


## 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**  
(Formerly National Fullerton Asset Management Limited)

### Board of Directors of the Management Company

Mr. Qamar Hussain	Chairman
Mr. Shahid Anwar Khan	Director
Mr. Choy Peng Wah	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Amjad Waheed	Chief Executive Officer
Dr. Asif A. Brohi	Director

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Choy Peng Wah	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Shehryar Faruque	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  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
United Bank Limited  
NIB Bank Limited  
Standard Chartered Bank (PAK) Limited  
KASB Bank Limited

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

68-B-1, M.M. Alam Road,  
Gulberg 3, Lahore.  
UAN: 042-111-111-632  
Phone: 042-35778248-63  
Fax: 042-35876806

## **Islamabad Office:**

Plot No. 395, 396  
Industrial Area, 1-9/3 Islamabad.  
UAN: 051-111-111-632  
Phone: 051-2514987  
Fax: 051-4859031

## **Peshawar Office:**

1st Floor, Haji Tehmas Centre,  
Near KFC, Tehkal Payan  
University Road, Peshawar.  
Phone: 92-91-5711784, 5711782  
Fax: 92-91-5211780

## **Multan Office:**

NBP Corporate Branch  
3rd Floor, Park Lane Tower, Near Shahjahan Banquet Hall,  
Officers Colony, Khanewal Road. Multan.  
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Fax: 92-061-6214062  
UAN: 92-061-111-111-632

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# NAFA GOVERNMENT SECURITIES LIQUID FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited (formerly: National Fullerton Asset Management Limited) is pleased to present the unaudited (reviewed) financial statements of NAFA Government Securities Liquid Fund for the half year ended December 31, 2010.

### Fund's Performance

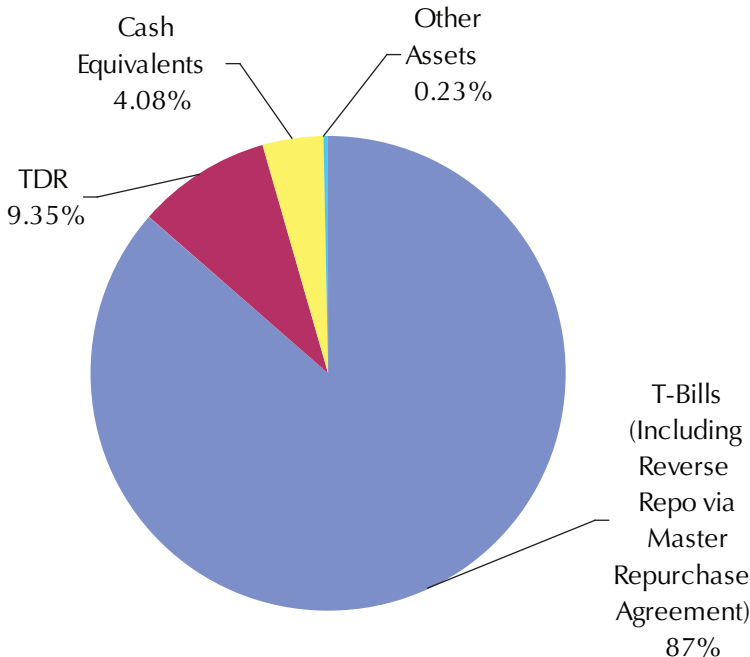
The size of NAFA Government Securities Liquid Fund has increased from Rs. 5,805 million to Rs. 7,483 million during the period, i.e. a growth of 28.91%. During the said period, the unit price of the Fund has increased from Rs. 9.7811 (Ex-Div) on June 30, 2010 to Rs. 10.3115 on December 31, 2010, thus showing an annualized return of 11.04% as compared to its Benchmark (70%3-MonthT-Bills & 30% average 3-Month deposit rate of 'AA' & above rated banks) annualized return of 11.13% for the same period.

The money market funds clearly stand as winners in this environment on the back of rising T-Bill rates, very short maturities, and only sovereign credit risk.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a stability rating of AAA(f) to the Fund.

The Fund has earned total income of Rs.453.05 million during the period. After deducting expenses of Rs.63.51 million, the net income is Rs.389.54 million, translating into earning per unit of Rs.0.5304.

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



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Income Distribution

The Board of Directors of the Management Company, in addition to interim distribution of 2.506%, has also approved a further interim distribution of 2.506%.

## 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  
(formerly: National Fullerton Asset Management Limited)

Chief Executive

Director

Date: February 18, 2011  
Place: Karachi.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

### Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

NAFA Government Securities Liquid Fund (the Fund), an open-end scheme was established under a trust deed dated April 10, 2009, executed between NBP Fullerton Asset Management Limited [Formerly National Fullerton Asset Management Limited], as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2010 to December 31, 2010 in accordance with the provisions of the following:

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

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

Karachi, February 24, 2011

# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Government Securities Liquid Fund** as at December 31, 2010, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2010. The Management Company (NBP Fullerton Asset Management Company) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: February 18, 2011

Karachi



# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

	Note	Un-audited December 31, 2010	Audited June 30, 2010
------(Rupees in '000)-----			
<b>ASSETS</b>			
Bank balances		1,007,678	1,401,344
Investments	4	4,386,566	3,851,815
Loans and receivables		2,074,199	610,766
Profit receivable	5	37,556	29,671
Prepayments and other receivables		7,927	8,338
Preliminary expenses and floatation costs		3,341	3,841
Total assets		7,517,267	5,905,775
<b>LIABILITIES</b>			
Payable to the Management Company		8,723	11,866
Payable to the Trustee		587	442
Payable to the Securities and Exchange Commission of Pakistan		2,847	2,982
Payable on redemption of units		349	74,062
Accrued expenses and other liabilities	6	21,411	11,045
Total liabilities		33,917	100,397
<b>NET ASSETS</b>			
		7,483,350	5,805,378
Unit holders' fund (as per statement attached)		7,483,350	5,805,378
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8	-	-
(Number of units)			
<b>NUMBER OF UNITS IN ISSUE</b>			
		725,727,519	565,044,796
-----Rupees-----			
<b>NET ASSET VALUE PER UNIT</b>			
	3.3	10.3115	10.2742

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	------(Rupees in '000)-----			
<b>INCOME</b>				
Capital gain / (loss) on sale of investments - net	(667)	(76)	(528)	(76)
Income from government securities	328,367	114,642	176,348	70,651
Income from term deposit receipts	38,985	18,956	20,983	11,039
Income from money market placements	78,508	9,517	46,638	7,858
Profit on bank deposits	18,478	19,090	8,635	10,808
	463,671	162,129	252,076	100,280
Net unrealised diminution in the value of investments classified as financial assets 'at fair value through profit or loss'	(2,091)	(793)	(2,532)	1,493
<b>Total Income</b>	<b>461,580</b>	<b>161,336</b>	<b>249,544</b>	<b>101,773</b>
<b>EXPENSES</b>				
Remuneration of the Management Company	47,456	20,375	25,217	12,620
Remuneration of the Trustee	3,225	1,397	1,702	820
Annual fee - Securities and Exchange Commission of Pakistan	2,847	1,019	1,513	631
Securities transaction cost	844	402	575	247
Bank charges	323	423	142	306
Annual listing fee	20	10	12	5
Auditors' remuneration	225	200	109	95
Amortisation of preliminary expenses and floatation costs	500	500	250	250
Rating fee	101	101	51	51
Other charges	24	153	(59)	140
<b>Total Expenses</b>	<b>55,565</b>	<b>24,580</b>	<b>29,512</b>	<b>15,165</b>
<b>Net income from operating activities</b>	<b>406,015</b>	<b>136,756</b>	<b>220,032</b>	<b>86,608</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(8,529)	18,194	5,614	(271)
Provision for workers' welfare fund	(7,950)	-	(4,513)	-
<b>Net income for the period before taxation</b>	<b>389,536</b>	<b>154,950</b>	<b>221,133</b>	<b>86,337</b>
Taxation	9	-	-	-
<b>Net income for the period after taxation</b>	<b>389,536</b>	<b>154,950</b>	<b>221,133</b>	<b>86,337</b>
<b>Earnings per unit</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	------(Rupees in '000)-----			
Net income for the period after taxation	389,536	154,950	221,133	86,337
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>389,536</u>	<u>154,950</u>	<u>221,133</u>	<u>86,337</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
------(Rupees in '000)-----				
<b>Undistributed income brought forward comprising:</b>				
- Realised income	153,313	20,051	181,467	74,552
- Unrealised (loss) / Income	(1,974)	(162)	(1,533)	(2,286)
	<u>151,339</u>	<u>19,889</u>	<u>179,934</u>	<u>72,266</u>
Final distribution for the year ended June 30, 2010: 2.5010% (declared on July 05, 2010)				
- Cash Distribution	(6,140)	(2,941)	-	-
- Bonus Units	(135,165)	(16,591)	-	-
Interim distribution for the quarter ended September 30, 2010: 2.5060% (declared on October 18, 2010)				
- Cash Distribution	(15,135)	(4,880)	(15,135)	(4,880)
- Bonus Units	(166,851)	(62,876)	(166,851)	(62,876)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	3,149	462	1,652	(2,834)
Net income for the period	389,536	154,950	221,133	86,337
Undistributed income carried forward	<u>220,733</u>	<u>88,013</u>	<u>220,733</u>	<u>88,013</u>
<b>Undistributed income comprising:</b>				
- Realised income	222,824	88,968	222,824	88,968
- Unrealised income / (loss)	(2,091)	(955)	(2,091)	(955)
	<u>220,733</u>	<u>88,013</u>	<u>220,733</u>	<u>88,013</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	----- (Rupees in '000) -----			
<b>Net assets at the beginning of the period</b>	5,805,378	1,415,232	6,590,334	2,946,287
Issue of 670,042,949 units - including 30,023,014 bonus units (2009: 486,847,815 units)	6,513,561	4,869,372	3,532,633	2,923,685
Redemption of 509,360,226 units (2009: 293,983,964 units)	(5,212,379)	(3,001,032)	(2,840,001)	(2,539,193)
Net Element of (income) / loss and capital (gains) / losses included prices of units issued less those in units redeemed	1,301,182	1,868,340	692,632	384,492
- amount representing accrued (income) / losses and capital (gains) / losses transferred to Income Statement	8,529	(18,194)	(5,614)	271
- amount representing (income) / losses that form part of the unit holders' fund transferred to Distribution Statement	(3,149)	(462)	(1,652)	2,834
	5,380	(18,656)	(7,266)	3,105
Net unrealised (diminution) in the value of investments classified as financial assets 'at fair value through profit or loss'	(2,091)	(793)	(2,532)	1,493
Capital Gain / (Loss) on sale of investments - net	(667)	(76)	(528)	(76)
Other operating income (net of expenses)	392,294	155,819	224,193	84,920
Net income for the period	389,536	154,950	221,133	86,337
<b>Less: Distribution</b>				
Final distribution for the year ended June 30, 2010: 2.5010% (declared on July 05, 2010)				
- Cash Distribution	(6,140)	(2,941)	-	-
- Bonus Units	(135,165)	(16,591)	-	-
Interim distribution for the quarter ended September 30, 2010: 2.5060% (declared on October 18, 2010)				
- Cash Distribution	(15,135)	(4,880)	(15,135)	(4,880)
- Bonus Units	(166,851)	(62,876)	(166,851)	(62,876)
Add: Bonus distribution				
Final Distribution	135,165	16,591	-	-
Interim Distribution	166,851	62,876	166,851	62,876
Net Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	3,149	462	1,652	(2,834)
<b>Net assets at the end of the period</b>	<u>7,483,350</u>	<u>3,412,507</u>	<u>7,483,350</u>	<u>3,412,507</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
------(Rupees in '000)-----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	389,536	154,950	221,133	86,337
<b>Adjustments</b>				
Net unrealised (diminution) in the value of investments classified as financial assets 'at fair value through profit or loss'	2,091	793	2,532	(1,493)
Amortisation of preliminary expenses and floatation costs	500	500	250	250
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	8,529	(18,194)	(5,614)	271
	400,656	138,049	218,301	85,365
<b>(Increase) / decrease in assets</b>				
Investments	(536,842)	(1,578,982)	(295,933)	(344,089)
Loans and receivables	(1,463,433)	(403,508)	(379,840)	(308,281)
Profit receivable	(7,885)	(13,035)	(13,542)	(3,232)
Prepayments and other receivables	411	(32,017)	(590)	(30,451)
	(2,007,749)	(2,027,542)	(689,905)	(686,053)
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	(3,143)	2,795	(3,537)	1,640
Payable to the Trustee	145	156	87	84
Payable to the Securities and Exchange Commission of Pakistan	(135)	905	1,513	631
Accrued expenses and other liabilities	10,366	117	5,127	207
	7,233	3,973	3,190	2,562
<b>Net cash outflow on operating activities</b>	(1,599,860)	(1,885,520)	(468,414)	(598,126)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Receipts from issue of units	6,513,561	4,869,372	3,532,633	2,923,685
Payments on redemption of units	(5,286,092)	(2,998,995)	(2,841,816)	(2,533,826)
Cash dividend paid	(21,275)	(7,821)	(15,135)	(4,880)
<b>Net cash inflow from financing activities</b>	1,206,194	1,862,556	675,682	384,979
Net (decrease) in cash and cash equivalents <b>during the period</b>	(393,666)	(22,964)	207,268	(213,147)
Cash and cash equivalents at the beginning of the year / period	1,401,344	275,045	800,410	465,228
<b>Cash and cash equivalents at the end of the period</b>	<u>1,007,678</u>	<u>252,081</u>	<u>1,007,678</u>	<u>252,081</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

## 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 (formerly National Fullerton Asset Management Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on April 10, 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering to the Fund. The units of the Fund were initially offered for public subscription at par from May 11, 2009 to May 15, 2009. The Board of Directors have approved that the Fund should be categorised as "Money Market Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan.

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

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

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. In cases where requirements differ, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations or the said directives take precedence.

2.2 These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance. These condensed interim financial statements are being circulated to the unit holders as required under the NBFC Regulations.

2.3 The directors of the Asset Management Company declare that these condensed interim financial statements give a true and fair view of the Fund.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2010.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 3.1 Standards, interpretations and amendments to published approved accounting standards effective from July 1, 2010

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed in these condensed interim financial statements.

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

The following revised standard has been published and is mandatory for accounting periods beginning on or after January 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these condensed interim financial statements.

## 3.3 Net Asset Value per unit

The net asset 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 period end.

	(Un-Audited)	(Audited)
Note	December 31 2010	June 30, 2010
	(Rupees in '000)	

## 4 INVESTMENTS

### Financial assets 'at fair value through profit or loss' - held for trading

Government securities - Market Treasury Bills

4.1	4,386,566	3,851,815
	<u>4,386,566</u>	<u>3,851,815</u>



# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

Issue Date	Tenor	Face Value				Market value as at December 31, 2010	Market value as a percentage of net asset	Market value as a percentage of total investments
		As at July 1, 2010	Purchases during the period	Sales / matured during the period	As at December 31, 2010			
<b>Market Treasury Bills</b>								
January 14, 2010	6 months	200,000		200,000	-	-	-	-
July 16, 2009	12 months	405,000		405,000	-	-	-	-
April 22, 2010	3 months	310,000		310,000	-	-	-	-
May 06, 2010	3 months	274,500	100,000	374,500	-	-	-	-
May 20, 2010	3 months	370,000		370,000	-	-	-	-
August 27, 2009	12 months	50,000	50,000	100,000	-	-	-	-
February 25, 2010	6 months	450,000		450,000	-	-	-	-
February 11, 2010	6 months	765,000		765,000	-	-	-	-
August 13, 2009	12 months	300,000		300,000	-	-	-	-
June 03, 2010	3 months	420,000		420,000	-	-	-	-
June 17, 2010	3 months	310,000		310,000	-	-	-	-
September 26, 2009	12 months	50,000	775,000	825,000	-	-	-	-
September 10, 2009	12 months	-	325,000	325,000	-	-	-	-
March 25, 2010	6 months	-	400,000	400,000	-	-	-	-
March 11, 2010	6 months	-	765,000	765,000	-	-	-	-
April 08, 2010	6 months	-	500,000	500,000	-	-	-	-
July 15, 2010	3 months	-	580,000	580,000	-	-	-	-
April 22, 2010	6 months	-	434,000	434,000	-	-	-	-
July 29, 2010	3 months	-	1,350,000	1,350,000	-	-	-	-
October 08, 2009	12 months	-	350,000	350,000	-	-	-	-
August 26, 2010	3 months	-	767,500	767,500	-	-	-	-
August 13, 2010	3 months	-	1,635,000	1,635,000	-	-	-	-
September 09, 2010	3 months	-	1,945,930	1,945,930	-	-	-	-
June 17, 2010	6 months	-	150,000	150,000	-	-	-	-
October 07, 2010	3 months	-	1,525,000	1,525,000	-	-	-	-
October 21, 2010	3 months	-	1,931,000	1,500,000	431,000	429,042	5.73	9.78
November 04, 2010	3 months	-	1,765,000		1,765,000	1,748,303	23.36	39.86
November 16, 2010	3 months	-	170,000		170,000	167,557	2.24	3.82
December 02, 2010	3 months	-	975,000		975,000	956,211	12.78	21.80
December 18, 2010	3 months	-	1,075,000		1,075,000	1,049,041	14.02	23.91
December 30, 2010	3 months	-	37,500		37,500	36,412	0.49	0.83
						<u>4,386,566</u>		<u>100.00</u>
						<u>4,388,657</u>		

Carrying value as at December 31, 2010

Note (Un-Audited) (Audited)  
December 31 June 30, 2010  
2010

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

## 5 PROFIT RECEIVABLE

Profit on savings deposits	234	1,384
Profit on money market placements	16,164	17,082
Profit on term deposit receipts	21,158	11,205
	<u>37,556</u>	<u>29,671</u>

## 6 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration payable	229	235
Payable to brokers	209	144
Bank charges	16	6
Provision for workers' welfare fund	7 18,275	10,325
Others	2,682	335
	<u>21,411</u>	<u>11,045</u>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 7 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010, the Ministry has 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 the Court.

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 18.275 million in these condensed interim financial statements.

## 8 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2010 and as at December 31, 2010.

## 9 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

## 10 EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended December 31, 2010 has not been disclosed in these condensed interim financial statements as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

## 11 TRANSACTIONS WITH CONNECTED PERSONS

11.1 Connected persons include NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

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

Half year ended		Quarter ended	
December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
------(Rupees in '000)-----			

## 11.5 Transactions during the period

Details of the Transactions with connected persons during the period are as follows:

### NBP Fullerton Asset Management Company Limited

Remuneration of the Management Company	47,456	20,375	25,217	12,620
Bonus units issued (14,457 units; December 31, 2009: Nil units)	-	-	-	-
Units issued (3,332,175 units; December 31, 2009: 1,856,262 units)	34,000	19,000	29,000	10,000
Units redeemed (3,346,632 units; December 31, 2009: 1,856,262 units)	34,168	19,067	29,146	10,050

### National Bank of Pakistan - Sponsor

Cash Dividend	1,502	1,170	752	750
T-Bills purchased during the period	99,576	221,258	-	-

### Alexandra Fund Management Pte. Limited - Sponsor

Bonus units issued (165,957 units; December 31, 2009: 156,634 units)	-	-	-	-
Units redeemed (2,176,558 units; December 31, 2009: Nil units)	22,000	-	22,000	-

### Central Depository Company of Pakistan Limited - Trustee

Trustee fee for the period	3,225	1,397	1,702	820
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### Chief Financial Officer

Bonus units issued (Nil units; December 31, 2009: 1,161 units)	-	-	-	-
Units issued (Nil units; December 31, 2009: 230,323 units)	-	2,351	-	2,351
Units redeemed (Nil units; December 31, 2009: 119,981 units)	-	1,234	-	1,234

### NAFA Provident Fund Trust - Provident Fund

Bonus units issued (17,215 units; December 31, 2009: Nil units)	-	-	-	-
Units issued (660,626 units; December 31, 2009: Nil units)	6,716	-	3,350	-
Units redeemed (811,506 units; December 31, 2009: Nil units)	8,285	-	3,793	-

### Key management personnel of the Management Company

Bonus units issued (8,247 units; December 31, 2009: 7,882 units)	-	-	-	-
Units issued (9,883 units; December 31, 2009: 527,227 units)	224	5,378	24	2,679
Units redeemed (57,571 units; December 31, 2009: 430,359 units)	587	4,388	94	3,706

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	(Un-Audited)	(Audited)
	December 31	June 30, 2010
	2010	
	----- (Rupees in '000) -----	
<b>11.6 Amounts outstanding as at period / year end</b>		
<b>Management Company</b>		
Receivable from Management Company	6,980	6,980
Management fee payable	8,723	6,909
Other payable	-	4,957
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	587	442
<b>National Bank of Pakistan - Sponsor</b>		
Investment held by the Sponsor in the Fund (3,000,000 units; June 30, 2010: 3,000,000 units)	30,935	30,823
Balance in current account	1,767	1,576
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Investment held by the Sponsor in the Fund (2,353,922 units; June 30, 2010: 4,364,524 units)	24,272	44,842
<b>Chief Executive Officer</b>		
Investment held by the Chief Executive Officer in the Fund (3,146 units; June 30, 2010: 2,995 units)	32	31
<b>NAFA Provident Fund Trust - Provident Fund</b>		
Investment held by the NAFA Provident Fund Trust in the Fund (282,178 units; June 30, 2010: 415,843 units)	2,910	4,272
<b>Key management personnel of the Management Company</b>		
Investment held by the executives in the Fund (152,404 units; June 30, 2010: 178,126 units)	1,572	1,830

## 12 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 18, 2011 by the Board of Directors of the Management Company.

## 13 CORRESPONDING FIGURES

13.1 Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison. No significant rearrangements or reclassifications have been made to corresponding figures.

## 14 GENERAL

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

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

Chief Executive

Director