

NAFA Government Securities Liquid Fund

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

FUNDS' 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. Gerard Lee How Cheng	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Farooque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Amjad Waheed	Chief Executive Officer

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Gerard Lee How Cheng	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Shehryar Farooque	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 Alfiah 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 No. 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, Peshwar.
Phone No. 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

82 Khan Centre Near SP Chowk
Abdali Road, Multan Cantt,
Multan.

NAFA Government Securities Liquid Fund

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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 Second Annual Report of **NAFA Government Securities Liquid Fund** for the year ended June 30, 2010.

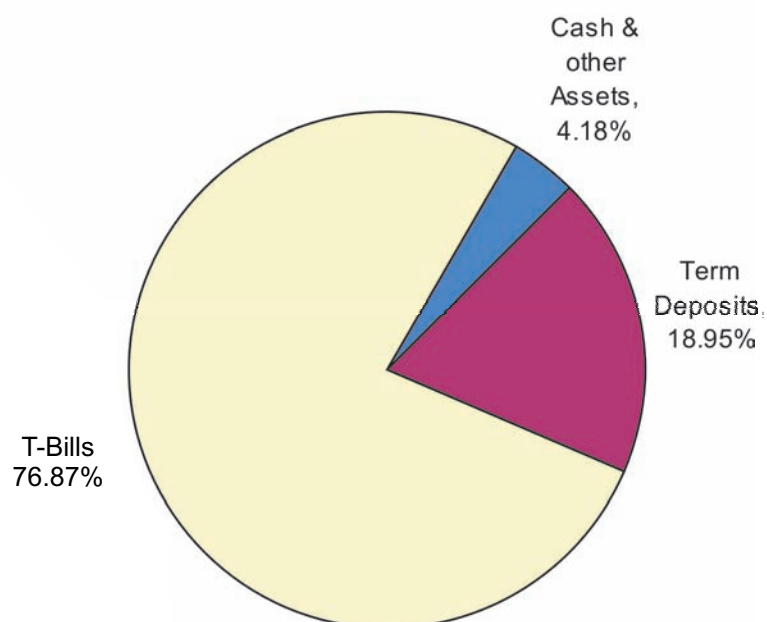
Fund's Performance

During the year, the net assets of NAFA Government Securities Liquid Fund has increased from Rs.1,415 million to Rs.5,805 million, translating into an appreciation of 310%. During the year, Unit Price of the Fund has increased from Rs.9.2954 (Ex-Div) on June 30, 2009 to Rs.10.2742 on June 30, 2010, thus showing an annualized return of 10.53%. The performance of the Fund is compared against that of a benchmark (70% 3-Month T-Bills & 30% average 3-months deposit rate of 'AA' & above rated banks). The benchmark has recorded an annualized increase of 10.71% during the year.

NAFA Government Securities Liquid Fund has earned a total income of Rs.558.81 million during the year. After deducting total expenses of Rs.72.78 million, the net income is Rs.486.03 million.

The asset allocation of NAFA Government Securities Liquid Fund as on June 30, 2010 is as follows:

Asset Allocation as on June 30, 2010



NAFA Government Securities Liquid Fund

Income Distribution

In addition to interim distribution of 7.503%, the Board of Directors of the Management Company has also approved a final distribution of 2.501%, translating into total distribution of 10% of opening ex-NAV (10.0040% of the par value). After final distribution, the net asset value per unit will be Rs.10.0241 on June 30, 2010.

Taxation

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

Auditors

The present auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company of NAFA Government Securities Liquid Fund, 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 NAFA Government Securities Liquid 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 Accounting 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 NAFA Government Securities Liquid 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 five meetings during the current financial year. The attendance of all directors is disclosed in the note 26 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 25 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 22 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
(formerly: National Fullerton Asset Management Limited)

Dr. Amjad Waheed, CFA
Chief Executive

Qamar Hussain
Chairman

Date: August 25, 2010
Place: Karachi.

NAFA Government Securities Liquid Fund

TRUSTEE REPORT TO THE UNIT HOLDERS

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

NAFA Government Securities Liquid Fund (the Fund), an open-end scheme was established under a trust deed dated April 10, 2009, executed between 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 year ended June 30, 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. September 06, 2010

NAFA Government Securities Liquid Fund

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

NAFA Government Securities Liquid Fund (the Fund) is an open end mutual fund and is listed at the Lahore Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of NAFA and other necessary personnel to manage its affairs.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of six non-executive directors including two independent directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management 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. Casual vacancies occurred during the year in the Board of the Management Company due to resignation of Syed Naseer ul Hassan and Mr. Raymond H. Kotwal were filled by Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque on May 17, 2010.
5. The Management Company has adopted a “Code of Business Ethics and Business Practices”, which has been acknowledged by all the directors and distributed to employees of the Management Company.
6. The Board has developed a vision/mission statement overall corporate strategy and significant policies of the Fund. A complete record of the particulars 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 CEO, have been taken by the Board.

NAFA Government Securities Liquid Fund

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. 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 meeting were appropriately recorded and circulated.
9. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. All the members of Board are well aware of operations of the Fund and Management Company, therefore no orientation courses were arranged during the year.
11. The Board has approved the appointment of Head of Internal Audit and his terms of employment.
12. Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 22 to the financial statements "Transactions with Connected Persons".
15. The Management Company has complied with the corporate and financial reporting requirements of the Code with respect to the Fund.
16. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the Committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Fund as required by the Code. Terms of Reference of the Audit Committee have been prepared and advised to the Committee for compliance.
18. There exists an effective internal audit function within the Management Company. The Management Company has appointed the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
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, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

NAFA Government Securities Liquid Fund

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. We confirm that all other material principles contained in the Code have been complied with.

Dated: September 14, 2010
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA Government Securities Liquid Fund

FUND MANAGER REPORT

NAFA Government Securities Liquid Fund

NAFA Government Securities Liquid 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-Months deposit rates of AA and above rated banks.

Fund's Performance Review

This is the second Annual report since the launch of the Fund on May 16, 2009. The Fund size as on June 30, 2010 is Rs. 5.81 billion. The Fund's annualized return since inception is 10.68%. During the same period the benchmark return has been 10.85%. The Fund's return in FY 2010 is 10.53%. During the same period the benchmark return has been 10.71%.

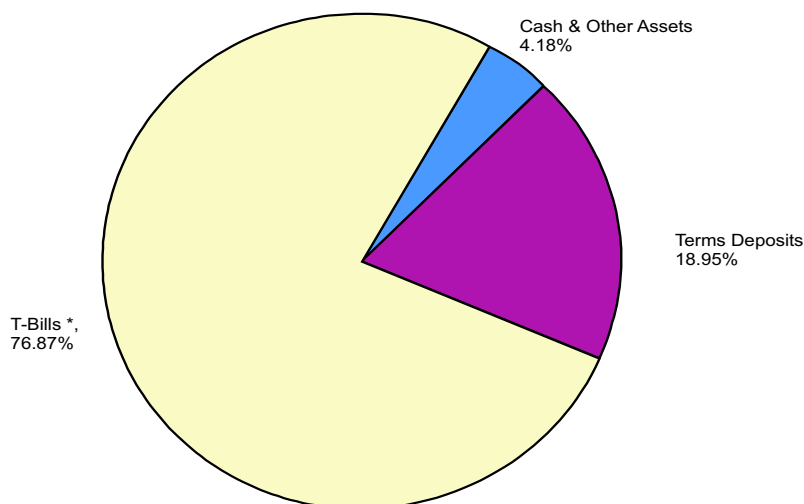
The NAFA Government Securities Liquid Fund rating of AA+ (f) as on June 30, 2010 has been upgraded to AAA (f), subsequent to the year-end. NGSFL's mandate to remain invested in short-term Government Securities by at least 70% of its net assets has been further tightened to 85%. Also, the maximum maturity of T-Bills has been reduced to three month, from six months earlier. The remaining allocation will be in banks/DFIs rated 'AA' and above.

T-Bills are the major asset class of NGSFL. These are highly liquid instruments, therefore the liquidity risk of the Fund is extremely low. The quality of liquidity of the Fund is also very high due to (i) maximum maturity of three months for T-Bills (ii) maximum maturity of six months for any other instrument in the Fund; (ii) the Fund's weighted average maturity cannot exceed 90 days as per the Regulations and its Trust Deed, and 45 days as per its internal policy. The Fund also has a very low interest rate risk due to its short duration. Moreover, NGSFL, being a Money Market Fund, cannot invest in equities, TFCs (corporate bonds), CFS and RFS (stocks related spread transactions) thereby eliminating risks associated with these investment avenues.

During FY10, both money market as well as T-bill rates remained high. Going forward the return of your Fund is expected to further improve. This is mainly due to the discount rate increase subsequent to June 30, 2010. Furthermore fiscal borrowing is expected to remain strong which will keep interest rates high.

NAFA Government Securities Liquid Fund

Asset Allocation of NGSLF (as on 30th June 2010)



* Includes Reverse Repo via Master Repurchase Agreement

Distribution for the Financial Year 2010

Interim Period / Quarter	Dividend % Par Value	Cumulative Dividend Price per unit (Rs)	Ex-dividend Price per unit (Rs)
July 01-Sep 30, 09	2.5%	10.3288	10.0787
Oct 1-Dec 31, 09	2.5%	10.3993	10.1492
Jan 1- Mar 31, 10	2.5%	10.3505	10.1004
Apr 1- Jun 30, 10	2.5%	10.2742	10.0241

During the period there has been no 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.

NAFA Government Securities Liquid Fund

Following is the unit holder pattern of NAFA Government Securities Liquid Fund by the size of unit holdings as of June 30, 2010.

Size of Unit holding (Units)	# of Unit Holders
1 - 1000	107
1001 - 5000	264
5001 - 10000	170
10001 - 50000	562
50001 - 100000	139
100001 - 500000	195
500001 - 1000000	48
1000001 - 5000000	48
5000001 - 10000000	13
10000001 - 100000000	13

1559

NAFA Government Securities Liquid Fund

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **NBP Fullerton Asset Management Limited** (Formerly National Fullerton Asset Management Limited) (the Management Company) of **NAFA Government Securities Liquid Fund** to comply with the Listing Regulation No. 35 (Chapter XI) of The Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. 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 the 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-Regulation (xiii a) of Listing Regulation No. 35 notified by The Lahore Stock Exchange (Guarantee) Limited requires the Management Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices 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 Management Company'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 June 30, 2010.

A.F. Ferguson & Co.

Chartered Accountants

Karachi

Dated: September 15, 2010.

NAFA Government Securities Liquid Fund

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NAFA Government Securities Liquid Fund** which comprise the statement of assets and liabilities as at June 30, 2010, and the related income statement, statement of comprehensive income, distribution statement, cash flow statement and statement of movement in unit holders' funds for the year ended June 30, 2010 and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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 financial position of NAFA Government Securities Liquid Fund as of June 30, 2010 and of its financial performance and cash flows for the year ended June 30, 2010 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: Rashid A. Jafer
Dated: September 15, 2010
Karachi.

NAFA Government Securities Liquid Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2010

	Note	2010	2009
		-----Rupees in '000-----	
ASSETS			
Balances with banks	4	1,401,344	275,045
Investments	5	3,851,815	911,177
Loans and receivables	6	610,766	230,000
Profit receivable	7	29,671	4,455
Prepayments and other receivables	8	8,338	1,185
Preliminary expenses and floatation costs	9	3,841	4,832
Total assets		5,905,775	1,426,694
LIABILITIES			
Payable to the Management Company	10	11,866	6,893
Payable to the Trustee	11	442	144
Payable to the Securities and Exchange Commission of Pakistan	12	2,982	114
Payable on redemption of units		74,062	3,964
Accrued expenses and other liabilities	13	11,045	347
Total liabilities		100,397	11,462
NET ASSETS		5,805,378	1,415,232
Unit Holders' Funds (as per statement attached)		5,805,378	1,415,232
CONTINGENCIES AND COMMITMENTS			
	14		
Number of units in issue			
		565,044,796	139,534,290
Net asset value per unit			
	15	10.2742	10.1425

The annexed notes 1 to 33 form an integral part of these financial statements

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

Chief Executive

Chairman

NAFA Government Securities Liquid Fund

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	For the year ended June 30, 2010	For the period from April 29, 2009 to June 30, 2009
-----Rupees in '000-----			
INCOME			
Capital gain / (loss) on sale of investments - net		(566)	56
Income from government securities		334,886	12,934
Income from term deposit receipts		51,804	2,904
Income from reverse repo transactions		40,425	-
Profit on bank deposits	16	45,719	4,295
Net unrealised diminution in the value of investments at fair value through profit or loss	5.2	(1,812)	(162)
Total Income		<u>470,456</u>	<u>20,027</u>
EXPENSES			
Remuneration of the Management Company		51,956	2,277
Remuneration of the Trustee		3,732	206
Annual fee - Securities and Exchange Commission of Pakistan		2,982	114
Securities transaction cost		1,128	130
Bank charges		762	55
Annual listing fee		20	25
Auditors' remuneration	17	340	185
Legal and professional charges		40	-
Amortisation of preliminary expenses and floatation costs	9	991	125
Other charges		506	108
Total Expenses		<u>62,457</u>	<u>3,225</u>
Net income from operating activities		<u>407,999</u>	<u>16,802</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		88,353	3,087
Provision for workers' welfare fund	18	(10,325)	-
Net income for the year / period before taxation		<u>486,027</u>	<u>19,889</u>
Taxation	19	-	-
Net income for the year / period after taxation		<u>486,027</u>	<u>19,889</u>
Earnings per unit	20		

The annexed notes 1 to 33 form an integral part of these financial statements

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

Chief Executive

Chairman

NAFA Government Securities Liquid Fund

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

	For the year ended June 30, 2010	For the period from April 29, 2009 to June 30, 2009
	-----Rupees in '000-----	
Net income for the year / period after taxation	486,027	19,889
Other comprehensive income	-	-
Total comprehensive income for the year / period	<u>486,027</u>	<u>19,889</u>

The annexed notes 1 to 33 form an integral part of these financial statements

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

Chief Executive

Chairman

NAFA Government Securities Liquid Fund

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	For the year ended June 30, 2010	Restated For the period from April 29, 2009 to June 30, 2009
	-----Rupees in '000-----	
Undistributed income brought forward comprising :		
- Realised income	20,051	-
- Unrealised (loss) / income	(162)	-
	19,889	-
Final distribution for the period ended June 30, 2009 : 1.40% (declared on July 3, 2009)		
- Cash distribution	(2,941)	-
- Bonus units	(16,591)	-
Interim distribution for the quarter ended September 30, 2009 : 2.5010% (declared on October 28, 2009)		
- Cash distribution	(4,880)	-
- Bonus units	(62,876)	-
Interim distribution for the quarter ended December 31, 2009 : 2.5010% (declared on February 17, 2010)		
- Cash distribution	(4,903)	-
- Bonus units	(109,483)	-
Interim distribution for the quarter ended March 31, 2010 : 2.5010% (declared on April 29, 2010)		
- Cash distribution	(6,142)	-
- Bonus units	(147,742)	-
Net income for the year / period	486,027	19,889
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	981	-
Undistributed income carried forward	151,339	19,889
Undistributed income comprising:		
- Realised income	153,313	20,051
- Unrealised income / (loss)	(1,974)	(162)
	151,339	19,889

The annexed notes 1 to 33 form an integral part of these financial statements

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

Chief Executive

Chairman

NAFA Government Securities Liquid Fund

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	For the year ended June 30, 2010	For the period from April 29, 2009 to June 30, 2009
	-----Rupees in '000-----	
Net assets at the beginning of the year	1,415,232	-
Issue of 1,365,027,422 units - including 33,309,957 bonus units (2009: 191,301,618 units)	13,632,118	1,921,986
Redemption of 939,516,916 units (2009: 51,767,328 units)	(9,620,780)	(523,556)
Final distribution	4,011,338	1,398,430
Issue of 1,657,567 bonus units for the year ended June 30, 2009: 1.40% (2008: Nil)	16,591	-
Interim distribution:		
Issue of 6,237,872 bonus units for the quarter ended September 30, 2009: 2.5010% (2008: Nil)	62,876	-
Issue of 10,787,234 bonus units for the quarter ended December 31, 2009: 2.5010% (2008: Nil)	109,483	-
Issue of 14,627,284 bonus units for the quarter ended March 31, 2010: 2.5010% (2009: Nil)	147,742	-
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income) / losses and capital (gains) / losses transferred to Income Statement	(88,353)	(3,087)
- amount representing (income) / losses that form part of unit holders' funds transferred to Distribution Statement	(981)	-
	(89,334)	(3,087)
Net unrealised diminution in the value of investments at fair value through profit or loss	(1,812)	(162)
Capital gain / (loss) on sale of investments - net	(566)	56
Other income (net of expenses)	488,405	19,995
	486,027	19,889
Less: Distribution		
- Final distribution for the year ended June 30, 2009 : 1.40% (declared on July 3, 2009)		
- Cash distribution	(2,941)	-
- Bonus units	(16,591)	-
- Interim distribution for the quarter ended September 30, 2009 : 2.5010% (declared on October 28, 2009)		
- Cash distribution	(4,880)	-
- Bonus units	(62,876)	-
- Interim distribution for the quarter ended December 31, 2009 : 2.5010% (declared on February 17, 2010)		
- Cash distribution	(4,903)	-
- Bonus units	(109,483)	-
- Interim distribution for the quarter ended March 31, 2010 : 2.5010% (declared on April 29, 2010)		
- Cash distribution	(6,142)	-
- Bonus units	(147,742)	-
	(355,558)	-
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - amount representing (income) / losses that form part of unit holders' funds	981	-
Net assets at the end of the year / period	5,805,378	1,415,232

The annexed notes 1 to 33 form an integral part of these financial statements

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

Chief Executive

Chairman

NAFA Government Securities Liquid Fund

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	For the year ended June 30, 2010	For the period from April 29, 2009 to June 30, 2009
-----Rupees in '000-----			
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year / period before taxation		486,027	19,889
Adjustments			
Net unrealised diminution in the value of investments at fair value through profit or loss		1,812	162
Amortisation of preliminary expenses and floatation costs		991	125
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		(88,353)	(3,087)
		400,477	17,089
(Increase) / decrease in assets			
Investments		(2,942,450)	(911,339)
Loans and receivables		(380,766)	(230,000)
Profit receivable		(25,216)	(4,455)
Prepayments and other receivables		(7,153)	(1,185)
		(3,355,585)	(1,146,979)
Increase / (decrease) in liabilities			
Payable to the Management Company		4,973	1,936
Payable to the Trustee		298	144
Payable to the Securities and Exchange Commission of Pakistan		2,868	114
Accrued expenses and other liabilities		10,698	347
		18,837	2,541
Net cash outflow on operating activities		(2,936,271)	(1,127,349)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from issue of units		13,632,118	1,921,986
Payments on redemption of units		(9,550,682)	(519,592)
Distributions paid		(18,866)	-
Net cash inflow from financing activities		4,062,570	1,402,394
Net increase in cash and cash equivalents during the year / period		1,126,299	275,045
Cash and cash equivalents at the beginning of the year / period		275,045	-
Cash and cash equivalents at the end of the year / period	4	1,401,344	275,045

The annexed notes 1 to 33 form an integral part of these financial statements

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

Chief Executive

Chairman

NAFA Government Securities Liquid Fund

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 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 (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on April 10, 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

The 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 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 AA+(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 financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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 the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- a) International Accounting Standard (IAS) 1 (revised) 'Presentation of financial statements' (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position (referred to as the statement of assets and liabilities in these financial statements) as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present two separate performance statements. As a result, non-owner changes in equity which were previously credited directly in the statement of movement in unit holders' fund are now shown as comprehensive income in the performance statement (referred to as the statement of comprehensive income in these financial statements). The change in presentation has not affected the values of the net assets of the Fund for either the current or any of the prior periods. Comparative information has been re-presented so that it is also in conformity with the revised standard.

- b) International Financial Reporting Standard (IFRS) 7 (amendment) 'Financial instruments: Disclosures' (effective from January 1, 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment has resulted in certain additional disclosures but does not have an impact on the Fund's financial position or performance.

NAFA Government Securities Liquid Fund

2.3 Other Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2009:

- a) IAS39 (amendment), 'Financial instruments: Recognition and measurement' (effective from January 1, 2009). The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have any impact on the Fund's financial statements.
- b) IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation' (effective from January 1, 2009). The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. One of the particular feature is that apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity. In this connection, Regulation 63 of the NBFC Regulations mandates the payment of 90% of the Fund's profit for the year as dividend, therefore the amendment has not changed the classification of units in the financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or to have a significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Fund's accounting periods beginning on or after January 1, 2010:

- a) IAS 7 (Amendment), 'Statement of Cash Flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any impact on the Fund's financial statements.
- b) IAS 24 'Related Party Disclosures' (revised) (effective from January 1, 2011). The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

There are certain other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or to have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. 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 relate to classification and valuation of investments (note 3.2 and 5).

2.6 Accounting Convention

These financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair value.

2.7 Functional and Presentation Currency

These financial statements are presented in Pak Rupees which is the Fund's functional and presentation currency.

NAFA Government Securities Liquid Fund

3 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 the years presented except as explained in note 2.2 to the financial statements.

3.1 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

3.2 Financial assets

3.2.1 Classification

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

Investments are categorised as follows:

a) 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.

b) Available for sale

These are non-derivative financial assets that 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.

c) Loans and receivables

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

3.2.2 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.

3.2.3 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.

3.2.4 Subsequent measurement

Subsequent to initial recognition, government securities designated by the management as at fair value through profit or loss and available for sale are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss' and 'available for sale' are taken to the income statement and statement of comprehensive income respectively.

Loans and receivables are carried at amortised cost using the effective interest rate method.

3.2.5 Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from Statement of Comprehensive Income to the Income Statement.

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 original terms. The amount of the provision is the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

NAFA Government Securities Liquid Fund

3.2.6 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.

3.2.7 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 realise the assets and settle the liabilities simultaneously.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial liabilities carried on the Statement of Assets and Liabilities include payable to the Management Company, payable to the Trustee, payable against redemption of units and accrued expenses and other liabilities.

3.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

3.5 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 during business hours on that date. The offer price represents the Net Asset 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. Currently, the fund is not charging any sales load (front end load). Transaction cost are recovered as income of the fund.

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 Asset 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.

3.6 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 Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to income / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.7 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders.

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

NAFA Government Securities Liquid Fund

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 probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, 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.

3.9 Proposed distributions

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.10 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income from Term Deposit Receipts is recognised on an accrual basis.
- Income from government securities is accrued using the effective interest rate method.
- Unrealised gains / (losses) arising on revaluation 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.
- Profit on bank deposits is recognised on an accrual basis.

	Note	2010	2009
		-----Rupees in '000-----	
4 BALANCES WITH BANKS			
Current accounts		1,576	341
Savings accounts		299,768	274,704
Term deposit receipts		<u>1,100,000</u>	<u>-</u>
		<u>1,401,344</u>	<u>275,045</u>
5 INVESTMENTS			
At fair value through profit or loss - held for trading			
Government securities - Market Treasury Bills	5.1	<u>3,851,815</u>	<u>911,177</u>
		<u>3,851,815</u>	<u>911,177</u>

NAFA Government Securities Liquid Fund

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

Issue date	Tenor	Face value				Market value as at June 30, 2010	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2009	Purchases during the period	Sales / matured during the period	As at June 30, 2010			
-----Rupees in '000-----								
Market Treasury Bills								
February 12, 2009	6 months	475,000	-	475,000	-	-	-	-
January 29, 2009	6 months	325,000	-	325,000	-	-	-	-
June 18, 2009	6 months	25,000	75,000	100,000	-	-	-	-
February 26, 2009	6 months	100,000	150,000	250,000	-	-	-	-
January 15, 2009	6 months	-	75,000	75,000	-	-	-	-
March 26, 2009	6 months	-	425,000	425,000	-	-	-	-
October 23, 2008	12 months	-	25,000	25,000	-	-	-	-
January 15, 2009	12 months	-	150,000	150,000	-	-	-	-
January 29, 2009	12 months	-	200,000	200,000	-	-	-	-
April 09, 2009	6 months	-	100,000	100,000	-	-	-	-
April 23, 2009	6 months	-	250,000	250,000	-	-	-	-
May 07, 2009	6 months	-	550,000	550,000	-	-	-	-
June 04, 2009	6 months	-	100,000	100,000	-	-	-	-
July 16, 2009	6 months	-	125,000	125,000	-	-	-	-
September 10, 2009	3 months	-	300,000	300,000	-	-	-	-
November 05, 2009	3 months	-	400,000	400,000	-	-	-	-
February 12, 2009	12 months	-	500,000	500,000	-	-	-	-
September 10, 2009	6 months	-	525,000	525,000	-	-	-	-
December 03, 2009	3 months	-	487,500	487,500	-	-	-	-
February 26, 2009	12 months	-	50,000	50,000	-	-	-	-
October 22, 2009	3 months	-	212,500	212,500	-	-	-	-
October 08, 2009	3 months	-	450,000	450,000	-	-	-	-
March 26, 2009	12 months	-	40,000	40,000	-	-	-	-
March 12, 2009	12 months	-	100,000	100,000	-	-	-	-
May 07, 2009	12 months	-	250,000	250,000	-	-	-	-
February 11, 2010	3 months	-	562,500	562,500	-	-	-	-
February 25, 2010	3 months	-	675,000	675,000	-	-	-	-
March 11, 2010	3 months	-	770,000	770,000	-	-	-	-
January 14, 2010	3 months	-	150,000	150,000	-	-	-	-
June 04, 2009	12 months	-	575,000	575,000	-	-	-	-
June 18, 2009	12 months	-	695,000	695,000	-	-	-	-
April 09, 2009	12 months	-	170,000	170,000	-	-	-	-
March 25, 2010	3 months	-	593,000	593,000	-	-	-	-
April 23, 2009	12 months	-	325,000	325,000	-	-	-	-
April 08, 2010	3 months	-	457,500	457,500	-	-	-	-
January 14, 2010	6 months	-	200,000	-	200,000	199,027	3.43%	5.17%
July 16, 2009	12 months	-	405,000	-	405,000	403,030	6.94%	10.47%
April 22, 2010	3 months	-	1,110,000	800,000	310,000	308,492	5.31%	8.01%
May 06, 2010	3 months	-	374,500	100,000	274,500	271,908	4.68%	7.06%
May 20, 2010	3 months	-	470,000	100,000	370,000	364,821	6.28%	9.47%
August 27, 2009	12 months	-	50,000	-	50,000	49,073	0.85%	1.27%
February 25, 2010	6 months	-	450,000	-	450,000	441,662	7.61%	11.47%
February 11, 2010	6 months	-	765,000	-	765,000	754,292	12.99%	19.58%
August 13, 2009	12 months	-	300,000	-	300,000	295,801	5.10%	7.68%
June 03, 2010	3 months	-	420,000	-	420,000	412,217	7.10%	10.70%
June 17, 2010	3 months	-	310,000	-	310,000	302,866	5.22%	7.86%
September 26, 2009	12 months	-	50,000	-	50,000	48,626	0.84%	1.26%
						3,851,815	100.00%	
Carrying value before fair value adjustment as at June 30, 2010						3,853,627		

NAFA Government Securities Liquid Fund

	Note	2010	2009
		-----Rupees in '000-----	
5.2 Net unrealised diminution in value of investments at fair value through profit or loss			
Market value of investments		3,851,815	911,177
Less: cost of investments		(3,853,627)	(911,339)
		<u>(1,812)</u>	<u>(162)</u>
6 LOANS AND RECEIVABLES			
Term Deposit Receipts		-	230,000
Money Market Placements - Reverse Repo		610,766	-
		<u>610,766</u>	<u>230,000</u>
7 PROFIT RECEIVABLE			
Profit on savings deposits		1,384	1,551
Profit on money market placements		17,082	-
Profit on term deposit receipts		11,205	2,904
		<u>29,671</u>	<u>4,455</u>
8 PREPAYMENTS AND OTHER RECEIVABLES			
Prepaid rating fee		-	175
Receivable from management company		6,980	-
Receivable against transfer sales		1,358	1,010
		<u>8,338</u>	<u>1,185</u>
9 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Preliminary expenses and floatation costs incurred	9.1	4,832	4,957
Less: amortisation during the year / period		991	125
Balance as at June 30, 2010		<u>3,841</u>	<u>4,832</u>
9.1	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from May 16, 2009 as per the requirements set out in the Trust Deed of the Fund.		
	Note	2010	2009
		-----Rupees in '000-----	
10 PAYABLE TO THE MANAGEMENT COMPANY			
Management fee	10.1	6,909	1,651
Others		4,957	5,242
		<u>11,866</u>	<u>6,893</u>
10.1	Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 1.50% per annum for the period from July 01, 2009 to June 13, 2010 and 1.25% per annum from June 14, 2010 to June 30, 2010. The remuneration is paid to the Management Company monthly in arrears.		
	Note	2010	2009
		-----Rupees in '000-----	
11 PAYABLE TO THE TRUSTEE			
Trustee fee	11.1	442	144
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 of the Fund.		

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2010 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.15% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 1.5 million plus 0.075% p.a. of NAV exceeding Rs. 1,000 million.

NAFA Government Securities Liquid Fund

	Note	2010	2009
-----Rupees in '000-----			
12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual Fee	12.1	2,982	114
12.1	Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a money market fund is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.		
13 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2010	2009
-----Rupees in '000-----			
Auditors' remuneration payable		235	185
Payable to brokers		144	68
Bank charges		6	8
Provision for workers' welfare fund	18	10,325	-
Others		335	86
		<u>11,045</u>	<u>347</u>
14 CONTINGENCIES AND COMMITMENTS			
There were no contingencies and commitments outstanding as at June 30, 2010 and 2009.			
15 Net Asset Value per unit			
The Net Asset Value 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.			
		For the year ended June 30, 2010	For the period from April 29, 2009 to June 30, 2009
16 PROFIT ON BANK DEPOSITS		-----Rupees in '000-----	
Income on savings deposits		45,719	4,295
17 AUDITORS' REMUNERATION			
Audit fee		295	175
Out of pocket expenses		45	10
		<u>340</u>	<u>185</u>
18 PROVISION FOR WORKERS' WELFARE FUND			

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein, any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 (Ordinance of 1969) applies. Management Company of the Fund, based on a legal advice obtained through Mutual Funds Association of Pakistan (MUFAP) was of a firm view that Collective Investment Scheme (CIS) were not establishments and therefore, the WWF Ordinance should not be applicable to such schemes. The MUFAP had also filed a constitutional petition in the High Court of Sindh (the Court) on behalf of the members, challenging the applicability of WWF to the CIS. The said petition was dismissed by the Court vide its order dated May 25, 2010 on the main ground that the MUFAP (Petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party. The Judgment recognises that the Trusts are covered by the scope of the definition of commercial establishment as contained in Ordinance of 1969 and, therefore, mutual funds and other funds appear to be covered unless it can be established that they fall within the scope of exemption set out in Section 5 (1)(iii) of the Ordinance of 1969 i.e. the Trusts not run for profit or in the course of business does not make any profit. This could be examined when the aggrieved parties directly approached the Court for redressal.

In the meantime, clarification has been obtained by the MUFAP from the Ministry of Labour & Manpower, Workers' Welfare Fund, Govt. of Pakistan, which, through their letter nos. WWF (A - II) 11.(5)/2010 dated July 8, 2010 and July 15, 2010, has clarified that the WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose income are exempt from income tax under any provisions of any law, and that mutual funds are a product being managed / sold by asset management companies which are liable to contribute towards the said WWF levy.

Various legal opinions are available on this matter. Some legal advisors are of the view that this levy is not applicable on CIS and therefore provision is not required to be created while there is also a contrary view according to which this levy has become applicable on the Fund and the letter issued by the Ministry of Labour, Government of Pakistan has no legal significance.

Because of ambiguity created based on conflicting opinions by lawyers and as a matter of abundant caution the Management Company of the Fund has decided to recognize a provision for WWF in these financial statements as follows:

	Rupees in '000
Current year	9,927
Prior period	398
	<u>10,325</u>

NAFA Government Securities Liquid Fund

19 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the management company has distributed more than ninety percent of the Fund's accounting income for the current period as reduced by capital gains, whether realised or unrealised, to its unit holders.

20 EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended June 30, 2010 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

21 FINANCIAL INSTRUMENTS BY CATEGORY

-----2010-----		
Loans and receivables	Assets at fair value through profit or loss	Total
-----Rupees in '000-----		
Balances with banks	1,401,344	1,401,344
Investments	-	-
Loans and receivables	3,851,815	3,851,815
Profit receivable	610,766	610,766
Other receivables	29,671	29,671
	8,338	8,338
	<u>2,050,119</u>	<u>5,901,934</u>

Assets

Balances with banks
Investments
Loans and receivables
Profit receivable
Other receivables

-----2010-----		
Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----		
Payable to the Management Company	-	11,866
Payable to the Trustee	-	442
Payable on redemption of units	-	74,062
Accrued expenses and other liabilities	-	720
	<u>87,090</u>	<u>87,090</u>

Liabilities

Payable to the Management Company
Payable to the Trustee
Payable on redemption of units
Accrued expenses and other liabilities

-----2009-----		
Loans and receivables	Assets at fair value through profit or loss	Total
-----Rupees in '000-----		
Balances with banks	275,045	275,045
Investments	-	-
Loans and receivables	911,177	911,177
Profit receivable	230,000	230,000
Other receivables	4,455	4,455
	1,010	1,010
	<u>510,510</u>	<u>1,421,687</u>

Assets

Balances with banks
Investments
Loans and receivables
Profit receivable
Other receivables

-----2009-----		
Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----		
Payable to the Management Company	-	6,893
Payable to the Trustee	-	144
Payable on redemption of units	-	3,964
Accrued expenses and other liabilities	-	345
	<u>11,346</u>	<u>11,346</u>

Liabilities

Payable to the Management Company
Payable to the Trustee
Payable on redemption of units
Accrued expenses and other liabilities

NAFA Government Securities Liquid Fund

22 TRANSACTIONS WITH CONNECTED PERSONS

- 22.1** Connected persons include NBP Fullerton Asset Management Limited being the Management Company (NAFA) (formerly National Fullerton Asset Management Limited), Central Depository Company of Pakistan Limited being Trustee, National Bank of Pakistan (NBP), NIB Bank Limited (NIB) (till March 31, 2010) and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 22.2** On March 31, 2010, NIB sold out its shareholding of NAFA to NBP. Accordingly, thereafter NIB is no longer a connected person for the Fund.
- 22.3** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 22.4** Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 22.5** Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

	For the year ended June 30, 2010	For the period from April 29, 2009 to June 30, 2009
22.6		
Details of the transactions with connected persons are as follows:	-----Rupees in '000-----	
NBP Fullerton Asset Management Limited - Management Company (Formerly National Fullerton Asset Management Limited)		
Management fee for the year / period	51,956	2,277
Units issued during the year / period (6,143,744 units; 2009: 2,290,323 units)	63,000	23,000
Units redeemed during the year / period (6,172,224 units; 2009: 2,290,323 units)	63,279	23,110
Bonus units issued during the year (28,480 units; 2009: Nil units)		
Preliminary expenses and floatation costs paid by the Management Company on behalf of the Fund	-	4,957
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year / period	3,732	206
National Bank of Pakistan - Sponsor		
Investment made by the Sponsor in the Fund (Nil units; 2009: 3,000,000 units)	-	30,000
Profit paid by the Fund on pre-IPO investment	-	109
Cash dividend paid during the year	2,671	-
Market treasury bills purchased during the year	97,785	-
NIB Bank Limited - previously a Sponsor		
Investment made by the Sponsor in the Fund (Nil units; 2009: 3,000,000 units)	-	30,000
Units redeemed during the year (1,500,000 units; 2009: Nil units)	15,489	-
Profit paid by the Fund on pre-IPO investment	-	118
Profit on bank deposits during the year	81	-
Market treasury bills purchased during the year	1,777,136	-
Cash dividend paid during the year	1,170	-
Alexandra Fund Management Pte. Limited - Sponsor		
Investment made by the Sponsor in the Fund (Nil units; 2009: 4,000,000 units)	-	40,000
Bonus units issued during the year (364,524 units; 2009: Nil units)		
Profit paid by the Fund on pre-IPO investment	-	158
Chief Executive Officer		
Units issued during the year (196,352 units; 2009: Nil units)	2,000	-
Units redeemed during the year (193,429 units; 2009: Nil units)	2,000	-
Bonus units issued during the year (72 units; 2009: Nil units)		
Chief Financial Officer		
Units issued during the year / period (258,476 units; 2009: 1,487 units)	2,351	15
Units redeemed during the year (263,499 units; 2009: Nil units)	2,706	-
Bonus units issued during the year (3,536 units; 2009: Nil units)		
NAFA Provident Fund Trust - Provident Fund		
Units issued during the year (797,499 units; 2009: Nil units)	8,120	-
Units redeemed during the year (391,479 units; 2009: Nil units)	3,992	-
Bonus units issued during the year (9,823 units; 2009: Nil units)		

NAFA Government Securities Liquid Fund

	For the year ended June 30, 2010	For the period from April 29, 2009 to June 30, 2009
	-----Rupees in '000-----	
Employees of the Management Company		
Units issued during the year / period (6,281,426 units; 2009: 402,594 units)	64,176	4,053
Units redeemed during the year / period (5,855,241 units; 2009: 57,146 units)	57,797	576
Bonus units issued during the year / period (70,677 units; 2009: Nil units)		
22.7 Amounts outstanding as at period end	2010	2009
	-----Rupees in '000-----	
NBP Fullerton Asset Management Limited - Management Company		
Receivable from management company	6,980	-
Management fee payable	6,909	1,651
Other payable	4,957	5,242
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	442	144
National Bank of Pakistan - Sponsor		
Investment held by the Sponsor in the Fund (3,000,000 units; 2009: 3,000,000 units)	30,823	30,428
Balance in current account	1,576	341
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the Sponsor in the Fund (4,384,524 units; 2009: 4,000,000 units)	44,842	40,570
Chief Executive Officer		
Investment held by the Chief Executive Officer in the Fund (2,895 units; 2009: Nil units)	31	-
Chief Financial Officer		
Investment held by the Chief Financial Officer in the Fund (Nil units; 2009: 1,487 units)	-	15
NAFA Provident Fund Trust - Provident Fund		
Investment held by NAFA Provident Fund Trust in the Fund (415,843 units; 2009: Nil units)	4,272	-
Employees of the Management Company		
Investment held by the executives in the Fund (1,006,403 units; 2009: 345,448 units)	10,340	3,504

23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

-----2010-----		
	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA
2	Sajjad Anwar	CFA / MBA Finance
3	Tanvir Abid	CFA / MBA
4	Irfan Malik	CFA / MBA
5	Ahmed Nouman*	EMBA

*Mr. Ahmed Nouman is the manager of the Fund. He is also the fund manager of NAFA Income Fund.

NAFA Government Securities Liquid Fund

24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

		2010
1	Invest Capital Investment Bank Limited	36.01%
2	Global Securities Pakistan Limited	16.17%
3	Invisor Securities (Private) Limited	10.72%
4	Elixir Securities Pakistan (Private) Limited	10.10%
5	Alfalah Securities (Private) Limited	9.47%
6	JS Global Capital Limited	6.03%
7	BMA Capital Management Limited	5.12%
8	KASB Securities Limited	3.38%
9	Atlas Capital Market (Private) Limited	1.37%
10	First Capital Securities Corporation Limited	0.90%

2009

1	Alfalah Securities (Private) Limited	28.36%
2	JS Global Capital Limited	22.07%
3	Invisor Securities (Private) Limited	17.30%
4	Invest Capital And Securities (Private) Limited	12.99%
5	Elixir Securities Pakistan (Private) Limited	9.61%
6	Global Securities Pakistan Limited	6.18%
7	First Capital Securities Corporation Limited	3.49%

25 PATTERN OF UNIT HOLDING

-----2010-----			
Category	Number of unit holders	Investment amount	Percentage investment
(Rupees in '000)			
Individuals	1,417	1,143,184	19.69%
Associated companies / Directors	5	95,379	1.64%
Insurance companies	5	421,636	7.26%
Banks / DFIs	3	306,493	5.28%
NBFCs	-	-	0.00%
Retirement funds	46	428,937	7.39%
Public Limited companies	37	1,168,484	20.13%
Others	46	2,241,265	38.61%
	1,559	5,805,378	100.00%

-----2009-----			
Category	Number of unit holders	Investment amount	Percentage investment
(Rupees in '000)			
Individuals	406	199,965	14.13%
Associated companies / Directors	3	101,426	7.17%
Insurance companies	3	232,170	16.40%
Banks / DFIs	2	152,138	10.75%
NBFCs	-	-	0.00%
Retirement funds	8	39,199	2.77%
Public Limited companies	17	638,179	45.09%
Others	9	52,155	3.69%
	448	1,415,232	100.00%

NAFA Government Securities Liquid Fund

26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 22nd, 23rd, 24th, 25th and 26th Board meetings were held on July 03, 2009, August 31, 2009, October 28, 2009, February 17, 2010 and April 29, 2010 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. Masood Karim Shaikh *	2	1	1	23rd, 24th, 25th, 26th meeting
Dr. Amjad Waheed	5	5	-	
Mr. Gerard Lee How Cheng	5	3	2	23rd & 26th meeting
Mr. Patrick Pang Chin	5	5	-	
Mr. Shahid Anwar Khan	5	3	2	24th & 26th meeting
Mr. Qamar Hussain **	3	2	1	22nd, 23rd, 25th meeting
Mr. Raymond H. Kotwal	5	5	-	
Mr. Syed Naseer Ul Hasan	5	5	-	

* Mr. Masood Karim Shaikh retired from the board with effect from October 16, 2009.

** Mr. Qamar Hussain was co-opted on the board with effect from October 16, 2009.

27 FINANCIAL RISK MANAGEMENT

The Fund is a money market fund which primarily invests in government securities. The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

27.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, yield/ interest rate risk and other price risk.

27.1.1 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.

27.1.2 Yield / 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.

a) Sensitivity analysis for variable rate instruments

As at June 30, 2010, 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

As at June 30, 2010 the Fund holds Market Treasury Bills which are classified as 'At fair value through profit or loss', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on June 30, 2010, with all other variables held constant, the net income for the period and net assets would be lower by Rs 4.539 million (2009: Rs 1.073 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2010, with all other variables held constant, the net income for the period and net assets would be higher by Rs 4.059 million (2009: Rs 1.075 million).

NAFA Government Securities Liquid Fund

The composition of the Fund's investment portfolio and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2010 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

-----2010-----					
Total	Exposed to yield / interest risk			Not exposed to yield / interest risk	
	Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----					
On balance sheet financial instruments					
Financial Assets					
Balances with banks	1,401,344	1,399,768	-	-	1,576
Investments	3,851,815	3,851,815	-	-	-
Loans and receivables	610,766	328,338	282,428	-	-
Profit receivable	29,671	-	-	-	29,671
Other receivables	8,338	-	-	-	8,338
	5,901,934	5,579,921	282,428	-	39,585
Financial Liabilities					
Payable to the Management Company	11,866	-	-	-	11,866
Payable to the Trustee	442	-	-	-	442
Payable on redemption of units	74,062	-	-	-	74,062
Accrued expenses and other liabilities	720	-	-	-	720
	87,090	-	-	-	87,090
On balance sheet gap	5,814,844	5,579,921	282,428	-	(47,505)
Off balance sheet financial instruments	-	-	-	-	-
Off balance sheet gap	-	-	-	-	-

-----2009-----					
Total	Exposed to yield / interest risk			Not exposed to yield / interest risk	
	Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----					
On balance sheet financial instruments					
Financial Assets					
Balances with banks	275,045	274,704	-	-	341
Investments	911,177	911,177	-	-	-
Loans and receivables	230,000	-	230,000	-	-
Profit receivable	4,455	-	-	-	4,455
Other receivables	1,010	-	-	-	1,010
	1,421,687	1,185,881	230,000	-	5,806
Financial Liabilities					
Payable to the Management Company	6,893	-	-	-	6,893
Payable to the Trustee	144	-	-	-	144
Payable on redemption of units	3,964	-	-	-	3,964
Accrued expenses and other liabilities	345	-	-	-	345
	11,346	-	-	-	11,346
On balance sheet gap	1,410,341	1,185,881	230,000	-	(5,540)
Off balance sheet financial instruments	-	-	-	-	-
Off balance sheet gap	-	-	-	-	-

NAFA Government Securities Liquid Fund

The rates of return on financial instruments are as follows:	2010 Percentage per annum
Balances with banks	5.00 - 12.00
Term deposit receipts	11.90 - 12.50
Market treasury bills	11.27 - 13.255

The rates of return on financial instruments are as follows:	2009 Percentage per annum
Balances with banks	5.00 - 12.00
Term deposit receipts	13.50 - 13.75
Market treasury bills	12.39 - 13.26

27.1.3 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 rate 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 on June 30, 2010.

27.2 Credit risk and management of credit risk

Credit risk arising from the inability of the counterparties to fulfill their obligations in respect of financial instrument contracts, is generally limited to the principal amount and accrued income thereon. The Fund's policy is to enter into financial instrument contracts by following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2010:

Bank Balances by rating category	2010	2009
A1+	98.4865%	0.0017%
A-1+	1.5122%	99.6545%
A1	0.0013%	0.3438%

27.3 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 mainly comprise of government securities and remaining transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than government.

27.4 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.

The Fund is exposed to daily cash redemptions, if any, 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 damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in government securities that can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. However, during the current period, no borrowing was obtained by the Fund. 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.

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.

NAFA Government Securities Liquid Fund

The table below analyses the Fund's financial 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.

2010					
Total	Upto three months	Over three months and upto one year	Over one year		
(Rupees in '000)					
Payable to the Management company	11,866	8,025	991	2,850	
Payable to the Trustee	442	442	-	-	
Payable on redemption of units	74,062	74,062	-	-	
Accrued expenses and other liabilities	720	720	-	-	
	87,090	83,249	991	2,850	

2009					
Total	Upto three months	Over three months and upto one year	Over one year		
(Rupees in '000)					
Payable to the Management company	6,893	2,061	991	3,841	
Payable to the Trustee	144	144	-	-	
Payable on redemption of units	3,964	3,964	-	-	
Accrued expenses and other liabilities	345	345	-	-	
	11,346	6,514	991	3,841	

28 UNITHOLDERS' FUND RISK MANAGEMENT

The unit 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 Asset Management Company has taken undertaking from the sponsors to invest Rs 50 million for at least two years in compliance with Regulation 44 (3) (e) (ii) of the NBFC Regulations.

The Fund's objectives when managing unit holders' fund 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 27, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair values.

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.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from book values as the items are either short term in nature or periodically repriced.

NAFA Government Securities Liquid Fund

According to the amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall 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 (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Investments of the Fund carried at fair value are categorised in the level 1 category.

30 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on July 05, 2010 have proposed a final distribution at the rate of 2.5010%. The financial statements of the Fund for the year ended June 30, 2010 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2011.

31 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 25, 2010.

32 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. During the current year, there were no major reclassifications except as required due to the change in accounting policy as more fully discussed in note 2.2.

33 GENERAL

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

Chairman

NAFA Government Securities Liquid Fund

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2010	For the period from April 29, 2009 to June 30, 2009
Net assets at the year / period ended (Rs '000)	5,805,378	1,415,232
Net income for the year / period ended (Rs '000)	486,027	19,889
Net Asset Value per unit at the year / period ended (Rs)	10.0241	10.0025
Offer Price per unit	10.0241	10.0025
Redemption Price per unit	10.0241	10.0025
Highest offer price per unit (Rs)	10.0241	10.0025
Lowest offer price per unit (Rs)	9.0731	9.8802
Highest redemption price per unit (Rs)	10.0241	10.0025
Lowest redemption price per unit (Rs)	9.0731	9.8802
Total return of the fund	10.53%	1.43%
Capital growth	0.53%	0.03%
Income distribution	10.00%	1.40%
Distribution		
Interim distribution per unit	0.7503	-
Final distribution per unit	0.2501	0.1400
Distribution Dates		
Interim	28-Oct-09, 17-Feb-10, 29-Apr-10	-
Final	5-Jul-10	3-Jul-09
Average annual return of the fund (launch date May 16, 2009) (Since inception to June 30, 2010)	10.68%	
(Since inception to June 30, 2009)		11.88%
Portfolio Composition (Please see Fund Manager Report)		
Weighted average portfolio duration	46 days	90 days
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up		