

An Open-end Income Fund primarily investing in Government issued securities; NIT-GBF offers a high degree of security to investors and is an ideal Fund for investors seeking best possible returns with minimum risk.



CORPORATE INFORMATION

FUND NAME

NIT - Government Bond Fund

NAME OF AUDITORS

KPMG Taseer Hadi & Co. Chartered Accountants

LIST OF BANKERS

Allied Bank Limited
Bank Al Falah Limited
Bank Al Habib Limited
NIB Bank Limited
Summit Bank Limited
United Bank Limited
Soneri Bank Limited

TRUSTEE REPORT

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NIT Government Bond Fund (the Fund) are of the opinion that National Investment Trust Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2016 in accordance with the provisions of the following:

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

Sd/-

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

Karachi, September 22, 2016

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NIT – Government Bond Fund** (“the Fund”), which comprise the statement of assets and liabilities as at 30 June 2016 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unit holders’ fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management’s responsibility for the financial statements

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

Auditors’ responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund’s affairs as at 30 June 2016 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Sd/-

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem
Dated: September 07, 2016
Karachi

COMPLIANCE REPORT

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **National Investment Trust Limited** (“the Management Company”) for and on behalf of NIT – Government Bond Fund (the Fund) for the year ended 30 June 2016, to comply with the Listing Regulation No. 5.19 (Chapter 5) of Pakistan Stock Exchange Limited where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2016.

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

S.No.	Paragraph Reference	Description
1	1	Appointment of Independent Director
2	15	Audit Committee Composition

Sd/-

KPMG Taseer Hadi & Co.
Chartered Accountants
Karachi
Dated: September 07, 2016

COMPLIANCE STATEMENT

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

This Statement is being presented to comply with the requirements of the Code of Corporate Governance contained in the Listing Regulations of Pakistan 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.

National Investment Trust Limited, the Management Company, is not listed and hence, the Code is not applicable to it. However, NIT-Government Bond Fund (the Fund) being listed at Pakistan Stock Exchange comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Managing Director (MD), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

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

1. The Management Company encourages representation of non-executive directors (the Board). Presently, the Board includes nine non-executive directors and one executive director. The names are listed in alphabetical order as under:

(i) Mr. Iqbal Adamjee	– Non Executive
(ii) Mr. Jamal Nasim	– Non Executive
(iii) Mian Nusrat-ud-Din	– Non Executive
(iv) Mr. Muhammad Hanif Akhai	– Non Executive
(v) Mr. Muhtashim Ahmad Ashai	– Non Executive
(vi) Mr. Rayomond Kotwal	– Non Executive
(vii) Mr. Shahid Ghaffar	– Executive
(viii) Syed Arshad Ali	– Non Executive
(ix) Syed Iqbal Ashraf	– Non Executive
(x) Mr. Yameen Kerai	– Non Executive

Currently, the Board doesn't have any independent director. The matter has been referred to SECP for advice in consultation with GOP.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies.
3. All the resident directors of the Management Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the board which were filled up by the directors within 90 days and one vacancy occurred due to resignation of Director representing Government of Pakistan Nominated under Section 183 remains vacant. The details of which are as follows:
 - a. Mr. Rayomond Kotwal was appointed in place of Mr. Aman Aziz Siddiqui w.e.f. July 27, 2015.
 - b. Syed Arshad Ali was appointed in place of Mr. Shahzad Farooq Lodhi w.e.f. February 29, 2016
 - c. Rana Assad Amin – Gov. Nominee under Section 183 resigned w.e.f. September 30, 2015.
5. The Management Company has adopted a "Corporate Social Responsibility (CSR) Document" detailing organizational governance and business practices which has been acknowledged by all the directors and employees of the Management Company.
6. The Management Company has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company which have been approved by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board of Directors has met at least once every quarter during the year and written notices of the meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of

COMPLIANCE STATEMENT

the meetings were appropriately recorded and circulated.

9. Six Directors on the Board have certification under Directors' Training Program. Remaining Directors meet the Board Experience criteria given in the Code. Board has been given orientation with regard to New Funds added in the Funds under the Management of NIT.
10. There was no new appointment of Chief Financial Officer, Company Secretary or the Head of Internal Audit during the year. Their remuneration and terms and conditions of employment had been approved by the Board.
11. The Directors' Report for the year ended 30 June 2016 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund have been prepared in accordance with the approved accounting standards as applicable in Pakistan and were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 17 to the financial statements "Transactions and Balances with Connected Persons".
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors. None of the members is independent.
16. The meetings of the Audit Committee were held at least every quarter prior to approval of interim and final results of the Fund as required by the Code. The Board has approved terms of reference of the Audit Committee.
17. The Board has formed a Human Resource and Remuneration Committee which comprises of 4 (four) members, 3 (three) of whom are non-executive directors.
18. The Board has set-up an effective internal audit function headed by the Head of Internal Audit & Compliance who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of final results, and business decisions, which may materially affect market price of the fund's unit was determined and intimated to the trustee, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles contained in the Code have been complied with.

Sd/-

Shahid Ghaffar
Managing Director

Dated: September 07, 2016
Place: Karachi

NIT - GOVERNMENT BOND FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2016

Note	2016 (Rupees in '000)	2015
Assets		
Bank balances	5	1,279,554
Investments	6	2,820,110
Profit receivables	7	94,347
Deposit with Central Depository Company of Pakistan Limited		100
Total assets	4,194,111	5,193,886
Liabilities		
Payable to National Investment Trust Limited - Management Company	8	5,088
Payable to Central Depository Company of Pakistan Limited - Trustee	9	345
Payable to Securities and Exchange Commission of Pakistan	10	3,469
Payable against redemption of units		131
Accrued expenses and other liabilities	11	73,796
Dividend payable		19,655
Total liabilities	102,484	333,177
Net assets	4,091,627	4,860,709
Unit holders' fund (as per statement attached)	4,091,627	4,860,709
Contingencies		
Number of units in issue		
(Number of units)		
12	410,935,884	480,205,131
(Rupees)		
Net assets value per unit	9.9569	10.1222

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

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

Note	2016 (Rupees in '000)	2015
Income		
Income from government securities	37,172	102,942
Mark-up on Pakistan Investment Bonds	250,779	532,323
Profit on bank deposits	54,032	71,805
Income from reverse repurchase transactions	-	54
Gain on sale of investments - net	124,459	203,827
Total income	466,442	910,951
Expenses		
Remuneration of National Investment Trust Limited - Management Company	8.1	58,008
Federal Excise Duty on remuneration of Management Company	11.2	9,281
Sindh Sales Tax on remuneration of Management Company	8.2	9,421
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	4,238
Sindh Sales Tax on remuneration of Trustee	9.2	593
Annual fee - Securities and Exchange Commission of Pakistan	10	3,469
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	2,568
Amortisation of preliminary expenses and floatation costs		-
Auditors' remuneration	14	709
Legal and professional charges		1,591
Mutual fund rating fee		251
Annual listing fee		122
Bank charges		602
Securities transaction costs		251
Printing charges		85
Total expenses	91,189	125,665
Net income from operating activities	375,253	785,286
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(136,727)	(320,844)
Provision for Workers' Welfare Fund	11.1	-
Net income before taxation	238,526	456,335
Taxation	15	-
Net income for the year	238,526	456,335

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

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND
STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 (Rupees in '000)	2015
Net income for the year		238,526	456,335
Other comprehensive income for the year			
Items to be reclassified to income statement in subsequent periods:			
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	6.3	(113,262)	123,323
Total comprehensive income for the year		<u>125,264</u>	<u>579,658</u>

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

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND
DISTRIBUTION STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2016

	2016 (Rupees in '000)	2015
(Accumulated loss) / Undistributed income brought forward - realised	(69,341)	46,141
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund - net	49,485	(125,682)
Net income for the year	238,526	456,335
Interim distribution for the year ended 30 June 2016: Rs. 0.75 per unit (Date of distribution: 15 June 2016) [(2015: Rs. 1.38 per unit) (Date of distribution: 24 June 2015)]		
- Cash distribution	(113,735)	(236,208)
- Issue of units under Cumulative Investment Plan	(107,563)	(209,927)
	<u>(221,298)</u>	<u>(446,135)</u>
Accumulated loss carried forward - realised	<u>(2,628)</u>	<u>(69,341)</u>

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

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED 30 JUNE 2016

Note	2016 (Rupees in '000)	2015
Net assets at beginning of the year [Rs. 10.1222 per unit (2015: Rs. 10.1039 per unit)]	4,860,709	4,166,375
Issue of 265,752,416 units (2015: 812,961,475 units)	2,707,249	8,644,656
Redemption of 345,843,532 units (2015: 765,865,080 units)	(3,624,587)	(8,614,616)
Issue of 10,821,869 units under Cumulative Investment Plan (2015: 20,765,896 units)	107,563	209,927
	(809,775)	239,967
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		
- amount representing loss transferred to income statement	136,727	320,844
- amount representing (income) / loss transferred to distribution statement	(49,485)	125,682
	87,242	446,526
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(113,262)	123,323
Gain on sale of investments - net	124,459	203,827
Other net income for the year	114,067	252,508
Total comprehensive income for the year	125,264	579,658
Interim distribution for the year ended 30 June 2016: Rs. 0.75 per unit (Date of distribution: 15 June 2016) [(2015: Rs. 1.38 per unit) (Date of distribution: 24 June 2015)]		
- Cash distribution	(113,735)	(236,208)
- Issue of units under Cumulative Investment Plan	(107,563)	(209,927)
	(221,298)	(446,135)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund - net	49,485	(125,682)
Net assets at end of the year [Rs. 9.9569 per unit (2015: Rs. 10.1222 per unit)]	4,091,627	4,860,709

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

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

Note	2016 (Rupees in '000)	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	238,526	456,335
Adjustments:		
Amortisation of preliminary expenses and floatation costs	-	290
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	136,727	320,844
	375,253	777,469
Decrease / (increase) in assets		
Investments	647,761	544,633
Profit receivables	74,794	(47,604)
	722,555	497,029
(Decrease) / increase in liabilities		
Payable to National Investment Trust Limited - Management Company	(1,867)	(2,645)
Payable to Central Depository Company of Pakistan Limited - Trustee	(64)	66
Payable to Securities and Exchange Commission of Pakistan	(1,578)	1,817
Accrued expenses and other liabilities	(48,696)	83,473
	(52,205)	82,711
Net cash generated from operating activities	1,045,603	1,357,209
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units	2,707,249	8,644,656
Payments against redemption of units	(3,625,025)	(8,614,200)
Distribution paid	(291,785)	(70,574)
Net cash (used in) financing activities	(1,209,561)	(40,118)
Net (decrease) / increase in cash and cash equivalents during the year	(163,958)	1,317,091
Cash and cash equivalents at beginning of the year	1,443,512	126,421
Cash and cash equivalents at end of the year	1,279,554	1,443,512

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

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The NIT - Government Bond Fund (the Fund) was established under a Trust Deed executed between National Investment Trust Limited (NITL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no.NBFC-II/NITL/896/2009 dated 24 September 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on 4 September 2009. The Fund is categorized as an Income Scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters. The units of the Fund were initially issued at Rs. 10 per unit.
- 1.2 The Management Company of the Fund has been classified as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building, I.I. Chundrigar Road, Karachi.
- 1.3 The Fund is an open-ended mutual fund and is listed on Pakistan stock exchange limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 Pakistan Credit Rating Agency Limited (PACRA) has assigned "AA-(f)" rating to the Fund and has assigned an asset manager rating of "AM2+" to the Management Company.
- 1.5 The objective of the Fund is to generate competitive stream of return with moderate level of risk for its unit holders, by investing primarily in government securities.
- 1.6 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

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

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

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

3 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

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

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

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Fund's financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Fund's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on the Fund's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on Fund's financial statements.

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Financial assets

4.1.1 Classification

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

a) Loans and receivables

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

b) Financial assets at fair value through profit or loss

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

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (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 the needs for liquidity or change in price.

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

4.1.2 Regular way contracts

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

4.1.3 Initial recognition and measurement

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

4.1.4 Subsequent measurement

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

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.

4.1.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. In case of debt instruments classified as available-for-sale, if any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in unit holders' fund through comprehensive income is reclassified from unit holders' fund through other comprehensive income to income statement. Impairment losses recognised on debt instruments in the income statement are reversed subsequently from income statement to unit holders' fund through comprehensive income.

4.1.6 Derecognition

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

4.1.7 Offsetting of financial assets and liabilities

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

4.2 Cash and cash equivalents

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

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

4.3 Derivatives

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

4.4 Financial liabilities

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

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

4.5 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.

4.6 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.

4.7 Taxation

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

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

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

4.8 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 that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

4.9 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.

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

4.10 Net assets value per unit

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

4.11 Earnings per unit (EPU)

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

4.12 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on remeasurement of investments classified as available for sale are included in the statement of comprehensive income in the period in which they arise.
- Profit on bank deposits and mark-up income on government securities is recognised using effective yield method.

4.13 Proposed distributions

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

5 BANK BALANCES

2016 **2015**
(Rupees in '000)

In savings accounts 5.1 **1,279,554** **1,443,512**

5.1 These accounts carry rates ranging from 2.00% to 7.5% per annum (30 June 2015: 5.00% to 10.35% per annum).

6 INVESTMENTS

2016 **2015**
(Rupees in '000)

Available for sale

Government securities:

- Market Treasury Bills 6.1 **931,130** 425,780
- Pakistan Investment Bonds 6.2 **1,888,980** **3,155,353**
2,820,110 **3,581,133**

6.1 Market Treasury Bills

Issue date	Tenor	Face value			Balance as at 30 June 2016		Market value / carrying value as a percentage of net assets	Market value / carrying value as percentage of total investments
		As at 1 July 2015	Purchases during the year	Sales / matured during the year	As at 30 June 2016	Carrying Cost		
----- (Rupees in '000) -----								
05 March 2015	6 Months	287,500	150,000	437,500	-	-	-	-
16 April 2015	6 Months	-	200,000	200,000	-	-	-	-
30 April 2015	6 Months	-	29,000	29,000	-	-	-	-
30 April 2015	12 Months	150,000	-	150,000	-	-	-	-
14 May 2015	6 Months	-	200,000	200,000	-	-	-	-
28 May 2015	12 Months	-	300,000	300,000	-	-	-	-
25 June 2015	3 months	-	200,000	200,000	-	-	-	-
29 June 2015	2 months	-	200,000	200,000	-	-	-	-
09 July 2015	3 months	-	200,000	200,000	-	-	-	-
09 July 2015	12 Months	-	200,000	200,000	-	-	-	-

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Issue date	Tenor	Face value				Balance as at 30 June 2016		Market value / carrying value as a percentage of net assets	Market value / carrying value as a percentage of total investments
		As at 1 July 2015	Purchases during the year	Sales / matured during the year	As at 30 June 2016	Carrying Cost	Market value / Carrying value		
(Rupees in '000)									
23 July 2015	6 Months	-	150,000	150,000	-	-	-	-	
06 August 2015	6 Months	-	700,000	700,000	-	-	-	-	
06 August 2015	12 Months	-	950,000	950,000	-	-	-	-	
20 August 2015	3 months	-	150,000	150,000	-	-	-	-	
20 August 2015	12 Months	-	350,000	-	350,000	347,007	347,259	8.49	
03 September 2015	12 Months	-	352,000	150,000	202,000	199,767	199,970	4.89	
01 October 2015	3 months	-	30,000	30,000	-	-	-	-	
21 January 2016	12 months	-	4,500	-	4,500	4,354	4,358	0.11	
18 February 2016	12 months	-	68,000	-	68,000	65,511	65,562	1.60	
03 March 2016	12 months	-	125,000	-	125,000	120,213	120,256	2.94	
14 April 2016	12 months	-	20,700	-	20,700	19,766	19,784	0.48	
12 May 2016	6 Months	-	28,000	-	28,000	27,403	27,412	0.67	
26 May 2016	6 Months	-	150,000	-	150,000	146,531	146,529	3.58	
Total - 30 June 2016		437,500	4,757,200	4,246,500	948,200	930,552	931,130	22.76	33.00
Total - 30 June 2015		2,075,000	8,012,500	9,650,000	437,500	425,771	425,780	8.76	11.89

6.2 Pakistan Investment Bonds

Issue date	Tenor	Face value				Balance as at 30 June 2016		Market value / carrying value as a percentage of net assets	Market value / carrying value as a percentage of total investments
		As at 1 July 2015	Purchases during the year	Sales / matured during the year	As at 30 June 2016	Carrying Cost	Market value / Carrying value		
(Rupees in '000)									
19 July 2012	10 years	-	400,000	400,000	-	-	-	-	
18 July 2013	3 years	2,100,000	4,050,000	4,950,000	1,200,000	1,202,550	1,202,992	29.40	
18 July 2013	5 years	50,000	-	50,000	-	-	-	-	
17 July 2014	3 years	607,500	550,000	1,157,500	-	-	-	-	
17 July 2014	5 years	50,000	-	50,000	-	-	-	-	
17 July 2014	10 years	607,500	550,000	1,157,500	-	-	-	-	
26 March 2015	3 years	-	525,000	75,000	450,000	467,040	470,091	11.49	
26 March 2015	5 years	200,000	525,000	575,000	150,000	160,493	164,709	4.03	
26 March 2015	10 years	-	300,000	300,000	-	-	-	-	
21 April 2016	3 years	-	50,000	-	50,000	50,667	51,188	1.25	
21 April 2016	5 years	-	25,000	25,000	-	-	-	-	
Total - 30 June 2016		3,615,000	6,975,000	8,740,000	1,850,000	1,880,750	1,888,980	46.17	67.00
Total - 30 June 2015		2,020,000	5,785,000	4,797,500	3,007,500	3,033,292	3,155,353	64.91	88.11

6.3 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'

	2016	2015
	(Rupees in '000)	
Market value / carrying value of investments	2,820,110	3,581,133
Less: Carrying cost of investments	<u>(2,811,302)</u>	<u>(3,459,063)</u>
	8,808	122,070
Less: Net unrealised (diminution) / appreciation on re-measurement of investments at beginning of the year	<u>(122,070)</u>	1,253
	<u>(113,262)</u>	<u>123,323</u>

7 PROFIT RECEIVABLES

Profit on savings accounts	2,812	6,190
Mark-up on fixed income securities	<u>91,535</u>	<u>162,951</u>
	<u>94,347</u>	<u>169,141</u>

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

8 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY

		2016	2015
		(Rupees in '000)	
Management remuneration	8.1	4,040	5,884
Sindh Sales Tax	8.2	657	1,024
Sales load		67	47
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	324	-
		<u>5,088</u>	<u>6,955</u>

8.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 1.25 percent per annum (30 June 2015: 1.25 percent per annum) of the average net assets for the current year.

8.2 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 15% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2014. However, the rate has been revised from 15% to 14% effective from 1 July 2015.

8.3 Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(3)(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it.

The expenses represents the allocation of expenses relating to registrar services, accounting, operations and valuation services at 0.1% of average net annual assets of the Fund with effect from 15 December 2015.

9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

		2016	2015
		(Rupees in '000)	
Trustee remuneration	9.1	303	409
Sindh Sales Tax on trustee remuneration	9.2	42	-
		<u>345</u>	<u>409</u>

9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value (NAV) of the Fund. The remuneration is paid to the Trustee, monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2016 is as follows:

Net assets	Tariff
Upto Rupees 1 billion	Higher of Rupees 700,000 or 0.15% per annum of NAV
Over Rupees 1 billion to Rupees 10 billion	0.075% per annum of NAV exceeding Rupees 1 billion
Exceeding Rupees 10 billion	0.05% per annum of NAV exceeding Rupees 10 billion

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

10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, 2008, a collective investment scheme categorised as income scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is payable annually in arrears.

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

11 ACCRUED EXPENSES AND OTHER LIABILITIES

		2016	2015
		(Rupees in '000)	
Provision for Workers' Welfare Fund	11.1	39,149	39,149
Federal Excise Duty	11.2	29,849	20,568
Capital gain tax		-	23,168
Auditors' remuneration		471	503
Legal and professional charges		729	26
Printing charges		25	125
Settlement charges		21	46
Brokerage		101	294
Withholding tax		3,060	37,421
Zakat		391	1,192
		<u>73,796</u>	<u>122,492</u>

11.1 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, after the exclusion of the mutual funds from federal statute on WWF from 1 July 2015, the Fund has discontinued making the provision in this regard. As a matter of abundant caution, the Fund has decided to continue to maintain the provision for WWF amounting to Rs. 39.149 million (30 June 2015: Rs. 39.149 million). Had the same not been made the net assets value per unit of the Fund would have been higher by Rs 0.0953 per unit (30 June 2015: Rs. 0.0815 per unit).

11.2 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

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

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honorable Supreme Court against the Sindh High Court's decision dated 2 June 2016. Therefore, as a matter of abundant caution, without prejudice to the above, the Management Company has made a provision with effect from 13 June 2013, aggregating to Rs. 31.872 million out of which Rs. 2.023 million have been paid to the Management Company. Had the provision not been made, the Net Assets Value (NAV) per unit of the Fund as at 30 June 2016 would have been higher by Rs. 0.0776 per unit (30 June 2015: Rs. 0.0470 per unit). However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued making the provision in this regard.

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

12 CONTINGENCIES

12.1 NIT - Government Bond Fund had received a show cause notice dated 23 December 2013 whereby Federal Board of Revenue considers that the tax return filed for the tax year 2011 (deemed assessment order) is erroneous and prejudicial to the interest of revenue as a result of reasons mentioned in the notice and had asked the Fund to provide them with the required information. The issue of notice was in line with various notices issued to several other mutual funds and on the same grounds orders has been passed for certain mutual funds. The tax department considers that distribution of bonus shares should not be included in calculation of distribution of 90% of declared profit required to claim exemption from income tax. The reasons cited for this view are that tax has not been deducted on bonus units and the bonus issue is only exempt from tax where it results in increase in capital.

The tax advisor of the NIT-GBF submitted the basis for considering distribution by way of bonus units for the purpose of tax exemption. However, Additional Commissioner Revenue through the notice no. ACIR/AUDIT RANGE/ ZONE -I/RTO/KHI/2014/331 did not accept the basis and stated that the distribution of profit by the Fund to its unit holders can not include issuance of bonus units. Consequently, the Fund failed to distribute ninety percent of its income for the tax year 2011, therefore falling outside the ambit of clause (99) of Part I of Second Schedule to the Income Tax Ordinance, 2001.

However, the Fund has submitted its reply in respect of above stated notice on the grounds that as clause (99) of Part I of Second Schedule to the Income Tax Ordinance, 2001 which provides for tax exemption in respect of mutual funds does not specifically provides any mode of distribution of profit nor places any restriction on distribution by way of bonus units, whereas under clause (100) which provides for tax exemption for Modarabas it has been specifically specified that distribution by way of bonus shares would not be considered as distribution in calculation of 90% distribution to claim exemption from tax, the Fund has consistently made distributions by way of issue of bonus units. This practice is also consistent with mutual fund industry. We have been informed that no response subsequent to the reply has been received.

Finance Act 2014, effective from 01 July 2014, included a specific proviso in clause (99) similar to clause (100) where it has been specified that issue of bonus units would not be considered for calculating 90% distribution required to claim exemption from tax.

Several asset management companies on behalf of the mutual funds have filed a petition in the Sindh High Court against the demands raised in this respect and have obtained a stay order against the payment of tax demand. The Commissioner (Appeals) in case of certain mutual funds has annulled the order passed u/s 122(1) of the Income Tax Ordinance and has given decision in favor of the Funds on the same ground. Income tax department has filed appeals before Appellate Tribunal in these cases which are pending.

In view of above and based on the advice from tax advisor, it is considered that decision of Sindh High Court and Appellate Tribunal would be in favour of the tax payer as the orders are passed by the department are incorrect and based on erroneous understanding of the law. Accordingly, no provision in this respect has been made in these financial statements.

12.2 The Finance Act, 2015 inserted a new section 4B "Super Tax for Rehabilitation of Temporarily Displaced Persons" (Super Tax) for tax year 2015. Super Tax was imposed for Tax Year 2015 only on banking companies at the rate of 4% of income and by all other tax payers having income equal to or exceeding Rs. 500 million at 3 percent of the income. The levy of Super Tax has been extended to tax year 2016.

The Management Company has received an order dated 04 April 2016 under section 4B(4) for recovery of Super Tax not paid with return of total income filed for tax year 2015. The Assistant Commissioner considered that the Fund was required to pay Super Tax as the income of the Fund was more than Rs. 500 million and raised a demand of Rs. 27.327 million in this respect.

The Management Company had filed an appeal before Commissioner Inland Revenue (Appeals - III) which was decided against the Fund and have now the Management Company has filed an appeal against the decision in the Appellate Tribunal Inland Revenue which is pending to date. In addition, the Management Company has obtained a restraining order from Sindh High Court from not taking any coercive action on the basis of impugned order passed and demand notice.

The management based on consultation with legal advisor, MUFAP and management companies of other mutual funds, is of the view that the income of the Fund is exempt from tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 since sufficient accounting income had been distributed among the unit holders and the Funds complied with the requirement of clause 99. Therefore, Super Tax under the provision of the Income Tax Ordinance, 2001 is not applicable to the Fund and accordingly no provision has been made in the financial statements for the year ended 30 June 2016.

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

13 NUMBER OF UNITS IN ISSUE

	2016 (Number of units)	2015
Total units in issue at beginning of the year	480,205,131	412,351,840
Add: Units issued	265,752,416	812,961,475
Add: Bonus units issued	-	-
Add: Units issued under Cumulative Investment Plan	10,821,869	20,756,896
Less: Units redeemed	(345,843,532)	(765,865,080)
Total units in issue at end of the year	<u>410,935,884</u>	<u>480,205,131</u>

14 AUDITORS' REMUNERATION

	(Rupees in '000)	
Statutory audit fee	365	347
Half yearly review	185	174
Fee for review of the statement of compliance with the best practices of the Code of Corporate Governance and others	50	100
Out of pocket expenses and others including government levy	109	86
	<u>709</u>	<u>707</u>

15 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders. The Board of Directors of the Management Company in their meeting held on 15 June 2016 has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2016.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2016		
	Loans and receivables	Available for sale	Total
	(Rupees in '000)		
Assets			
Bank balances	1,279,554	-	1,279,554
Investments	-	2,820,110	2,820,110
Profit receivables	94,347	-	94,347
Deposit with Central Depository Company of Pakistan Limited	100	-	100
	<u>1,374,001</u>	<u>2,820,110</u>	<u>4,194,111</u>

	As at 30 June 2016		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees in '000)		
Liabilities			
Payable to National Investment Trust Limited - Management Company	-	5,088	5,088
Payable to Central Depository Company of Pakistan Limited - Trustee	-	345	345
Payable against redemption of units	-	131	131
Accrued expenses and other liabilities	-	31,196	31,196
Dividend payable	-	19,655	19,655
	<u>-</u>	<u>56,415</u>	<u>56,415</u>

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Assets

Bank balances	1,443,512	-	1,443,512
Investments	-	3,581,133	3,581,133
Profit receivables	169,141	-	169,141
Deposit with Central Depository Company of Pakistan Limited	100	-	100
	<u>1,612,753</u>	<u>3,581,133</u>	<u>5,193,886</u>

Liabilities

Payable to National investment Trust Limited - Management Company	-	6,955	6,955
Payable to Central Depository Company of Pakistan Limited - Trustee	-	409	409
Payable against redemption of units	-	569	569
Accrued expenses and other liabilities	-	21,562	21,562
Dividend payable	-	197,705	197,705
	<u>-</u>	<u>227,200</u>	<u>227,200</u>

17 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

17.1 Connected persons include National Investment Trust Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by 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 directors and officers of the Management Company and the Trustee and unit holders holding 10 percent or more units of the Fund.

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

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

17.4 The details of significant transactions carried out by the Fund with connected persons and balances with them at period / year end are as follows:

17.5 Transactions during the year

	2016	2015
	(Rupees in '000)	
National Investment Trust Limited - Management Company		
Issue of 172,109,107 units (2015: 427,902,255 units)	1,745,000	4,436,000
Redemption of 200,039,200 units (2015: 435,858,913 units)	2,106,012	4,899,467
Front end load on issue of units	21	61
Remuneration of the Management Company	58,008	84,362
Sindh Sales Tax on management remuneration	9,421	14,680
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,568	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	4,238	5,800
Sindh Sales Tax on trustee remuneration	593	-

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

As at 30 June 2016					
Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)					
Financial liabilities					
Payable to National Investment Trust Limited - Management Company	-	-	-	5,088	5,088
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	345	345
Payable against redemption of units	-	-	-	131	131
Accrued expenses and other liabilities	-	-	-	31,196	31,196
Dividend payable	-	-	-	19,655	19,655
	-	-	-	56,415	56,415
On-balance sheet gap	1,279,554	931,130	1,888,980	38,032	4,137,696
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-
Total interest rate sensitivity gap	1,279,554	931,130	1,888,980	38,032	4,137,696
Cumulative interest rate sensitivity gap	1,279,554	2,210,684	4,099,664		

As at 30 June 2015					
Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate 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	1,443,512	-	-	-	1,443,512
Investments	283,981	141,799	3,155,353	-	3,581,133
Profit receivables	-	-	-	169,141	169,141
Deposit with Central Depository Company of Pakistan Limited	-	-	-	100	100
	1,727,493	141,799	3,155,353	169,241	5,193,886
Financial liabilities					
Payable to National Investment Trust Limited - Management Company	-	-	-	6,955	6,955
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	409	409
Payable against redemption of units	-	-	-	569	569
Accrued expenses and other liabilities	-	-	-	21,562	21,562
Dividend payable	-	-	-	197,705	197,705
	-	-	-	227,200	227,200
On-balance sheet gap	1,727,493	141,799	3,155,353	(57,959)	4,966,686
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-
Total interest rate sensitivity gap	1,727,493	141,799	3,155,353	(57,959)	4,966,686
Cumulative interest rate sensitivity gap	1,727,493	1,869,292	5,024,645		

18.1.3 Price risk

Price risk is that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at 30 June 2016.

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

18.2 Credit risk

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

The analysis below summarises the credit quality of the Fund's bank balances as at 30 June 2016 and 30 June 2015.

Name of the bank	Balance as at 30 June 2016	Rating agency	Published rating	Percentage of total bank balances
(Rupees in '000)				
Habib Bank Limited	898,513	JCR-VIS	AAA	70.22
United Bank Limited	142	JCR-VIS	AAA	0.01
MCB Bank Limited	91	PACRA	AAA	0.01
Bank Al-Habib Limited	227,045	PACRA	AA+	17.74
Allied Bank Limited	180	PACRA	AA+	0.01
Soneri Bank Limited	152,502	PACRA	AA-	11.92
NIB Bank Limited	771	PACRA	AA-	0.06
Bank Alfalah Limited	98	PACRA	AA	0.01
Dubai Islamic Bank	10	JCR-VIS	A+	-
Summit Bank Limited	202	JCR-VIS	A-	0.02
	1,279,554			100.00

Name of the bank	Balance as at 30 June 2015	Rating agency	Published rating	Percentage of total bank balances
(Rupees in '000)				
Standard Chartered Bank Limited	4,232	PACRA	AAA	0.29
Habib Bank Limited	396	JCR-VIS	AAA	0.03
Bank Al-Habib Limited	387,068	PACRA	AA+	26.81
United Bank Limited	797	JCR-VIS	AA+	0.06
Allied Bank Limited	396	PACRA	AA+	0.03
Soneri Bank Limited	800,051	PACRA	AA-	55.41
NIB Bank Limited	250,420	PACRA	AA-	17.35
Bank Al-Falah Limited	73	PACRA	AA	0.01
Summit Bank Limited	79	JCR-VIS	A	0.01
	1,443,512			100.00

The maximum exposure to credit risk before any credit enhancement as at 30 June 2016 is the carrying amount of the financial assets.

Concentration of credit risk

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

18.3 Liquidity risk

Liquidity risk is 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.

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.

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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, no borrowing was obtained by the Fund during the current year.

In order to manage the Fund's overall liquidity, the Fund may also 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.

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

As at 30 June 2016			
Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----			
Financial liabilities			
Payable to National Investment Trust Limited - Management Company	5,088	-	5,088
Payable to Central Depository Company of Pakistan Limited - Trustee	345	-	345
Payable against redemption of units	131	-	131
Accrued expenses and other liabilities	31,196	-	31,196
Dividend payable	19,655	-	19,655
	56,415	-	56,415
Unitholders' Fund	4,091,627	-	4,091,627

As at 30 June 2015			
Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----			
Financial liabilities			
Payable to National Investment Trust Limited - Management Company	6,955	-	6,955
Payable to Central Depository Company of Pakistan Limited - Trustee	409	-	409
Payable against redemption of units	569	-	569
Accrued expenses and other liabilities	21,562	-	21,562
Dividend payable	197,705	-	197,705
	227,200	-	227,200
Unitholders' Fund	4,860,709	-	4,860,709

19 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends 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 in the 'Statement of Movement in Unit Holders' Fund'.

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

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 the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 18, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowings or disposal of investments, where necessary.

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. The Fund has maintained and complied with the requirements of minimum fund size during the year.

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

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.

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

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

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

30 June 2016							
Carrying value				Fair Value			
Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
	931,130	-	931,130	-	931,130	-	931,130
- Market Treasury Bills							
- Pakistan Investment Bonds	1,888,980	-	1,888,980	-	1,888,980	-	1,888,980
	2,820,110	-	2,820,110	-	2,820,110	-	2,820,110
Financial assets not measured at fair value							
20.1							
Bank balances	-	1,279,554	1,279,554	-	-	-	-
Profit receivables	-	94,347	94,347	-	-	-	-
Security deposit with Central Depository Company of Pakistan Limited	-	100	100	-	-	-	-
	-	1,374,001	1,374,001	-	-	-	-
Financial liabilities not measured at fair value							
20.1							
Payable to National Investment Trust Limited - Management Company	-	-	5,088	5,088	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	345	345	-	-	-
Payable against redemption of units	-	-	131	131	-	-	-
Accrued expenses and other liabilities	-	-	31,196	31,196	-	-	-
Dividend payable	-	-	19,655	19,655	-	-	-
	-	-	56,415	56,415	-	-	-

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

30 June 2015							
Carrying value				Fair Value			
Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
- Market Treasury Bills	425,780	-	425,780	-	425,780	-	425,780
- Pakistan Investment Bonds	3,155,353	-	3,155,353	-	3,155,353	-	3,155,353
	<u>3,581,133</u>	<u>-</u>	<u>3,581,133</u>	<u>-</u>	<u>3,581,133</u>	<u>-</u>	<u>3,581,133</u>
Financial assets not measured at fair value							
Bank balances							
	-	1,443,512	1,443,512	-	-	-	-
Profit receivables							
	-	169,141	169,141	-	-	-	-
Security deposit with Central Depository Company of Pakistan Limited							
	-	100	100	-	-	-	-
	<u>-</u>	<u>1,612,753</u>	<u>1,612,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value							
Payable to National Investment Trust Limited - Management Company							
	-	6,955	6,955	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee							
	-	409	409	-	-	-	-
Payable against redemption of units							
	-	569	569	-	-	-	-
Accrued expenses and other liabilities							
	-	21,562	21,562	-	-	-	-
Dividend payable							
	-	197,705	197,705	-	-	-	-
	<u>-</u>	<u>227,200</u>	<u>227,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

21 TRANSACTIONS WITH BROKERS / DEALERS

List of brokers by percentage of commission paid during the year ended 30 June 2016:

Particulars	Percentage (%)
Invest Capital Markets Ltd.	20.84
Icon Securities (Pvt) Ltd.	16.21
Invest & Finance Securities Limited.	15.61
Js Global Capital Limited	15.02
Elixir Securities Pakistan (Pvt.) Ltd.	10.14
Summit Capital (Pvt) Limited	9.52
Bma Capital Management Ltd.	6.12
Kasb Securities Ltd.	5.40
Global Securities Pakistan Limited	1.14
	<u>100.00</u>

List of brokers by percentage of commission paid during the year ended 30 June 2015:

Particulars	Percentage (%)
Invest Capital Market Limited	33.42
Summit Capital (Private) Limited	7.53
JS Global Capital Limited	9.78
Invest & Finance Securities Limited	3.77
KASB Securities Limited	2.67
Global Securities Pakistan Limited	6.71
Icon Securities (Private) Limited	12.32
Elixir Securities Pakistan (Private) Limited	19.97
BMA Capital Management Limited	3.83
	<u>100.00</u>

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

As at 30 June 2016				
S.No.	Name	Designation	Qualification	Experience in years
1	Mr. Shahid Ghaffar	Chief Executive Officer / Managing Director	MBA	39
2	Mr. Manzoor Ahmed	Chief Operating Officer / Head of Asset Management	MBA, DAIBP & Candidate for CFA Level III	27
3	Mr. Shahid Anwar	Head of MD's Secretariat & Personnel	MBA & DAIBP	39
4	Mr. S. Zubair Ahmed	Controller of Branches / Company Secretary	M.Phil, MBA, PGD-General Management & PGD-Development Policies	43
5	Mr. Aamir Amin	Head of Finance	CA	19
6	Mr. Shoaib Ahmed Khan*	Fund Manager	MBA & DAIBP	20
7	Mr. M. Imran Rafiq	Head of Research	MBA and CFA	13
8	Mr. Ammar Habib	Manager/In-charge Risk Management	MS and FRM	6
9	Mr. Adamjee Yakoob	Head of Compliance	B.Sc Hons (UK), M.Com, CIA(USA), FCCA(UK), ACA-ICAEW(UK), FCA	16

* Mr. Shoaib Ahmed Khan is also managing NIT - Income Fund.

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 317th, 318, 319th, 320th, 321st and 322nd Board meetings were held on 27 July 2015, 30 September 2015, 22 October 2015, 29 February 2016, 27 April 2016 and 15 June 2016. respectively. Information in respect of attendance by the Directors in the meetings is given below:

S.No.	Name of Directors	Number of meetings			Meetings not attended
		Held during tenor of directorship	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	
2	Mr. Mian Nusrat-ud-Din	6	6	-	
3	Mr. Syed Ahmed Iqbal Ashraf	6	3	3	318th, 319th and 321st BOD
4	Mr. Jamal Nasim	6	6	-	
5	Mr. Muhtashim Ahmed Ashai	6	6	-	
6	Mr. Muhammad Hanif Akhai	6	6	-	
7*	Mr. Shahzad F. Lodhi	3	1	2	318th and 319th BOD
8*	Mr. Aman Aziz Siddiqui	-	-	-	
9	Mr. Yameen Kerai	6	6	-	
10	Mr. Iqbal Adamjee	6	5	1	322nd BOD
11*	Mr. Rana Asad Amin	1	-	1	317th BOD
12*	Mr. Raymond Kotwal	5	2	3	318th, 320th and 322nd BOD
13*	Syed Arshad Ali	2	2	-	

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

* Mr. Aman Aziz Siddiqui (nominee director of Habib Bank Limited), Mr. Rana Asad Amin (Government Director) and Mr. Shahzad F. Lodhi (nominee director of Pakistan Reinsurance Company Limited) resigned w.e.f 27 July 2015, 30 September 2015 and 29 February 2016 respectively and Mr. Raymond Kotwal and Mr. Syed Arshad Ali was appointed in his place w.e.f 27 July 2015 and 29 February 2016 respectively.

24 PATTERN OF UNIT HOLDING

As at 30 June 2016			
Number of unit holders	Investment amount	Percentage of total investment	
(Rupees in '000)		--- (%) ---	
Individuals	1,386	839,046	20.51
Insurance companies	1	281,571	6.88
Banks / Development Financial Institutions	3	531,085	12.98
Non-Banking Financial Institutions	1	1,001,761	24.49
Retirement funds	27	874,837	21.38
Public Limited Companies	1	103,429	2.53
Others	15	459,898	11.23
	1,434	4,091,627	100.00

As at 30 June 2015			
Number of unit holders	Investment amount	Percentage of total investment	
(Rupees in '000)		--- (%) ---	
Individuals	1,579	1,095,655	22.54
Insurance companies	2	486,372	10.01
Banks / Development Financial Institutions	2	524,330	10.78
Non-Banking Financial Institutions	2	1,398,787	28.78
Retirement funds	31	947,134	19.49
Others	13	408,431	8.40
	1,629	4,860,709	100.00

25 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 07, 2016 by the Board of Directors of the Management Company.

26 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND
PERFORMANCE TABLE
LAST 3 YEARS

		JUNE 16	JUNE 15	JUNE 14
Total Net Asset Value Ex - Dividend	(Rs. In 000's)	4,091,627	4,860,709	4,166,375
Net Asset Value per Unit Ex-Dividend	(Rs. / unit)	9.9569	10.1222	10.1039
Last Issue Price Per Unit *	(Rs. / unit)	10.8065	11.6034	10.9624
Last Repurchase Price Per Unit *	(Rs. / unit)	10.7069	11.5022	10.8539
Highest Issue Price During the Period	(Rs. / unit)	10.7843	11.6710	10.9624
Lowest Issue Price During the Period	(Rs. / unit)	10.0388	10.2147	10.1968
Highest Repurchase Price During the Period	(Rs. / unit)	10.6775	11.5554	10.8539
Lowest Repurchase Price During the Period	(Rs. / unit)	9.9394	10.1136	10.0958
Total Return of the Fund	%	5.78	13.86	7.64
Capital Growth	%	(1.63)	0.20	0.20
Income Distributions	%	7.41	13.66	7.44
Distribution per Unit (Interim)	(Rs. / unit)	0.75	1.38	0.75
Distribution Date		15-Jun-16	24-Jun-15	30-Jun-14
Average Annual Return				
One Year	%	5.78	13.86	7.64
Two Years	%	9.82	10.75	8.79
Three Years	%	9.09	10.48	9.11

Note: All investments in Mutual Funds and Securities are subject to Market Risk. Our target return/dividend range can not be guaranteed. NIT's unit price is neither guaranteed nor administered/managed. It is based on Net Asset Value (NAV) and the NAV of NIT units may go up or down depending upon the factors and forces affecting the stock market. Past performance is not indicative of future returns.

* This is cum-dividend prices of 30th June.