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Rated by PACRA



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

## **NAFA GOVERNMENT SECURITIES LIQUID FUND**

# **ANNUAL REPORT 2016**



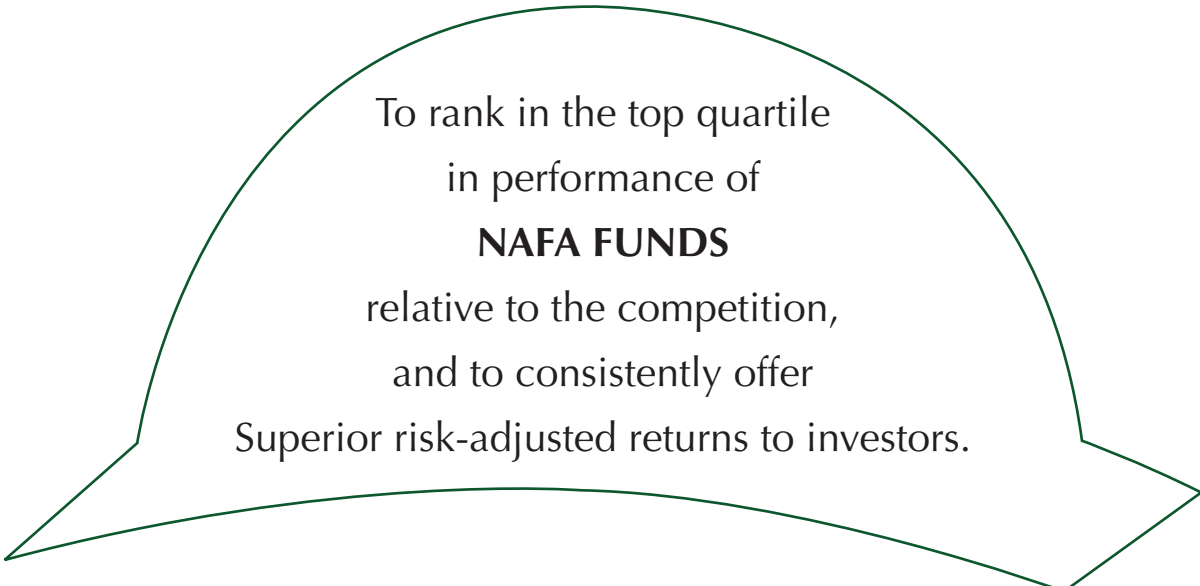
*Your investments & "NAFA" grow together*



**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. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Nigel Poh Cheng	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Aamir Sattar	Member

### Human Resource and Remuneration Committee

Mr. Nausherwan Adil	Chairman
Mr. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	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  
NIB Bank Limited  
United Bank Limited  
National Bank of Pakistan  
Summit Bank Limited  
JS Bank Limited  
Khushhali Bank Limited  
Sindh Bank Limited  
Samba Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Bankislami Pakistan Limited  
Zarai Taraqati 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



Mr. Nausherwan Adil  
Chairman



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Kamal Amir Chinoy  
Director



Mr. Koh Boon San  
Director



Mr. Aamir Sattar  
Director



Mr. Shehryar Faruque  
Director



Mr. Nigel Poh Cheng  
Director



Mr. Abdul Hadi Palekar  
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



Syed Suleman Akhtar CFA  
Head of Research



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



Mr. Asim Wahab Khan, CFA  
Head of Equity



Mr. Salman Ahmed  
Head of Risk Management



Mr. Raheel Rehman ACA, CICA  
Senior Manager Compliance

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Eighth Annual Report of **NAFA Government Securities Liquid Fund** for the year ended June 30, 2016.

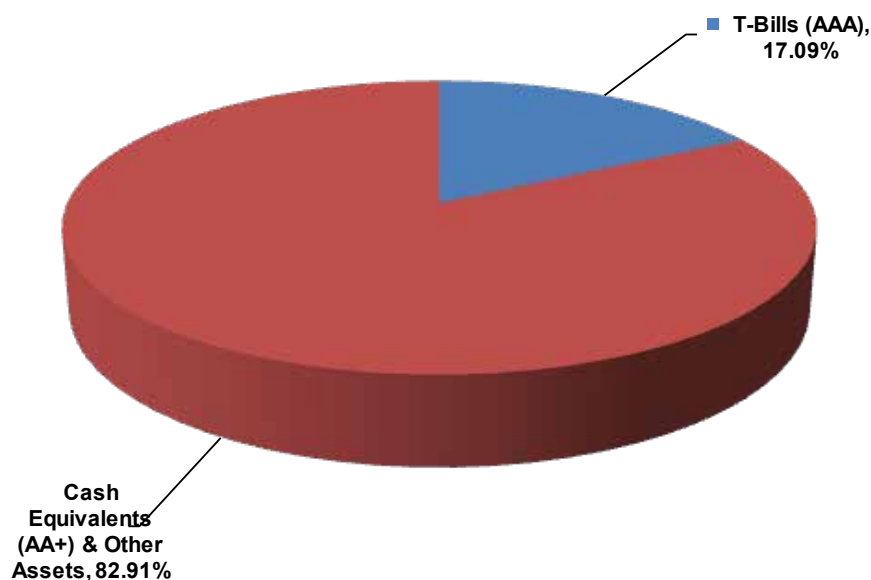
### Fund's Performance

The size of NAFA Government Securities Liquid Fund has reduced from Rs. 7,013 million to Rs. 3,172 million during the period, i.e. a decrease of 54.77%. During the said period, the unit price of the Fund has increased from Rs. 9.5936 (Ex-Div) on June 30, 2015 to Rs. 10.1464 on June 30, 2016, thus posting a return of 5.75% as compared to its Benchmark (70% 3-Month T-Bills & 30% average 3-Month deposit rate of 'AA' & above rated banks) return of 6.01% 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 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 period under review (FY16), due to further abatement in inflationary pressures (average inflation of 2.9%), State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps following a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 6% by FY17 year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

The Fund has earned a total income of Rs.210.27 million during the year. After deducting total expenses of Rs.74.62 million, the net income is Rs.135.65 million. The asset allocation of NAFA Government Securities Liquid Fund as on June 30, 2016 is as follows:





# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 5.72% of opening ex-NAV (5.801% 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, KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2017.

## 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 six meetings during the current financial year. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 23, 2016

Place: Karachi.

## ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز بصد مسرت 30 جون 2016ء کو ختم ہونے والے سال کے لیے NAFA گورنمنٹ سیکورٹیز لیکویڈ فنڈ کی آٹھویں سالانہ رپورٹ پیش کرتا ہے۔

### فنڈ کی پرفارمنس

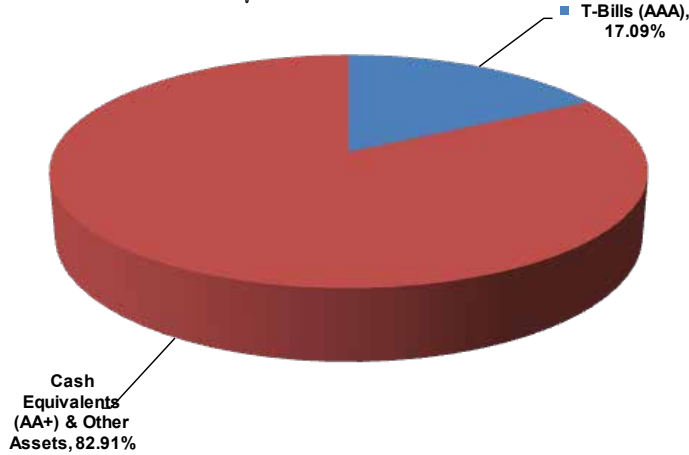
NAFA گورنمنٹ سیکورٹیز لیکویڈ فنڈ کے حجم میں اس مدت کے دوران 7,013 ملین روپے سے 3,172 ملین روپے تک کمی آئی ہے، یعنی 54.77% کمی۔ اس مدت کے دوران یونٹ کی قیمت 30 جون 2015 کو 9.5936 روپے (Ex-Div) سے 30 جون 2016 کو 10.1464 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لیے اپنے بینچ مارک منافع (3 ماہی T-بلز کے 70% اور AA اور زیادہ ریٹنگ والے ٹیکس کے 3 ماہ کے ڈپازٹ ریٹس کا اوسط) 6.01% کے مقابلے میں 5.75% منافع درج کرایا۔ فنڈ کا منافع منجمنٹ فیس اور دیگر اخراجات کے بعد خالص ہے۔

NGSLF کو PACRA کی طرف سے دی گئی اسٹیٹیلٹی ریٹنگ 'AAA(f)' ہے۔ NGSLF پاکستان میں اس ریٹنگ کی کمیگری میں سب سے بڑا فنڈ ہے۔ T-بلز اس فنڈ کی بڑی ایسیٹ کلاس ہیں۔ مجموعی پورٹ فولیو کی 45 دن کی اوسط میچورٹی کے ساتھ گورنمنٹ سیکورٹیز (T-بلز) میں کم از کم 70% انویسٹمنٹ کے ساتھ فنڈ کے کریڈٹ، لیکویڈیٹی اور انٹرسٹ ریٹ کے خطرات کی زد میں آنے کے امکانات نہ ہونے کے برابر ہیں۔ فنڈ کو زیادہ سے زیادہ چھ ماہ کی میچورٹی کے ساتھ AA یا زائد ریٹنگ والے بینکوں DFIs میں انویسٹ کرنے کی اجازت ہے۔

زیر جائزہ مدت (مالی سال 2016) کے دوران، افراط زر کے دباؤ میں مزید کمی کے ساتھ (اوسط افراط زر 2.9%)، اسٹیٹ بینک آف پاکستان نے مالی سال 2015 میں پالیسی ریٹ میں 300 بنیادی پوائنٹس کی مجموعی کمی کے بعد 75 بنیادی پوائنٹ مجموعی طور پر مزید کم کر دیے۔ SBP نے اپنے پالیسی بیان میں درج ذیل کی نشان دہی کی ہے (i) مجموعی معاشی حالات میں بہتری (ii) امن و امان کی بہتر صورت حال اور (iii) چین پاکستان اقتصادی راہداری (CPEC) کے تحت سرمایہ کاری کی بدولت نمو کے مثبت امکانات۔ زیر جائزہ مدت کے دوران آزادانہ منافع جات نے پالیسی ریٹ میں 75 بنیادی پوائنٹس کی کمی کے مطابق رد عمل دکھایا۔ ہم مالی سال 2017 کے آخر تک اشیائے صرف کی قیمتوں کی جزوی بحالی، پاکستانی روپے کی قدر میں محدود کمی اور نئی شعبے کے قرضوں میں اضافے کی وجہ سے افراط زر کو 6% تک بڑھتا دیکھ رہے ہیں۔

فنڈ نے سال کے دوران 210.27 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 74.62 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 135.65 ملین روپے ہے۔

NAFA گورنمنٹ سیکورٹیز لیکویڈ فنڈ کی ایسیٹ ایلوکیشن 30 جون 2016 کو بمطابق ذیل ہے:



### آمدنی کی تقسیم

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے دوران ابتدائی NAV-ex کا 5.72% (مساوی قیمت کا 5.801%) کیش ڈیویڈنڈ منظور کیا ہے۔

### ٹیکسیشن

جیسا کہ مندرجہ بالا کیش ڈیویڈنڈ، انویسٹمنٹس کے تصرف شدہ اور غیر تصرف شدہ (realized and unrealized) مالیاتی منافع جات کے علاوہ، انویسٹمنٹس پر سال کے دوران کمائی گئی آمدنی کے 90% سے زائد ہے، انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ I کی شق 99 کے تحت فنڈ پر ٹیکس لاگو نہیں ہے۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوئے ہیں اور برہنہ اہلیت، خود کو مختتمہ سال 30 جون 2017 کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔

## 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- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8- پرفارمنس ٹیبیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسوں، ڈیوٹیز، محصولات اور چارجز کی مد میں 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 چھ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CFO، CEO، 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 20 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 ٹرسٹی 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

23 ستمبر 2016

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, 2016 in accordance with the provisions of the following:

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

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

Karachi: September 30, 2016

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

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.

The Company, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Pakistan Stock Exchange Limited.

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, 2016, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Nigel Poh Cheng 5. Mr. Koh Boon San

The independent directors meets 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. No casual vacancy occurred during the year.
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 2016, three directors of the Company had acquired the director's training certificate as required under the Code. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Chief Financial Officer (CFO) of the Company with their remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Head of Internal Audit 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 19 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 including an independent director and the chairman of the committee is non-executive director.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

18. The Board has set up an effective internal audit function.
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. Since there is no practical implication of closed period on the announcement of interim and final results of open end Fund. Therefore, there was no 'closed period' prior to the announcement of interim / final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with except the following:
  - As per the Code, 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.

For and behalf of the Board

Karachi  
September 23, 2016

Dr. Amjad Waheed  
Chief Executive Officer



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## FUND MANAGER REPORT

### NAFA Government Securities Liquid Fund

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

### Fund Performance Review

This is the eighth Annual report since the launch of the Fund on May 15, 2009. The Fund size decreased by 54.77% during FY16 and stands at Rs 3,172 million as on June 30, 2016. The Fund's return since inception is 9.13% versus the benchmark return of 9.33%. The Fund's return for FY16 is 5.75% as against the benchmark return of 6.01%. 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.

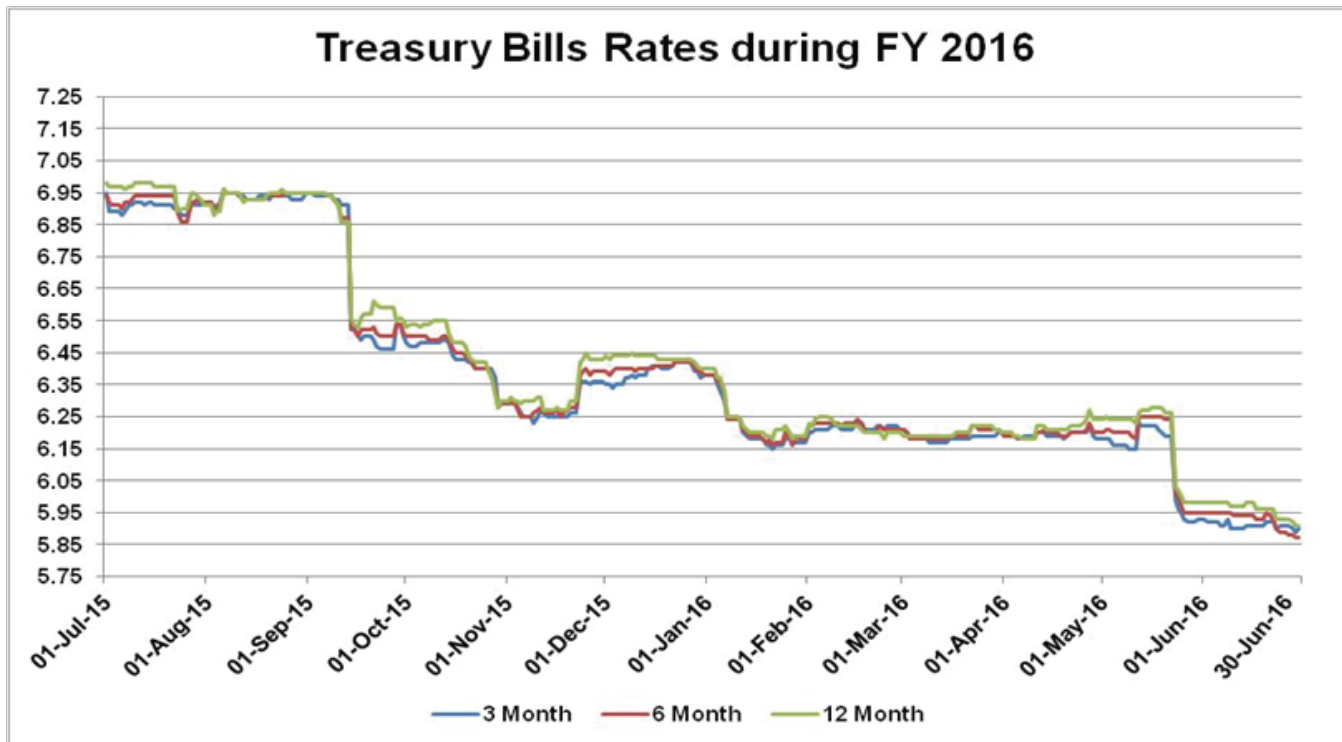
During the period under review, due to further abatement in inflationary pressures as captured in FY16 average inflation of 2.9%, State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps in FY16 up on the heels of a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 5.5% by year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

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

Particulars	30-Jun-16	30-Jun-15
T-Bills	17.09%	43.12%
Cash (Cash Equivalents) & Other Assets	82.91%	56.88%
<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 2016

Interim Period/Quarter	Dividend as a % of Par Value (Rs.10)	Cumulative Div. Price / Unit	Ex- Div. Price
Interim	5.80%	10.7224	10.1423

Unit Holding Pattern of NAFA Government Securities Liquid Fund as on 30th June 2016

Size of Unit Holding (Units)		No. of Unit Holders
1	1,000	350
1,001	5,000	220
5,001	10,000	83
10,001	50,000	218
50,001	100,000	114
100,001	500,000	154
500,001	1,000,000	18
1,000,001	5,000,000	11
5,000,001	10,000,000	5
10,000,001	100,000,000	9
<b>Total:</b>		<b>1182</b>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

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.

## **Workers' Welfare Fund (WWF)**

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs 115,240,318. If the same were not made the NAV per unit/FY16 return of scheme would be higher by Rs 0.3686/3.83%. For details investors are advised to read note 13.1 of the Financial Statement of the Scheme for the year ended June 30, 2016.

# 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 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") for and on behalf of NAFA – Government Securities Liquid Fund (the Fund) for the year ended 30 June 2016, to comply with the Listing Regulation No. 5.19 (Chapter 5) of Pakistan Stock Exchange Limited 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 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 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 2016.

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 'close period' prior to the announcement of interim / final results, however there was no such 'close period' announced during the year ended 30 June 2016.
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: 23 September 2016

Place: 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 2016 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 2016 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: 23 September 2016

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 2016

	Note	2016 (Rupees in '000)	2015
<b>Assets</b>			
Bank balances	5	3,487,801	1,962,658
Investments	6	542,065	3,024,546
Profit receivable	7	661	1,770
Receivable against conversion of units	8	22,735	2,514,448
Advance, prepayment and other receivable	9	7,176	7,151
<b>Total assets</b>		<u>4,060,438</u>	<u>7,510,573</u>
<b>Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	51,156	46,866
Payable to Central Depository Company of Pakistan Limited - Trustee	11	421	590
Payable to Securities and Exchange Commission of Pakistan	12	4,311	7,535
Payable against redemption of units		-	25,282
Payable against conversion of units	8	673,634	6,485
Dividend payable		5,439	278,346
Accrued expenses and other liabilities	13	153,529	132,014
<b>Total liabilities</b>		<u>888,490</u>	<u>497,118</u>
<b>Net assets</b>		<u>3,171,948</u>	<u>7,013,455</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>3,171,948</u>	<u>7,013,455</u>
<b>Contingency and commitment</b>	14	-----Number of units-----	
<b>Number of units in issue</b>	15	<u>312,616,936</u>	<u>691,506,600</u>
		-----Rupees-----	
<b>Net assets value per unit</b>		<u>10.1464</u>	<u>10.1423</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Income Statement For the year ended 30 June 2016

	Note	2016 -----Rupees in '000-----	2015
<b>Income</b>			
Income from government securities		279,819	672,098
Income from term deposit receipts		-	33,938
Income from certificate of investments		18,699	-
Income from money market placements		3,635	67,774
Profit on bank deposits		93,732	174,547
Gain on sale of investments - net		315	14,247
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(90)	(659)
<b>Total income</b>		<u>396,110</u>	<u>961,945</u>
<b>Expenses</b>			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	45,486	104,610
Federal Excise Duty on remuneration of Management Company	10.3	7,278	16,739
Sindh Sales Tax on remuneration of Management Company	10.1	7,387	18,202
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1	5,057	8,240
Sindh Sales Tax on Trustee remuneration	11.2	708	-
Annual fee - Securities and Exchange Commission of Pakistan	12	4,311	7,535
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.4	2,876	-
Securities transaction cost		230	643
Bank charges		189	610
Annual listing fee		40	40
Auditors' remuneration	16	548	599
Legal and professional charges		10	100
Fund rating fee		352	302
Other charges		150	121
<b>Total expenses</b>		<u>74,622</u>	<u>157,741</u>
<b>Net income from operating activities</b>		<u>321,488</u>	<u>804,204</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(185,842)	(410,210)
Provision for Workers' Welfare Fund	13.1	-	(7,880)
<b>Net income before taxation</b>		<u>135,646</u>	<u>386,114</u>
Taxation	17	-	-
<b>Net income for the year</b>		<u><u>135,646</u></u>	<u><u>386,114</u></u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Statement of Comprehensive Income For the year ended 30 June 2016

	2016	2015
	(Rupees in '000)	
Net income for the year	135,646	386,114
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>135,646</u>	<u>386,114</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Distribution Statement For the year ended 30 June 2016

	2016	2015
	(Rupees in '000)	
<b>Undistributed income brought forward comprising:</b>		
- Realised income	86,154	28,075
- Unrealised loss	(659)	(3,692)
	<u>85,495</u>	<u>24,383</u>
Net income for the year	135,646	386,114
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that forms part of unit holders' fund - net	-	20,227
Final distribution for the year ended 30 June 2016: 5.80% (Date of distribution: 30 June 2016) [(2015: 7.46%) (Date of distribution: 29 June 2015)]	-	-
- Cash distribution (refer note 15.1)	(134,341)	(345,229)
<b>Undistributed income at end of the year</b>	<u>86,800</u>	<u>85,495</u>
<b>Undistributed income carried forward comprising:</b>		
- Realised income	86,890	86,154
- Unrealised loss	(90)	(659)
	<u>86,800</u>	<u>85,495</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Statement of Movement in Unit Holders' Fund For the year ended 30 June 2016

	2016 (Rupees in '000)	2015
Net assets at beginning of the year	7,013,455	9,858,623
Issue of 1,745,370,720 units (2015: 1,511,542,489 units)	18,049,670	15,598,011
Redemption of 2,124,260,384 units (2015: 1,800,617,790 units)	(22,078,324)	(18,894,274)
	(4,028,654)	(3,296,263)
Element of (income) / loss included in prices of units issued less those in units redeemed - net		
- amount representing loss transferred to income statement	185,842	410,210
- amount representing (income) transferred to distribution statement	-	(20,227)
	185,842	389,983
Gain on sale of investments - net	315	14,247
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(90)	(659)
Other net income for the year	135,421	372,526
<b>Total comprehensive income for the year</b>	<b>135,646</b>	<b>386,114</b>
Final distribution for the year ended 30 June 2016: 5.80% (Date of distribution: 30 June 2016) [(2015: 7.46%) (Date of distribution: 29 June 2015)]		
- Cash distribution	(134,341)	(345,229)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that forms part of unit holders fund - net	-	20,227
<b>Net assets at end of the year</b>	<b><u>3,171,948</u></b>	<b><u>7,013,455</u></b>
	(Rupees)	
Net assets value per unit at beginning of the year	<u>10.1423</u>	<u>10.0538</u>
Net assets value per unit at end of the year	<u>10.1464</u>	<u>10.1423</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Cash Flow Statement For the year ended 30 June 2016

	Note	2016 (Rupees in '000)	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income before taxation		135,646	386,114
<b>Adjustments:</b>			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		90	659
Element of (income) / loss and capital losses / (gains) included in prices of units issued less those in units redeemed - net		185,842	410,210
		<u>321,578</u>	<u>796,983</u>
<b>Decrease / (increase) in assets</b>			
Investments		2,482,391	5,096,501
Profit receivable		1,109	8,468
Advance, prepayment and other receivable		(25)	(34)
		<u>2,483,475</u>	<u>5,104,935</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company		4,290	22,446
Payable to Central Depository Company of Pakistan Limited - Trustee		(169)	(306)
Payable to Securities and Exchange Commission of Pakistan		(3,224)	(3,119)
Accrued expenses and other liabilities		21,515	22,676
		<u>22,412</u>	<u>41,697</u>
<b>Net cash generated from operating activities</b>		<u>2,827,465</u>	<u>5,943,615</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amounts received against issuance of units		20,436,093	13,083,563
Payment against redemption of units		(21,436,457)	(24,727,798)
Distributions paid		(301,958)	(66,883)
<b>Net cash (used in) financing activities</b>		<u>(1,302,322)</u>	<u>(11,711,118)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>1,525,143</u>	<u>(5,767,503)</u>
Cash and cash equivalents at beginning of the year		1,962,658	7,730,161
<b>Cash and cash equivalents at end of the year</b>	5	<u><u>3,487,801</u></u>	<u><u>1,962,658</u></u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Notes to and forming part of the Financial Statements For the year ended 30 June 2016

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Government Securities Liquid Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as 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).

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).

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.

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

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

Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Accounting convention

These financial statements are prepared under the historical cost convention except for certain investments which are carried at 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

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally related to classification and valuation of investments (refer note 4.1 and note 6).

# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

### 3.1 IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurements'. These standards became applicable from 1 July 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial statements of the Fund.

IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial statements of the Fund, except certain additional disclosures.

### 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 1 July 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Fund's financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on the Fund's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on the Fund's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Fund's financial statements.
- 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 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.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 July 2016). The new cycle of improvements contain amendments to the following standards:

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- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments - Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in the Fund's financial statements.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on the Fund's financial statements.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented except for the additional disclosures (refer note 3.1).

### 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 classification of its financial assets at initial recognition.

##### 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 2016 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)

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 October 24, 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.

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## 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.

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

## 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.

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## 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 has distributed more than ninety percent of its accounting income for the current year 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.

## 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 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 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 financial statements in the period in which such distributions are declared / approved.

5	BANK BALANCES	Note	2016 (Rupees in '000)	2015
	In current accounts		9,919	8,831
	In savings accounts	5.1 & 5.2	3,477,882	1,953,827
			<u>3,487,801</u>	<u>1,962,658</u>



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- 5.1 These carry a rate of return ranging from 4.50% to 7.45% per annum (2015: 4.50% to 10.75% per annum).
- 5.2 These have been adjusted with cheques of Rs. 28.331 million ( 2015: Rs. 13.400 million ) issued on account of redemption of units and cheques of Rs. 57.179 million ( 2015: Rs. 11.393 million ) received on account of issuance of units at close of financial year which have been cleared / adjusted subsequent to year end.

6	INVESTMENTS	Note	2016	2015
			(Rupees in '000)	
<b>Financial assets 'at fair value through profit or loss' - held for trading</b>				
	Investment in government securities	6.1	<u>542,065</u>	<u>3,024,546</u>

## 6.1 Investment in government securities

Issue date	Tenor	Face value				Market value as at June 30, 2016	Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2015	Purchases during the year	Sales / matured during the year	As at June 30, 2016			
Market Treasury Bills		----- Rupees in '000 -----				----- % -----		
13 November 2014	12 Months	-	4,300,000	4,300,000	-	-	-	-
08 January 2015	6 Months	495,000	99,200	594,200	-	-	-	-
08 January 2015	12 Months	-	4,747,500	4,747,500	-	-	-	-
27 November 2014	12 Months	-	125,000	125,000	-	-	-	-
22 January 2015	6 Months	-	873,000	873,000	-	-	-	-
22 January 2015	12 Months	-	942,300	942,300	-	-	-	-
06 February 2015	6 Months	-	284,000	284,000	-	-	-	-
06 February 2015	12 Months	-	685,000	685,000	-	-	-	-
19 February 2015	12 Months	-	620,000	620,000	-	-	-	-
05 March 2015	6 Months	-	1,148,500	1,148,500	-	-	-	-
05 March 2015	12 Months	-	1,930,000	1,930,000	-	-	-	-
19 March 2015	6 Months	-	666,000	666,000	-	-	-	-
19 March 2015	12 Months	-	750,000	750,000	-	-	-	-
16 April 2015	12 Months	1,000,000	1,500,000	2,500,000	-	-	-	-
14 May 2015	3 Months	-	600,000	600,000	-	-	-	-
28 May 2015	3 Months	55,000	10,000	65,000	-	-	-	-
28 May 2015	12 Months	-	2,164,000	2,164,000	-	-	-	-
29 June 2015	6 Months	2,500,000	100,000	2,600,000	-	-	-	-
09 July 2015	3 Months	-	1,625,000	1,625,000	-	-	-	-
23 July 2015	3 Months	-	2,780,000	2,780,000	-	-	-	-
06 August 2015	6 Months	-	2,690,000	2,646,000	44,000	43,844	1.38	8.09
25 June 2015	3 Months	-	800,000	800,000	-	-	-	-
14 May 2015	6 Months	-	400	400	-	-	-	-
30 October 2014	12 Months	-	900,000	900,000	-	-	-	-
20 August 2015	6 Months	-	900,000	900,000	-	-	-	-
03 September 2015	6 Months	-	4,000	4,000	-	-	-	-
03 September 2015	3 Months	-	301,000	301,000	-	-	-	-
30 April 2015	6 Months	-	1,970,000	1,970,000	-	-	-	-
30 April 2015	12 Months	-	1,011,000	1,011,000	-	-	-	-
15 October 2015	6 Months	-	700,000	700,000	-	-	-	-
17 September 2015	6 Months	-	3,113,000	3,113,000	-	-	-	-
29 October 2015	3 Months	-	2,955,900	2,955,900	-	-	-	-
29 October 2015	6 Months	-	250,000	250,000	-	-	-	-
12 November 2015	3 Months	-	2,699,000	2,699,000	-	-	-	-
12 November 2015	6 Months	-	250,000	250,000	-	-	-	-
28 May 2015	6 Months	-	3,824,500	3,824,500	-	-	-	-
17 September 2015	3 Months	-	3,250,500	3,250,500	-	-	-	-
23 July 2015	6 Months	-	447,000	447,000	-	-	-	-
09 July 2015	6 Months	-	1,943,000	1,943,000	-	-	-	-
10 December 2015	3 Months	-	1,000,000	1,000,000	-	-	-	-
10 December 2015	6 Months	-	1,625,000	1,625,000	-	-	-	-
26 November 2015	3 Months	-	1,358,700	1,358,700	-	-	-	-
26 November 2015	6 Months	-	121,500	121,500	-	-	-	-
07 January 2016	3 Months	-	2,896,500	2,896,500	-	-	-	-
21 January 2016	3 Months	-	569,000	569,000	-	-	-	-
21 January 2016	6 Months	-	500,000	-	500,000	498,221	15.71	91.91
01 October 2015	6 Months	-	6,000	6,000	-	-	-	-
04 February 2016	3 Months	-	500,000	500,000	-	-	-	-
17 March 2016	3 Months	-	1,232,500	1,232,500	-	-	-	-
17 March 2016	6 Months	-	800,000	800,000	-	-	-	-
18 February 2016	3 Months	-	501,000	501,000	-	-	-	-
03 March 2016	3 Months	-	465,000	465,000	-	-	-	-
12 May 2016	3 Months	-	2,500,000	2,500,000	-	-	-	-
		<b>4,050,000</b>	<b>68,034,000</b>	<b>71,540,000</b>	<b>544,000</b>	<b>542,065</b>	<b>17.09</b>	<b>100.00</b>

Carrying value before fair value adjustment as at 30 June 2016

542,155

(90)

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

- 6.1.1 These carry a rate of return ranging from 5.83% to 7% (2015: 6.50% to 10.20%) per annum.

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	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>6.2 Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'</b>			
Market value of investments		542,065	3,024,546
Less: Carrying value of investments		(542,155)	(3,025,205)
		<u>(90)</u>	<u>(659)</u>
<b>7 PROFIT RECEIVABLE</b>			
Savings accounts		<u>661</u>	<u>1,770</u>
<b>8 RECEIVABLE / (PAYABLE) AGAINST CONVERSION OF UNITS</b>			
At year end, units of Rs. 3,755.782 million (2015: Rs. 6,518.390 million) have been issued and units of Rs. 4,406.681 million (2015: Rs. 4,010.427 million) have been redeemed (conversion / switching of units) as per the instructions of units holders of the respective funds between funds managed by the Management Company. However, receivable and payable have been stated based on net settlement basis among funds made subsequent to year end (refer note 19.6).			
	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>9 ADVANCE, PREPAYMENT AND OTHER RECEIVABLE</b>			
Advance tax		15	3
Prepaid annual rating fee		181	168
Receivable from the Management Company		<u>6,980</u>	<u>6,980</u>
		<u>7,176</u>	<u>7,151</u>
<b>10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management remuneration	10.1	2,151	7,126
Sindh Sales Tax	10.2	350	1,239
Federal Excise Duty	10.3	45,779	38,501
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.4	<u>2,876</u>	<u>-</u>
		<u>51,156</u>	<u>46,866</u>
<b>10.1</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 (30 June 2015: 1.25 percent per annum) of the average net asset 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 minimum of 0.5% of average annual net assets and maximum of 1% of average annual net assets per annum.		
<b>10.2</b>	The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 15% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2014. However, the rate has been revised from 15% to 14% effective from 1 July 2015.		
<b>10.3</b>	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. The Honorable 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 Honorable 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 Honorable Supreme Court against the Sindh High Court's decision dated 2 June 2016. Therefore, as a matter of abundant caution, without prejudice to the above, the Management Company has made a provision with effect from 13 June 2013, aggregating to 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 Value (NAV) per unit of the Fund as at 30 June 2016 would have been higher by Re. 0.154 per unit (30 June 2015: Re. 0.0591 per unit). 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.		

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- 10.4** 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 Scheme or actual whichever is less" from the mutual funds managed by it.

The expenses represents the allocation of expenses relating to registrar services, accounting, operations and valuation services at 0.1% of average net annual assets of the Fund with effect from 25 November 2015.

	Note	2016	2015
(Rupees in '000)			
<b>11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee remuneration	11.1	369	590
Sindh Sales Tax on Trustee remuneration	11.2	52	-
		421	590

- 11.1** 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:

Net Assets	Tariff per annum
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

- 11.2** The Sindh Provincial Government levied Sindh Sales Tax at the rate of 14% on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015.

## 12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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.

	Note	2016	2015
(Rupees in '000)			
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	13.1	115,239	115,239
Auditors' remuneration		435	429
Brokers		303	430
Bank charges		232	57
Withholding tax		23,062	4,740
Capital gain tax		13,606	10,820
Legal charges		10	-
Others		642	299
		153,529	132,014

- 13.1** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

During the year ended 30 June 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on 14 December 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, the Honorable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. However, after the exclusion of the mutual funds from federal statute on WWF from 1 July 2015, the Fund has discontinued making the provision in this regard. As a matter of abundant caution, the Fund has decided to continue to maintain the provision for WWF amounting to Rs. 115.239 million (30 June 2015: Rs. 115.239 million). Had the same not been made the net assets value per unit of the Fund would have been higher by Re. 0.3686 per unit (30 June 2015: Re. 0.1667 per unit).

## 14 CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at 30 June 2016.

## 15 NUMBER OF UNITS IN ISSUE

Note	2016 (Number of units)	2015
	691,506,600	980,581,901
15.1	1,745,370,720	1,511,542,489
	(2,124,260,384)	(1,800,617,790)
	<u>312,616,936</u>	<u>691,506,600</u>

15.1 This includes 10,377,145 units (2015: 6,139,611 units) issued against Dividend Reinvestment Plan amounting to Rs. 105.290 million (2015: 62.270 million), net of taxation.

## 16 AUDITORS' REMUNERATION

	2016 (Rupees in '000)	2015
Audit fee	332	332
Half yearly review	132	133
Out of pocket expenses and others including government levy	84	134
	<u>548</u>	<u>599</u>

## 17 TAXATION

The Fund's income 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 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst 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. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Board of Directors of the Management Company in their meeting held on 30 June 2016 has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in these financial statements for the year ended 30 June 2016.

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

	-----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>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	-----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	-	51,156	51,156
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
	-	732,272	732,272

	-----June 30,2015-----		
	Loans and receivables	At fair value through profit or loss	Total
	------(Rupees in '000)-----		
<b>Assets</b>			
Bank balances	1,962,658	-	1,962,658
Investments	-	3,024,546	3,024,546
Profit receivable	1,770	-	1,770
Receivable against conversion of units	2,514,448	-	2,514,448
Other receivable	6,980	-	6,980
	4,485,856	3,024,546	7,510,402

	-----June 30,2015-----		
	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	-	46,866	46,866
Payable to Central Depository Company of Pakistan Limited -Trustee	-	590	590
Payable against redemption of units	-	25,282	25,282
Payable against conversion of units	-	6,485	6,485
Dividend payable	-	278,346	278,346
Accrued expenses and other liabilities	-	1,215	1,215
	-	358,784	358,784

## 19 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 19.1** 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.
- 19.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 19.3** Remuneration to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 19.4** The details of significant transactions and balances with connected persons at year end except those disclosed elsewhere in these financial statements are as follows:

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2016	2015
	(Rupees in '000)	
<b>19.5 Transactions during the year:</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Issue of 7,181,061 units (2015: 34,562,463 units)	73,663	360,921
Redemption of 17,796,322 units (2015: 42,306,868 units)	184,549	443,740
Remuneration of the Management Company	45,486	104,610
Federal Excise Duty on management remuneration	7,278	16,739
Sindh Sales Tax on management remuneration	7,387	18,202
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,876	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	5,057	8,240
Sindh Sales Tax on Trustee remuneration	708	-
<b>National Bank of Pakistan - Sponsor</b>		
Redemption of Nil units (2015: 363,792,834 units)	-	3,689,732
Market treasury bills purchased	6,402,414	1,440,848
Market treasury bills sold	-	4,628,825
Profit earned by the fund on saving account	-	10
<b>Chief Executive Officer</b>		
Issue of Nil units (2015: 20,613 units)	-	209
Redemption of 331,995 units (2015: Nil units)	3,549	-
<b>Chief Financial Officer</b>		
Issue of 1,781 units (2015: 3,105 units)	18	31
Redemption of 435,871 units (2015: Nil units)	4,605	-
<b>NAFA Provident Fund Trust - Provident Fund</b>		
Issue of 353,072 units (2015: 154,582 units)	3,726	1,567
Redemption of 353,072 units (2015: 154,582 units)	3,731	1,572
<b>Employees of the Management Company</b>		
Issue of 367,138 units (2015: 2,818,796 units)	3,767	29,307
Redemption of 587,224 units (2015: 2,391,289 units)	6,104	25,332
<b>Mr. Kamal A. Chinoy - Director</b>		
Redemption of Nil units (2015: 87,466)	-	926
<b>NBP Employees Pension Fund</b>		
Issue of units 961,844 (2015: 1,152,627)	9,759	11,690
<b>NBP Endowment Funds Students Loan Scheme</b>		
Issue of units 663,032 (2015: 972,628 units)	6,727	9,865
Redemption of 2,599,251 units (2015: 7,126,307 units)	27,500	75,500
<b>NBP Exchange Company Limited</b>		
Issue of Nil units (2015: 29,250,090 units)	-	299,694
Redemption of 20,477,826 units (2015: 25,109,163 )	216,700	268,723
<b>NBP Leasing Limited Employees' Provident Fund</b>		
Issue of 458,301 units (2015: 146,295 units)	4,851	1,535
Redemption of 49,970 units (2015: 96,324 units)	521	1,019
<b>International Industries Limited - Employees' Provident Fund</b>		
Issue of Nil units (2015: 315,519 units)	-	3,207
Redemption of Nil units (2015: 2,148,656 units)	-	22,312

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2016	2015
	(Rupees in '000)	
<b>International Industries Limited - Employees' Gratuity Fund</b>		
Issue of Nil units (2015: 2,022,923 units)	-	20,950
Redemption of nil units (2015: 3,800,656 units)	-	39,898
<b>International Steels Limited - Employees' Provident Fund</b>		
Issue of Nil units (2015: 289,768 units)	-	2,930
Redemption of Nil units (2015: 688,435 units)	-	7,081
Market treasury bills purchased	-	10,769
<b>International Steels Limited - Employees' Gratuity Fund</b>		
Issue of nil units (2015: 179,834 units)	-	1,828
Redemption of nil units (2015: 396,476 units)	-	4,087
Market treasury bills purchased	-	2,261
<b>Cherat Cement Company Limited</b>		
Issue of 11,051,126 units (2015: 11,037,238 )	112,278	111,944
Redemption of 22,088,364 units (2015: Nil units)	224,735	-
<b>Thal Limited - Treasury Division</b>		
Units issued: 14,775,413 (2015: Nil units)	150,000	-
Units redeemed: 14,775,413 (2015: Nil units)	155,001	-
<b>Thal Limited Employees' Provident Fund</b>		
Pakistan investment bonds purchased	7,002	-
Market treasury bills purchased	6,959	45,400
Market treasury bills sold	3,983	-
<b>Thal Limited Employees' Retirement Benefit Fund</b>		
Market treasury bills purchased	-	3,932
<b>NAFA Income Fund</b>		
Market treasury bills purchased	45,738	98,943
<b>NAFA Money Market Fund</b>		
Market treasury bills purchased	246,978	2,842,265
Market treasury bills sold	895,370	1,545,183
<b>NAFA Income Opportunity Fund</b>		
Market treasury bills purchased	255,229	239,491
<b>NAFA Government Securities Savings Fund</b>		
Market treasury bills purchased	178,381	-
<b>NAFA Financial Sector Income Fund</b>		
Market treasury bills purchased	94,536	-
<b>Mutual Funds Association of Pakistan - MUFAP</b>		
Issue of 539,332 units (2015: 689,879)	5,500	7,000
Redemption of 539,332 units (2015: 689,879)	5,575	7,215
<b>Taurus Securities Limited</b>		
Issue of Nil units (2015: 1,876,049)	-	20,000
Redemption of Nil units (2015: 1,876,049)	-	20,378
<b>Byco Oil Pakistan Limited - Employees' Provident Fund</b>		
Units issued: 353,073 (2015: Nil units)	3,726	-
Units redeemed: 353,073 (2015: Nil units)	3,731	-
Market treasury bills purchased	20,944	30,683
<b>Byco Petroleum Pakistan Limited - Employees' Provident Fund</b>		
Issue of 529,574 units (2015: Nil units)	5,543	-
Redemption of 529,574 units (2015: Nil units)	5,571	-
Market treasury bills purchased	33,411	37,609

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2016	2015
	(Rupees in '000)	
<b>Millat Tractor Limited Employees Pension Fund</b>		
Market treasury bills purchased	-	28,984
<b>Maple Leaf Cement Factory Limited</b>		
Employees Provident Fund		
Market treasury bills purchased	-	2,489
<b>Getz Pharma Private Limited.</b>		
Issue of units (2015 : 187,853,393)	-	1,921,286
Redemption of units (2015: 43,933,385)	-	477,578
<b>Chief Operating Officer</b>		
Issue of 12,632 units (2015: Nil units)	131	-
<b>Mutual Fund association of Pakistan</b>		
Issue of 539,332 units (2015: Nil units)	5,500	-
Redemption of 539,332 units (2015: Nil units)	5,576	-
<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	34,255	-
Market treasury bills sold	2,490	-
<b>Summit Bank Limited</b>		
Market treasury bills purchased	497,633	-
<b>19.6 Amounts outstanding at year end</b>		
<b>NBP Fullerton Asset Management Limited -</b>		
Management Company units held : Nil units (2015: 10,615,271 units)	-	107,663
Receivable from the Management Company	6,980	6,980
Management remuneration payable	2,151	7,126
Sindh Sales Tax payable	350	1,239
Federal Excise Duty payable	45,779	38,501
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,876	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	421	590
<b>National Bank of Pakistan - Sponsor</b>		
Balance in current account	304	2,474
Balance in savings account	5,266	490
Cash dividend payable	-	271,389
Payable against redemption of units	-	3,689,732
<b>Chief Executive Officer</b>		
Nil units held (2015: 331,995 units)	-	3,367
<b>Chief Financial Officer</b>		
36,402 units held (2015: 50,004 units)	369	507
<b>Chief Operating Officer</b>		
62,637 units held (2015: Nil units)	636	-
<b>Employees of the Management Company</b>		
73,316 units held (2015: 763,892 units)	744	7,748
<b>NBP Employees Pension Fund</b>		
17,785,249 units held (2015: 16,823,405 units)	180,456	170,628



# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2016 (Rupees in '000)	2015
<b>NBP Endowment Funds Students Loan Scheme</b> 12,259,978 units held (2015: 14,196,197 units)	124,395	143,982
<b>NBP Exchange Company Limited</b> Nil units held (2015: 20,477,826 units)	-	207,692
<b>NBP Leasing Limited Employees Provident Fund</b> 458,302 units held (2015: 49,971 units)	4,650	507
<b>Cherat Cement Company Limited</b> Nil units held (2015: 11,037,238 units)	-	111,943
<b>Getz Pharma (Pvt.) Limited.</b> Nil units held (2015: 143,920,009 units)	-	1,459,680
<b>Summit Bank Limited</b> Balance in current account	8,703	6,357
<b>NAFA Asset Allocation Fund</b> Net receivable against conversion of units	-	22,636
<b>NAFA Income Opportunity Fund</b> Net receivable against conversion of units	-	1,531
<b>NAFA Islamic Stock Fund</b> Net receivable against conversion of units	-	3,858
<b>NAFA Riba Free Savings Fund</b> Net receivable against conversion of units	-	9,456
<b>NAFA Government Securities Savings Fund</b> Net payable against conversion of units	-	(52)
<b>NAFA Money Market Fund</b> Net (payable) / receivable against conversion of units	(567,951)	2,188,358
<b>NAFA Savings Plus Fund</b> Net (payable) / receivable against conversion of units	(14,778)	162,381
<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 / (payable) against conversion of units	715	(55)
<b>NAFA Financial Sector Income Fund</b> Net receivable against conversion of units	15,437	126,228
<b>NAFA Islamic Asset Allocation Fund</b> Net receivable / (payable) against conversion of units	1,412	(6,378)

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 20 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	28
2.	Sajjad Anwar	CFA / MBA Finance	16
3.	Syed Suleman Akhtar	MBA / CFA	16
4.	Muhammad Ali Bhabha*	MBA / MS (CS) /CFA / FRM	21
5.	Asim Wahab Khan	MBA / CFA	10
6.	Muhammad Imran	ACCA / CFA	10
7.	Asad Haider	MBA	11

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

## 21 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

2016 (%)

1.	BMA Capital Management Limited.	20.1
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.	Magenta Capital Private Limited.	2.77
10.	J.S. Global Capital Limited.	2.34

2015 (%)

1.	Invest & Finance Securities Private Limited.	21.87
2.	Next Capital Limited.	15.32
3.	Invest Capital Markets Limited.	9.41
4.	Global Securities Pakistan Limited.	8.65
5.	BMA Capital Management Limited.	7.29
6.	Summit Capital Private Limited.	6.18
7.	Vector Capital Private Limited.	6.15
8.	KASB Securities Limited.	5.92
9.	C & M Management Private Limited.	5.05
10.	Invest One Markets Limited.	7.59

## 22 PATTERN OF UNIT HOLDING

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

Category	Number of unit holders	Investment amount	Percentage of Investments
		(Rupees in '000)	-----%-----
Individuals	1,112	553,022	94.08
Retirement Funds	11	254,272	0.93
Associated Companies	3	309,501	0.25
Bank	1	94,618	0.09
Listed Companies	5	7,526	0.42
Others	50	1,953,009	4.23
	<b>1,182</b>	<b>3,171,948</b>	<b>100.00</b>

-----As at June 30, 2015-----

Category	Number of unit holders	Investment amount	Percentage of Investments
		(Rupees in '000)	-----%-----
Category	1,406	1,084,213	15.46
Individuals	16	157,927	2.25
Retirement Funds	2	50,013	0.71
Insurance companies	7	630,472	8.99
Associated Companies	1	94,580	1.35
Asset Management Company	4	51,580	0.74
Bank	73	4,944,670	70.50
Other Corporate	<b>1,509</b>	<b>7,013,455</b>	<b>100.00</b>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 54th, 55th, 56th, 57th, 58th & 59th Board meetings were held on July 14, 2015, September 30, 2015, October 21, 2015, February 26, 2016, April 29, 2016 and June 28, 2016 respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	6	5	1	54th meeting
Mr. Aamir Sattar	6	4	2	56th & 57th meeting
Mr. Abdul Hadi Palekar	6	5	1	58th meeting
Mr. Koh Boon San	6	4	2	54th & 57th meeting
Mr. Nigel Poh Cheng	6	3	3	56th, 58th & 59th meeting
Mr. Kamal Amir Chinoy	6	5	1	57th meeting
Mr. Shehryar Faruque	6	4	2	54th & 59th meeting
Dr. Amjad Waheed	6	6	-	-

## 24 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.

### 24.1 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.

#### 24.1.1 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.

#### 24.1.2 Interest rate risk

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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## (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 2016, 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 2016 with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 0.327 million (2015: Rs.3.606 million). In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on 30 June 2016, with all other variables held constant, the net income for the year and net assets would have been higher by Rs. 0.328 million (2015: Rs.3.618 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 2016 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, 2016-----					
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	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
<b>Financial liabilities</b>					
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	51,156	51,156
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
		-	-	732,272	732,272
<b>On-balance sheet gap</b>		4,019,947	-	(691,977)	3,327,970
<b>Off-balance sheet financial instruments</b>					
		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
<b>Total interest rate sensitivity gap</b>		4,019,947	-	(691,977)	3,327,970
<b>Cumulative interest rate sensitivity gap</b>		4,019,947	4,019,947	4,019,947	

# NAFA GOVERNMENT SECURITIES LIQUID FUND

-----As at June 30, 2015-----

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

### Financial Assets

Bank balances	4.50% - 10.75%	1,953,827	-	-	8,831	1,962,658
Investments	6.50% - 10.20%	548,623	2,475,923	-	-	3,024,546
Profit receivable		-	-	-	1,770	1,770
Receivable against conversion of units		-	-	-	2,514,448	2,514,448
Other receivable		-	-	-	6,980	6,980
		2,502,450	2,475,923	-	2,532,029	7,510,402

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

### Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	-	46,866	46,866
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	590	590
Payable against redemption of units		-	-	-	25,282	25,282
Payable against conversion of units		-	-	-	6,485	6,485
Dividend payable		-	-	-	278,346	278,346
Accrued expenses and other liabilities		-	-	-	1,215	1,215
		-	-	-	358,784	358,784

## On-balance sheet gap

	2,502,450	2,475,923	-	2,173,245	7,151,618
--	-----------	-----------	---	-----------	-----------

## Off-balance sheet financial instruments

	-	-	-	-	-
--	---	---	---	---	---

## Off-balance sheet gap

	-	-	-	-	-
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## Total interest rate sensitivity gap

	2,502,450	2,475,923	-	2,173,245	7,151,618
--	-----------	-----------	---	-----------	-----------

## Cumulative interest rate sensitivity gap

	2,502,450	4,978,373	4,978,373		
--	-----------	-----------	-----------	--	--

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 fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. 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, 2016-----

Total	Upto three months	Over three months and upto one year	Over one year
-------	-------------------	-------------------------------------	---------------

(Rupees in '000)

### Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	51,156	51,156	-	-
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	-	-
	732,272	732,272	-	-
Unit holders' fund	3,171,948	3,171,948	-	-

# NAFA GOVERNMENT SECURITIES LIQUID FUND

-----As at June 30, 2015-----

Total	Upto three months	Over three months and upto one year	Over one year
-------	-------------------	-------------------------------------	---------------

(Rupees in '000)

## Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company  
 Payable to Central Depository Company of Pakistan Limited - Trustee  
 Payable against redemption of units  
 Payable against conversion of units  
 Dividend payable  
 Accrued expenses and other liabilities

46,866	46,866	-	-
590	590	-	-
25,282	25,282	-	-
6,485	6,485	-	-
278,346	278,346	-	-
1,215	1,215	-	-
<u>358,784</u>	<u>358,784</u>	-	-

Unit holders' fund

<u>7,013,455</u>	<u>7,013,455</u>	-	-
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### 24.1.3 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 2016.

### 24.2 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 2016 and 30 June 2015.

Ratings	2016	2015
	(Rupees in '000)	
AAA	12,150	6,400
AA+	3,352,691	1,860,763
AA	83,360	68,108
AA-	30,894	21,030
A-	8,706	-
A	-	6,357
	<u>3,487,801</u>	<u>1,962,658</u>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2016 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.

### 24.3 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.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 25 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).

	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</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</b>							
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	51,156	51,156	-	-	-
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	-	-	-
	-	-	732,272	732,272	-	-	-

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	30 June 2015							
	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	3,024,546	-	-	3,024,546	-	3,024,546	-	3,024,546
<b>Financial assets not measured at fair value</b>								
Bank balances	-	1,962,658	-	1,962,658	-	-	-	-
Profit receivables	-	1,770	-	1,770	-	-	-	-
Receivable against conversion of units	-	2,514,448	-	2,514,448	-	-	-	-
Other receivable	-	6,980	-	6,980	-	-	-	-
	-	4,485,856	-	4,485,856	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	46,866	46,866	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	590	590	-	-	-	-
Payable against redemption of units	-	-	25,282	25,282	-	-	-	-
Payable against conversion of units	-	-	6,485	6,485	-	-	-	-
Dividend payable	-	-	278,346	278,346	-	-	-	-
Accrued expenses and other liabilities	-	-	1,215	1,215	-	-	-	-
	-	-	358,784	358,784	-	-	-	-

25.1 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.

## 26 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 scheme

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 24, 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.

## 27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 23, 2016.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2016	For the year ended June 30, 2015	For the year ended June 30, 2014	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2011	For the year ended June 30, 2010
Net assets at the year / period ended (Rs '000)	3,171,948	7,013,455	9,858,623	12,401,926	14,772,225	10,810,434	5,805,378
Net income for the year / period ended (Rs '000)	135,646	386,114	1,113,816	1,073,565	1,484,481	1,082,828	486,027
Net Asset Value per unit at the year / period ended (Rs)	10.1464	10.1423	10.0538	10.0389	10.0523	10.3594	10.2742
Offer Price per unit at year end	10.1464	10.1423	10.0538	10.0389	10.0523	10.0837	10.0241
Redemption Price per unit at year end	10.1464	10.1423	10.0538	10.0389	10.0523	10.0837	10.0241
Highest offer price per unit (Rs)	10.1464	10.1424	10.0538	10.0389	10.0523	10.3594	10.2742
Lowest offer price per unit (Rs)	9.5945	9.3685	9.2998	9.2414	8.8265	9.2965	9.2981
Highest redemption price per unit (Rs)	10.1464	10.1424	10.0538	10.0389	10.0523	10.3594	10.2742
Lowest redemption price per unit (Rs)	9.5945	9.3685	9.2998	9.2414	8.8265	9.2965	9.2981
Opening Nav of Fiscal Year	9.5936	9.3648	9.2990	9.2390	9.0649	9.2939	9.2954
Total return of the fund	5.76%	8.30%	8.12%	8.66%	10.89%	11.46%	10.53%
Capital growth	0.04%	0.33%	-0.17%	-0.55%	-1.01%	0.14%	-0.23%
Income distribution as a % of ex nav	5.72%	7.97%	8.29%	9.20%	11.90%	11.33%	10.76%
Income distribution as a % of par value	5.80%	7.46%	7.71%	8.50%	10.79%	10.53%	10.00%
<b>Distribution</b>							
Interim distribution per unit	-	0.746	0.771	0.8504	1.0789	0.7769	0.7503
Final distribution per unit	0.5801	-	-	-	-	0.2757	0.2501
<b>Distribution Dates</b>							
Interim			30-Jul-13	30-Jul-12	2-Aug-11	18-Oct-10	28-Oct-09
Interim			29-Aug-13	28-Aug-12	6-Sep-11	18-Feb-11	17-Feb-10
Interim			27-Sep-13	28-Sep-12	3-Oct-11	19-Apr-11	29-Apr-10
Interim			29-Oct-13	30-Oct-12	2-Nov-11		
Interim			28-Nov-13	28-Nov-12	2-Dec-11		
Interim			27-Dec-13	28-Dec-12	3-Jan-12		
Interim			29-Jan-14	29-Jan-13	30-Jan-12		
Interim			28-Feb-14	27-Feb-13	28-Feb-12		
Interim			28-Mar-14	28-Mar-13	29-Mar-12		
Interim			29-Apr-14	29-Apr-13	27-Apr-12		
Interim			28-May-14	29-May-13	30-May-12		
Interim		29-Jun-15	26-Jun-14	28-Jun-13	27-Jun-12		
Final	30-Jun-16	-	-	-	-	4-Jul-11	5-Jul-10
Average annual return of the fund (launch date May 16, 2009)							
(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)						11.05%	
(Since inception to June 30, 2010)							10.68%
Portfolio Composition ( Please see Fund Manager Report)							
Weighted average portfolio duration	4 Days	19 Days	46 Days	09 Days	35 days	43 days	46 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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