

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

A.F. Ferguson & Co. Chartered Accountants

LIST OF BANKERS

Allied Bank Limited
 Bank Al Falah Limited
 Bank Al Habib Limited
 NIB Bank Limited
 Standard Chartered Bank (Pakistan) Limited
 Summit Bank Limited (Formerly Arif Habib Bank Limited)
 United Bank Limited
 Soneri Bank Limited

NIT - GOVERNMENT BOND FUND FUND MANAGER REPORT 2012-2013

NIT Government Bond Fund Objective

The objective of NIT Government Bond Fund is to generate best possible return with minimum risk, for its Unit Holders, by investing primarily in the Government Securities.

Profile of Investment Manager

National Investment Trust Ltd. (NITL) is the first Asset Management Company of Pakistan, formed in 1962. NITL is the largest asset management company of Pakistan with approximately Rs. 81 billion assets under management. The family of Funds of NIT comprises of five funds including 3 equity Funds and 2 fixed income nature Funds. NIT's distribution network comprises of 24 NIT branches and various Authorized bank branches all over Pakistan. To cater the matters relating to investments in NIT and day to day inquiries / issues of NIT's unit holders, state of the art Investors' Facilitation Centre is also in place. The Board of Directors of NITL consists of top executives from leading financial institutions, prominent industrialists and nominee of Govt. of Pakistan. The Company has been assigned an Asset Manager rating of "AM2-" by Pakistan Credit Rating Agency, which reflects the company's very strong capacity to manage the risks inherent in the asset management business and the asset manager meets very high investment management industry standards and benchmarks. All Investment decisions are taken by the Investment Committee of NITL.

Fund Information - NIT GBF

• Fund Type	Open-End	• Category	Income Fund
• Launch Date	November 18, 2009	• Listing	KSE, LSE & ISE
• Management Fee	1.25%	• Front End Load	1.00%
• Back End Load	Nil	• Par Value	PKR 10.0000
• Fund Manager	Khurram Aftab Ahmed	• Risk Profile	Low
• Stability Rating	AA (f) (PACRA)	• AMC Rating	AM2- (PACRA)
• Trustee	Central Depository Co. (CDC)	• Auditors	A.F Ferguson & Co.
• Registrar	National Investment Trust Ltd.	• Pricing Mechanism	Forward Pricing
• Min Subscription	Rs. 5,000		

Rating

The Pakistan Credit Rating Agency (PACRA) assigned stability rating of "AA(f)" (Double A – fund rating) to NIT Government Bond Fund, an open-end income fund investing primarily in government securities in January 2013. The fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

NIT - GOVERNMENT BOND FUND FUND MANAGER REPORT 2012-2013

Fund's Performance at a Glance

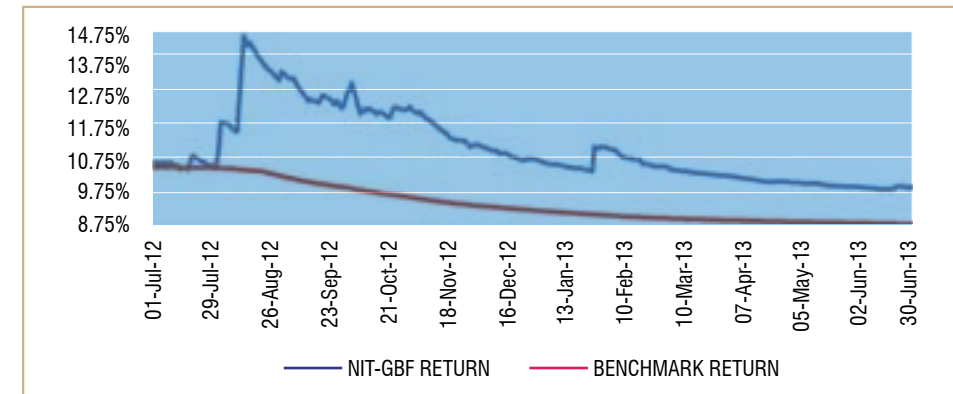
	2012-13	2011-12
Beginning Net Assets (Rs. Million)	3,145	3,055
Beginning NAV Per Unit (Ex-Dividend) (Rs.)	9.9729	10.0968
Ending Net Assets (Rs. Million)	4,796	3,145
Ending NAV Per Unit (Rs.)	10.9636	11.0823
Net Income (Rs. Million)	385	315
Distribution Per Unit (Rs.)	0.8803	1.1094
Income Distribution (% of Net Income)	100%	100%
Annualized Return (%)	9.93%	9.76%
Benchmark Return (%)	8.80%	10.64%
Weighted Average Time to Maturity (Year)	0.4	0.5

Benchmark vs. Return

The performance of the scheme is compared against a benchmark based on 70% average of weighted average yield of 6 months T-Bills auctions held during the period and 30% of average most recently published 1 month deposit rates of "A" and above rated scheduled banks.

Comparison of Fund's return against benchmark

The graph below depicts the comparison of the Fund's return against its benchmark.



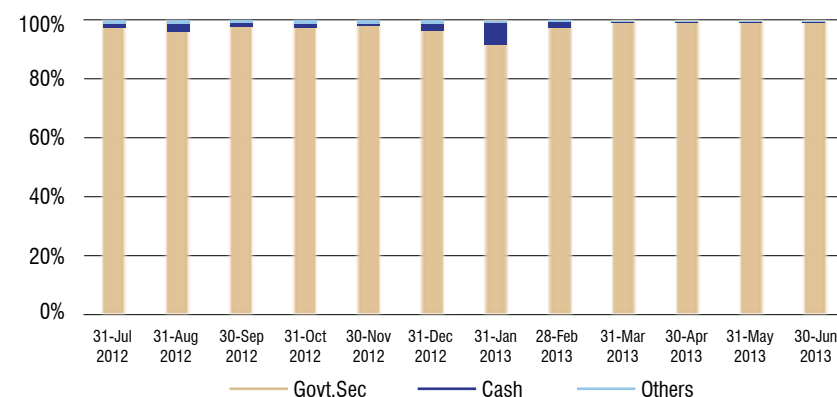
Investment Strategy

NIT Government Bond Fund started the year with healthy returns boosted by the easing of policy rates announced by the State Bank of Pakistan. Policy rates reduced were reduced from 12.00% p.a. to 9.00% p.a. during the fiscal year. The Fund generated a return of 9.93% p.a. for FY13 as compared to its benchmark return of 8.80% p.a. thereby, outperforming its benchmark by 113bps. During the fiscal year NIT GBF's investment in National Savings Bond matured. The Fund's annualized return since its inception was 11.85% p.a. while its benchmark return was 10.28% p.a. During the year the fund invested an average of 86% of total assets in Marketable Government Securities such as Treasury Bills which gave competitive returns as well as provided sufficient liquidity to the fund. While the fund increased its long term portfolio, in light of the decrease in policy rates by investing in longer maturity instruments. As per its investment strategy, investments in Government Securities varied from a low of about 91% to a high of about 99% of total assets during the period under discussion.

NIT - GOVERNMENT BOND FUND FUND MANAGER REPORT

2012-2013

Asset Allocation



The fund as of June 30, 2013 had allocated about 99% of its total assets in Government Securities where as the remaining 1% of total assets were in the form of cash and other receivables/assets. Weighted average time to maturity of the fund was 162 days as on June 30, 2013. This was adjusted in accordance with the view on market conditions. The fund has around Rs. 4.80 Billion of net assets as of June 30, 2013.

Dividend Declaration by the Fund for FY13

During FY13, NIT Government Bond Fund has earned a net income of Rs. 385 million as compared to Rs. 307 million in FY12. Net income translates into a per unit earning of Rs. 0.98 as compared to Rs. 1.21 per unit last year. The fund has declared a per unit distribution of Rs. 0.8803 for its unit holders. Those who have opted for growth units with the option to receive bonus will be allocated 8.7303 units per 100 units at the ex-dividend NAV.

Pattern of Unit Holders

Category	(Units in million) NIT-GBF	% of Holding
Institutional Investors	264	92.96%
Individuals	20	7.04%
Total	284	100.00%

WWF Disclosure

The Scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 24.822m, if the same were not made the NAV per unit/ year to date return of the Scheme would be higher by Rs. 0.0568/ 0.57%.

Money Market Review

The State Bank of Pakistan reduced its discount rate by 150 bps with the commencement of the fiscal year and further cut rates by 50 bps in three different policy announcements to bring the rate to 9.00% p.a. towards the end of the fiscal year. SBP's two main challenges over the year has been managing the external account position and containing inflation. Inflation has been the primary driver behind monetary easing during the year. CPI inflation touched a record low level of 5.1% in May'13 and the FY13 average inflation of 7.4% was around 200 bps lower than the targeted 9.5% set for the fiscal year.

Six month KIBOR reduced to average 9.92% as compared to last year's average of 12.38% a decrease of 246 bps mainly due to reduction in discount rate.

NIT - GOVERNMENT BOND FUND FUND MANAGER REPORT

2012-2013

During FY13, SBP conducted a total of 26 T-bill auctions (two auctions per month and 3 auctions in Nov-12 and May-13). Total target amount was Rs 5,075bn set by SBP, while the accepted amount was Rs 5,500bn. The last cutoff yields from Jun-13 for the 3M, 6M and 12M tenors reduced to 8.93%, 8.92% and 8.96% from Jun-12 last cutoff yields of 11.92%, 11.94% and 11.95% respectively. The cut-off yield on the benchmark 10 year PIB closed at 11.05%, decreasing by 233 bps over last year closing of 13.38%.

Economic Review

During FY2013, Pakistan's economy faced myriad challenges on the external and internal front including large scale power shortages, internal security hazards, continuing depreciation of Pak Rupee against the US Dollar and massive losses incurred by the public sector enterprises resulting in unsustainably large fiscal deficits that were financed mainly through domestic debt. Due to the above factors coupled with the fact that this was an election year with heightened uncertainty the GDP growth during the year was restricted to 3.6%, compared to the target of 4.3 %. This growth is a 18% drop compared to the previous fiscal year where the growth was recorded at 4.4%

Agriculture Sector accounts for 21.4% of the GDP and engages 45% of the country's labor force. In FY 2012-13. The agriculture sector grew by 3.3% as against 3.5% in the preceding year. The year-on-year decline is attributed to adverse unfavorable conditions that resulted in lower production of our cash crops (cotton and rice).

The industrial sector grew by 3.5% compared to 2.7 % in the previous year, showing some improvement during FY12. In particular, the mining and construction sectors reflected a healthy growth of 7.6 % and 5.2 %, respectively, in comparison to growth rate of 4.6 % and 3.2 % during last year.

Manufacturing sector which comprises of 13.2 % of the GDP has shown some recovery by achieving a growth rate of 3.5% against 2.1 % last year mainly on account of a tremendous growth of 8.2 % for small scale manufacturing.

The growth in services sector remained to 3.7% in FY13 in comparison with 5.3 % in FY12. Growth in the services sector remained subdued due to decline in growth rates of transport, storage and communication.

According to provisional data of FBS, a slight improvement in the trade sector has been witnessed as the trade deficit reduced to USD 19.9 billion during, FY13 as compared to USD 21.3 billion in the comparable period of FY12. During FY13, exports stood at USD 25 billion against 23.6 USD in FY12, while imports amounted to USD 44.9 billion, almost the same in the comparable period of FY12.

Perhaps the consistently positive feature of the economy is a healthy increase in workers' remittances since the past few years, which are estimated at USD 13.9 billion during FY13, reflecting nearly a 5.6% increase compared to the corresponding period.

On a positive note, inflation fell significantly and the annualized inflation rate measured in terms of Consumer Price Index (CPI) for 2012-13 averaged at 7.4% as against 11 % recorded in the same period of 2011-12. One of SBP's primary challenges was to manage inflation rates and the average inflation of 7.4% in FY13 was around 200 bps lower than the target of 9.5%. This was one of the main factors in SBP adopting a monetary easing stance through the year.

During FY13, Foreign direct investment (FDI) increased by 76% in contrast to a decline of 50% during the same period last year. Portfolio investment witnessed a sharp rise during FY13 as according to NCCPL figures net inflow of \$567 million was recorded against a net outflow of \$169 million during same period last year. The inflow of portfolio investment played a major role in driving the Pakistan stock market which witnessed a bullish trend during FY13. Pakistan's overall external account would remain under pressure due to sizeable repayments especially to that of IMF, with more than USD 3.0bn needs to be repaid during FY14.

The Pakistan's economy is facing lot of difficulties and there is plenty of room to improve governance in law and order, education and energy. The government in its bid to diversify its energy mix must focus on providing incentives through policy frameworks with the collaboration of both local and foreign investors while offering them a level playing field. In a bid to attract foreign investors, the Board of Investment (BOI) recently launched a new investment policy to provide more investment friendly environment to investors. Pakistan economy still has to come up a long way but on a comparative basis still allows a lot of freedom. With some immediate and long-term fixtures, the economy can be revived.

(Economic data source: Economic Survey of Pakistan, FBS & SBP Website)

NIT - GOVERNMENT BOND FUND FUND MANAGER REPORT 2012-2013

Other Disclosures under NBFC Regulations 2008:

The Fund Manager hereby makes the following disclosures as required under the NBFC Regulations 2008;

- a. The Management Company or any of its delegates did not receive any soft commission (goods & services) from any of its brokers / dealers by virtue of transactions conducted by the Fund.
- b. There was no unit split undertaken during the year.

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, 2013 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, August 27, 2013

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** (here in after referred to as "the Fund"), which comprise the statement of assets and liabilities as at June 30, 2013, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of 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 the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 financial position of the Fund as at June 30, 2013, 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 all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Sd/-

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: Rashid A. Jafer
Dated: August 06, 2013
Karachi

COMPLIANCE REPORT

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **National Investment Trust Limited**, the Management Company of **NIT - Government Bond Fund** to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi, Lahore and Islamabad Stock Exchanges where the Fund is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35 (X) of listing regulations notified by the Stock Exchanges where the fund is listed requires the company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length 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 Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2013.

Sd/-

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: August 06, 2013

COMPLIANCE STATEMENT

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This Statement is being presented to comply with the requirements of the Code of Corporate Governance contained in the Listing Regulations of Karachi, Islamabad and Lahore Stock Exchanges 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 the Karachi, Islamabad and Lahore Stock Exchanges 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 Company encourages representation of non-executive directors (the Board). Presently, the Board includes eight non-executive directors and one executive director. The names are listed in alphabetical order as under:

(i) Mr. Abdul Razak Adamjee	– Non Executive
(ii) Mr. Abdur Rauf Khan	– Non Executive
(iii) Mr. Ali Sameer Farooqui	– Non Executive
(iv) Dr. Asif A. Brohi	– Non Executive
(v) Mr. Jamal Nasim	– Non Executive
(vi) Mr. Manzoor Ahmed	– Executive
(vii) Mian Tajammal Hussain	– Non Executive
(viii) Mr. Muhtashim Ahmad Ashai	– Non Executive
(ix) Mr. Rasul Bux Phulpoto	– Non Executive

Currently, the Board doesn't have any independent director. The matter is in active consideration of the board and the said compliance to the regulation will be done in consultation with SECP through a legal consultant.

2. None of the directors are serving as a director in seven or more listed companies with the exception of Managing Director of NIT who is serving as a director of nine listed companies. However, the Management Company has obtained an approval from the Securities and Exchange Commission of Pakistan in this regard.
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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, following casual vacancies occurred on the Board of Directors which were duly filled within 90 (ninety) days:
 - (i) Mr. Mahmood Akhter was appointed in place of Ms. Nazrat Bashir w.e.f July 05, 2012.
 - (ii) Mr. Ali Sameer Farooqui was appointed in place of Mr. Bahauddin Khan w.e.f August 13, 2012.
 - (iii) Mr. Munawar Opel was appointed in place of Ms. Rukhsana Saleem w.e.f October 11, 2012.
 - (iv) Dr. Asif A. Brohi was appointed in place of Mr. Qamar Hussain w.e.f February 7, 2013.
 - (v) Mr. Abdur Rauf Khan was appointed in place of Mr. Mahmood Akhter w.e.f February 7, 2013.
 - (vi) Mr. Rasul Bux Phulpoto was appointed in place of Mr. Munawar Opel w.e.f April 18, 2013.
 - (vii) Mr. Manzoor Ahmed was appointed in place of Mr. Wazir Ali Khoja w.e.f May 24, 2013.
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.

COMPLIANCE STATEMENT

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 the meetings were appropriately recorded and circulated.
9. The Board did not arrange any training program for its directors during the year. Last arrangement was made with International Finance Corporation in 2010 and was attended by the Managing Director. However, three Directors on the Board are Certified Directors of PICG out of which one has completed the said course this year.
10. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions, if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in an arm's length transactions only if such terms can be substantiated.
11. 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.
12. The Directors' Report for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Fund 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.
14. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than those disclosed in the Directors' Report.
15. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee which comprises of 4 (four) members, all of whom are non-executive directors.
17. 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.
18. The Board has formed a Human Resource and Remuneration Committee which comprises of four members, all of whom are non-executive directors.
19. 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.
20. 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.
21. 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.
22. 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).
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).

COMPLIANCE STATEMENT

24. We confirm that all other material principles contained in the Code have been complied with. The Management Company intends to file its Secretarial Compliance Certificate subsequent to the year ended June 30, 2013.

Sd/-

Manzoor Ahmed
Managing Director

Dated: August 06, 2013
Place: Karachi

NIT - GOVERNMENT BOND FUND

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2013

ASSETS

Bank balances	
Investments	
Accrued income	
Security deposits	
Preliminary expenses and floatation costs	
Total assets	

LIABILITIES

Payable to National Investment Trust Limited - Management Company	
Payable to Central Depository Company of Pakistan Limited - Trustee	
Payable to Securities and Exchange Commission of Pakistan	
Accrued expenses and other liabilities	
Payable against redemption of units	
Total liabilities	

NET ASSETS

Unit holders' fund

Contingencies and commitments

Number of units in issue

Net asset value per unit

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

Note	2013	2012
	-----Rupees in '000-----	
4	20,909	20,716
5	4,790,464	3,103,853
6	24,183	48,892
7	100	100
8	1,038	1,785
	4,836,694	3,175,346
9	9,925	7,800
10	361	259
11	3,091	2,124
12	26,153	20,598
13	1,111	5
	40,641	30,786
	<u>4,796,053</u>	<u>3,144,560</u>
	<u>4,796,053</u>	<u>3,144,560</u>
14		
	-----Number of units-----	
15	437,451,083	283,745,263
	-----Rupees-----	
	<u>10.9636</u>	<u>11.0823</u>

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

Note	2013	2012
	-----Rupees in '000-----	
INCOME		
Income from government securities	350,340	236,658
Profit on bank deposits	7,237	34,352
Mark-up on fixed income securities	58,547	80,228
Income from reverse repurchase transactions	-	66
Capital gain / (loss) on sale of government securities	3,928	544
Total income	420,052	351,848
EXPENSES		
Remuneration of National Investment Trust Limited - Management Company	51,509	35,400
Sindh Sales Tax on remuneration of Management Company	8,241	5,664
Remuneration of Central Depository Company of Pakistan Limited - Trustee	3,841	2,876
Annual fee - Securities and Exchange Commission of Pakistan	3,091	2,124
Amortisation of preliminary expenses and floatation costs	747	745
Bank charges	115	345
Listing fee	60	60
Rating Fee	165	150
Printing charges	100	100
Auditors' remuneration	681	663
Securities transaction costs	191	191
Total expenses	68,741	48,318
Net income from operating activities	351,311	303,530
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	41,695	17,666
Provision for Workers' Welfare Fund	(7,860)	(6,422)
Net income before taxation	385,146	314,774
Taxation	-	-
Net income after taxation	385,146	314,774
Earnings per unit - basic and diluted (in Rupees)	0.9817	1.2100

The annexed notes from 1 to 33 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 JUNE 30, 2013

Note	2013	2012
	-----Rupees in '000-----	
Net income after taxation	385,146	314,774
Other comprehensive income		
Net unrealised appreciation / (diminution) in the fair value of investments classified as "available for sale"	44,076	(34,277)
Total comprehensive income	429,222	280,497

The annexed notes from 1 to 33 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 JUNE 30, 2013

	2013	2012
	-----Rupees in '000-----	
Undistributed income brought forward		
- Realised income	342,622	308,215
Final distribution for the year ended June 30, 2012 Rs.1.1094 per unit (2011: Rs. 1.0201 per unit)		
- Cash Distribution	(47,453)	(101,483)
- Units under Cumulative Investment Plan	(733)	(2,093)
- Bonus Units	(266,601)	(176,791)
Net income after taxation	385,146	314,774
Undistributed income carried forward	<u>412,981</u>	<u>342,622</u>
Undistributed income comprising of:		
Realised income	412,981	342,622
Unrealised income	-	-
	<u>412,981</u>	<u>342,622</u>

The annexed notes from 1 to 33 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 JUNE 30, 2013

	2013	2012
	-----Rupees in '000-----	
Net assets at the beginning of the year	3,144,560	3,055,504
Issue of 440,894,222 units (2012: 204,638,366 units)	4,631,760	2,212,206
Redemption of 313,994,481 units (2012: 213,461,740 units)	(3,320,341)	(2,284,498)
	1,311,419	(72,292)
Issue of 26,732,581 bonus units (2012:17,509,646)	266,601	176,791
Issue of 73,498 units under Cumulative Investment Plan (2012: 207,298)	733	2,093
	<u>4,723,313</u>	<u>3,162,096</u>
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(41,695)	(17,666)
Net unrealised (diminution) / appreciation in the fair value of investments classified as 'available for sale'	5.2 44,076	(34,277)
Capital gain / (loss) on sale of investments	3,928	544
Other net income for the year	381,218	314,230
Final Distribution for the year ended June 30, 2012: Rs.1.1094 per unit (2011: Rs 1.0201 per unit)		
- Cash Distribution	(47,453)	(101,483)
- Units under Cumulative Investment Plan	(733)	(2,093)
- Bonus Units	(266,601)	(176,791)
	70,359	34,407
Net assets at the end of the year	<u>4,796,053</u>	<u>3,144,560</u>

The annexed notes from 1 to 33 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 JUNE 30, 2013

Note	2013	2012
	-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	385,146	314,774
Adjustments:		
Profit on bank deposits	(7,237)	(34,352)
Capital (gain) / loss on sale of government securities	(3,928)	(544)
Remuneration of National Investment Trust Limited - Management Company	51,509	35,400
Sindh Sales Tax on remuneration of Management Company	8,241	5,664
Amortisation of preliminary expenses and floatation costs	747	745
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(41,695)	(17,666)
	392,783	304,021
(Increase) / decrease in assets		
Investments - net	(1,638,607)	(151,678)
Accrued income	25,306	(14,300)
Security deposits	-	-
	(1,613,301)	(165,978)
Increase / (decrease) in liabilities		
Payable to National Investment Trust Limited - Management Company	131	75
Payable to Central Depository Company of Pakistan Limited - Trustee	102	(4)
Payable to Securities and Exchange Commission of Pakistan	967	(211)
Accrued expenses and other liabilities	5,555	8,858
Payable against redemption of units	1,106	(115,532)
	7,861	(106,814)
Remuneration paid to National Investment Trust Limited - Management Company	(57,756)	(40,618)
Profit received on bank deposits	6,640	35,265
Net cash (used in) / generated from operating activities	(1,263,773)	25,876
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units	4,631,760	2,212,206
Payments on redemption of units	(3,320,341)	(2,284,498)
Distribution paid	(47,453)	(101,483)
Net cash generated from / (used in) financing activities	1,263,966	(173,775)
Net increase / (decrease) in cash and cash equivalents during the year	193	(147,899)
Cash and cash equivalents at the beginning of the year	20,716	168,615
Cash and cash equivalents at the end of the year	4	20,716

The annexed notes from 1 to 33 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 JUNE 30, 2013

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 September 24, 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on September 4, 2009. 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. 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.

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 requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail.

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

The following amendments to approved accounting standards have been published and are mandatory for the Fund's period beginning July 1, 2012 :

- IAS 1, 'Financial statement presentation'. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments do not have any effect on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning July 1, 2012 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.

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

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 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.

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 its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (notes 3.2 and 5).

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks and other short term highly liquid investments with original maturities of three months or less and which are subject to insignificant changes in value.

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. Management 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.

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'.

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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.

3.2.5 Impairment

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

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to 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 investments 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 financial liabilities

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

3.3 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, cancelled or expired.

3.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being charged over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

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

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

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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 deferred tax in these financial statements as the Fund 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 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared.

3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

3.10 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 transferred to the income statement.

3.11 Net asset value per unit

The net asset value (NAV) per unit, as disclosed in the 'Statement of Assets and Liabilities' is calculated by dividing the net assets of the Fund by the number of units in issue 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 the transaction takes place.
- Income from government securities, profit on bank deposits and income from reverse repurchase transactions is recognised on an accrual basis.

4 BANK BALANCES

In deposit accounts

4.1 These accounts carry rates ranging from 6% to 12% per annum (2012: 8% to 13% p.a.).

Note	2013	2012
	----- Rupees in '000 -----	
4.1	20,909	20,716

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

5 INVESTMENTS

Available for sale

Government securities:

- Market Treasury Bills
- Pakistan Investment Bonds
- National Savings Certificates

Note	2013	2012
	----- Rupees in '000 -----	
5.1	4,607,743	2,415,920
	182,721	217,942
	-	469,991
	<u>4,790,464</u>	<u>3,103,853</u>

5.1 Investment in government securities - Available for sale

Issue date	Tenor	Face value			Balance as at June 30, 2013		Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2012	Purchases during the year	Sales / matured during the year	As at June 30, 2013	Carrying value		
----- Rupees in '000 -----								
Market Treasury Bills								
August 25, 2011	12 months	280,000	-	280,000	-	-	-	-
September 8, 2011	12 months	285,000	-	285,000	-	-	-	-
September 22, 2011	12 months	100,000	150,000	250,000	-	-	-	-
October 6, 2011	12 months	192,000	100,000	292,000	-	-	-	-
November 3, 2011	12 months	406,000	-	406,000	-	-	-	-
November 17, 2011	12 months	40,000	-	40,000	-	-	-	-
December 1, 2011	12 months	175,000	-	175,000	-	-	-	-
February 9, 2012	6 months	45,000	-	45,000	-	-	-	-
March 8, 2012	6 months	125,000	-	125,000	-	-	-	-
May 17, 2012	3 months	510,000	-	510,000	-	-	-	-
May 31, 2012	3 months	20,000	-	20,000	-	-	-	-
June 14, 2012	3 months	300,000	-	300,000	-	-	-	-
July 12, 2012	3 months	-	100,000	100,000	-	-	-	-
July 26, 2012	3 months	-	195,000	195,000	-	-	-	-
July 26, 2012	6 months	-	50,000	50,000	-	-	-	-
July 26, 2012	12 months	-	115,000	115,000	-	-	-	-
August 9, 2012	6 months	-	350,000	350,000	-	-	-	-
August 9, 2012	12 months	-	532,000	252,000	280,000	277,216	277,313	5.78
August 23, 2012	3 months	-	300,000	300,000	-	-	-	-
September 6, 2012	3 months	-	75,000	75,000	-	-	-	-
September 6, 2012	6 months	-	250,000	250,000	-	-	-	-
September 6, 2012	12 months	-	650,000	250,000	400,000	393,664	393,460	8.20
September 20, 2012	6 months	-	170,000	170,000	-	-	-	-
September 20, 2012	12 months	-	500,000	185,000	315,000	309,104	308,842	6.44
October 4, 2012	12 months	-	630,000	350,000	280,000	273,728	273,633	5.71
October 18, 2012	3 months	-	100,000	100,000	-	-	-	-
October 18, 2012	6 months	-	300,000	300,000	-	-	-	-
October 18, 2012	12 months	-	363,000	-	363,000	353,348	353,561	7.37
November 1, 2012	3 months	-	250,000	250,000	-	-	-	-
November 1, 2012	6 months	-	320,000	320,000	-	-	-	-
November 1, 2012	12 months	-	400,000	-	400,000	388,563	388,303	8.10
November 15, 2012	3 months	-	135,000	135,000	-	-	-	-
November 15, 2012	6 months	-	470,000	470,000	-	-	-	-
November 15, 2012	12 months	-	45,000	-	45,000	43,556	43,540	0.91
November 29, 2012	3 months	-	280,000	280,000	-	-	-	-
December 13, 2012	3 months	-	100,000	100,000	-	-	-	-
December 13, 2012	6 months	-	100,000	100,000	-	-	-	-
January 10, 2013	6 months	-	130,000	60,000	70,000	69,846	69,811	1.46
January 24, 2013	3 months	-	195,000	195,000	-	-	-	-
January 24, 2013	6 months	-	460,000	60,000	400,000	397,693	397,533	8.29
February 21, 2013	6 months	-	340,000	340,000	-	-	-	-
March 7, 2013	6 months	-	255,000	255,000	-	-	-	-
March 21, 2013	3 months	-	100,000	100,000	-	-	-	-
March 21, 2013	6 months	-	115,000	115,000	-	-	-	-
April 4, 2013	6 months	-	273,000	-	273,000	266,639	266,792	5.56
April 18, 2013	3 months	-	310,000	310,000	-	-	-	-
May 2, 2013	6 months	-	300,000	-	300,000	290,988	291,227	6.07
May 16, 2013	6 months	-	200,000	-	200,000	193,305	193,511	4.03
May 16, 2013	12 months	-	250,000	-	250,000	232,010	231,891	4.84

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Issue date	Tenor	Face value			Balance as at June 30, 2013		Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at July 1, 2012	Purchases during the year	Sales / matured during the year	As at June 30, 2013	Carrying value			Market value
Rupees in '000									
Market Treasury Bills									
May 30, 2013	6 months	-	250,000	-	250,000	240,831	241,094	5.03	5.03
May 30, 2013	12 months	-	25,000	-	25,000	23,057	23,115	0.48	0.48
June 13, 2013	6 months	-	300,000	-	300,000	288,126	288,366	6.01	6.02
June 13, 2013	12 months	-	250,000	-	250,000	230,015	230,421	4.80	4.81
June 27, 2013	6 months	-	350,000	-	350,000	335,403	335,330	6.99	7.00
		2,478,000	11,133,000	8,860,000	4,751,000	4,607,092	4,607,743	96.07	96.19
Pakistan Investment Bonds									
September 3, 2009	10 years	50,000	-	-	50,000	48,903	53,642	1.12	1.12
July 22, 2010	5 years	50,000	-	50,000	-	-	-	-	-
August 18, 2011	5 years	50,000	-	50,000	-	-	-	-	-
August 18, 2011	3 years	50,000	-	-	50,000	49,043	51,195	1.07	1.07
July 19, 2012	3 years	-	75,000	-	75,000	76,852	77,884	1.62	1.62
December 31, 2002	10 years	25,800	-	25,800	-	-	-	-	-
		225,800	75,000	125,800	175,000	174,798	182,721	3.81	3.81
National Savings Certificate									
	03 years	499,990	-	499,990	-	-	-	-	-
		3,203,790	11,208,000	9,485,790	4,926,000	4,781,890	4,790,464	99.88	100.00

	Note	2013	2012
		Rupees in '000	
5.2 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'			

Market value of investments	4,790,464	3,103,853
Less: carrying value of investments	(4,781,890)	(3,139,355)
	8,574	(35,502)
Less: net unrealised diminution at the beginning of the year	(35,502)	(1,225)
	<u>44,076</u>	<u>(34,277)</u>

6 ACCRUED INCOME		2013	2012
Profit on deposit accounts		768	171
Mark-up on fixed income securities		23,415	48,721
		<u>24,183</u>	<u>48,892</u>

7 SECURITY DEPOSITS		2013	2012
Security deposits with Central Depository Company of Pakistan Limited		100	100

8 PRELIMINARY EXPENSES AND FLOATATION COSTS		2013	2012
Balance at the beginning of the year	8.1	1,785	2,530
Less: amortisation for the year		(747)	(745)
Balance at the end of the year		<u>1,038</u>	<u>1,785</u>

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from November 19, 2009 as per the requirements set out in the Trust Deed of the Fund.

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		Rupees in '000	
9 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY			
On account of:			
- Management remuneration	9.1	5,796	3,802
- Formation costs and other initial charges		3,835	3,835
- Sales load		294	163
		<u>9,925</u>	<u>7,800</u>

9.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities 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. Management fee is currently being charged at the rate of 1.25 percent per annum of the average annual net assets of the Fund. The remuneration is paid on a monthly basis in arrears.

	Note	2013	2012
		Rupees in '000	
10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	10.1	361	259

10.1 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 June 30, 2013 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

	Note	2013	2012
		Rupees in '000	
11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	3,091	2,124

11.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities 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. The Fund has been categorised as income scheme by the Management Company.

	2013	2012
	Rupees in '000	
12 ACCRUED EXPENSES AND OTHER LIABILITIES		
Provision for Workers' Welfare Fund	24,823	16,963
Capital gain tax payable	467	220
Auditors' remuneration	468	515
Printing charges payable	25	25
Settlement charges payable	-	15
Brokerage payable	104	14
Others	266	2,846
	<u>26,153</u>	<u>20,598</u>

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	----- Rupees in '000 -----	
13 PAYABLE AGAINST REDEMPTION OF UNITS		
Payable to unit holders - individuals	1,111	5
14 CONTINGENCIES AND COMMITMENTS		
There were no contingencies and commitments outstanding as at June 30, 2013 (2012: nil).		
15 NUMBER OF UNITS IN ISSUE		
	----- Number of units -----	
Total units in issue at the beginning of the year	283,745,263	274,851,693
Add: Units issued	440,894,222	204,638,366
Add: Bonus units issued	26,732,581	17,509,646
Add: Units issued under Cumulative Investment Plan	73,498	207,298
Less: Units redeemed	(313,994,481)	(213,461,740)
Total units in issue at the end of the year	<u>437,451,083</u>	<u>283,745,263</u>
16 MARK-UP ON FIXED INCOME SECURITIES		
	----- Rupees in '000 -----	
Mark-up on:		
Pakistan Investment Bonds	22,418	17,557
National Savings Certificate	36,129	62,671
	<u>58,547</u>	<u>80,228</u>
17 AUDITORS' REMUNERATION		
	----- Rupees in '000 -----	
Statutory audit fee	383	365
Half yearly review	165	165
Fee for review of the statement of compliance with the best practices of the Code of Corporate Governance	50	50
Tax services	50	50
Out of pocket expenses	33	33
	<u>681</u>	<u>663</u>
18 PROVISION FOR WORKERS' WELFARE FUND		

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

During the year ended June 30, 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 December 14, 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 June 30, 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.

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Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 24.823 million (including Rs 7.860 million for the current year) in these financial statements. Had the same not been made the net asset value per unit of the Fund would have been higher by Rs 0.0568 per unit.

19 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Board of Directors of the Management Company 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 as further explained in note 30 to these financial statements.

	2013	2012
	----- Rupees in '000 -----	
20 EARNINGS PER UNIT - BASIC AND DILUTED		
Net income after taxation	385,146	314,774
	----- Number of units -----	
Weighted average number of units outstanding	392,317,297	259,793,701
	----- Rupees -----	
Earnings per unit	0.9817	1.2100

21 FINANCIAL INSTRUMENTS BY CATEGORY

	-----As at June 30, 2013-----		
	Loans and receivables	Available for sale	Total
	----- Rupees in '000 -----		
Assets			
Bank balances	20,909	-	20,909
Investments	-	4,790,464	4,790,464
Accrued income	24,183	-	24,183
Security deposits	100	-	100
	<u>45,192</u>	<u>4,790,464</u>	<u>4,835,656</u>

	-----As at June 30, 2013-----		
	At fair value through profit or loss	Others	Total
	----- Rupees in '000 -----		
Liabilities			
Payable to National Investment Trust Limited - Management Company	-	9,925	9,925
Payable to Central Depository Company of Pakistan Limited - Trustee	-	361	361
Accrued expenses and other liabilities	-	863	863
Payable against redemption of units	-	1,111	1,111
	<u>-</u>	<u>12,260</u>	<u>12,260</u>

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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-----As at June 30, 2012-----		
Loans and receivables	Available for sale	Total
----- Rupees in '000 -----		
Assets		
Bank balances	20,716	20,716
Investments	-	3,103,853
Accrued income	48,892	48,892
Security deposits	100	100
	<u>69,708</u>	<u>3,173,561</u>
-----As at June 30, 2012-----		
At fair value through profit or loss	Others	Total
----- Rupees in '000 -----		
Liabilities		
Payable to National investment Trust Limited - Management Company	-	7,800
Payable to Central Depository Company of Pakistan Limited - Trustee	-	259
Accrued expenses and other liabilities	-	3,415
Payable against redemption of units	-	5
	<u>-</u>	<u>11,479</u>

22 TRANSACTIONS WITH CONNECTED PERSONS

22.1 Connected persons include National Investment Trust Limited being the Management Company, Central Depository Company of Pakistan being the Trustee of the Fund, National Bank of Pakistan, other collective investment schemes managed by the Management Company, directors and officers of the Management Company and the Trustees and entities having common directorship with the Management Company.

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

22.3 Remuneration of the Management Company and trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

	2013	2012
	----- Rupees in '000 -----	
22.4 Details of the transactions with connected persons are as follows:		
National Investment Trust Limited - Management Company		
Issue of 28,676,302 units (2012: Nil)	300,000	-
Issue of 2,347,994 bonus units (2012: 1,936,820)	23,417	19,556
Units redeemed Nil (2012: Nil)	-	-
Front end load on issue of units	131	75
Remuneration of the Management Company	51,509	35,400
Sindh Sales Tax on Management remuneration	8,241	5,664
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee for the year	3,841	2,876
National Investment Trust Limited - Employees Provident Fund		
2,052,354 Units issued (2012: Nil)	22,000	-
Issue of 496,787 bonus units (2012: 409,791)	4,954	4,138
979,144 Units redeemed Nil (2012: Nil)	10,000	-
National Investment Trust Limited - Employees Pension Fund		
9,361,981 Units issued Nil (2012: Nil)	100,000	-
Issue of 861,337 bonus units (2012: 701,503)	8,590	7,174
5,488,319 Units redeemed Nil (2012: Nil)	60,000	-

NIT - GOVERNMENT BOND FUND
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	2013	2012
	----- Rupees in '000 -----	
National Investment Trust Limited - Employees Benevolent Fund		
1,840,934 Units issued Nil (2012: Nil)	19,500	-
22.5 Amounts outstanding as at year end:		
National Investment Trust Limited - Management Company		
Units held 52,131,481 (2012: 21,107,184 units)	571,549	233,916
Management fee and other payables	9,925	7,800
National Bank of Pakistan		
Units held 10,000,000 (2012: 10,000,000 units)	109,636	110,823
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	361	259
National Investment Trust Limited - Provident Fund		
6,035,837 units held (2012: 4,465,840 units)	66,175	49,492
National Investment Trust Limited - Pension Fund		
12,477,953 units held (2012: 7,742,953 units)	136,804	85,810
National Investment Trust Limited - Employees Benevolent Fund		
1,840,934 units held (2012: Nil)	20,184	-

23 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

23.1 Market risk

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

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

23.1.1 Currency risk

Currency risk is that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

23.1.2 Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate as a result 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

Fixed rate instruments comprise National Savings Certificate, Market Treasury Bills and Pakistan Investment Bonds and bank balances. Except for Market Treasury Bills and Pakistan Investment Bonds, the Fund's income and net assets are substantially independent of changes in market interest rate.

As at June 30, 2013, the Fund holds Market Treasury Bills and Pakistan Investment Bonds which are classified as 'available for sale', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan on June 30, 2013, with all other variables held constant, the net income for the year and net assets would have been lower by Rs 19.476 million (2012: Rs 10.856 million). In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on June 30, 2013, with all other variables held constant, the net income for the year and net assets would have been higher by Rs 19.797 million (2012: Rs 11.142 million).

NIT - GOVERNMENT BOND FUND
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The composition of the Fund's investment portfolio and rates announced by Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

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

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	6.00 - 12.00	20,909	-	-	-	20,909
Investments	8.90 - 12.5	1,446,958	3,289,864	53,642	-	4,790,464
Accrued income		-	-	-	24,183	24,183
Security deposits		-	-	-	100	100
		1,467,867	3,289,864	53,642	24,283	4,835,656

Financial liabilities

Payable to National Investment Trust Limited - Management Company		-	-	-	9,925	9,925
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	361	361
Accrued expenses and other liabilities		-	-	-	863	863
Payable against redemption of units		-	-	-	1,111	1,111
		-	-	-	12,260	12,260
On-balance sheet gap		1,467,867	3,289,864	53,642	12,023	4,823,396

Off-balance sheet financial instruments

Off-balance sheet gap

Total interest rate sensitivity gap

Cumulative interest rate sensitivity gap

----- As at June 30, 2012 -----

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	6.00 - 13.00	20,716	-	-	-	20,716
Investments	11.76-13.36	1,634,606	1,276,745	192,502	-	3,103,853
Accrued income		-	-	-	48,892	48,892
Security deposits		-	-	-	100	100
		1,655,322	1,276,745	192,502	48,992	3,173,561

NIT - GOVERNMENT BOND FUND
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----- As at June 30, 2012 -----

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 liabilities

Payable to National Investment Trust Limited - Management Company	-	-	-	7,800	7,800
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	259	259
Accrued expenses and other liabilities	-	-	-	3,415	3,415
Payable against redemption of units	-	-	-	5	5
	-	-	-	11,479	11,479
On-balance sheet gap	1,655,322	1,276,745	192,502	37,513	3,162,082

Off-balance sheet financial instruments

Off-balance sheet gap

Total interest rate sensitivity gap

Cumulative interest rate sensitivity gap

23.1.3 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 June 30, 2013.

23.2 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 debt securities, 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 June 30, 2013:

Name of the bank	Balance as at June 30, 2013	Rating agency	Published rating	Percentage of total bank balances
	(Rupees in '000)			
Bank Al Habib Limited	16,402	PACRA	A1+	78.44%
Summit Bank Limited	1,587	JCR-VIS	A-2	7.59%
Allied Bank Limited	836	PACRA	A1+	4.00%
Standard Chartered Bank Limited	421	PACRA	A1+	2.01%
Bank Alfalah Limited	479	PACRA	A1+	2.29%
NIB Bank Limited	305	PACRA	A1+	1.46%
United Bank Limited	879	JCR-VIS	A-1+	4.21%
	20,909			100.00%

NIT - GOVERNMENT BOND FUND
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Name of the bank	Balance as at June 30, 2012	Rating agency	Published rating	Percentage of total bank balances
	(Rupees in '000)			
Bank Al Habib Limited	6,517	PACRA	A1+	31.46%
Summit Bank Limited	11,603	JCR-VIS	A-2	56.01%
Allied Bank Limited	1,101	PACRA	A1+	5.31%
Standard Chartered Bank Limited	289	PACRA	A1+	1.40%
Bank Alfalah Limited	9	PACRA	A1+	0.04%
NIB Bank Limited	377	PACRA	A1+	1.82%
United Bank Limited	820	JCR-VIS	A-1+	3.96%
	20,716			100.00%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2013 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'past due but not impaired'.

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.

23.3 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.

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 June30, 2013 -----			
	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	6,090	-	3,835	9,925
Payable to Central Depository Company of Pakistan Limited - Trustee	361	-	-	361
Accrued expenses and other liabilities	863	-	-	863
Payable against redemption of units	1,111	-	-	1,111
Contractual cash outflows	8,425	-	3,835	12,260

NIT - GOVERNMENT BOND FUND
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	-----As at June30, 2012 -----			
	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	3,965	-	3,835	7,800
Payable to Central Depository Company of Pakistan Limited - Trustee	259	-	-	259
Accrued expenses and other liabilities	3,415	-	-	3,415
Payable against redemption of units	5	-	-	5
Contractual cash outflows	7,644	-	3,835	11,479

24 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. There is no specific capital requirement applicable to the Fund.

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 23, 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.

25 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 the 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.

Financial assets which are traded in an open market are revalued at the market prices prevailing at the close of trading on the reporting date. The estimated fair value of all 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.

International Financial Reporting Standard (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 (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

NIT - GOVERNMENT BOND FUND
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Investments of the Fund carried at fair value are categorised as follows:

Assets	Level 1	Level 2	Level 3	Total
Financial assets classified as available for sale				
- Investment in Market Treasury Bills	-	4,607,743	-	4,607,743
- Investment in Pakistan Investment Bonds	-	182,721	-	182,721

26 TRANSACTIONS WITH BROKERS / DEALERS

List of brokers by percentage of commission paid during the year ended June 30, 2013:

S. No.	Particulars	Percentage
1	Icon Securities (Pvt) Limited	29.00%
2	Invest Capital Market Limited	23.67%
3	Invest & Finance Securities Limited	17.64%
4	KASB Securities Limited	12.08%
5	Jahangir Siddiqui Global Capital Limited	7.50%
6	Summit Capital Limited	5.15%
7	Global Securities Pakistan Limited	4.96%
		<u>100%</u>

List of brokers by percentage of commission paid during the year ended June 30, 2012:

S. No.	Particulars	Percentage
1	Invest Capital Market Limited	34.46%
2	BMA Capital Management Limited	22.84%
3	KASB Securities Limited	13.40%
4	Icon Securities (Pvt) Limited	8.83%
5	Global Securities Pakistan Limited	7.95%
6	Invest & Finance Securities Limited	6.43%
7	Jahangir Siddiqui Global Capital Limited	5.47%
8	Elixir Securities Pakistan Limited	0.62%
		<u>100.00%</u>

27 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

----- As at June 30, 2013 -----				
S. No.	Name	Designation	Qualification	Experience in years
1	Mr. Manzoor Ahmed	Acting Managing Director / Chief Operating Officer	MBA, DAIBP and candidate for CFA Level III	24
2	Mr. Shahid Anwar	Head of MD's Secretariat and Personnel	MBA and DAIBP	36
3	Mr. S. Zubair Ahmed	Controller of Branches	M.Phil, MBA, PGD-General Management & PGD-Development Policies	40
4	Mr. Aamir Amin	Head of Finance	CA	16
5	Mr. Khurram Aftab *	Fund Manager	MBA	10
6	Mr. Imran Rafiq	Head of Research	MBA and CFA	7
7	Mr. M. Atif Khan	Manager Compliance and Risk Management	ACMA and CIA	9

* Mr. Khurram Aftab is also managing NIT-Income Fund along with NIT-Government Bond Fund.

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28 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 294th, 295th, 296th, 297th, 298th, 299th and 300th Board meetings were held on July 05, 2012, August 13, 2012, August 27, 2012, October 11, 2012, February 7, 2013, April 18, 2013 and June 10, 2013 respectively. Information in respect of attendance by the Directors in the meetings is given below:

S. No.	Name of Director	Number of meetings			Meetings not attended
		Held during tenor of directorship	Attended	Leave granted	
1	Mr. Wazir Ali Khoja	6	6	-	
1(a)	Mr. Manzoor Ahmed	1	1	-	
2	Mian Tajammal Hussain	7	-	7	294th, 295th, 296th, 297th, 298th, 299th and 300th BOD
3	Mr. Qamar Hussain	4	3	1	297th BOD.
3(a)	Mr. Asif A. Brohi	3	3	-	
4	Ms. Rukhsana Saleem	3	3	-	
4(a)	Mr. Munawar Opel	2	2	-	
4(b)	Mr. Rasul Bux Phupoto	2	2	-	
5	Mr. Jamal Nasim	7	7	-	
6	Mr. Abdul Razak Adamjee	7	-	7	294th, 295th, 296th, 297th, 298th, 299th and 300th BOD
7	Mr. Muhtashim Ahmed Ashai	7	6	1	298th BOD.
8	Mr. Ali Sameer Farooqi	5	3	2	297th and 299th BOD.
9	Mr. Mahmood Akhtar	4	4	-	
9(a)	Mr. Abdur Rauf Khan	3	2	1	299th BOD.

29 PATTERN OF UNIT HOLDING

----- As at June 30, 2013 -----			
	Number of units	Investment amount	Percentage of total
----- Rupees in '000 -----			
Individuals	29,489,399	323,311	6.74%
Insurance companies	80,689,476	884,650	18.45%
Banks / DFIs	114,945,746	1,260,223	26.28%
NBFIs	52,131,480	571,550	11.92%
Retirement funds	71,100,858	779,524	16.25%
Public limited companies	33,378,745	365,952	7.63%
Others	55,715,379		12.74%
	437,451,083	4,796,053	100.00%

----- As at June 30, 2012 -----			
	Number of units	Investment amount	Percentage of total
----- Rupees in '000 -----			
Individuals	19,624,758	217,488	6.92%
Insurance companies	33,195,662	367,885	11.70%
Banks / DFIs	97,097,015	1,076,061	34.22%
NBFIs	21,689,912	240,375	7.64%
Retirement funds	34,732,011	384,912	12.24%
Public limited companies	60,855,191	674,418	21.45%
Others	16,550,714	183,421	5.83%
	283,745,263	3,144,560	100.00%

NIT - GOVERNMENT BOND FUND
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30 NON ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Management Company in their meeting held on July 4, 2013 for the year ended June 30, 2013 have approved a distribution of Rs 0.8803 per unit (2012: Rs 1.1094 per unit). The financial statements of the Fund for the year ended June 30, 2013 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2014.

31 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements.

32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 06, 2013 by the Board of Directors of the Management Company.

33 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND
PERFORMANCE TABLE
 LAST 3 YEARS

		JUNE 13	JUNE 12	JUNE 11
Total Net Asset Value Ex - Dividend	(Rs. In 000's)	4,410,967	2,829,773	2,775,128
Net Asset Value per Unit Ex-Dividend	(Rs. / unit)	10.0833	9.9729	10.0968
Last Issue Price Per Unit *	(Rs. / unit)	11.0691	11.1901	11.1169
Last Repurchase Price Per Unit *	(Rs. / unit)	10.9595	11.0793	11.1169
Highest Issue Price During the Period	(Rs. / unit)	11.0691	11.1901	11.2281
Lowest Issue Price During the Period	(Rs. / unit)	10.0992	10.2245	10.1210
Highest Repurchase Price During the Period	(Rs. / unit)	10.9595	11.0793	11.1169
Lowest Repurchase Price During the Period	(Rs. / unit)	9.9992	10.1233	10.0208
Total Return of the Fund	%	9.93	9.76	11.19
Capital Growth	%	1.10	(1.23)	0.99
Income Distributions	%	8.83	10.99	10.20
Distribution per Unit (Final)	(Rs. / unit)	0.8803	1.1094	1.0201
Distribution Date		4-Jul-13	5-Jul-12	5-Jul-11
Average Annual Return **				
One Year	%	9.93	9.76	11.19
Two Years	%	9.85	10.48	(15.15)
Three Years	%	10.29	(6.84)	-

Note: NIT GBF price is neither guaranteed nor administered / managed. It is based on Net Asset Value (NAV) and the NAV of NIT GBF units may go up or down depending upon the factors and forces affecting the market. Past performance is not indicative of future results.

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

** Fund launched on 18th November 2009.