7.64% as against the benchmark return of 5.30%. The return of the Fund is net of management fee and all other expenses.

NGSLF's stability rating is 'AAA (f)' awarded by PACRA. NGSLF is the largest Fund in Pakistan in this rating category. The rating reflects exceptionally strong credit and liquidity profile of the Fund. T-Bills are the major asset class of the Fund. Exposure of the Fund to credit, liquidity and interest rate risks are exceptionally low due a minimum 70% investment in Government securities (T-Bill) with average maturity of the overall portfolio at 45 days. The Fund is allowed to invest in AA & above rated Banks/DFIs with maximum maturity of six months.

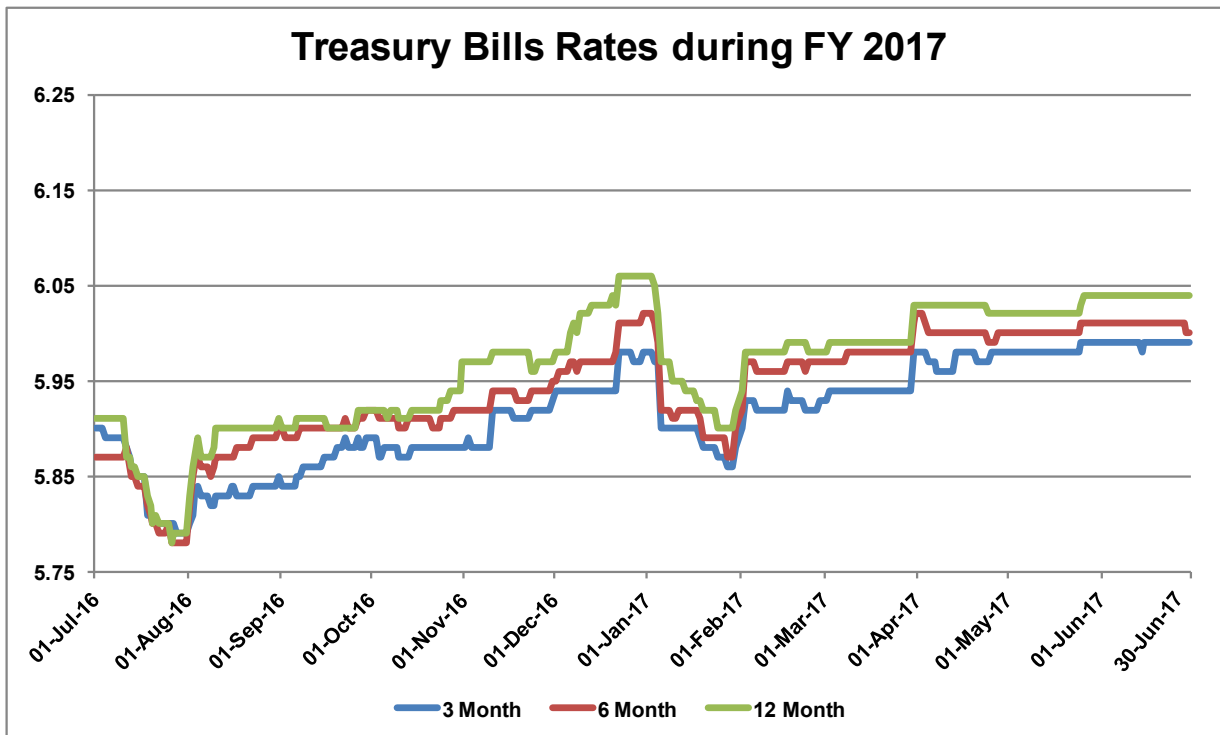
During the year, State Bank of Pakistan (SBP) held six (06) monetary policies and maintained the policy rate at 5.75%. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraged the private sector to undertake capacity expansions. Amid comfortable liquidity conditions, SBP kept the weighted average overnight repo rate close to the policy rate. SBP successfully concluded 03-Year Fixed Rental Rate GOP Ijara Sukuk (GIS-FRR) auction during the year for an amount of Rs. 71 billion and realized in line with the maturity amount at a yield of 5.24%.

### Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-17	30-Jun-16
T-Bills	43.67%	17.09%
Cash (Cash Equivalents) & Other Assets	56.33%	82.91%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

T-Bills yields during the year are shown in below graph:



Distribution for the Financial Year 2017

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
.Interim	7.59%	10.9056	10.1464

Unit Holding Pattern of NAFA Government Securities Liquid Fund as on June 30, 2017

Size of Unit Holding (Units)	# of Unit Holders
1-1000	387
1001-5000	198
5001-10000	71
10001-50000	188
50001-100000	94
100001-500000	113
500001-1000000	19
1000001-5000000	19
5000001-10000000	8
10000001-100000000	9
100000001-1000000000	0
	1,106

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## **During the period under question:**

During the year, the provision for Workers' Welfare Fund held by the fund till June 30, 2015 has been reversed on January 12, 2017. Further, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from May 21, 2015. For further details, refer note 11.1 to the financial statements.

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

## **Sindh Workers' Welfare Fund (SWWF)**

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 6.949 million. If the same were not made the NAV per unit/FY17 return of scheme would be higher by Rs. 0.0154 / 0.16%. For details investors are advised to read note 11.1 of the Financial Statement of the Scheme for the year ended June 30, 2017.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Review Report to the Unit Holders on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **NBP Fullerton Asset Management Limited** ("the Management Company") of NAFA Government Securities Liquid Fund (the Fund) for the year ended 30 June 2017, to comply with clause 5.19 of the Pakistan Stock Exchange Limited Regulations where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Management company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2017.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph reference	Description
21	As per the Code, there should be announcement of 'closed period' prior to the announcement of interim / final results and any business decisions, however a 'closed period' was not announced before 60th and 61st board meeting.
23	No register is maintained enlisting persons employed under contract or otherwise who have access to inside information.
23	A mechanism for an evaluation of the Board's own performance is in place. However, the Management Company is in the process of completion of the annual evaluation of the Board.

Date: September 15, 2017

Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### Report on the Financial Statements

We have audited the accompanying financial statements of **NAFA Government Securities Liquid Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2017 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unit holders' fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2017 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: September 15, 2017

Karachi

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KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Nadeem

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Statement of Assets and Liabilities As at 30 June 2017

	Note	2017 -----Rupees in '000-----	2016
<b>Assets</b>			
Bank balances	5	4,716,993	3,487,801
Investments	6	2,008,028	542,065
Profit receivable on savings account		329	661
Advance, prepayment and other receivable	7	10,177	7,176
Receivable against conversion of units		121	22,735
<b>Total assets</b>		<u>6,735,648</u>	<u>4,060,438</u>
<b>Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	8	8,146	5,377
Payable to Central Depository Company of Pakistan Limited - Trustee	9	476	421
Payable to Securities and Exchange Commission of Pakistan	10	3,960	4,311
Payable against purchase of investments		2,009,345	-
Payable against redemption of units		481	-
Payable against conversion of units		-	673,634
Dividend payable		7,189	5,439
Accrued expenses and other liabilities	11	107,822	199,308
<b>Total liabilities</b>		<u>2,137,419</u>	<u>888,490</u>
<b>Net assets</b>		<u>4,598,229</u>	<u>3,171,948</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>4,598,229</u>	<u>3,171,948</u>
<b>Contingency and commitment</b>	12		
		-----Number of units-----	
<b>Number of units in issue</b>	13	<u>452,520,963</u>	<u>312,616,936</u>
		-----Rupees-----	
<b>Net assets value per unit</b>		<u>10.1614</u>	<u>10.1464</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Income Statement For the year ended 30 June 2017

	Note	2017	2016
-----Rupees in '000-----			
<b>Income</b>			
Income from government securities		243,821	279,819
Profit on bank deposits		73,584	93,732
Income from term deposit receipts		86	-
Income from certificate of investments		-	18,699
Income from money market placements		-	3,635
(Loss) / gain on sale of investments - net		(247)	315
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(1,317)	(90)
<b>Total income</b>		<u>315,927</u>	<u>396,110</u>
<b>Expenses</b>			
Remuneration to NBP Fullerton Asset Management Limited - Management Company	8.1	27,613	45,486
Sindh Sales Tax on remuneration to Management Company	8.2	3,590	7,387
Federal Excise Duty on remuneration to Management Company	11.2	-	7,278
Remuneration to Central Depository Company of Pakistan Limited - Trustee	9.1	4,704	5,057
Sindh Sales Tax on Trustee remuneration	9.2	612	708
Annual fee - Securities and Exchange Commission of Pakistan	10	3,960	4,311
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	5,280	2,876
Securities transaction cost		82	230
Bank charges		159	189
Annual listing fee		55	40
Auditors' remuneration	14	625	548
Legal and professional charges		41	10
Fund rating fee		379	352
Other charges		4	150
<b>Total expenses</b>		<u>47,104</u>	<u>74,622</u>
<b>Net income from operating activities</b>		<u>268,823</u>	<u>321,488</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(162,574)	(185,842)
Reversal of provision for Workers' Welfare Fund	11.1	108,259	-
Provision for Sindh Workers' Welfare Fund	11.1	(6,949)	-
<b>Net income for the year before taxation</b>		<u>207,559</u>	<u>135,646</u>
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<u><u>207,559</u></u>	<u><u>135,646</u></u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Statement of Comprehensive Income For the year ended 30 June 2017

	2017	2016
	-----Rupees in '000-----	
Net income for the year	207,559	135,646
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>207,559</u>	<u>135,646</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Distribution Statement For the year ended 30 June 2017

	2017	2016
	-----Rupees in '000-----	
<b>Undistributed income brought forward comprising:</b>		
- Realised income	86,890	86,154
- Unrealised loss	(90)	(659)
	<u>86,800</u>	<u>85,495</u>
Net income for the year	207,559	135,646
Interim distribution for the year ended 30 June 2017: 7.59% (Date of distribution: 21 June 2017) [30 June 2016: 5.80% (Date of distribution: 30 June 2016)]		
- Cash distribution (refer note 13.1)	(200,800)	(134,341)
<b>Undistributed income at end of the year</b>	<u>93,559</u>	<u>86,800</u>
<b>Undistributed income carried forward comprising:</b>		
- Realised income	94,876	86,890
- Unrealised loss	(1,317)	(90)
	<u>93,559</u>	<u>86,800</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Statement of Movement in Unit Holders' Fund For the year ended 30 June 2017

	2017 -----Rupees in '000-----	2016 -----Rupees in '000-----
Net assets at beginning of the year	3,171,948	7,013,455
Issue of 2,187,570,613 units (2016: 1,745,370,720 units)	23,279,001	18,049,670
Redemption of 2,047,666,586 units (2016: 2,124,260,384 units)	(22,022,053)	(22,078,324)
	1,256,948	(4,028,654)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	162,574	185,842
(Loss) / gain on sale of investments - net	(247)	315
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(1,317)	(90)
Other net income for the year	209,123	135,421
<b>Total comprehensive income for the year</b>	<b>207,559</b>	<b>135,646</b>
Interim distribution for the year ended 30 June 2017: 7.59% (Date of distribution: 21 June 2017) [30 June 2016: 5.80% (Date of distribution: 30 June 2016)] - Cash distribution (refer note 13.1)	(200,800)	(134,341)
<b>Net assets at end of the year</b>	<b>4,598,229</b>	<b>3,171,948</b>
	-----Rupees-----	
Net assets value per unit at beginning of the year	10.1464	10.1423
Net assets value per unit at end of the year	10.1614	10.1464

The annexed notes 1 to 26 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Cash Flow Statement For the year ended 30 June 2017

	Note	2017 -----Rupees in '000-----	2016
<b>CASH FLOWS FOR THE YEAR FROM OPERATING ACTIVITIES</b>			
Net income before taxation		207,559	135,646
<b>Adjustments:</b>			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		1,317	90
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		162,574	185,842
		<u>371,450</u>	<u>321,578</u>
<b>Decrease / (increase) in assets</b>			
Investments		542,065	2,482,391
Profit receivable on savings account		332	1,109
Advance, prepayment and other receivable		(3,001)	(25)
		539,396	2,483,475
<b>(Decrease) / increase in liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company		2,769	4,290
Payable to Central Depository Company of Pakistan Limited - Trustee		55	(169)
Payable to Securities and Exchange Commission of Pakistan		(351)	(3,224)
Accrued expenses and other liabilities		(126,611)	21,515
		<u>(124,138)</u>	<u>22,412</u>
<b>Net cash generated from operating activities</b>		<u>786,708</u>	<u>2,827,465</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amounts received against issuance of units		23,143,148	20,436,093
Payment against redemption of units		(22,695,206)	(21,436,457)
Distributions paid		(5,458)	(301,958)
<b>Net cash generated from / (used in) financing activities</b>		442,484	(1,302,322)
<b>Net increase in cash and cash equivalents</b>		<u>1,229,192</u>	<u>1,525,143</u>
Cash and cash equivalents at beginning of the year		3,487,801	1,962,658
<b>Cash and cash equivalents at end of the year</b>	5	<u><u>4,716,993</u></u>	<u><u>3,487,801</u></u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Notes to and forming part of the Financial Statements For the year ended 30 June 2017

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NAFA Government Securities Liquid Fund ("the Fund") was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as the 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 10 April 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 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 the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-ended mutual fund categorised as an Money Market Scheme as per the criteria laid down by Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 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.
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and stability rating of 'AAA(f)' to the Fund.
- 1.6 Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, and the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirement of the NBFC Rules, the NBFC Regulations and the said directives differ with the requirements of these standards, the requirements of the NBFC Rules, the NBFC Regulations, and the said directives shall prevail (refer note 3.2).

#### 2.2 Accounting convention

These financial statements are prepared under the historical cost convention except for investments which are carried at their fair values.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand rupees, except otherwise stated.

#### 2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years related to classification and valuation of investments (refer note 4.1 and note 6).

### 3 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

- 3.1 There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2016 but are considered not to be relevant or do not have any significant effect on the the Fund's financial statements and are therefore not stated in these financial statements.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on the Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Fund's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
  - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on the Fund's financial statements.
  - Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognised. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognised. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
- The Companies Ordinance, 1984 was repealed by the enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that all those companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures and has also enhanced the definition of related parties. The amendments are not likely to have an impact on the Fund's financial statements except extended disclosures.
- SECP through SRO 756(I)/2017 dated 03 August 2017 with immediate effect has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". The said SRO also deleted 'Distribution Statement' and requires additional disclosures and recording of element of income / loss included in price of unit issued or redeemed in Statement of movements in reserves or unit holders' fund instead of income statement. This change will affect the charge for SWWF in respect of element of income and consequently NAV per unit in future years.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented.

### 4.1 Financial assets

#### 4.1.1 Classification

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

##### a) Loans and receivables

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

##### b) Financial assets at fair value through profit or loss

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

##### c) Available for sale

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

All investments in the fund as at 30 June 2017 are classified as 'financial assets at fair value through profit and loss'.

#### 4.1.2 Regular way contracts

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

#### 4.1.3 Initial recognition and measurement

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

#### 4.1.4 Subsequent measurement

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

##### a) Basis of valuation of Debt Securities (other than government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

##### b) Basis of valuation of Government Securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

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

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

##### c) Loans and receivables

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 4.1.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

### a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular 33 of 2012 dated 24 October 2012 issued by SECP.

As allowed under circular no. 13 of 2009 dated 4 May 2009 and circular 33 of 2012 dated 24 October 2012 issued by SECP the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

### b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision and its subsequent reversal is determined based on the provisioning criteria specified by SECP.

## 4.1.6 Derecognition

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

## 4.1.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 4.2 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

## 4.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

## 4.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

## 4.5 Provisions

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

## 4.6 Taxation

The income of the Fund is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current period and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 4.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors / Management Company during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load if applicable, is payable to the investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

## 4.8 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the income statement and to the extent that it is represented by unrealized appreciation / (diminution) arising during the year on available for sale securities is included in the distribution statement.

## 4.9 Net assets value per unit

The net assets value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

## 4.10 Earnings per unit

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

## 4.11 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transactions take place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss ' are included in the income statement in the period in which they arise.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'available for sale' investments are included in the statement of comprehensive income in the 'period in which they arise.
- Discount on purchase of Market Treasury Bills is amortised to income statement using the straight line method.
- Profit on bank deposits, term deposit receipts, reverse repo transactions and certificates of investments is recognised using the effective interest method.

## 4.12 Proposed distribution

Dividend / distributions are recognised in the period in which such distributions are declared / approved.

5	Note	2017	2016
		(Rupees in '000)	
In current accounts		11,649	9,919
In savings accounts	5.1 & 5.2	<u>4,705,344</u>	<u>3,477,882</u>
		<u>4,716,993</u>	<u>3,487,801</u>

5.1 These carry a rate of return ranging from 3.75% to 7.43% per annum (2016: 4.50% to 7.45% per annum).

5.2 These have been adjusted with cheques of Rs. 9.042 million (2016: Rs. 28.331 million) issued on account of redemption of units and cheques of Rs. 13.214 million (2016: Rs. 57.179 million) received on account of issuance of units at close of financial year which have been cleared / adjusted subsequent to year end.



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 6 INVESTMENTS

Note 2017 2016  
(Rupees in '000)

Financial assets 'at fair value through profit or loss' - held for trading  
Investment in government securities

6.1 2,008,028 542,065

### 6.1 Investment in government securities

Issue date	Tenor	Face value				Market value/ carrying value as at June 30, 2017	Market value / carrying value as a percentage of net assets	Market value / carrying value as a percentage of total investment
		As at July 1, 2016	Purchases during the year	Sales / matured during the year	As at June 30, 2017			
<b>Market Treasury Bills</b>		----- Rupees in '000 -----				----- % -----		
06 August 2015	12 Months	44,000	1,000,000	1,044,000	-	-	-	
20 August 2015	12 Months	-	3,300,000	3,300,000	-	-	-	
03 September 2015	12 Months	-	1,000,000	1,000,000	-	-	-	
15 October 2015	12 Months	-	1,310,000	1,310,000	-	-	-	
29 October 2015	12 Months	-	1,300,000	1,300,000	-	-	-	
05 January 2016	3 Months	-	25,000	25,000	-	-	-	
21 January 2016	6 Months	500,000	650,000	1,150,000	-	-	-	
21 January 2016	12 Months	-	1,165,620	1,165,620	-	-	-	
04 February 2016	12 Months	-	36,000	36,000	-	-	-	
17 March 2016	12 Months	-	2,500,000	2,500,000	-	-	-	
31 March 2016	12 Months	-	150,000	150,000	-	-	-	
14 April 2016	12 Months	-	1,000,000	1,000,000	-	-	-	
12 May 2016	6 Months	-	280,000	280,000	-	-	-	
12 May 2016	3 Months	-	100,000	100,000	-	-	-	
26 May 2016	6 Months	-	900,000	900,000	-	-	-	
09 June 2016	6 Months	-	2,195,000	2,195,000	-	-	-	
23 June 2016	12 Months	-	500,000	500,000	-	-	-	
23 June 2016	6 Months	-	1,470,000	1,470,000	-	-	-	
11 July 2016	6 Months	-	3,950,000	3,950,000	-	-	-	
11 July 2016	3 Months	-	2,630,500	2,630,500	-	-	-	
21 July 2016	3 Months	-	400,000	400,000	-	-	-	
04 August 2016	3 Months	-	1,191,000	1,191,000	-	-	-	
04 August 2016	6 Months	-	447,000	447,000	-	-	-	
18 August 2016	6 Months	-	1,000,000	1,000,000	-	-	-	
18 August 2016	3 Months	-	5,636,000	5,636,000	-	-	-	
01 September 2016	3 Months	-	875,000	875,000	-	-	-	
01 September 2016	6 Months	-	977,000	977,000	-	-	-	
15 September 2016	6 Months	-	1,716,800	1,716,800	-	-	-	
29 September 2016	6 Months	-	225,000	225,000	-	-	-	
13 October 2016	3 Months	-	600,000	600,000	-	-	-	
27 October 2016	3 Months	-	3,524,700	3,524,700	-	-	-	
10 November 2016	3 Months	-	4,025,000	4,025,000	-	-	-	
24 November 2016	3 Months	-	1,200,000	1,200,000	-	-	-	
24 November 2016	6 Months	-	345,000	345,000	-	-	-	
08 December 2016	3 Months	-	2,436,500	2,436,500	-	-	-	
22 December 2016	3 Months	-	1,000,000	1,000,000	-	-	-	
19 January 2017	3 Months	-	8,985,000	8,985,000	-	-	-	
02 February 2017	3 Months	-	2,500,000	2,500,000	-	-	-	
16 February 2017	3 Months	-	2,470,000	2,470,000	-	-	-	
02 March 2017	3 Months	-	1,005,000	1,005,000	-	-	-	
16 March 2017	3 Months	-	975,000	975,000	-	-	-	
30 March 2017	3 Months	-	515,000	515,000	-	-	-	
13 April 2017	3 Months	-	5,010,000	3,000,000	2,010,000	2,008,028	43.67	
27 April 2017	3 Months	-	500,000	500,000	-	-	100.00	
11 May 2017	3 Months	-	600,000	600,000	-	-	-	
		<u>544,000</u>	<u>73,621,120</u>	<u>72,155,120</u>	<u>2,010,000</u>	<u>2,008,028</u>	<u>43.67</u>	<u>100.00</u>
Carrying value before fair value adjustment as at 30 June 2017						<u>2,009,345</u>		

6.1.1 This carry a rate of return of 5.95% (2016: 5.83% to 7%) per annum.

Note 2017 2016  
(Rupees in '000)

### 6.2 Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

Market value of investments	6.1	2,008,028	542,065
Less: Carrying value of investments	6.1	(2,009,345)	(542,155)
		<u>(1,317)</u>	<u>(90)</u>

## 7 ADVANCE, PREPAYMENT AND OTHER RECEIVABLE

Advance tax		9,978	15
Prepaid annual rating fee		199	181
Receivable from the Management Company		-	6,980
		<u>10,177</u>	<u>7,176</u>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	Note	2017	2016
		(Rupees in '000)	
<b>8 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management remuneration	8.1	2,536	2,151
Sindh Sales Tax on management remuneration	8.2	330	350
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	<u>5,280</u>	<u>2,876</u>
		<u>8,146</u>	<u>5,377</u>
<b>8.1</b>	Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1% percent of average annual net assets. The Management Company has charged its remuneration at the rate of 1 percent per annum of the average net assets of the Fund till 6 December 2015 and effective from 7 December 2015, the Management Company has revised its remuneration to the rate of 8% of net income subject to upper cap of 1% and lower cap of 0.5% of the average net assets of the Fund.		
<b>8.2</b>	The Sindh Provincial Government has levied Sindh Sales Tax on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2016: 14%) was charged on management remuneration.		
<b>8.3</b>	Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the fund or actual whichever is less" from the mutual funds managed by it. Accordingly, such expense has been charged at the rate of 0.1% of average annual net assets of the Fund.		
<b>9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee remuneration	9.1	421	369
Sindh Sales Tax on Trustee remuneration	9.2	<u>55</u>	<u>52</u>
		<u>476</u>	<u>421</u>
<b>9.1</b>	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund. The remuneration is paid to the Trustee monthly in arrears.		
	The tariff structure applicable to the Fund is as follows:		
<b>Net Assets</b>	<b>Tariff per annum</b>		
Upto Rs 1,000 million	0.15% p.a of net assets		
1,000 million to 10,000 million	Rs.1.5 million plus 0.075% p.a. of net assets exceeding Rs. 1,000 million		
Over 10,000 million	Rs.8.25 million plus 0.06% p.a. of net assets exceeding Rs. 10,000 million		
<b>9.2</b>	The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015. During the year, Sindh Sales Tax at the rate of 13% (30 June 2016: 14%) was charged on Trustee remuneration.		
<b>10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
	Under the provisions of the NBFC Regulations, a collective investment scheme categorized as money market scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.		

# NAFA GOVERNMENT SECURITIES LIQUID FUND

11 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2016 (Rupees in '000)	2015
Provision for Sindh Workers' Welfare Fund	11.1	6,949	-
Provision for Workers' Welfare Fund	11.1	-	115,239
Federal Excise Duty on management remuneration	11.2	45,779	45,779
Auditors' remuneration		444	435
Brokers		241	303
Bank charges		36	232
Withholding tax		35,658	23,062
Capital gain tax		18,141	13,606
Legal charges		4	10
Others		570	642
		<u>107,822</u>	<u>199,308</u>

**11.1** The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has led Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. The MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. The MUFAP wrote to the SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. The SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. The MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on 12 January 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and
- the provision in respect of Sindh WWF should be made on 12 January 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from 21 May 2015).

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 1 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, reversal of provision for WWF amounted to Rs. 115.239 million, booked in previous years is netted off against Rs. 6.980 million of receivable from management company and the remaining amount of Rs. 108.259 million has been reversed in the current year. Furthermore, recording of provision for SWWF of Rs. 7.311 million upto 12 January 2017 has been made. Thereafter the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.0154 (30 June 2016: Nil).

**11.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honourable Sindh High Court (SHC) on 4 September 2013.

The Honourable Sindh High Court (SHC) through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has inter alia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the Honourable Court, as directed, will have affect in the manner prescribed in the judgment. The Sindh High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honourable Supreme Court against the Sindh High Court's decision dated 2 June 2016, which is pending for the decision. However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued making the provision in this regard.

Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained a provision for FED on management fee aggregating to Rs. 48.162 million (30 June 2016: Rs. 48.162 million) out of which Rs. 2.383 million have been paid to the Management Company. Had the provision not been made, the Net Assets would have been higher by Rs. 0.1064 per unit (30 June 2016: Rs. 0.1541 per unit).

# NAFA GOVERNMENT SECURITIES LIQUID FUND

Federal Excise Duty on management remuneration and Federal Excise Duty on sales load has been reclassified from payable to NBP fullerton asset management limited - Management Company to accrued expenses and other liabilities in order to give better presentation and accordingly comparatives has been rearranged.

## 12 CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at 30 June 2017.

## 13 NUMBER OF UNITS IN ISSUE

Note	2017 (Number of units)	2016
	312,616,936	691,506,600
13.1	2,187,570,613	1,745,370,720
	(2,047,666,586)	(2,124,260,384)
	<u>452,520,963</u>	<u>312,616,936</u>

13.1 This includes 15,613,726 units issued against Dividend Reinvestment Plan amounting to Rs. 158.467 million, net of taxation (2016: 10,377,145 units, amounting to Rs. 105.290 million, net of taxation).

## 14 AUDITORS' REMUNERATION

2017  
(Rupees in '000)

Annual audit fee	365	332
Half yearly review	146	132
Out of pocket expenses and others including government levy	114	84
	<u>625</u>	<u>548</u>

## 15 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

## 16 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net 'asset value for the year) is -1.02% per annum. Total expense ratio (excluding government levies) is 0.74% per annum.

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

-----June 30,2017-----			
Loans and receivables	At fair value through profit or loss	Total	
------(Rupees in '000)-----			
<b>Assets</b>			
Bank balances	4,716,993	-	4,716,993
Investments	-	2,008,028	2,008,028
Profit receivable	329	-	329
Receivable against conversion of units	121	-	121
	<u>4,717,443</u>	<u>2,008,028</u>	<u>6,725,471</u>
-----June 30,2017-----			
	At fair value through profit or loss	At Amortized Cost	Total
------(Rupees in '000)-----			
<b>Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	-	8,146	5 8,146
Payable to Central Depository Company of Pakistan Limited - Trustee	-	476	476
Payable against purchase of investments	-	2,009,345	2,009,345
Payable against redemption of units	-	481	481
Dividend payable	-	7,189	7,189
Accrued expenses and other liabilities	-	1,295	1,295
	-	<u>2,026,932</u>	<u>2,026,932</u>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	-----June 30,2016-----		
	Loans and receivables	At fair value through profit or loss	Total
	------(Rupees in '000)-----		
<b>Assets</b>			
Bank balances	3,487,801	-	3,487,801
Investments	-	542,065	542,065
Profit receivable	661	-	661
Receivable against conversion of units	22,735	-	22,735
Other receivable	6,980	-	6,980
	<u>3,518,177</u>	<u>542,065</u>	<u>4,060,242</u>

	-----June 30,2016-----		
	At fair value through profit or loss	At Amortized Cost	Total
	------(Rupees in '000)-----		
<b>Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	-	5,377	5,377
Payable to Central Depository Company of Pakistan Limited - Trustee	-	421	421
Payable against conversion of units	-	673,634	673,634
Dividend payable	-	5,439	5,439
Accrued expenses and other liabilities	-	1,622	1,622
	<u>-</u>	<u>686,493</u>	<u>686,493</u>

## 18 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

**18.1** Connected persons include NBP Fullerton Asset Management Limited being the Management Company (NAFA), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Pension Fund, NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding ten percent or more units of the Fund.

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

**18.3** Remuneration to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

**18.4** The details of significant transactions and balances with connected persons at year end except those disclosed elsewhere in these financial statements are as follows:

	2017	2016
	(Rupees in '000)	
<b>18.5 Transactions during the year:</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Units issued: Nil (2016: 7,181,061 units)	-	73,663
Units redeemed: Nil (2016: 17,796,322 units)	-	184,549
Remuneration of the Management Company	27,613	45,486
Sindh Sales Tax on management remuneration	3,590	7,387
Allocation of expenses related to registrar services, accounting, operation and valuation services	5,280	2,876
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration to the Trustee	4,704	5,057
Sindh Sales Tax on Trustee remuneration	612	708
<b>National Bank of Pakistan - Sponsor</b>		
Market Treasury Bills purchased	8,625,234	6,402,414
Market Treasury Bills sold	247,466	-
<b>Dr. Amjad Waheed - Chief Executive Officer</b>		
Units redeemed: Nil units (2016: 331,995 units)	-	3,549
<b>Mr. Khalid Mehmood - Chief Financial Officer</b>		
Units issued: Nil (2016: 1,781 units)	-	18
Units redeemed: 36,402 units (2016: 435,871 units)	372	4,605

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2017	2016
	(Rupees in '000)	
<b>NAFA Provident Fund Trust - Provident Fund</b>		
Units issued: 692,405 units (2016: 353,072 units)	7,529	3,726
Units redeemed: 692,405 units (2016: 353,072 units)	7,530	3,731
<b>Employees of the Management Company</b>		
Re-investment of dividend 124 units issued (2016: Nil)	1	-
Units issued: 502,060 units (2016: 367,138 units)	5,347	3,767
Units redeemed: 573,433 units (2016: 587,224 units)	6,089	6,104
<b>Mr. Humayun Bashir - Director</b>		
Units issued: 369,921 units (2016: Nil)	4,023	-
Units redeemed: 369,921 units (2016: Nil)	4,023	-
<b>NBP Employees Pension Fund</b>		
Units issued: 1,330,406 units (2016: 961,844 units)	13,503	9,759
<b>NBP Endowment Funds Students Loan Scheme</b>		
Re-investment of dividend 687,821 units issued (2016: Nil)	6,981	-
Units issued: Nil (2016: 663,032 units)	-	6,727
Units redeemed: Nil (2016: 2,599,251 units)	-	27,500
<b>Askari Bank Limited</b>		
Bank Profit for the year	249	149
<b>NBP Exchange Company Limited</b>		
Units redeemed: Nil (2016: 20,477,826 units)	-	216,700
<b>NBP Leasing Limited Employees' Provident Fund</b>		
Re-investment of dividend 25,712 units issued (2016: Nil)	261	-
Units issued: Nil (2016: 458,301 units)	-	4,851
Units redeemed: Nil (2016: 49,970 units)	-	521
<b>Arif Ahmed</b>		
Units issued: 2,448,216 units (2016: Nil)	25,400	-
Units redeemed: 2,448,216 units (2016: Nil)	25,416	-
<b>Cherat Cement Company Limited</b>		
Units issued: Nil (2016: 11,051,126 units)	-	112,278
Units redeemed: Nil (2016: 22,088,364 units)	-	224,735
<b>Thal Limited - Treasury Division</b>		
Units issued: 80,889,659 units (2016: 14,775,413 units)	872,544	150,000
Units redeemed: 80,889,659 units (2016: 14,775,413 units)	879,659	155,001
<b>Thal Limited Employees Retirement Benefit Fund</b>		
Market Treasury Bills purchased	3,487	-
<b>Thal Limited Employees' Provident Fund</b>		
Pakistan Investment Bonds purchased	-	7,002
Market Treasury Bills purchased	11,884	6,959
Market Treasury Bills sold	-	3,983
<b>NAFA Income Fund</b>		
Market Treasury Bills purchased	29,952	45,738
<b>NAFA Money Market Fund</b>		
Market Treasury Bills purchased	-	246,978
Market Treasury Bills sold	-	895,370
<b>NAFA Income Opportunity Fund</b>		
Market Treasury Bills purchased	324,495	255,229

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2017	2016
	(Rupees in '000)	
<b>NAFA Government Securities Savings Fund</b>		
Market Treasury Bills purchased	47,634	178,381
<b>NAFA Financial Sector Income Fund</b>		
Market Treasury Bills purchased	-	94,536
<b>NAFA Savings Plus Fund</b>		
Market Treasury Bills purchased	29,952	-
<b>Mutual Funds Association of Pakistan - MUFAP</b>		
Re-investment of dividend 19,838 units issued (2016: Nil)	201	-
Units issued: 588,766 units (2016: 539,332 units)	6,000	5,500
Units redeemed: 235,173 units (2016: 539,332 units)	2,500	5,575
<b>Management Association Of Pakistan</b>		
Units issued: 242,148 units (2016: Nil)	2,633	-
Units redeemed: 242,148 units (2016: Nil)	2,633	-
<b>Faruque Private Limited</b>		
Units issued: 927,429 units (2016: Nil)	10,000	-
Units redeemed: 927,429 units (2016: Nil)	10,071	-
<b>Byco Oil Pakistan Limited - Employees' Provident Fund</b>		
Units issued: 262,237 (2016: 353,073 units)	2,708	3,726
Units redeemed: 262,237 (2016: 353,073 units)	2,844	3,731
Market Treasury Bills purchased	-	20,944
<b>Byco Petroleum Pakistan Limited - Employees' Provident Fund</b>		
Units issued: 5,105,198 units (2016: 529,574 units)	53,371	5,543
Units redeemed: 3,165,587 units (2016: 529,574 units)	34,474	5,571
Market Treasury Bills purchased	-	33,411
<b>Mr. M. Murtaza Ali - Chief Operating Officer</b>		
Re-investment of dividend 9,953 units issued (2016: Nil)	101	-
Units issued: Nil (2016: 12,632 units)	-	131
Units redeemed: 62,637 units (2016: Nil)	641	-
<b>Service Provident Fund Trust</b>		
Market Treasury Bills purchased	-	93,750
<b>Pak Arab Refinery Limited Supervisory Staff Gratuity Fund</b>		
Market Treasury Bills purchased	5,679	34,255
Market Treasury Bills sold	-	2,490
<b>Summit Bank Limited</b>		
Market Treasury Bills purchased	997,742	497,633
<b>Millat Tractors Ltd</b>		
Units issued 51,278,858 units (2016: Nil)	525,000	-
<b>Pioneer Cement Limited</b>		
Re-investment of dividend 3,371,585 units issued (2016: Nil)	34,219	-
Units issued: 129,172,445 units (2016: Nil)	1,375,000	-
Units redeemed: 69,076,039 units (2016: Nil)	750,214	-
<b>18.6 Amounts outstanding at year end</b>		
<b>NBP Fullerton Asset Management Limited -</b>		
Receivable from the Management Company	-	6,980
Management remuneration payable	2,536	2,151
Sindh Sales Tax payable	330	350
Allocation of expenses related to registrar services, accounting, operation and valuation services	5,280	2,876

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2017	2016
	(Rupees in '000)	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	421	369
Sindh Sales Tax payable	55	52
<b>National Bank of Pakistan - Sponsor</b>		
Balance in current account	1,215	304
Balance in savings account	2,835	5,266
<b>Mr. Khalid Mehmood - Chief Financial Officer</b>		
Units held: Nil (2016: 36,402 units)	-	369
<b>Mr. Muhammad Murtaza Ali - Chief Operating Officer</b>		
Units held: 157,789 units (2016: 62,637 units)	1,603	636
<b>Employees of the Management Company</b>		
Units held: 2,066 units (2016: 73,316 units)	21	744
<b>NBP Employees Pension Fund</b>		
Units held: 19,115,655 units (2016: 17,785,249 units)	194,242	180,456
<b>NBP Endowment Funds Students Loan Scheme</b>		
Units held: 12,947,799 units (2016: 12,259,978 units)	131,568	124,395
<b>NBP Leasing Limited Employees Provident Fund</b>		
Units held: 484,014 units (2016: 458,302 units)	4,918	4,650
<b>Byco Petroleum Pakistan Limited - Employees' Provident Fund</b>		
Units held: 1,939,611 units (2016: Nil)	19,709	-
<b>Mutual Fund association of Pakistan</b>		
Units held: 373,431 units (2016: Nil)	3,795	-
<b>Summit Bank Limited</b>		
Balance in current account	10,434	8,703
<b>Askari Bank Limited</b>		
Balance in savings account	6,623	3,771
Bank profit receivable	20	14
<b>NAFA Money Market Fund</b>		
Net payable against conversion of units	-	(567,951)
<b>NAFA Savings Plus Fund</b>		
Net payable against conversion of units	-	(14,778)
<b>NAFA Islamic Aggressive Income Fund</b>		
Net payable against conversion of units	-	(90,905)
<b>NAFA Islamic Energy Fund</b>		
Net receivable against conversion of units	-	5,171
<b>NAFA Stock Fund</b>		
Net receivable against conversion of units	56	715
<b>NAFA Islamic Stock Fund</b>		
Net receivable against conversion of units	65	-
<b>NAFA Financial Sector Income Fund</b>		
Net receivable against conversion of units	-	15,437
<b>NAFA Islamic Asset Allocation Fund</b>		
Net receivable against conversion of units	-	1,412
<b>K &amp; N's Foods Private Limited</b>		
48,997,236 units held (30 June 2016: 48,997,236 units)	497,881	497,146
<b>Millat Tractors Ltd</b>		
51,278,858 units held (30 June 2016: Nil)	521,065	-
<b>Pioneer Cement Limited</b>		
Units held: 63,467,991 units (2016: Nil)	644,924	-



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 19 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA, Doctorate in Business Administration, CFA	29
2	Mr. Sajjad Anwar	CFA / MBA Finance	17
3	Mr. Muhammad Ali Bhabha*	MBA / MS / CFA / FRM	22
4	Mr. Hassan Raza	ACCA / BSC / CFA	6
5	Mr. Taha Khan Javed	MBA / CFA	11

\*Mr. Muhammad Ali Bhabha is the Fund manager. He is also managing NAFA Money Market Fund, NAFA Savings Plus Fund, NAFA Riba Free Savings Fund, NAFA Government Securities Savings Fund, NAFA Financial Sector Income Fund, NAFA Income Opportunity Fund, NAFA Income Fund, NAFA Islamic Income Fund and NAFA Active Allocation Riba Free Savings Fund.

## 20 TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

S. No.	Particulars	Percentage 2017
1.	J.S. Global Capital Limited	57.03
2.	Bright Capital (Private) Limited	18.48
3.	Next Capital Limited	11.61
4.	BMA Capital Management Limited	8.03
5.	Vector Capital (Private) Limited	4.15
6.	Invest One Markets Limited	0.70

S. No.	Particulars	Percentage 2016
1.	BMA Capital Management Limited	20.10
2.	Next Capital Limited	18.73
3.	KASB Securities Limited	16.86
4.	Invest One Markets Limited	15.06
5.	Vector Capital Private Limited	5.69
6.	Invest Capital Markets Limited	5.56
7.	C & M Management Private Limited	3.58
8.	ICON Securities Private Limited	3.56
9.	Mangenta Capital Private Limited	2.77
10.	J.S. Global Capital Limited	2.34

## 21 PATTERN OF UNIT HOLDING

----- As at June 30, 2017-----

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals	1,029	634,983	13.81
Retirement Funds	18	306,670	6.67
Associated Companies	3	330,728	7.19
Bank	1	94,758	2.06
Listed Companies	7	1,202,138	26.14
Others	48	2,028,952	44.13
	<u>1,106</u>	<u>4,598,229</u>	<u>100.00</u>

----- As at June 30, 2016-----

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals	1,112	553,022	17.43
Retirement Funds	11	254,272	8.02
Associated Companies	3	309,501	9.76
Bank	1	94,618	2.98
Listed Companies	5	7,526	0.24
Others	50	1,953,009	61.57
	<u>1,182</u>	<u>3,171,948</u>	<u>100.00</u>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 60th, 61st, 62nd and 63rd Board meetings were held on 23 September 2016, 28 October 2016, 28 February 2017, 28 April 2017, respectively. Information in respect of attendance by directors in the meetings is given below:

Category	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	4	4	-	-
Mr. Aamir Sattar	4	4	-	-
Mr. Abdul Hadi Palekar	4	3	1	61st Meeting
Mr. Koh Boon San [note 22.1]	2*	2	-	-
Mr. Lui Mang Yin (Martin Lui)	4	4	-	-
Dr. Foo Chiah Shiung (Kelvin Foo) [note 22.2]	2*	1	1	63rd Meeting
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	3	1	62nd Meeting
Mr. Saiyed Hashim Ishaque [note 22.3]	3*	3	-	-
Mr. Humayun Bashir [note 22.4]	1*	1	-	-
Dr. Amjad Waheed	4	4	-	-

22.1 Mr. Koh Boon San retired in EOGM held on 21 November 2016.

22.2 Dr. Foo Chiah Shiung (Kelvin Foo) opted as Director on the Board with effect from 21 November 2016.

22.3 Mr. Saiyed Hashim Ishaque retired in EOGM held on 17 March 2017.

22.4 Mr. Humayun Bashir opted as Director on the Board with effect from 17 March 2017.

\*These directors were appointed and retired during the year, therefore the number of meetings held in respect of these directors is less than the total number of meetings held during the year.

## 23 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and Audit Committee regularly to reflect changes in market conditions and the Fund's activities.

The management of these risks is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008, offering document of the Fund in addition to Fund's internal risk management policies.

The Fund primarily invests in a portfolio of money market investments such as government securities, secured privately placed instruments, spread transactions, continuous funding system transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

### 23.1 Market risk

Market risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk).

#### *Management of market risk*

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors and regulations laid down by SECP.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 23.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

## 23.1.2 Interest rate risk

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

### (a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

### (b) Sensitivity analysis for fixed rate instruments

Fixed rate instruments comprise Market Treasury Bills, Term Deposit Receipts and bank balances. Except for Market Treasury Bills the Fund's income and net assets are substantially independent of changes in market interest rate.

As at 30 June 2017, the Fund holds Market treasury bills classified as financial assets 'at fair value through profit or loss', exposing the Fund to fair value interest rate risk. In case of 100 basis point increase in rates announced by the Financial Markets Associate of Pakistan on 30 June 2017 with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 0.330 million (2016: Rs. 0.327 million). In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on 30 June 2017, with all other variables held constant, the net income for the year and net assets would have been higher by Rs. 0.330 million (2016: Rs. 0.328 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan are expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2017 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

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

-----As at June 30, 2017-----					
Effective yield / interest rate (%)	Exposed to yield/interest rate risk			Not exposed to Yield/ Interest risk	Total
	Upto three months	More than three months and upto one year	More than one year		
------(Rupees in '000)-----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	3.75 - 7.43	4,705,344	-	11,649	4,716,993
Investments	5.95	2,008,028	-	-	2,008,028
Profit receivable		-	-	329	329
Receivable against conversion of units		-	-	121	121
		6,713,372	-	12,099	6,725,471
<b>Financial liabilities</b>					
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	8,146	8,146
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	476	476
Payable against purchase of investments		-	-	2,009,345	2,009,345
Payable against redemption of units		-	-	481	481
Dividend payable		-	-	7,189	7,189
Accrued expenses and other liabilities		-	-	1,295	1,295
		-	-	2,026,932	2,026,932
<b>On-balance sheet gap</b>		6,713,372	-	(2,014,833)	4,698,539
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
<b>Total interest rate sensitivity gap</b>		6,713,372	-	(2,014,833)	4,698,539
<b>Cumulative interest rate sensitivity gap</b>		6,713,372	6,713,372	6,713,372	

# NAFA GOVERNMENT SECURITIES LIQUID FUND

-----As at June 30, 2016-----

Effective yield / interest rate (%)	Exposed to yield/interest rate risk			Not exposed to Yield/ Interest risk	Total
	Upto three months	More than three months and upto one year	More than one year		

## On balance sheet financial instruments

------(Rupees in '000)-----

### Financial Assets

Bank balances	4.50 - 7.45	3,477,882	-	-	9,919	3,487,801
Investments	5.83 - 7.00	542,065	-	-	-	542,065
Profit receivable		-	-	-	661	661
Receivable against conversion of units		-	-	-	22,735	22,735
Other receivable		-	-	-	6,980	6,980
		4,019,947	-	-	40,295	4,060,242

### Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	-	5,377	5,377
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	421	421
Payable against conversion of units		-	-	-	673,634	673,634
Dividend payable		-	-	-	5,439	5,439
Accrued expenses and other liabilities		-	-	-	1,622	1,622
		-	-	-	686,493	686,493

## On balance sheet gap

4,019,947 - - - (646,198) 3,373,749

## Off balance sheet financial instruments

- - - - -

## Off balance sheet gap

- - - - -

## Total interest rate sensitivity gap

4,019,947 - - (646,198) 3,373,749

## Cumulative interest rate sensitivity gap

4,019,947 4,019,947 4,019,947

## 23.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from yield / interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as at 30 June 2017.

## 23.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in loans and receivables and bank balances. Risks attributable to investments in Market Treasury Bills is limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances as at 30 June 2017 and 30 June 2016.

Ratings	2017	2016
	(Rupees in '000)	
AAA	32,523	12,150
AA+	4,649,263	3,352,691
AA-	18,574	30,894
AA	6,199	83,360
A-	10,434	8,706
	<u>4,716,993</u>	<u>3,487,801</u>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2017 is the carrying amount of the financial assets.

## Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mostly concentrated in government sector and deposits held with commercial banks.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 23.3 Liquidity risk

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

### *Management of liquidity risk*

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

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

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the year.

### *Maturity analysis for financial liabilities*

The table below analyses the Fund's liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows:

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

-----As at June 30, 2017-----

Total	Upto three months	Over three months and upto one year	Over one year
(Rupees in '000)			
<b>Financial Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	8,146	8,146	
Payable to Central Depository Company of Pakistan Limited - Trustee	476	476	-
Payable against purchase of investments	2,009,345	2,009,345	-
Payable against redemption of units	481	481	-
Dividend payable	7,189	7,189	-
Accrued expenses and other liabilities	1,295	1,295	-
	<u>2,026,932</u>	<u>2,026,932</u>	<u>-</u>
Unit holders' fund	<u>4,598,229</u>	<u>4,598,229</u>	<u>-</u>

-----As at June 30, 2016-----

Total	Upto three months	Over three months and upto one year	Over one year
(Rupees in '000)			
<b>Financial Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	5,377	5,377	-
Payable to Central Depository Company of Pakistan Limited - Trustee	421	421	-
Payable against conversion of units	673,634	673,634	-
Dividend payable	5,439	5,439	-
Accrued expenses and other liabilities	1,622	1,622	-
	<u>686,493</u>	<u>686,493</u>	<u>-</u>
Unit holders' fund	<u>3,171,948</u>	<u>3,171,948</u>	<u>-</u>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date. The Fund does not hold any securities that are based on quoted market prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

IFRS 13, 'Fair Value Measurement' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		30 June 2017							
		Carrying value			Fair value				
		Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Investment in government securities		<b>2,008,028</b>	-	-	<b>2,008,028</b>	-	<b>2,008,028</b>	-	<b>2,008,028</b>
<b>Financial assets not measured at fair value</b>									
	<b>24.1</b>								
Bank balances		-	<b>4,716,993</b>	-	<b>4,716,993</b>	-	-	-	-
Profit receivables		-	<b>329</b>	-	<b>329</b>	-	-	-	-
Receivable against conversion of units		-	<b>121</b>	-	<b>121</b>	-	-	-	-
		-	<b>4,717,443</b>	-	<b>4,717,443</b>	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
	<b>24.1</b>								
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	<b>8,146</b>	<b>8,146</b>	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	<b>476</b>	<b>476</b>	-	-	-	-
Payable against purchase of investments		-	-	<b>2,009,345</b>	<b>2,009,345</b>	-	-	-	-
Payable against redemption of units		-	-	<b>481</b>	<b>481</b>	-	-	-	-
Dividend payable		-	-	<b>7,189</b>	<b>7,189</b>	-	-	-	-
Accrued expenses and other liabilities		-	-	<b>1,295</b>	<b>1,295</b>	-	-	-	-
		-	-	<b>2,026,932</b>	<b>2,026,932</b>	-	-	-	-

# NAFA GOVERNMENT SECURITIES LIQUID FUND

		30 June 2016						
		Carrying value			Fair value			
	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----								
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investment in government securities	542,065	-	-	542,065	-	542,065	-	542,065
<b>Financial assets not measured at fair value 24.1</b>								
Bank balances	-	3,487,801	-	3,487,801	-	-	-	-
Profit receivables	-	661	-	661	-	-	-	-
Receivable against conversion of units	-	22,735	-	22,735	-	-	-	-
Other receivable	-	6,980	-	6,980	-	-	-	-
	-	3,518,177	-	3,518,177	-	-	-	-
<b>Financial liabilities not measured at fair value 24.1</b>								
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	5,377	5,377	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	421	421	-	-	-	-
Payable against conversion of units	-	-	673,634	673,634	-	-	-	-
Dividend payable	-	-	5,439	5,439	-	-	-	-
Accrued expenses and other liabilities	-	-	1,622	1,622	-	-	-	-
	-	-	686,493	686,493	-	-	-	-

24.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 25 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the subscription and redemption of units.

The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the fund

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

In accordance with the risk management policies stated in note 23, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 15, 2017.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## NGSLF PERFORMANCE TABLE

Particulars	For the Year Ended	For the Year Ended	For the Year Ended	For the Year Ended	For the Year Ended	For the Year Ended
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Net assets at the year / period ended (Rs '000)	4,598,229	3,171,948	7,013,455	9,858,623	12,401,926	14,772,225
Net income for the year / period ended (Rs '000)	207,559	135,646	386,114	1,113,816	1,073,565	1,484,481
Net Asset Value per unit at the year / period ended (Rs)	10.1614	10.1464	10.1423	10.0538	10.0389	10.0523
Offer Price per unit at year end	10.1614	10.1464	10.1423	10.0538	10.0389	10.0523
Redemption Price per unit at year end	10.1614	10.1464	10.1423	10.0538	10.0389	10.0523
Ex - Highest offer price per unit (Rs.)	10.1626	10.1464	10.1424	10.0538	10.0389	10.0523
Ex - Lowest offer price per unit (Rs.)	9.4401	9.5945	9.3685	9.2998	9.2414	8.8265
Ex - Highest redemption price per unit (Rs.)	10.1626	10.1464	10.1424	10.0538	10.0389	10.0523
Ex - Lowest redemption price per unit (Rs.)	9.4401	9.5945	9.3685	9.2998	9.2414	8.8265
Opening Nav of Fiscal Year	9.4401	9.5936	9.3648	9.2990	9.2390	9.0649
Total return of the fund	7.64%	5.76%	8.30%	8.12%	8.66%	10.89%
Capital growth	-0.40%	0.04%	0.33%	-0.17%	-0.55%	-1.01%
Income distribution as a % of ex nav	8.04%	5.72%	7.97%	8.29%	9.20%	11.90%
Income distribution as a % of par value	7.59%	5.80%	7.46%	7.71%	8.50%	10.79%
<b>Distribution</b>						
Interim distribution per unit	0.7592	-	0.7460	0.7710	0.8504	1.0789
Final distribution per unit	-	0.5801	-	-	-	-
<b>Distribution Dates</b>						
Interim	21-Jun-17	-	29-Jun-15	26-Jun-14	28-Jun-13	27-Jun-12
Final	-	30-Jun-16	-	-	-	-
Average annual return of the fund (launch date May 16, 2009)						
(Since inception to June 30, 2017)	8.95%					
(Since inception to June 30, 2016)		9.13%				
(Since inception to June 30, 2015)			9.70%			
(Since inception to June 30, 2014)				9.97%		
(Since inception to June 30, 2013)					10.42%	
(Since inception to June 30, 2012)						10.99%
(Since inception to June 30, 2011)						
(Since inception to June 30, 2010)						
Portfolio Composition ( Please see Fund Manager Report)						
Weighted average portfolio duration	3 Days	4 Days	19 Days	46 Days	09 Days	35 days
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up						












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NBP Fullerton  
Asset Management Ltd.  
A Subsidiary of  
National Bank of Pakistan

## Head Office

7th Floor, Clifton Diamond Building, Block No.4,  
Scheme No.5, Clifton, Karachi.

**UAN:** 021-111-111-632

**Toll Free:** 0800-20002

**Sms:** NAFA INVEST to 9995

**Fax:** 021-35825335

**Email:** [info@nafafunds.com](mailto:info@nafafunds.com)

**Website:** [www.nafafunds.com](http://www.nafafunds.com)

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