



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

## NAFA GOVERNMENT SECURITIES LIQUID FUND

# ANNUAL REPORT 2014



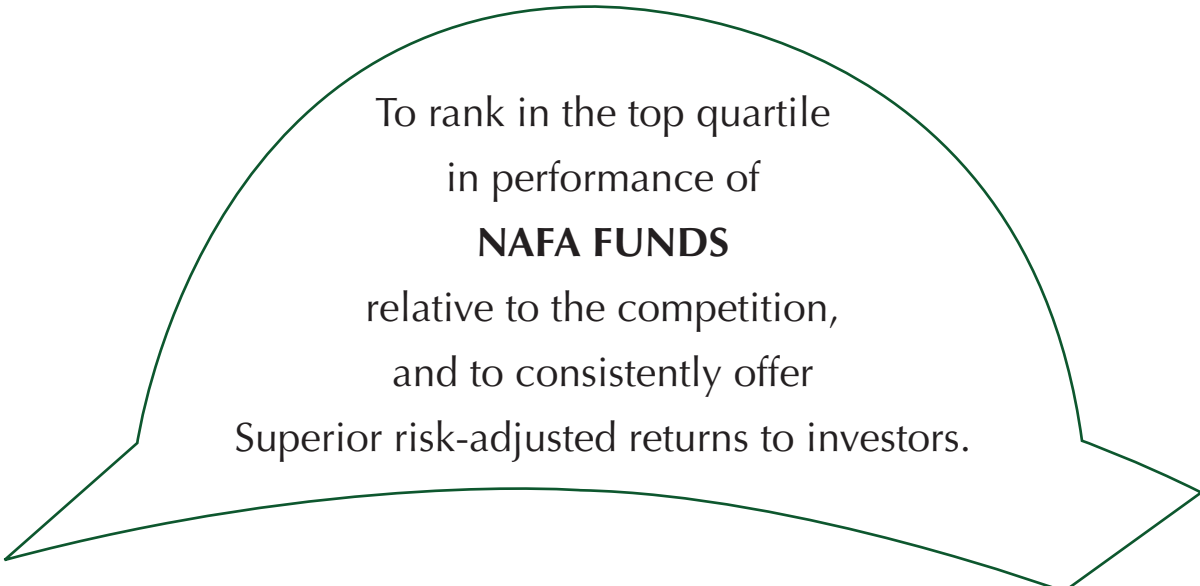
*Your investments & "NAFA" grow together*



**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## MISSION STATEMENT



To rank in the top quartile  
in performance of  
**NAFA FUNDS**  
relative to the competition,  
and to consistently offer  
Superior risk-adjusted returns to investors.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

Mr. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

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

### Human Resource Committee

Mr. Nausherwan Adil	Chairman
Mr. Wah Geok Sum	Member
Mr. Kamal Amir Chinoy	Member

### Trustee

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

### Bankers to the Fund

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
NIB Bank Limited  
United Bank Limited  
National Bank of Pakistan  
Barclays Bank Plc Limited  
Summit Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

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# Board of Directors



Mr. Nausherwan Adil  
Chairman



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Kamal Amir Chinoy  
Director



Mr. Koh Boon San  
Director



Mr. Aamir Sattar  
Director



Mr. Shehryar Faruque  
Director



Mr. Wah Geok Sum  
Director



Mr. Abdul Hadi Palekar  
Director

# Senior Management



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. M. Murtaza Ali  
Chief Financial Officer  
& Company Secretary



Mr. Sajjad Anwar, CFA  
Chief Investment Officer



Mr. Zeeshan  
Chief – Strategy &  
Business Development



Mr. Samiuddin Ahmed  
Country Head Corporate  
Marketing & Sales



Mr. Ozair Khan  
Chief Technology Officer



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



Mr. Ahmad Nouman CFA, PRM  
Head of Risk Management



Syed Suleman Akhtar CFA  
Head of Research



Mr. Tahir Lateef  
Head of Internal Audit

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Sixth Annual Report of **NAFA Government Securities Liquid Fund** for the year ended June 30, 2014.

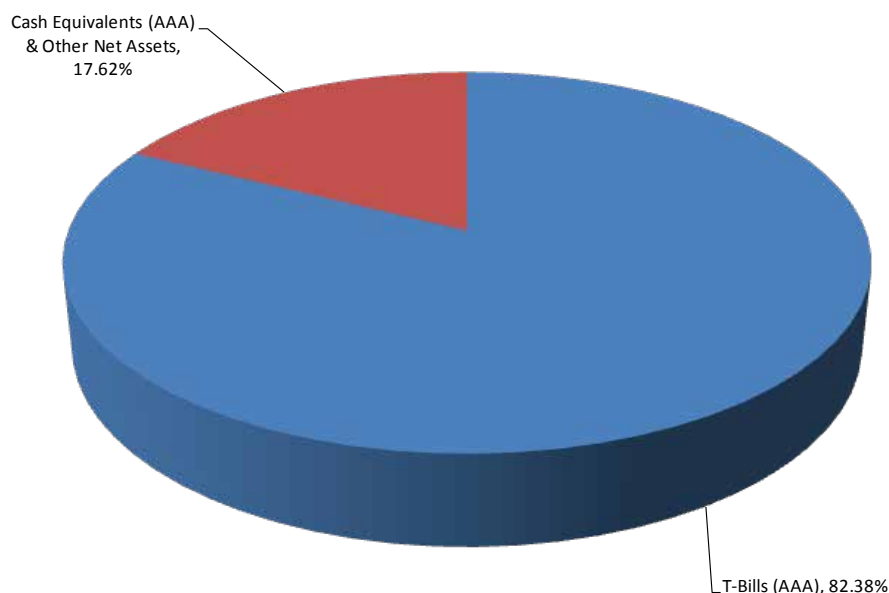
### Fund's Performance

The size of NAFA Government Securities Liquid Fund has reduced from Rs. 12,402 million to Rs. 9,858 million during the period, i.e. a decrease of 20.51%. During the said period, the unit price of the Fund has increased from Rs. 9.2990 (Ex-Div) on June 30, 2013 to Rs. 10.0538 on June 30, 2014, thus posting a return of 8.12% as compared to its Benchmark (70% 3-Month T-Bills & 30% average 3-Month deposit rate of 'AA' & above rated banks) return of 8.63% for the same period. The return of the Fund is net of management fee and all other expenses.

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

The State Bank of Pakistan increased the policy rate by 100bps to 10% during first half of FY14, citing downside risks to the external account, depleting FX reserves, and rising inflation expectations. However, since then positive developments were witnessed in the form of (i) a sharp recovery of Pak rupee against the US dollar, due to significant improvement in forex reserves bolstered by aid from Saudi Arabia, extremely successful Eurobond issue, auction of 3G and 4G licenses, two large SPOs and higher loan receipts; and (ii) Inflation as measured by CPI clocked in at 8.6%, significantly below initial projections of 11-12%, due to subdued commodity prices, lower money supply growth and strong rupee performance in the second half of the fiscal year.

The Fund has earned a total income of Rs.1,359.43 million during the year. After deducting total expenses of Rs.245.61 million, the net income is Rs.1,113.82 million. The asset allocation of NAFA Government Securities Liquid Fund as on June 30, 2014 is as follows:





# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Income Distribution

The Board of Directors of the Management Company has approved interim distribution of 7.68% of opening ex-NAV (7.71% of the par value) during the year.

## 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, KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2015.

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

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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 16, 2014

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) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Government Securities Liquid Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2014 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: October 10, 2014

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA GOVERNMENT SECURITIES LIQUID FUND FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Government Securities Liquid Fund** (the Fund) to comply with the Best Practices of Code of Corporate Governance (CCG) contained in Regulation No. 35, Chapter XI of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Lahore Stock Exchange.

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2014, the Board included:

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

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

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy was occurred on the board on October 10, 2013 which was filled up on the same date.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities the Code requires every listed company to conduct formal orientation for directors. As per the Code, by June 30, 2014 a minimum of two directors should have attended director training program. As at year end, one of the directors has attended the director's training program offered by Pakistan Institute of Corporate Governance. The Company has started the process for training of other directors and it is expected that some of other directors may also obtain certification of the director's training program in the next year. However, the directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. There was no new appointment of the Chief Financial Officer (CFO) and Company Secretary during the year. However, the Head of Internal Audit left the Company on March 07, 2014 and in his place a new appointment was made on April 08, 2014 with the approval of audit and risk committee including remuneration and terms and conditions. The appointment of the Head of Internal Audit has been ratified by the Board in its meeting held on September 16, 2014, subsequent to the year end.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 18 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors and the chairman of the committee is a non-independent director.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. Since there is no practical implication of closed period on the announcement of interim and final results of open end Fund. Therefore, there was no 'closed period' prior to the announcement of interim/final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied with. While the Code of Corporate Governance requires that a mechanism shall be put in place for the annual evaluation of the Board's own performance by April 2014, the Management Company is in the process of preparing a framework for this purpose and eventual approval by the Board of Directors of the Management Company.

For and behalf of the board

Karachi  
September 16, 2014

Dr. Amjad Waheed  
Chief Executive Officer

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## FUND MANAGER REPORT

### NAFA Government Securities Liquid Fund

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

### Investment Objective of the Fund

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

### Benchmark

70% 3-Month T-Bills and 30% average 3-Month deposit rates of AA and above rated banks.

### Fund Performance Review

This is the sixth Annual report since the launch of the Fund on May 16, 2009. The Fund size decreased by around 20.51% during FY14 and stands at Rs 9.86 billion as on June 30, 2014. The Fund's annualized return since inception is 9.97% versus the benchmark return of 10.09%. The Fund's return for FY 2014 is 8.12% as against the benchmark return of 8.63%. The return of the Fund is net of management fee and all other expenses.

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

State Bank of Pakistan increased the policy rate to 10% from 9% during FY14 premised on rising inflation expectation, pressure on external account and reduction in FX reserves. However, in the second half of FY 14, significant improvement was observed in the external account mainly due to aid from Saudi Arabia, issuances of Eurobond, successful SPOs of UBL & PPL and auction of 3G & 4G licenses. This resulted in unexpected recovery of Pak rupee against the US dollar. Inflation also remained below initial projections due to lower money supply growth and depressed commodity prices. However, State Bank of Pakistan restrained from easing policy rate highlighting law and order situation and power shortages as the prime factors affecting investment in economy.

During the period under review Government has shifted its borrowing from short-term T-Bills to long-term PIBs thus reducing rollover or refinancing risk. However this shift in borrowing from short-term to long-term has come at a significant cost as PIBs are an expensive source of borrowing. This shift in borrowing is evident from below mentioned table:

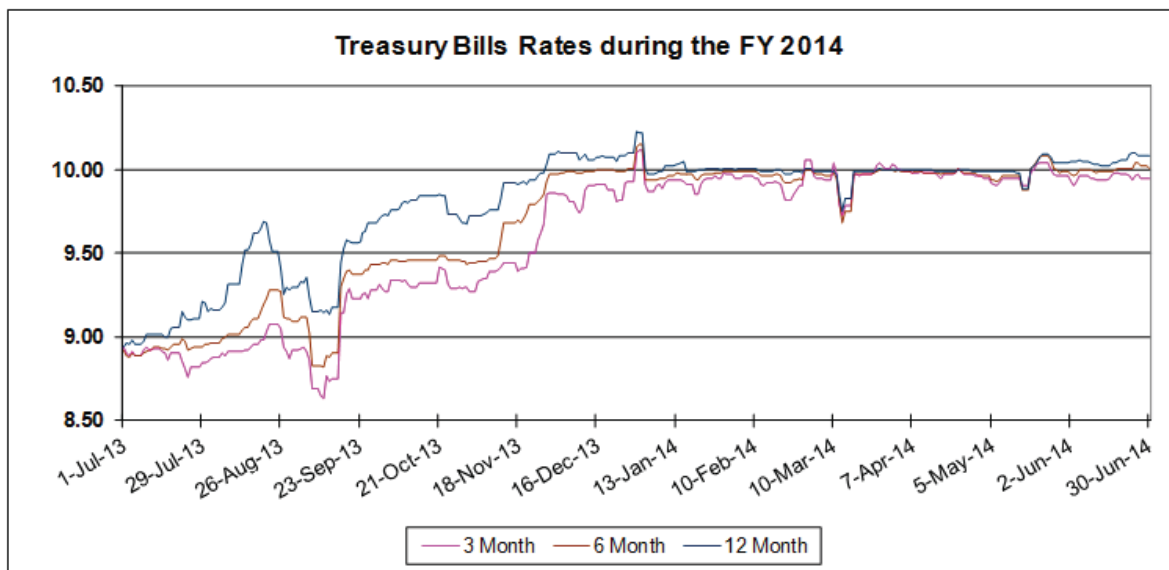
Source of Borrowing	Jun-13		Jun-14	
	Rs. In Bn	%	Rs. In Bn	%
PIBs	1,321.9	26.8%	3,223.5	59.4%
T-Bills	3,151.0	63.9%	1,878.9	34.6%
GOP Ijara Sukuk	459.2	9.3%	326.4	6.0%
<b>Total</b>	<b>4,932.1</b>	<b>100.0%</b>	<b>5,428.8</b>	<b>100.0%</b>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-14	30-Jun-13
T-Bills	82.38%	37.38%
Placements with DFIs	-	1.21%
Placements with Banks	-	10.48%
Cash Equivalents & Other Assets	17.62%	50.93%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

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



## Distribution for the Financial Year 2014

Month	Dividend as a % of Par Value (Rs. 10)	Cummlative Div. Price / Unit	Ex- Div. Price
Jul-13	0.5720%	10.0963	10.0391
Aug-13	0.6020%	10.0976	10.0374
Sep-13	0.6020%	10.0945	10.0343
Oct-13	0.6020%	10.1003	10.0401
Nov-13	0.6320%	10.0989	10.0357
Dec-13	0.6530%	10.1003	10.0350
Jan-14	0.6930%	10.1080	10.0387
Feb-14	0.7030%	10.1091	10.0388
Mar-14	0.6220%	10.0996	10.0374
Apr-14	0.6830%	10.1105	10.0422
May-14	0.6830%	10.1076	10.0393
Jun-14	0.6630%	10.1068	10.0405



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Unit Holding Pattern of NAFA Government Securities Liquid Fund as on 30th June 2014

Size of Unit Holding (Units)		No. of Unit Holders
1	1,000	306
1,001	5,000	273
5,001	10,000	122
10,001	50,000	395
50,001	100,000	192
100,001	500,000	216
500,001	1,000,000	36
1,000,001	5,000,000	38
5,000,001	10,000,000	5
10,000,001	100,000,000	11
100,000,001	1,000,000,000	2
<b>Total:</b>		<b>1,596</b>

### During the period under question:

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

### Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 107,359,405, If the same were not made the NAV per unit/ FY 2014 return of scheme would be higher by Rs. 0.1095/1.18% For details investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2014.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of NBP Fullerton Asset Management Limited, the Management Company of **NAFA Government Securities Liquid Fund** ("the Fund") for the year ended 30 June 2014 to comply with the requirements of the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange Limited where the Fund is listed.

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

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2014.

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

- i) Paragraph 9 As per the Code, at least two directors were required to obtain training by 30 June 2014, however, only one director has obtained training so far.
- ii) Paragraph 21 As per the Code, there should be announcement of 'close period' prior to the announcement of interim / final results, however there was no such 'close period' announced during the year ended 30 June 2014.
- iii) Paragraph 23 A mechanism is in process of development for an annual evaluation of the Board's own performance.

Date: September 16, 2014

Place: Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **NAFA Government Securities Liquid Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2014 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unit holders' fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2014 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### *Report on Other Legal and Regulatory Requirements*

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

Date: September 16, 2014

Karachi

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KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Nadeem

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Statement of Assets and Liabilities As at 30 June 2014

	Note	2014 (Rupees in '000)	2013
<b>Assets</b>			
Bank balances	4	7,730,161	1,849,896
Investments	5	8,121,706	4,785,275
Profit receivable	6	10,238	16,870
Advance, prepayment and other receivable	7	7,117	7,105
Receivable from a connected person		-	5,846,012
Preliminary expenses and floatation costs	8	-	867
<b>Total assets</b>		<u>15,869,222</u>	<u>12,506,025</u>
<b>Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	9	24,420	8,433
Payable to Central Depository Company of Pakistan Limited -Trustee	10	896	482
Payable to Securities and Exchange Commission of Pakistan	11	10,654	9,628
Payable on redemption of units		5,865,291	10
Accrued expenses and other liabilities	12	109,338	85,546
<b>Total liabilities</b>		<u>6,010,599</u>	<u>104,099</u>
<b>Net Assets</b>		<u>9,858,623</u>	<u>12,401,926</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>9,858,623</u>	<u>12,401,926</u>
<b>Contingency and commitment</b>	13	-----Number of units-----	
<b>Number of units in issue</b>	14	<u>980,581,901</u>	<u>1,235,387,776</u>
<b>Net assets value per unit</b>		<u>10.0538</u>	<u>10.0389</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Income Statement For the year ended 30 June 2014

	Note	2014 -----Rupees in '000-----	2013
<b>Income</b>			
Capital gain on sale of investments - net		520	12,374
Income from government securities		1,069,779	1,125,232
Income from term deposit receipts		81,463	68,838
Income from money market placements		108,485	54,012
Profit on saving accounts		102,877	45,313
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.3	(3,692)	(259)
<b>Total income</b>		<u>1,359,432</u>	<u>1,305,510</u>
<b>Expenses</b>			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	9.1	146,976	160,181
Sindh Sales Tax on remuneration of Management Company	9.1	27,379	25,629
Federal Excise Duty on remuneration of Management Company	9.2	23,516	628
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10	10,773	10,347
Annual fee - Securities and Exchange Commission of Pakistan	11	10,654	9,628
Amortisation of preliminary expenses and floatation costs	8	867	991
Securities transaction cost		932	1,103
Bank charges		721	657
Annual listing fee		40	40
Auditors' remuneration	15	503	440
Legal and professional charges		101	55
Other charges		423	337
<b>Total expenses</b>		<u>222,885</u>	<u>210,036</u>
<b>Net income from operating activities</b>		<u>1,136,547</u>	<u>1,095,474</u>
Provision for Workers' Welfare Fund	12.1	(22,731)	(21,909)
<b>Net income before taxation</b>		<u>1,113,816</u>	<u>1,073,565</u>
Taxation	16	-	-
<b>Net income for the year</b>		<u><u>1,113,816</u></u>	<u><u>1,073,565</u></u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Statement of Comprehensive Income For the year ended 30 June 2014

	2014	2013
	(Rupees in '000)	
Net income for the year	1,113,816	1,073,565
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>1,113,816</u>	<u>1,073,565</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Distribution Statement For the year ended 30 June 2014

	2014	2013
	(Rupees in '000)	
<b>Undistributed income brought forward</b>		
Realised income	10,863	32,917
Unrealised loss	(259)	(5,815)
	<u>10,604</u>	<u>27,102</u>
Net income for the year	1,113,816	1,073,565
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	(1,523)	(43,024)
<b>Interim distributions:</b>		
Declared on 30 July 2013: 0.572% (30 July 2012: 0.844%)		
- Issue of 7,196,678 bonus units (2012: 9,057,589 units)	(72,248)	(91,004)
- Cash distribution	(12)	(34,305)
Declared on 29 August 2013: 0.602% (28 August 2012: 0.824%)		
- Issue of 7,712,703 bonus units (2012: 8,664,232 units)	(77,416)	(87,139)
- Cash distribution	(13)	(33,492)
Declared on 27 September 2013: 0.602% (27 September 2012: 0.804%)		
- Issue of 7,790,561 bonus units (2012: 7,602,379 units)	(78,173)	(76,400)
- Cash distribution	(13)	(32,678)
Declared on 29 October 2013: 0.602% (30 October 2012: 0.754%)		
- Issue of 7,856,392 bonus units (2012: 10,404,845 units)	(78,879)	(104,654)
- Cash distribution	(13)	(19)
Declared on 28 November 2013: 0.632% (28 November 2012: 0.704%)		
- Issue of 8,083,382 bonus units (2012: 9,680,991 units)	(81,123)	(97,253)
- Cash distribution	(14)	(49)
Declared on 27 December 2013: 0.653% (28 December 2012: 0.653%)		
- Issue of 9,674,275 bonus units (2012: 8,928,973 units)	(97,082)	(89,672)
- Cash distribution	(14)	(45)
Declared on 29 January 2014: 0.693% (29 January 2013: 0.684%)		
- Issue of 10,369,822 bonus units (2013: 8,850,527 units)	(104,100)	(88,873)
- Cash distribution	(15)	(10)
Declared on 28 February 2014: 0.703% (27 February 2013: 0.643%)		
- Issue of 11,092,760 bonus units (2013: 8,311,931 units)	(111,358)	(83,418)
- Cash distribution	(15)	(6)
Declared on 28 March 2014: 0.622% (28 March 2013: 0.583%)		
- Issue of 9,372,158 bonus units (2013: 7,438,685 units)	(94,072)	(74,654)
- Cash distribution	(7)	(10)
Declared on 29 April 2014: 0.683% (29 April 2013: 0.623%)		
- Issue of 10,569,166 bonus units (2013: 5,642,095 units)	(106,138)	(56,656)
- Cash distribution	(8)	(11)
Declared on 28 May 2014: 0.683% (29 May 2013: 0.684%)		
- Issue of 10,684,985 bonus units (2013: 5,094,408 units)	(107,270)	(51,128)
- Cash distribution	(8)	(8)
Declared on 26 June 2014: 0.663% (28 June 2013: 0.704%)		
- Issue of 9,014,992 bonus units (2013: 4,539,214 units)	(90,515)	(45,547)
- Cash distribution	(8)	(8)
<b>Total distributions</b>	(1,098,514)	(1,047,039)
<b>Undistributed income carried forward</b>	<u>24,383</u>	<u>10,604</u>
<b>Undistributed income comprising:</b>		
- Realised income	28,075	10,863
- Unrealised loss	(3,692)	(259)
	<u>24,383</u>	<u>10,604</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Statement of Movement in Unit Holders' Fund For the year ended 30 June 2014

	2014	2013
	(Rupees in '000)	
Net assets at beginning of the year	12,401,926	14,772,225
Issue of 1,287,202,495 units (2013: 1,620,273,613 units)	12,959,262	16,305,586
Issue of 109,417,874 bonus units (2013: 94,215,869 units)	1,098,374	946,398
Redemption of 1,651,426,244 units (2013: 1,948,645,036 units)	(16,616,241)	(19,648,809)
	(2,558,605)	(2,396,825)
Capital gain on sale of investments - net	520	12,374
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(3,692)	(259)
Other net income for the year	1,116,988	1,061,450
<b>Total comprehensive income for the year</b>	<b>1,113,816</b>	<b>1,073,565</b>
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	1,523	43,024
<b>Interim distributions:</b>		
Declared on 30 July 2013: 0.572% (30 July 2012: 0.844%)		
- Issue of 7,196,678 bonus units (2012: 9,057,589 units)	(72,248)	(91,004)
- Cash distribution	(12)	(34,305)
Declared on 29 August 2013: 0.602% (28 August 2012: 0.824%)		
- Issue of 7,712,703 bonus units (2012: 8,664,232 units)	(77,416)	(87,139)
- Cash distribution	(13)	(33,492)
Declared on 27 September 2013: 0.602% (27 September 2012: 0.804%)		
- Issue of 7,790,561 bonus units (2012: 7,602,379 units)	(78,173)	(76,400)
- Cash distribution	(13)	(32,678)
Declared on 29 October 2013: 0.602% (30 October 2012: 0.754%)		
- Issue of 7,856,392 bonus units (2012: 10,404,845 units)	(78,879)	(104,654)
- Cash distribution	(13)	(19)
Declared on 28 November 2013: 0.632% (28 November 2012: 0.704%)		
- Issue of 8,083,382 bonus units (2012: 9,680,991 units)	(81,123)	(97,253)
- Cash distribution	(14)	(49)
Declared on 27 December 2013: 0.653% (28 December 2012: 0.653%)		
- Issue of 9,674,275 bonus units (2012: 8,928,973 units)	(97,082)	(89,672)
- Cash distribution	(14)	(45)
Declared on 29 January 2014: 0.693% (29 January 2013: 0.684%)		
- Issue of 10,369,822 bonus units (2013: 8,850,527 units)	(104,100)	(88,873)
- Cash distribution	(15)	(10)
Declared on 28 February 2014: 0.703% (27 February 2013: 0.643%)		
- Issue of 11,092,760 bonus units (2013: 8,311,931 units)	(111,358)	(83,418)
- Cash distribution	(15)	(6)
Declared on 28 March 2014: 0.622% (28 March 2013: 0.583%)		
- Issue of 9,372,158 bonus units (2013: 7,438,685 units)	(94,072)	(74,654)
- Cash distribution	(7)	(10)
Declared on 29 April 2014: 0.683% (29 April 2013: 0.623%)		
- Issue of 10,569,166 bonus units (2013: 5,642,095 units)	(106,138)	(56,656)
- Cash distribution	(8)	(11)
Declared on 28 May 2014: 0.683% (29 May 2013: 0.684%)		
- Issue of 10,684,985 bonus units (2013: 5,094,408 units)	(107,270)	(51,128)
- Cash distribution	(8)	(8)
Declared on 26 June 2014: 0.663% (28 June 2013: 0.704%)		
- Issue of 9,014,992 bonus units (2013: 4,539,214 units)	(90,515)	(45,547)
- Cash distribution	(8)	(8)
<b>Total distributions</b>	<b>(1,098,514)</b>	<b>(1,047,039)</b>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	(1,523)	(43,024)
<b>Net assets at end of the year</b>	<b>9,858,623</b>	<b>12,401,926</b>
		(Rupees)
Net assets value per unit at beginning of the year	10.0389	10.0523
Net assets value per unit at end of the year	10.0538	10.0389

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Cash Flow Statement For the year ended 30 June 2014

	Note	2014 (Rupees in '000)	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income before taxation		1,113,816	1,073,565
<b>Adjustments:</b>			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		3,692	259
Amortisation of preliminary expenses and floatation costs		867	991
		<u>1,118,375</u>	<u>1,074,815</u>
<b>Decrease / (increase) in assets</b>			
Investments		(3,340,123)	8,533,546
Profit receivables		6,632	33,940
Receivable from a connected person		5,846,012	(5,846,012)
Advance, prepayment and other receivables		(12)	(12)
		<u>2,512,509</u>	<u>2,721,462</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company		15,987	(10,768)
Payable to Central Depository Company of Pakistan Limited - Trustee		414	(574)
Payable to Securities and Exchange Commission of Pakistan		1,026	(1,266)
Accrued expenses and other liabilities		23,792	(20,578)
		<u>41,219</u>	<u>(33,186)</u>
<b>Net cash generated from operating activities</b>		<u>3,672,103</u>	<u>3,763,091</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds received from issuance of units		12,959,262	16,305,586
Payments against redemption of units		(10,750,960)	(19,674,310)
Distributions paid		(140)	(100,641)
<b>Net cash generated from / (used in) financing activities</b>		<u>2,208,162</u>	<u>(3,469,365)</u>
<b>Net increase in cash and cash equivalents</b>		<u>5,880,265</u>	<u>293,726</u>
Cash and cash equivalents at beginning of the year		1,849,896	1,556,170
<b>Cash and cash equivalents at end of the year</b>	4	<u><u>7,730,161</u></u>	<u><u>1,849,896</u></u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Notes to and forming part of the Financial Statements For the year ended 30 June 2014

### 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 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of MUFAP.

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorised as an Open-End "Money Market Scheme" as per the criteria laid down by Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).

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

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

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Accounting convention

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

#### 2.3 Functional and presentation currency

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

#### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their 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 and impairment thereagainst, if any (note 3.2.1 and 3.2.5).

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2013 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 financial statements.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 2.6 Standards, interpretations and amendments to approved accounting standards, that are not yet effective:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment’s assets to the entity assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 38 ‘Intangible Assets’. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 ‘Related Party Disclosure’. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 ‘Investment Property’. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

The above amendments would have no impact on the financial statements of the Fund.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

### 3.1 Cash and cash equivalents

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

### 3.2 Financial assets

#### 3.2.1 Classification

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

##### a) Loans and receivables

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

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

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

##### c) Available for sale

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

All investments in the Fund as at 30 June 2014 are classified as 'financial assets at fair value through profit and loss'.

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

##### Basis of valuation of Government Securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

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

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

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

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 3.2.5 Impairment of financial assets

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

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

## 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 to realise the assets and settle the liabilities simultaneously.

## 3.3 Derivatives

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

## 3.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

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

## 3.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs (formation cost) represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of five years starting from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

## 3.6 Provisions

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

## 3.7 Taxation

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

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

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

## 3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors / Management Company during business hours on the date on which the funds are actually realized against application. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

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

The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is credited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net assets value and included in the sale proceeds of units. Upon redemption of units, the 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is debited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net assets value and included in the redemption price.

The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' during the year is included in the amount available for distribution to the unit holders.

## 3.10 Earnings per unit

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

## 3.11 Net Assets Value Per Unit

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

## 3.12 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.
- Unrealised appreciation / (diminution) arising on remeasurement 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.
- Discount on purchase of Market Treasury Bills is amortised to income statement using the straight line method.
- Profit on bank deposits, term deposit receipts, reverse repo transactions and certificates of investments is recognised using the effective interest method.

## 3.13 Proposed distribution

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

	Note	2014	2013
		(Rupees in '000)	
<b>4 BANK BALANCES</b>			
In current accounts	4.1	7,493,669	691
In savings accounts	4.2	236,492	549,205
Term deposit receipts		-	1,300,000
		<u>7,730,161</u>	<u>1,849,896</u>

4.1 These accounts carry a rate of return ranging from 6.5% to 10.75% per annum (2013: 6% to 12% per annum).

4.2 These deposits carried a rate of return ranging from 8.8% to 10.18% per annum which had been matured during the year (2013: 9.5% to 9.8% per annum).

	Note	2014	2013
		(Rupees in '000)	
<b>5 INVESTMENTS</b>			
<b>Financial assets 'At fair value through profit or loss' - held for trading</b>			
Investment in government securities	5.1	8,121,706	4,635,268
<b>Loans and receivables</b>			
Investment in certificate of investments	5.2	-	150,007
		<u>8,121,706</u>	<u>4,785,275</u>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 5.1 Investment in government securities - Market Treasury Bills

Issue date	Tenor	Face value				Market value as at June 30, 2014	Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2013	Purchases during the year	Sales / matured during the year	As at June 30, 2014			
Market Treasury Bills		----- Rupees in '000 -----					----- % -----	
01 November 2012	12 Months	-	3,200,000	3,200,000	-	-	-	-
10 January 2013	6 Months	4,725	50,275	55,000	-	-	-	-
24 January 2013	6 Months	-	2,020,300	2,020,300	-	-	-	-
24 January 2013	12 Months	-	500,000	500,000	-	-	-	-
21 February 2013	6 Months	-	1,136,800	1,136,800	-	-	-	-
18 April 2013	3 Months	6,800	95,700	102,500	-	-	-	-
02 May 2013	3 Months	-	7,291,500	7,291,500	-	-	-	-
02 May 2013	6 Months	-	100,000	100,000	-	-	-	-
12 July 2012	12 Months	2,145,000	63,000	2,208,000	-	-	-	-
26 July 2012	12 Months	2,500,000	-	2,500,000	-	-	-	-
30 May 2013	3 Months	-	489,000	489,000	-	-	-	-
30 May 2013	6 Months	-	5,296,500	5,296,500	-	-	-	-
30 May 2013	12 Months	-	150,000	150,000	-	-	-	-
13 June 2013	6 Months	-	501,870	501,870	-	-	-	-
13 June 2013	12 Months	-	600,000	600,000	-	-	-	-
06 September 2012	12 Months	-	8,640,000	8,640,000	-	-	-	-
23 August 2012	12 Months	-	1,457,800	1,457,800	-	-	-	-
12 July 2013	3 Months	-	4,886,000	4,886,000	-	-	-	-
20 September 2012	12 Months	-	3,766,800	3,766,800	-	-	-	-
04 October 2012	12 Months	-	500,000	500,000	-	-	-	-
27 June 2013	3 Months	-	24,500	24,500	-	-	-	-
07 August 2013	3 Months	-	3,307,000	3,307,000	-	-	-	-
19 September 2013	3 Months	-	6,631,900	6,631,900	-	-	-	-
05 September 2013	3 Months	-	1,500,000	1,500,000	-	-	-	-
03 October 2013	3 Months	-	2,379,500	2,379,500	-	-	-	-
31 October 2013	3 Months	-	738,000	738,000	-	-	-	-
21 October 2013	3 Months	-	175,000	175,000	-	-	-	-
25 July 2013	6 Months	-	100,000	100,000	-	-	-	-
12 July 2013	6 Months	-	50,000	50,000	-	-	-	-
28 November 2013	3 Months	-	8,400,600	8,400,600	-	-	-	-
12 December 2013	3 Months	-	4,254,000	4,254,000	-	-	-	-
13 November 2013	3 Months	-	1,800	1,800	-	-	-	-
26 December 2013	3 Months	-	1,510,000	1,510,000	-	-	-	-
30 December 2013	3 Months	-	500,000	500,000	-	-	-	-
09 January 2014	3 Months	-	2,213,000	2,213,000	-	-	-	-
23 January 2014	3 Months	-	6,891,600	6,891,600	-	-	-	-
06 February 2014	3 Months	-	250,000	250,000	-	-	-	-
20 February 2014	3 Months	-	5,867,500	5,867,500	-	-	-	-
16 May 2013	12 Months	-	35,000	35,000	-	-	-	-
28 February 2014	6 Months	-	3,297,000	3,297,000	-	-	-	-
06 March 2014	3 Months	-	5,035,000	5,035,000	-	-	-	-
20 March 2014	3 Months	-	1,505,700	1,505,700	-	-	-	-
27 June 2013	12 Months	-	2,250,000	2,250,000	-	-	-	-
23 January 2014	6 Months	-	300,000	300,000	-	-	-	-
02 May 2014	3 Months	-	100,000	100,000	-	-	-	-
06 March 2014	6 Months	-	1,200,000	-	1,200,000	1,178,833	11.96	14.51
20 February 2014	6 Months	-	500,000	-	500,000	493,039	5.00	6.07
20 March 2014	6 Months	-	1,640,000	700,000	940,000	919,957	9.33	11.33
17 April 2014	3 Months	-	1,249,000	-	1,249,000	1,245,754	12.64	15.34
17 April 2014	6 Months	-	5,080,000	3,780,000	1,300,000	1,262,748	12.81	15.55
15 May 2014	3 Months	-	3,900,000	1,401,500	2,498,500	2,473,063	25.09	30.45
29 May 2014	3 Months	-	200,000	-	200,000	197,216	2.00	2.43
12 June 2014	3 Months	-	510,000	152,600	357,400	351,096	3.56	4.32
						<u>8,121,706</u>		<u>100.00</u>
						<u>8,125,398</u>		
						<u>(3,692)</u>		
Carrying value before fair value adjustment as at 30 June 2014						<u>8,125,398</u>		
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'						<u>(3,692)</u>		

5.1.1 These carry a rate of return ranging from 7.91% to 10.5% (2013: 8.25% to 12%) per annum.

## 5.2 Investment in Certificates of Investment - Loans and Receivables

These deposits carried a rate of return ranging from 10.25% to 10.40% per annum which had been matured during the year (2013: 9.45%)

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	Note	2014	2013
		(Rupees in '000)	
<b>5.3 Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'</b>			
Market value of investments	5.1	8,121,706	4,635,268
Less: carrying value of investments	5.1	(8,125,398)	(4,635,527)
		<u>(3,692)</u>	<u>(259)</u>
<b>6 PROFIT RECEIVABLE</b>			
Profit receivable on:			
Savings deposits		10,238	1,187
Certificates of investment		-	233
Term deposit receipts		-	15,450
		<u>10,238</u>	<u>16,870</u>
<b>7 ADVANCE, PREPAYMENT AND OTHER RECEIVABLE</b>			
Advance tax		3	3
Prepaid rating fee		134	122
Receivable from the Management Company		6,980	6,980
		<u>7,117</u>	<u>7,105</u>
<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance	8.1	867	1,858
Less: amortisation during the year		(867)	(991)
Balance at end of the year		<u>-</u>	<u>867</u>
<b>8.1</b>			
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 16 May 2009 as per the requirements set out in the Trust Deed of the Fund.			
<b>9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management remuneration	9.1	2,242	6,729
Sindh Sales Tax	9.1	416	1,076
Federal Excise Duty	9.2	21,762	628
		<u>24,420</u>	<u>8,433</u>
<b>9.1</b>			
Under the provisions of the NBFC Regulations, 2008, 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 charges its remuneration at the rate of 10% of gross earnings of the Fund subject to upper cap of 1.25% & lower cap of 1% of Average Annual Net Asset. The fee shall be calculated on a daily basis. The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011.			
<b>9.2</b>			
As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan where various options are being considered. The High Court of Sindh in its order dated 09 September 2013 granted stay to the various funds for the recovery of FED. As a matter of abundant caution, the Management Company has made a provision with effect from 13 June 2013, aggregating to Rs. 24.144 million out of which Rs. 2.383 million have been paid to the Management Company. Had the provision not been made, the net assets value (NAV) per unit of the fund as at 30 June 2014 would have been higher by Rs. 0.0246 per unit.			
<b>10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund. The remuneration is paid to the Trustee monthly in arrears.			



# NAFA GOVERNMENT SECURITIES LIQUID FUND

The tariff structure applicable to the Fund is as follows:

Net Assets	Tariff per annum
Upto Rs 1,000 million	0.15% p.a of net assets
1,000 million to 10,000 million	Rs.1.5 million plus 0.075% p.a. of net assets exceeding Rs. 1,000 million
Over 10,000 million	Rs.8.25 million plus 0.06% p.a. of net assets exceeding Rs. 10,000 million

## 11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as money market scheme is required to pay an annual fee to SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

	Note	2014	2013
(Rupees in '000)			
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	12.1	107,359	84,628
Auditors' remuneration		356	315
Brokers		360	253
Distribution		-	8
Bank charges		99	57
Withholding tax		888	70
Others		276	215
		<u>109,338</u>	<u>85,546</u>

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

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

During the year ended 30 June 2012, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. However, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 107.359 million (including Rs. 22.731 million for the current year). Had the same not been made the net assets value per unit of the Fund as at 30 June 2014 would have been higher by Rs 0.1095 per unit.

## 13 CONTINGENCY AND COMMITMENT

There were no contingencies and commitments outstanding as at 30 June 2014.

	2014	2013
(Number of units)		
<b>14 NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at beginning of the year	1,235,387,776	1,469,543,330
Add: units issued during the year	1,287,202,495	1,620,273,613
Add: bonus units issued during the year	109,417,874	94,215,869
Less: units redeemed during the year	(1,651,426,244)	(1,948,645,036)
Total units in issue at end of the year	<u>980,581,901</u>	<u>1,235,387,776</u>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2014	2013
	(Rupees in '000)	
<b>15 AUDITORS' REMUNERATION</b>		
Audit fee	320	280
Half yearly review	128	112
Out of pocket expenses	55	48
	503	440

## 16 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund during the year has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2014.

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

	-----June 30,2014-----		
	Loans and receivables	Assets at fair value through profit or loss	Total
	------(Rupees in '000)-----		
<b>Assets</b>			
Bank balances	7,730,161	-	7,730,161
Investments	-	8,121,706	8,121,706
Profit receivable	10,238	-	10,238
Other receivable	6,980	-	6,980
	7,747,379	8,121,706	15,869,085

	-----June 30,2014-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	------(Rupees in '000)-----		
<b>Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	-	24,420	24,420
Payable to Central Depository Company of Pakistan Limited -Trustee	-	896	896
Payable on redemption of units	-	5,865,291	5,865,291
Accrued expenses and other liabilities	-	1,091	1,091
	-	5,891,698	5,891,698

	-----June 30,2013-----		
	Loans and receivables	Assets at fair value through profit or loss	Total
	------(Rupees in '000)-----		
<b>Assets</b>			
Bank balances	1,849,896	-	1,849,896
Investments	150,007	4,635,268	4,785,275
Profit receivable	16,870	-	16,870
Other receivable	6,980	-	6,980
Receivable from a connected person	5,846,012	-	5,846,012
	7,869,765	4,635,268	12,505,033

	-----June 30,2013-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	------(Rupees in '000)-----		
<b>Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	-	8,433	8,433
Payable to Central Depository Company of Pakistan Limited -Trustee	-	482	482
Payable on redemption of units	-	10	10
Accrued expenses and other liabilities	-	848	848
	-	9,773	9,773

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 18 TRANSACTIONS WITH CONNECTED PERSONS

- 18.1** Connected persons include NBP Fullerton Asset Management Limited being the Management Company (NAFA), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Pension Fund, NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding 10 percent or more units of the Fund.
- 18.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 18.3** Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 18.4** Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 18.5** Details of the transactions with connected persons are as follows:

	2014	2013
	(Rupees in '000)	
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Issue of 24,220,769 units (2013: 38,389,396 units)	244,000	386,634
Redemption of 21,635,417 units (2013: 26,584,314 units)	218,340	267,906
Issue of 1,252,371 bonus units (2013: 849,493 units)	-	-
Remuneration of the Management Company	146,976	160,181
Sindh Sales Tax on management remuneration	27,379	25,629
Federal Excise Duty on management remuneration	23,516	628
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	10,773	10,347
<b>National Bank of Pakistan - Sponsor</b>		
Issue of 300,147,114 units (2013: 970,500,978 units)	3,015,458	9,746,062
Redemption of 602,315,448 units (2013: 775,561,948)	6,055,272	7,811,588
Issue of 48,326,901 bonus units (2013 : 16,491,310)	-	-
Cash dividend paid	-	100,434
Market treasury bills purchased	14,388,508	3,463,455
Market treasury bills sold	14,472,410	9,262,798
Placement of term deposit receipts	2,500,000	-
Profit earned by the fund on saving account	1,279	-
Profit earned by the fund on term deposit receipts	37,890	-
<b>Chief Executive Officer</b>		
Issue of 99,347 units (2013: 103,698 units)	1,000	1,047
Redemption of 3,535 units (2013: 15,011 units)	36	151
Issue of 16,285 bonus units (2013: 9,352 units)	-	-
<b>Chief Financial Officer</b>		
Issue of 49,688 units (2013: Nil units)	500	-
Redemption of 50,982 units (2013: 98,171 units)	513	989
Issue of 4,751 bonus units (2013: 6,941)	-	-

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2014	2013
	(Rupees in '000)	
<b>NAFA Provident Fund Trust - Provident Fund</b>		
Issue of 245,365 units (2013: 605,070 units)	2,475	6,101
Redemption of 766,050 units (2013: 734,027 units)	7,711	7,404
Issue of 27,519 bonus units (2013: 36,841 units)	-	-
<b>Employees of the Management Company</b>		
Issue of 2,990,563 units (2013: 1,892,502 units)	30,146	19,076
Redemption of 3,256,388 units (2013: 1,916,980 units)	32,874	19,316
Issue of 44,173 bonus units (2013: 54,875 units)	-	-
<b>Mr. Kamal A. Chinoy - Director</b>		
Issue of 6,447 bonus units (2013: 6,555)	-	-
<b>Aamir Sattar - Director</b>		
Issue of 3,885 bonus units (2013: Nil units)	-	-
Redemption of 57,483 units (2013: Nil units)	579	-
<b>NBP Employees Pension Fund</b>		
Issue of 1,154,984 bonus units (2013: 1,174,362 units)	-	-
<b>NBP Endowment Funds Students Loan Scheme</b>		
Issue of 941,788 units (2013: 641,906 units)	9,500	6,500
Redemption of 15,658,246 units (2013: 2,188,010 units)	158,000	22,000
Issue of 2,123,058 bonus units (2013: 2,828,094 units)	-	-
<b>NBP Exchange Company Limited</b>		
Issue of 15,402,173 units (2013: 3,167 units)	155,080	32
Redemption of Nil units (2013: 24,541,962 units)	-	247,778
Issue of 934,726 bonus units (2013: 1,169,408 units)	-	-
<b>NBP Leasing Limited Employees Provident Fund</b>		
Issue of 111,740 units (2013: 125,438)	1,125	1,268
Redemption of 125,355 units (2013: 198,421)	1,262	1,995
Issue of 3,424 bonus units (2013: 4,593)	-	-
<b>International Industries Limited - Employee Provident Fund</b>		
Issue of 494,862 units (2013: 3,259,838 Units)	4,993	32,868
Redemption of 999,839 units (2013: 3,542,252 units)	10,078	35,729
Issue of 171,024 bonus units (2013: 181,881 Units)	-	-
Market treasury bills purchased	94,624	25,566
Market treasury bills sold	7,951	12,898
<b>International Industries Limited - Employee Gratuity Fund</b>		
Issue of 1,303,597 units (2013: 3,393,355 units)	13,140	34,202
Redemption of 5,469,232 units (2013: 4,038,199 units)	55,042	40,726
Issue of 279,983 bonus units (2013: 251,661 units)	-	-
Market treasury bills purchased	111,808	34,645
Market treasury bills sold	66,681	10,417
<b>International Steels Limited - Employees' Provident Fund</b>		
Issued of 209,257 units (2013: 838,721 units)	2,110	8,457
Redemption of 303,293 units (2013: 1,075,392 Units)	3,058	10,850
Issue of 35,489 bonus units (2013: 45,562 Units)	-	-
Market treasury bills purchased	13,781	9,231
Market treasury bills sold	-	4,952
<b>International Steels Limited - Employees' Gratuity Fund</b>		
Issued of 326,742 units (2013: 636,445 Units)	3,296	6,424
Redemption of 642,495 units (2013: 443,939 Units)	6,469	4,478
Issue of 29,801 bonus units (2013: 23,915 Units)	-	-
Market treasury bills purchased	10,869	6,070
Market treasury bills sold	-	1,491
<b>Pak Arab Refinery Limited - Supervisory Staff Gratuity Fund</b>		
Market treasury bills purchased	189,011	62,245
Market treasury bills sold	43,796	26,292

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2014 (Rupees in '000)	2013
<b>Telenor Pakistan Private Limited - Employee Provident Fund</b>		
Market treasury bills purchased	3,594	45,754
Market treasury bills sold	-	3,567
<b>Thal Limited Employees Provident Fund</b>		
Market treasury bills purchased	509,397	40,964
Market treasury bills sold	11,442	49,083
<b>Thal Limited Employees Retirement Benefit Fund</b>		
Market treasury bills purchased	-	1,971
Market treasury bills sold	499	2,851
<b>NAFA Savings Plus Fund</b>		
Market treasury bills purchased	197,419	-
<b>NAFA Asset Allocation Fund</b>		
Market treasury bills purchased	-	38,910
<b>NAFA Financial Sector Income Fund</b>		
Market treasury bills purchased	425,292	49,414
<b>NAFA Money Market Fund</b>		
Market treasury bills purchased	847,030	1,980,474
Market treasury bills sold	1,797,352	1,783,503
<b>NAFA Income Opportunity Fund</b>		
Market treasury bills purchased	60,603	-
<b>Fauji Oil Terminal &amp; Distribution Co. Ltd.</b>		
Units redeemed Nil (2013: 2,980,744 Units)	-	30,000
Bonus units issued Nil (2013: 439,283 units)	-	-
<b>Gul Ahmed Textile Mills Limited - EPF</b>		
Units redeemed Nil (2013: 623,670)	-	6,290
Bonus units issued Nil (2013: 19,618)	-	-
<b>Summit Bank Limited</b>		
Bank profit earned by the fund	432	487
Market treasury bills purchased	769,296	-
Market treasury bills sold	998,145	-
<b>THAL Limited - Treasury Division</b>		
Issue of 12,430,018 units (2013: Nil)	125,000	-
Redemption of 34,811,384 units (2013: Nil)	349,725	-
Issue of 1,058,357 bonus units (2013: Nil)	-	-
<b>KAPCO Employees Pension Fund</b>		
Market treasury bills purchased	5,944	-
<b>KAPCO Employees Provident Fund</b>		
Market treasury bills purchased	2,477	-
<b>Pakistan Petroleum Limited</b>		
Issue of 62,516,125 units	630,000	-
Issue of 7,534,666 bonus units	-	-

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 18.6 Amounts outstanding at year end

	2014	2013
	(Rupees in '000)	
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
18,359,676 units held (2013: 14,521,954 units)	184,585	145,784
Receivable from the Management Company	6,980	6,980
Management remuneration payable	2,242	6,729
Sindh Sales Tax payable	416	1,076
Federal Excise Duty payable	21,762	628
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	896	482
<b>National Bank of Pakistan - Sponsor</b>		
363,792,834 units held (2013: 617,634,266 units)	3,657,500	6,200,369
Balance in current account	1,976	691
Balance in saving account	215	11,771
Term deposit receipt	-	500,000
Payable against redemption of units	5,855,272	-
<b>Chief Executive Officer</b>		
311,382 units held (2013: 199,285 units)	3,131	2,001
<b>Chief Financial Officer</b>		
46,899 units held (2013: 43,443 units)	472	436
<b>Mr. Kamal A. Chinoy - Director</b>		
87,466 units held (2013: 81,019 units)	879	813
<b>NAFA Provident Fund Trust - Provident Fund</b>		
Units held: Nil (2013: 493,166 units)	-	4,951
<b>Employees of the Management Company</b>		
336,385 units held (2013: 651,128 units)	3,382	6,537
<b>NBP Employees Pension Fund</b>		
15,670,778 units held (2013: 14,515,794 units)	157,551	145,723
<b>NBP Endowment Funds Students Loan Scheme</b>		
20,349,876 units held (2013: 32,943,276 units)	204,594	330,714
<b>NBP Exchange Company Limited</b>		
16,336,899 units held (2013: Nil units)	164,248	-
<b>NBP Leasing Limited Employees Provident Fund</b>		
Units held: Nil (2013: 10,191 units)	-	102
<b>NAFA Money Market Fund</b>		
Amount receivable due to transfer of units on behalf of NBP	-	5,846,012
<b>Fauji Oil Terminal &amp; Distribution Co. Ltd.</b>		
Units held: Nil (2013: 2,686,640 units)	-	26,968
<b>International Steels Limited - Employees' Provident Fund</b>		
398,667 units held (2013: 457,214 units)	4,008	4,589
<b>International Steels Limited - Employees' Gratuity Fund</b>		
216,642 units held (2013: 502,594 units)	2,178	5,045
<b>International Industries Limited - Employee Gratuity Fund</b>		
1,777,733 units held (2013: 5,663,385 units)	17,873	56,848
<b>International Industries Limited - Employee Provident Fund</b>		
1,833,137 units held (2013: 2,167,092 units)	18,430	21,753
<b>Summit Bank Limited</b>		
Balance in saving account	-	13,956
Balance in current account	9,747	-
<b>Pakistan Petroleum Limited</b>		
Investment held in the Fund: 127,215,099 units (2013: 57,164,308)	1,278,995	573,867

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 19 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No	Name	Qualification	Experience in years"
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	26
2	Sajjad Anwar	CFA / MBA Finance	14
3	Syed Suleman Akhtar	CFA	14
4	Muhammad Ali Bhabha*	MBA / MS (CS) /CFA / FRM	19.5

\*Mr. Muhammad Ali Bhabha is the manager of the Fund. He is also the fund manager of NAFA Income Fund and NAFA Savings Plus Fund.

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

2014

1	Invest Capital Markets Limited	18.43%
2	J.S. Global Capital Limited	13.09%
3	Invest & Finance Securities (Pvt.) Limited.	11.61%
4	BMA Capital Management Limited	9.49%
5	Invest One Markets Limited	12.90%
6	Icon Securities (Pvt.) Limited	6.37%
7	KASB Securities Limited	6.10%
8	Vector Capital (Pvt) Limited	4.61%
9	Elixir Securities Pakistan (Pvt) Limited	3.21%
10	Summit Capital Pvt Limited	3.09%

2013

1	Invest Capital Markets Limited	29.2%
2	Vector Capital Private Limited	17.5%
3	BMA Capital Management Limited	16.4%
4	ICON Securities (Pvt.) Limited	8.2%
5	J.S. Global Capital Limited	8.2%
6	Invest & Finance Securities (Pvt) Limited	5.7%
7	Summit Capital Pvt Limited	4.7%
8	Invest One MARKets Limited	4.5%
9	KASB Securities Limited	1.5%
10	First Capital Securities Corporation Limited	1.3%

## 21 PATTERN OF UNIT HOLDING

-----As at June 30, 2014-----

Category	Number of unit holders	Investment amount	Percentage of Investments
		(Rupees in '000)	-----%----
Individuals	1,468	911,330	9.24
Retirement Funds	26	549,697	5.57
Insurance companies	6	515,550	5.23
Associated Companies	3	3,662,206	37.15
Asset Management Company	1	41,117	0.42
Banks/DFIs	1	666,020	6.76
Other Corporate	51	2,803,108	28.43
Others	40	709,595	7.20
	<b>1,596</b>	<b>9,858,623</b>	<b>100.00</b>

-----As at June 30, 2013-----

Category	Number of unit holders	Investment amount	Percentage of Investments
		(Rupees in '000)	-----%----
Individuals	1,601	1,087,626	8.77
Associated companies / Directors	7	6,827,643	55.05
Insurance companies	6	334,965	2.70
Banks / DFIs	2	112,147	0.90
Retirement funds	39	401,879	3.24
Public Limited companies	18	2,054,953	16.57
Other	91	1,582,713	12.76
	<b>1,764</b>	<b>12,401,926</b>	<b>100.00</b>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 42nd, 43rd, 44th, 45th, 46th and 47th Board meetings were held on 11 July 2013, 27 August 2013, 30 October 2013, 13 February 2014 30 April 2014 and 26 June 2014 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. Wah Geok Sum	6	2	4	43rd, 44th, 46th & 47th
Mr. Koh Boon San	6	6	-	-
Mr. Kamal Chinoy	6	5	1	42nd
Mr. Shehryar Faruque	6	3	3	42nd, 44th & 45th
Dr. Amjad Waheed	6	6	-	-
Mr. Asif Hassan*	1	-	1	42nd
Mr. Amir Shehzad**	1	-	1	42nd
Mr. Aamir Sattar***	5	5	-	-
Mr. Abdul Hadi Palekar****	5	4	1	45th
Mr. Nausherwan Adil*****	4	2	2	44th & 46th
Mr. Khalid Mahmood*****	2	2	-	-

\* Mr. Asif Hasan retired in EOGM Held on 07 August 2013.

\*\* Mr. Amir Shehzad retired in EOGM Held on 07 August 2013.

\*\*\* Mr. Aamir Sattar elected in EOGM Held on 07 August 2013.

\*\*\*\* Mr. Abdul Hadi Palekar elected in EOGM Held on 07 August 2013.

\*\*\*\*\* Mr. Nausherwan Adil was co-opted on the Board with effect from 10 October 2013.

\*\*\*\*\* Mr. Khalid Mahmood retired from Board with effect from 10 October 2013.

## 23 FINANCIAL RISK MANAGEMENT

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

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

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

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

### 23.1 Market risk

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

#### *Management of market risk*

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

### 23.2 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.



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 23.2 Interest rate risk

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

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

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

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

As at 30 June 2014, the Fund holds market term deposit receipts, treasury bills and certificate of investments classified as financial assets 'At fair value through profit or loss' and 'Loans and receivables' respectively, exposing the Fund to fair value interest rate risk. In case of 100 basis point increase in rates announced by the Financial Markets Associate of Pakistan on 30 June 2014 with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 15.167 million (2013: Rs.5.398 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan are expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2014 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

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

-----As at June 30, 2014-----

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

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

### On-balance sheet financial instruments

#### Financial Assets

Bank balances	6.5% - 10.75%	236,492	-	-	7,493,669	7,730,161
Investments	7.91% - 10.5%	6,858,958	1,262,748	-	-	8,121,706
Profit receivable		-	-	-	10,238	10,238
Other receivables		-	-	-	6,980	6,980
		7,095,450	1,262,748	-	7,510,887	15,869,085

#### Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	-	24,420	24,420
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	896	896
Payable on redemption of units		-	-	-	5,865,291	5,865,291
Accrued expenses and other liabilities		-	-	-	1,091	1,091
		-	-	-	5,891,698	5,891,698

### On-balance sheet gap

	7,095,450	1,262,748	-	1,619,189	9,977,387
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### Off-balance sheet financial instruments

	-	-	-	-	-
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### Off-balance sheet gap

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

	7,095,450	1,262,748	-	1,619,189	9,977,387 a
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### Cumulative interest rate sensitivity gap

	7,095,450	8,358,198	8,358,198	9,977,387
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# NAFA GOVERNMENT SECURITIES LIQUID FUND

-----As at June 30, 2013-----

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

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

## On balance sheet financial instruments

### Financial Assets

Bank balances	6% - 12%	1,849,205	-	-	691	1,849,896
Investments	8.25% - 12%	4,785,275	-	-	-	4,785,275
Profit receivable		-	-	-	16,870	16,870
Other receivables		-	-	-	6,980	6,980
Receivable from a connected person		5,846,012	-	-	-	5,846,012
		12,480,492	-	-	24,541	12,505,033

### Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	-	8,433	8,433
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	482	482
Payable on redemption of units		-	-	-	10	10
Accrued expenses and other liabilities		-	-	-	848	848
		-	-	-	9,773	9,773
<b>On balance sheet gap</b>		12,480,492	-	-	14,768	12,495,260

## Off balance sheet financial instruments

### Off balance sheet gap

### Total interest rate sensitivity gap

### Cumulative interest rate sensitivity gap

	-	-	-	-	-	-
	-	-	-	-	-	-
	12,480,492	-	-	-	14,768	12,495,260
	12,480,492	12,480,492	12,480,492	12,495,260		

## 23.4 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from yield / interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as at 30 June 2014.

## 23.5 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.

### Management of credit risk

The Fund's policy is to enter into financial contracts with reputable counterparties in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. The IC closely monitors the credit worthiness of the Fund's counterparties (e.g., issuer of the instruments, brokers, banks, etc.) by reviewing their credit ratings, financial statements and press releases on a regular basis. In addition the credit risk is also minimized due to the fact that the Fund only invests in the high quality financial assets government securities. All transactions in government / debt securities are settled / paid upon delivery. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by reputable brokers or the transactions are carried with counter parties of high reputation. Further, bank accounts are held only with reputable banks.

### Concentration of the credit risk

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

The analysis below summarises the credit quality of the Fund's financial assets as at 30 June 2014.

	2014	2013
	(Rupees in '000)	
<b>Bank balances</b>		
A1+, A-1+	7,719,483	1,835,833
A1, A-1	930	90
A2, A-2	-	13,956
A3, A-3	9,748	17
	<u>7,730,161</u>	<u>1,849,896</u>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 23.6 Liquidity risk

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

### *Management of liquidity risk*

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

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

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

### *Maturity analysis for financial liabilities*

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

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

-----As at June 30, 2014-----

Total	Upto three months	Over three months and upto one year	Over one year
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(Rupees in '000)

#### **Financial Liabilities**

Payable to NBP Fullerton Asset Management Limited - Management Company

Payable to Central Depository Company of Pakistan Limited -Trustee

Payable on redemption of units

Accrued expenses and other liabilities

24,420	24,420	-	-
896	896	-	-
5,865,291	5,865,291	-	-
1,091	1,091	-	-
<u>5,891,698</u>	<u>5,891,698</u>	-	-

Unit holders' fund

<u>9,858,623</u>	<u>9,858,623</u>	-	-
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-----As at June 30, 2013-----

Total	Upto three months	Over three months and upto one year	Over one year
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(Rupees in '000)

#### **Financial Liabilities**

Payable to NBP Fullerton Asset Management Limited - Management Company

Payable to Central Depository Company of Pakistan Limited -Trustee

Payable on redemption of units

Accrued expenses and other liabilities

8,433	8,433	-	-
482	482	-	-
10	10	-	-
848	848	-	-
<u>9,773</u>	<u>9,773</u>	-	-

Unit holders' fund

<u>12,401,926</u>	<u>12,401,926</u>	-	-
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# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 24 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 value estimates.

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

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets (e.g. Treasury bills) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 33 of 2012 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its values is determined by applying discount in accordance with Circular No. 33 of 2012 issued by the SECP.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

IFRS 7, 'Financial instruments: Disclosures' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

### Assets

Investment in securities - at fair value through profit or loss

-----June 30, 2014-----			
Level 1	Level 2	Level 3	Level 4
------(Rupees in '000)-----			
-	8,121,706	-	8,121,706

### Assets

Investment in securities - at fair value through profit or loss  
Loans and receivables

-----June 30, 2013-----			
Level 1	Level 2	Level 3	Level 4
------(Rupees in '000)-----			
-	4,635,268	-	4,635,268
-	150,007	-	150,007

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 25 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

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

## 26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 16, 2014.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2014	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2011	For the year ended June 30, 2010	For the period from April 29, 2009 to June 30, 2009
Net assets at the year / period ended (Rs '000)	9,858,623	12,401,926	14,772,225	10,810,434	5,805,378	1,415,232
Net income for the year / period ended (Rs '000)	1,113,816	1,073,565	1,484,481	1,082,828	486,027	19,889
Net Asset Value per unit at the year / period ended (Rs)	10.0538	10.0389	10.0523	10.3594	10.2742	10.1425
Offer Price per unit at year end	10.0538	10.0389	10.0523	10.0837	10.0241	10.0025
Redemption Price per unit at year end	10.0538	10.0389	10.0523	10.0837	10.0241	10.0025
Highest offer price per unit (Rs)	10.0538	10.0389	10.0523	10.3594	10.2742	10.1425
Lowest offer price per unit (Rs)	9.2998	9.2414	8.8265	9.2965	9.2981	10.0000
Highest redemption price per unit (Rs)	10.0538	10.0389	10.0523	10.3594	10.2742	10.1425
Lowest redemption price per unit (Rs)	9.2998	9.2414	8.8265	9.2965	9.2981	10.0000
Opening Nav of Fiscal Year	9.2990	9.2390	9.0649	9.2939	9.2954	10
Total return of the fund	8.12%	8.66%	10.89%	11.46%	10.53%	1.43%
Capital growth	-0.17%	-0.55%	-1.01%	0.14%	-0.23%	0.03%
Income distribution as a % of ex nav	8.29%	9.20%	11.90%	11.33%	10.76%	1.40%
Income distribution as a % of par value	7.71%	8.50%	10.79%	10.53%	10.00%	1.40%
<b>Distribution</b>						
Interim distribution per unit	0.771	0.8504	1.0789	0.7769	0.7503	-
Final distribution per unit	-	-	-	0.2757	0.2501	0.1400
<b>Distribution Dates</b>						
Interim	30-Jul-13	30-Jul-12	2-Aug-11	18-Oct-10	28-Oct-09	-
Interim	29-Aug-13	28-Aug-12	6-Sep-11	18-Feb-11	17-Feb-10	
Interim	27-Sep-13	28-Sep-12	3-Oct-11	19-Apr-11	29-Apr-10	
Interim	29-Oct-13	30-Oct-12	2-Nov-11			
Interim	28-Nov-13	28-Nov-12	2-Dec-11			
Interim	27-Dec-13	28-Dec-12	3-Jan-12			
Interim	29-Jan-14	29-Jan-13	30-Jan-12			
Interim	28-Feb-14	27-Feb-13	28-Feb-12			
Interim	28-Mar-14	28-Mar-13	29-Mar-12			
Interim	29-Apr-14	29-Apr-13	27-Apr-12			
Interim	28-May-14	29-May-13	30-May-12			
Interim	26-Jun-14	28-Jun-13	27-Jun-12			
Final		-	-	4-Jul-11	5-Jul-10	3-Jul-09
<b>Average annual return of the fund (launch date May 16, 2009)</b>						
(Since inception to June 30, 2014)	9.97%					
(Since inception to June 30, 2013)		10.42%				
(Since inception to June 30, 2012)			10.99%			
(Since inception to June 30, 2011)				11.05%		
(Since inception to June 30, 2010)					10.68%	
(Since inception to June 30, 2009)						11.31%
Portfolio Composition ( Please see Fund Manager Report)						
Weighted average portfolio duration	46 Days	09 Days	35 days	43 days	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						



NBP Fullerton  
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A Subsidiary of

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