



Launched to support the stock market with the support of 4 financial institutions, NIT-EMOF has given a healthy outperformance of over 15.74% against the KSE-100 index benchmark since launch of the Fund till June 30, 2011. The Fund aims to generate decent returns from a diversified equity base.



# *Faith in Opportunity*



# CORPORATE

*information*

**FUND NAME**

NIT - Equity Market Opportunity 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 (Formerly Arif Habib Bank Limited)

# NIT - EQUITY MARKET OPPORTUNITY FUND

## FUND MANAGER REPORT

### 2010-2011

#### NIT-EMOF Objective

Objective of the Fund is to invest the Funds in the Equity Market at a time when the Management Company of the Fund has reasons to believe that there is an opportunity to invest the Fund in a gainful manner and such investment is in the benefit of the Fund taking a long term perspective.

#### 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. 78 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 22 NIT branches, various Authorized bank branches all over Pakistan and Arab Emirates Investment Bank (AEIB) in Dubai(UAE). The Board of Directors of NITL consists of representatives of leading financial institutions, prominent industrialists and nominee of Govt. of Pakistan. The Company has been assigned an Asset Manager rating of "AM2-" by JCR-VIS Credit Rating Company Limited, which denotes the stable outlook of the company and the asset manager meets high investment management quality standards. All Investment decisions are taken by the Investment Committee of NITL.

#### Fund Information NIT EMOF:

• Launch date	14th September 2009	• Minimum Investment:	-
• Type	Open End Equity Fund	• Management Fee:	0.20%
• Fund Manager	Raza Abbas Jaffery	• Front End Load:	0.00%
• Fund Size as on June 30, 2011	Rs. 5.712 Billion	• Back End Load:	0.00%
• Par Value	Rs. 100	• Auditors:	A.F. Ferguson & Co. Chartered Accountants
• NAV / unit	Rs. 121.62	• Trustee:	Central Depository Company of Pakistan Ltd.
• Pricing Mechanism	Forward Pricing	• Risk Profile	Moderate / High
• Benchmark	KSE 100 Index	• Fund Rating: (Ratings based on 31st December 2010)	4-Star Ranking (by JCR-VIS)

#### Fund Performance Analysis:

	2010-11	2009-10
<b>Opening Net Assets (Rs. in billion)</b>	4.618	5.100
<b>Opening NAV / unit (Rs.) as of 14th September 2009</b>	98.33	100.00
<b>Ending Net Assets (Rs. in billion)</b>	5.712	4.618
<b>Ending NAV / unit (Rs.)</b>	121.62	101.33
<b>Bonus Distribution / unit (Rs.) Final</b>	8.00	3.00
<b>Dividend Yield (%)</b>	8.14%	3.00%
<b>Capital Growth (%)</b>	15.55%	(1.67%)
<b>Total Return (%)</b>	23.69%	1.33%
<b>Maximum Funds under management during the year (Rs. in billion)</b>	6.02	6.42

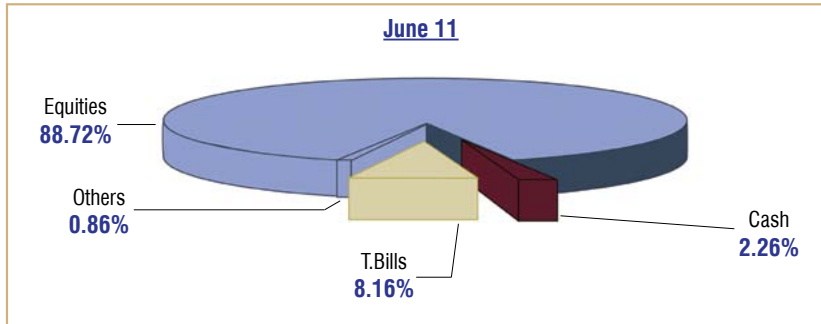
# NIT - EQUITY MARKET OPPORTUNITY FUND

## FUND MANAGER REPORT

### 2010-2011

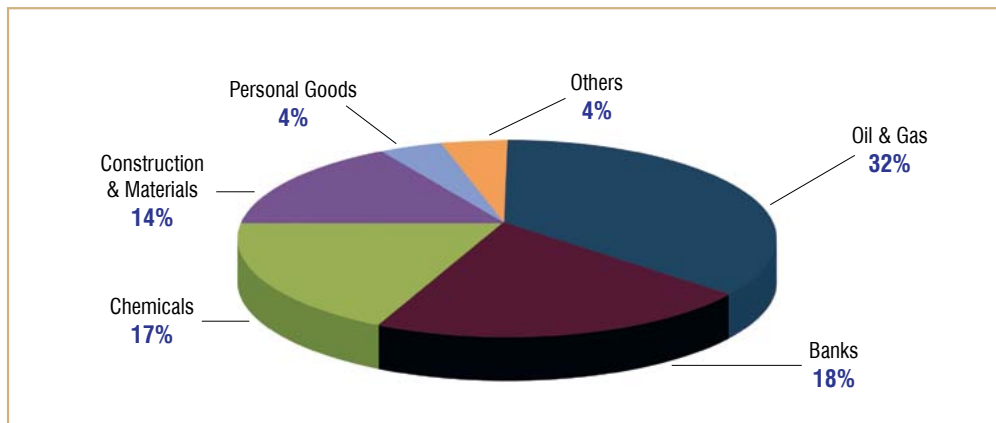
#### Asset Allocation

During the year, the fund changed its average asset allocation keeping in view the market conditions and to ensure better liquidity management. As on 30th June 2011, the Fund was invested 88.72% in Equities whereas the remaining exposure was in Treasury Bills and cash to the extent of 8.16% and 2.26% respectively. The asset allocation position of the Fund as on 30-06-2011 is depicted in the pie chart below:



#### Sector Wise Breakdown of Equity Portfolio

According to new sector classification sector-wise breakdown of Fund's equity portfolio as % of total Assets is given below:



Before commenting on the sectoral break down of equity portfolio it is necessary to mention that investment values in sectors have been now given as a percentage of total assets instead of net assets as per the requirement of the new format of fund manager report.

As far as overall sector allocation is concerned, no significant shift was made during the year. Oil & Gas continue to remain the predominant sector in the portfolio with an exposure of 32%. However, during the year, the Fund shifted its investment within the sector by offloading a few stocks which appeared overvalued and replacing it with stocks which looked relatively more attractive in the long term.

Your Fund made fresh investments in commercial banks in order to capture attractive levels. Nevertheless, your Fund's exposure in the banking sector has dropped to 18% this year as compared to 20% last year mainly due to a decline in the market prices.

# NIT - EQUITY MARKET OPPORTUNITY FUND

## FUND MANAGER REPORT

2010-2011

The Chemicals sector was one of the outshiners of the market during the fiscal year 2010-11. The sector outperformed the market by 18% amid high product demand and pricing power of Fertilizers and upward trend in primary margins of PTA. Weight of your Fund in the chemical sector was increased to 17% compared to 13% last year, primarily due to increase in stock prices of the sector.

The Fund also took positions in Personal goods, Industrial Metals, Construction & Material during the year to benefit from opportunities available in these sectors through primary and secondary markets.

### Top Ten Holdings

Top ten holdings of the Fund's portfolio as on June 30th 2011 are as follows:

Lucky Cement Ltd.	Pakistan State Oil Co. Ltd.
Pakistan Oilfields Ltd.	Oil & Gas Development Co. Ltd.
National Bank of Pakistan Ltd.	Engro Corporation Ltd.
Pakistan Petroleum Ltd.	D.G.Khan Cement Co. Ltd.
Fauji Fertilizer Company Ltd.	Nishat Mills Ltd.

Categorization of Unit Holders By Size - (JUNE 2011)		
CATEGORY	EMOF UNIT HOLDERS	% OF HOLDING
Institutional Investors	4	100%
<b>TOTAL</b>	<b>4</b>	<b>100%</b>

*(At present NIT-EMOF have only four institutional investors namely: National Bank of Pakistan, State Life Insurance Corporation, National Insurance Co. Ltd. & Employees Old age Benefit Institute, and the fund has not been offered to the general public as yet).*

### Stock Market & Fund Performance Review

Amid macro-economic challenges posed to the economy mainly in the aftermath of devastating floods in August 2010, the KSE-100 index gained 28.54% in FY 2010-11. The aggregate market capitalization increased to PKR3.28tn from PKR2.73tn, registering a surge of 20.1%. However, FY11 turned out to be the driest year in the past nine years in terms of market liquidity. The market recorded an average daily volume of 94.5mn shares during FY11, a 41.2% YoY decline, when compared with an average turnover of 162mn shares for FY10. The KSE started off FY11 on a positive note mainly driven by the hopes of early reintroduction of leverage product at the KSE. However raise in the SBP policy rate by 50 bps to 13% and revised government estimates of GDP growth of 2.5%, inflation forecast of 15-20% and fiscal deficit of 6-7% of GDP for FY11 as a result of unprecedented floods, wiped out the gains made by KSE in the early part of the 1st quarter. In the later part of 1st half the SBP further raised the discount rate twice consecutively by 50 bps each taking the policy rate to 14%. Though uncertainty on the political front also increased arising from the RGST issue, yet the KSE-100 managed to gain 2,000 points (up 20%) mainly on the back of foreign investor's participation in the market.

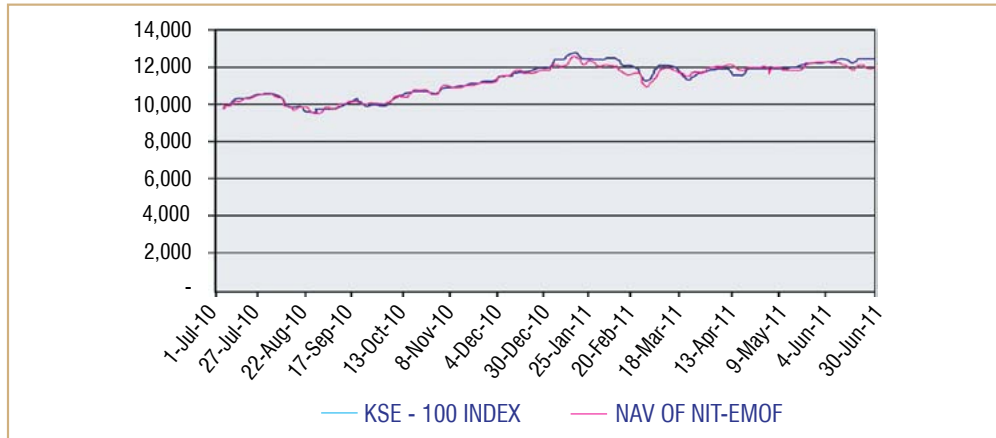
During the 2H of FY11, 'Arab spring uprising' coupled with financial crises in the EU caused the foreign investors to pull out from emerging markets. On the domestic front, worsening political and law and order situation remained the source of uneasiness among the investors. Rumors regarding capital gains tax particularly near to the announcement of federal budget also kept the market volatile. However SBP's decision to keep the policy rate unchanged and introduction of much awaited leverage product in the market could not bring the expected buoyancy but at least helped the market to regain the lost momentum amid low volumes. The benchmark KSE-100 finally closed at 12,496 points up 28.54%.

# NIT - EQUITY MARKET OPPORTUNITY FUND

## FUND MANAGER REPORT

### 2010-2011

#### Relative Performance of NAV vs. KSE 100



During the period under review, the KSE-100 index increased by 28.54% whereas the NAV of NIT-EMOF increased by 23.69%, showing an under performance of 4.85%. The performance of the Fund has been inhibited due to the skewed nature of benchmark index. Further key index sectors such as Oil & Gas & Banks in which the Fund is overweight, underperformed the KSE-100 index by 11% & 22% respectively causing the Fund to underperform. However since inception, the NAV of the Fund increased by 27.74% compared to the benchmark KSE-100 increase of 12.00%, thus outperforming the benchmark by healthy margin of 15.74%. In our view, the Fund's overweight positions in Oil & Gas and banking sectors should enable the Fund to show better performance in the long term perspective.

#### Performance of the Fund

	FY 11	FY 10 (From 14th Sep 2009 to 30th June 2010)	Return since inception (25th July 2008 to 30th June 2011)
<b>NIT-EMOF (%)</b>	23.69%	1.33%	27.74%
<b>KSE 100 (%)</b>	24.85%	7.38%	12.00%
<b>Bonus Distribution Per Unit (Rs.) on the face value of Rs.100</b>	8.00	3.00	-

NIT - Equity Market Opportunity Fund was established in July 2008 with the purpose of market stabilization and opportunity to invest in the capital market in a gainful manner. Since the legal formalities regarding the establishment of NIT-EMOF were not concluded at that time it was decided that as an interim arrangement, National Investment Trust Ltd. (Management Company) would be used for collection of money from the participants and the investments made on behalf of NIT-EMOF would be parked in NITL. In line with the requirements of International Accounting Standards and Trust Deed of NIT-EMOF the assets and liabilities were transferred to the Equity Market Opportunity Fund on September, 14 2009 which as such is the official launching date of the Fund.

# NIT - EQUITY MARKET OPPORTUNITY FUND

## FUND MANAGER REPORT

### 2010-2011

#### Dividend declaration for the FY 2010-11:

During FY 2010-11 the Fund earned a net Income of Rs. 405 million which translates into per unit earning of Rs. 8.63 compared to Rs. 149 million earned in the previous year, translating into an earning per unit of Rs. 2.79. NIT-EMOF has declared a final bonus @ 8% (which translates into Rs. 8/- per unit) on the face value of Rs. 100/- for the year ended on 30th June 2011.

#### Economic Review:

Pakistan continue to face significant macro-economic challenges in FY11 post unprecedented floods in July 2010 which engulfed one-fifth of the country's entire land mass, adversely affecting the agricultural and industrial sectors. Rehabilitation of flood affectees became the foremost economic and social challenge to be tackled. Shortage of energy, circular debt issue and law & order situation continue to hamper the economic growth. On the exogenous front soaring international commodity prices (especially crude oil) which not only induced inflationary pressures but also aggravated the energy crisis in the absence of structural reforms for the power sector. However the economy depicted a great resilience and managed to register a growth of 2.4% in FY11. The Economic survey 2010-11 revealed that the country's economy grew by a provisional 2.4% as compared to growth of 3.7% in the previous year and target of 4.5%.

Encouragingly, agriculture which posted an estimated growth of 1.2% against expectations of negative growth post-floods.

Large-scale manufacturing remained a victim of power outages and lower domestic demand as it grew by 1.14% in FY11 as against 4.9% of last year.

Services sector grew by 4.1% as against 2.9% last year. The main contributors to this growth are public administration and defense (13.2%), and social services sector (7.1%).

After remaining in deficit for consecutive six years, Pakistan's current account posted a surplus of US\$ 437 million in FY 2010-11. The current account surplus is primarily a result of strong export growth, and an increase in worker remittances. Pakistan's trade deficit saw a definite improvement shrinking down to US\$10.175bn from US\$11.536bn a year ago. The main driver behind the improvement in the trade balance is the sharp increase in exports from US\$19.673bn to US\$25.462bn, which outweighed the increase in imports from US\$31.209bn to US\$35.637bn. However, the real star behind the FY11 current account surplus was the US\$11.201bn workers' remittances, which rose by 26% YoY.

The impact of flood was not limited to disruption in economic activity but it also caused a spike in inflation. Overall, the average CPI inflation in FY11 was 13.9%, considerably higher than 11.7% in the corresponding period of FY10. Importantly, this inflation is not limited to food items only as feared earlier due to floods. On the other hand, prices of non-perishable items have also increased. Increase in electricity tariffs, government borrowing and adjustments in domestic oil prices did also contribute to inflation both directly and indirectly.

Net foreign private investment fell by 29%, primarily due to a decline of US\$ 577 million in foreign direct investment during FY11. On the other hand, foreign portfolio investment though recorded a net inflow of US\$ 365 million during the period but it remained 38% lower than the previous year.

Global economy is still projecting a gloomy economic picture. Rising international commodity prices particularly oil, law & order situation and energy shortages are the major threats faced by the domestic economy and hence need serious and sincere efforts at each level of nation. However in the long term perspective Pakistan's economy has performed fairly well and is expected to do the same in the future as well.

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

#### Other Disclosures under NBFC Regulations 2008:

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

- 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.
- 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

The NIT Equity Market Opportunity Fund (the Fund), an open-end fund was established under a trust deed dated April 01, 2009, executed between National Investment Trust Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 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 29, 2011**

# Auditors' Report

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of NIT – Equity Market Opportunity Fund, which comprise the statement of assets and liabilities as at June 30, 2011, 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 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, 2011, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the 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 22, 2011

Karachi

# NIT - EQUITY MARKET OPPORTUNITY FUND

## STATEMENT OF ASSETS AND LIABILITIES

### AS AT JUNE 30, 2011

	Note	2011	2010
		(Rupees in '000)	
<b>ASSETS</b>			
Bank balances	4	129,649	614,400
Investments	5	5,557,743	3,996,699
Receivable against sale of investments		21,369	-
Dividend and profit receivable	6	25,665	20,605
Deposit with National Clearing Company of Pakistan Limited		2,500	2,500
<b>Total assets</b>		5,736,926	4,634,204
<b>LIABILITIES</b>			
Payable to National Investment Trust Limited - Management Company	7	955	740
Payable to Central Depository Company of Pakistan Limited - Trustee	8	182	149
Payable to Securities and Exchange Commission of Pakistan	9	5,119	4,243
Provision for taxation	10	6,826	6,826
Accrued expenses and other liabilities	11	11,760	3,915
<b>Total liabilities</b>		24,842	15,873
<b>NET ASSETS</b>		<u>5,712,084</u>	<u>4,618,331</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>5,712,084</u>	<u>4,618,331</u>
<b>Contingencies and commitments</b>			
		Number of units	
<b>Number of units in issue</b>	12	<u>46,966,864</u>	<u>45,576,352</u>
		Rupees	
<b>Net asset value per unit</b>	13	<u>121.62</u>	<u>101.33</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

# NIT - EQUITY MARKET OPPORTUNITY FUND

## INCOME STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2011

	Note	For the year ended June 30, 2011	For the period from September 14, 2009 to June 30, 2010
(Rupees in '000)			
<b>INCOME</b>			
Dividend income		310,769	250,067
Capital gain on sale of investments		225,839	138,857
Income from government securities		8,964	-
Profit on bank deposits		68,211	100,125
Other income		-	2,000
		613,783	491,049
Unrealized gain on letter of rights		205	-
<b>Total income</b>		613,988	491,049
<b>EXPENSES</b>			
Impairment loss on equity securities classified as 'available for sale'	5.5	178,772	149,995
Remuneration of National Investment Trust Limited - Management Company	7.1	10,781	8,912
Remuneration of Central Depository Company of Pakistan Limited - Trustee	8.1	1,918	1,589
Annual fee - Securities and Exchange Commission of Pakistan	9	5,119	4,243
Custodian charges of Central Depository Company of Pakistan Limited		55	202
Settlement and bank charges		278	215
Auditors' remuneration	14	582	465
Printing charges		100	1,041
Others		153	-
<b>Total expenses</b>		197,758	166,662
<b>Net income from operating activities</b>		416,230	324,387
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(2,322)	(172,214)
<b>Provision for Workers' Welfare Fund</b>	15	(8,274)	(3,043)

**NIT - EQUITY MARKET OPPORTUNITY FUND**  
**INCOME STATEMENT**  
 FOR THE YEAR ENDED JUNE 30, 2011

	Note	For the year ended June 30, 2011	For the period from September 14, 2009 to June 30, 2010
		(Rupees in '000)	
<b>Net income for the year / period before taxation</b>		405,634	149,130
Taxation	16	-	-
<b>Net income for the year / period after taxation</b>		405,634	149,130
<b>Earnings per unit (in Rupees)</b>	17	8.64	2.79

The annexed notes 1 to 29 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - EQUITY MARKET OPPORTUNITY FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED JUNE 30, 2011

Note	For the year ended June 30, 2011	For the period from September 14, 2009 to June 30, 2010
	———— (Rupees in '000) ————	
Net income for the year / period after taxation	405,634	149,130
<b>Other comprehensive income</b>		
Net unrealised appreciation / (diminution) in fair value of investments classified as 'available for sale'	5.4      685,797	(88,433)
<b>Total comprehensive income for the year / period</b>	<u>1,091,431</u>	<u>60,697</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

**For National Investment Trust Limited  
(Management Company)**

**Sd/-  
Managing Director**

**Sd/-  
Director**

**Sd/-  
Director**

# NIT - EQUITY MARKET OPPORTUNITY FUND

## DISTRIBUTION STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2011

	For the year ended June 30, 2011	For the period from September 14, 2009 to June 30, 2010
	(Rupees in '000)	
<b>Undistributed income brought forward</b>		
Realised income	149,130	-
Unrealised income	-	-
	<u>149,130</u>	<u>-</u>
Net income for the year / period after taxation	405,634	149,130
Final distribution for the period from September 14, 2009 to June 30, 2010: Rs 3.00 per unit (2009: Nil) (Date of distribution: July 5, 2010)		
- Bonus units	(136,729)	-
Undistributed income carried forward	<u>418,035</u>	<u>149,130</u>
<b>Undistributed income comprising:</b>		
Realised income	417,830	149,130
Unrealised income	205	-
	<u>418,035</u>	<u>149,130</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

**For National Investment Trust Limited  
(Management Company)**

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - EQUITY MARKET OPPORTUNITY FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	For the year ended June 30, 2011	For the period from September 14, 2009 to June 30, 2010
	(Rupees in '000)	
<b>Net assets at the beginning of the year / period</b>	4,618,331	-
Issue of Nil units (2010: 59,526,438 units)	-	5,952,643
Redemption of Nil units (2010: 13,950,086 units)	-	(1,567,223)
	-	4,385,420
Issue of 1,390,512 bonus units (2010: Nil)	136,729	-
	<u>4,755,060</u>	<u>4,385,420</u>
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	2,322	172,214
Net unrealised appreciation / (diminution) in the fair value of investments classified as 'available for sale' - note 5.4	685,797	(88,433)
Capital gain on sale of investments	225,839	138,857
Other net income for the year / period	179,795	10,273
Final distribution for the period from September 14, 2009 to June 30, 2010: Rs 3.00 per unit (2009: Nil)		
- Bonus units	(136,729)	-
	268,905	149,130
<b>Net assets at the end of the year / period</b>	<u><u>5,712,084</u></u>	<u><u>4,618,331</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.

**For National Investment Trust Limited  
(Management Company)**

**Sd/-  
Managing Director**

**Sd/-  
Director**

**Sd/-  
Director**



# NIT - EQUITY MARKET OPPORTUNITY FUND

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2011

Note	For the year ended June 30, 2011	For the period from September 14, 2009 to June 30, 2010
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before taxation	405,634	149,130
<b>Adjustments</b>		
Unrealized gain on letter of rights	(205)	-
Impairment loss on equity securities classified as 'available for sale'	178,772	149,995
Dividend income	(310,769)	(250,067)
Profit on bank deposits	(68,211)	(100,125)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	2,322	172,214
Remuneration of National Investment Trust Limited - Management Company	10,781	8,912
	<u>218,324</u>	<u>130,059</u>
<b>(Increase) / decrease in assets</b>		
Investments	(1,053,814)	1,568,410
Receivable against sale of investments	(21,369)	-
Deposit with National Clearing Company of Pakistan Limited	-	(2,500)
	<u>(1,075,183)</u>	<u>1,565,910</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to Central Depository Company of Pakistan Limited - Trustee	33	149
Fee Payable to Securities and Exchange Commission of Pakistan	876	4,243
Accrued expenses and other liabilities	7,845	3,915
	<u>8,754</u>	<u>8,307</u>
Dividend received	301,674	235,114
Profit received on bank deposits	72,246	94,473
Remuneration paid to National Investment Trust Limited - Management Company	(10,566)	(8,172)
Income taxes paid	-	(36,275)
<b>Net cash (outflow on) / inflow from operating activities</b>	<u>(484,751)</u>	<u>1,989,416</u>

**NIT - EQUITY MARKET OPPORTUNITY FUND**  
**CASH FLOW STATEMENT**  
 FOR THE YEAR ENDED JUNE 30, 2011

Note	For the year ended June 30, 2011	For the period from September 14, 2009 to June 30, 2010
(Rupees in '000)		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payments made against redemption of units	-	(1,375,016)
<b>Net cash outflow on financing activities</b>	-	(1,375,016)
<b>Net (decrease) / increase in cash and cash equivalents during the year / period</b>	(484,751)	614,400
Cash and cash equivalents at the beginning of the year / period	614,400	-
<b>Cash and cash equivalents at the end of the year / period</b>	4 129,649	614,400

The annexed notes 1 to 29 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 The NIT - Equity Market Opportunity 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) on March 18, 2009 and the Trust Deed was executed on April 01, 2009. The units of the Fund have been initially issued at Rs 100 per unit.

1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. 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 subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. Units of the Fund comprise of the following two types:

Class A: These units are not subject to any restrictions (i.e units can be redeemed at the option of the unit holders).

Class B: These units are issued to unit holders with a firm commitment. The redemption option for these units rests with the Management Company and the unit holders may redeem their units subject to consent of the Management Company.

At present the Fund has only Class 'B' units that were issued to the initial participants. The Management Company intends to issue Class 'A' units in future.

1.4 The objective of the Fund is to invest in equity market when there is an opportunity to invest the funds in a gainful manner and such investment is in the benefit of the Fund taking a long term perspective.

1.5 JCR - VIS Credit Rating Company Limited has assigned a "4 star" rating to the Fund based on the performance during the twelve months ended December 31, 2010.

JCR - VIS Credit Rating Company Limited has assigned an asset management rating of 'AM2-' to the Management Company.

#### 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 the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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

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

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

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

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

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

#### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.1 and note 5).

#### 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 Financial assets

##### 3.1.1 Classification

The Fund classifies its financial assets in 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

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

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#### 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, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

#### 3.1.2 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.

#### 3.1.3 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.

#### 3.1.4 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:

##### a) Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

##### b) Basis of valuation of government securities

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

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

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

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

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

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#### 3.1.5 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. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are 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 income statement - is reclassified from unit holders' fund to income statement. Impairment losses recognised on equity instruments are not reversed through 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.

#### 3.1.6 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.

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

#### 3.2 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.

#### 3.3 Derivatives

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

#### 3.4 Financial liabilities

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

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

#### 3.5 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.

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#### 3.6 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.

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.

#### 3.7 Proposed distributions

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

#### 3.8 Issue and redemption of units

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

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

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

The "element of income/ (loss) and capital gains/ (losses) in prices of units issued less those in units redeemed" account is credited with the amount representing net income/ (loss) and capital gains/ (losses) accounted for in the net asset 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 asset value and included in the redemption price.

The net "element of income/ (loss) and capital gains/ (losses) in prices of units issued less those in units redeemed" during an accounting period is transferred to the income statement.

#### 3.10 Net asset value per unit

The Net Asset Value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 3.11 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income is recognised when the right to receive the dividend is established.
- Income on government securities and bank deposits is recognised on an accrual basis.

4	<b>BANK BALANCES</b>	Note	2011	2010
		(Rupees in '000)		
	In current account		2,991	2,957
	In savings accounts	4.1	126,658	611,443
			129,649	614,400

4.1 These savings accounts carry profit at the rates ranging from 8% to 13% (2010: 5% to 11.5%) per annum.

5	<b>INVESTMENTS</b>	Note	2011	2010
		(Rupees in '000)		
At fair value through profit or loss				
	Derivative financial instruments (Unrealized gain on letter of rights)		205	-
Available for sale				
	Listed equity securities	5.1	5,089,219	3,996,699
	Government securities	5.2	468,319	-
			5,557,743	3,996,699



# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 5.1 Listed equity securities - Available for sale

##### Shares of listed companies - Fully paid up ordinary shares of Rs 10 each unless otherwise stated

Name of investee Company	Number of Shares					Balance as at June 30, 2011			Market value as a percentage of net assets	Paid-up value of shares held as a % of total paid-up capital of the investee company
	As at July 1, 2010	Purchases during the year	Bonus/ right issues during the year	Sales during the year	As at June 30, 2011	Carrying value	Market value	Appreciation/ (Diminution)		
<b>Oil and Gas</b>										
Attock Petroleum Limited	-	74,000	-	-	74,000	25,639	27,696	2,057	0.48	0.02
Attock Refinery Limited	163,210	1,483,452	-	250,000	1,396,662	171,412	171,412	-	3.00	1.64
National Refinery Limited	8,584	539,971	-	115,000	433,555	132,183	152,724	20,541	2.67	0.54
Oil & Gas Development Company Limited	2,985,416	-	-	1,014,617	1,970,799	220,907	301,512	80,605	5.28	0.05
Pakistan Oilfields Limited	1,514,765	558,506	-	828,449	1,244,822	282,491	446,903	164,412	7.82	0.53
Pakistan Petroleum Limited	2,200,287	441,625	467,978	1,007,498	2,102,392	343,272	435,342	92,070	7.62	0.21
Pakistan Refinery Limited	48,659	-	-	-	48,659	3,823	3,915	92	0.07	0.14
Pakistan State Oil Company Limited	750,349	522,536	-	100,000	1,172,885	341,671	310,322	(31,349)	5.43	0.68
	7,671,270	3,620,090	467,978	3,315,564	8,443,774	1,521,398	1,849,826	328,428	32.37	
<b>Chemicals</b>										
Agritech Limited	3,333,333	-	-	-	3,333,333	63,333	63,333	-	1.11	0.85
Engro Corporation Limited	1,063,337	678,295	201,539	260,937	1,682,234	252,239	274,626	22,387	4.81	0.51
Fauji Fertilizer Bin Qasim Limited	1,335,657	795,032	-	450,000	1,680,689	42,933	70,841	27,908	1.24	0.08
Fauji Fertilizer Company Limited	2,737,900	-	601,873	661,408	2,678,365	216,669	402,692	186,023	7.05	0.29
ICI Pakistan Limited	321,224	671,949	-	211,386	781,787	100,871	118,714	17,843	2.08	0.56
Lotte Pakistan PTA Limited	-	2,404,830	-	-	2,404,830	37,721	33,259	(4,462)	0.58	0.00
	8,791,451	4,550,106	803,412	1,583,731	12,561,238	713,766	963,465	249,699	16.87	
<b>Industrial metals and mining</b>										
International Steels Limited	-	2,200,000	-	-	2,200,000	30,954	29,942	(1,012)	0.52	0.00
	-	2,200,000	-	-	2,200,000	30,954	29,942	(1,012)	0.52	
<b>Construction and Materials</b>										
Attock Cement Pakistan Limited	-	421,069	-	-	421,069	20,434	20,434	-	0.36	0.12
D.G. Khan Cement Company Limited	7,700,907	934,537	1,630,088	485,000	9,780,532	224,854	224,854	-	3.94	2.68
Fauji Cement Company Limited	-	1,219,000	-	-	1,219,000	5,022	5,022	-	0.09	0.18
Lafarage Pakistan Cement Limited	-	748,000	-	-	748,000	2,020	2,019	(1)	0.04	0.06
Lucky Cement Limited	7,444,852	751,954	-	810,340	7,386,466	560,204	523,257	(36,947)	9.16	2.28
Thatta Cement Limited	-	1,887,600	471,900	-	2,359,500	41,679	47,143	5,464	0.83	0.65
	15,145,759	5,962,160	2,101,988	1,295,340	21,914,567	854,213	822,729	(31,484)	14.42	
<b>General Industrials</b>										
Packages Limited	21,482	-	-	-	21,482	2,363	2,363	-	0.04	0.03
	21,482	-	-	-	21,482	2,363	2,363	-	0.04	

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

Name of investee Company	Number of Shares					Balance as at June 30, 2011			Market value as a percentage of net assets	Paid-up value of shares held as a % of total paid-up capital of the investee company
	As at July 1, 2010	Purchases during the year	Bonus/ right issues during the year	Sales during the year	As at June 30, 2011	Carrying value	Market value	Appreciation/ (Diminution)		
	Rupees in '000									
<b>Industrial Transportation</b>										
Pakistan International Container Terminal Limited	4,814	-	-	-	4,814	400	391	(9)	0.01	0.01
	4,814	-	-	-	4,814	400	391	(9)	0.01	
<b>Personal Goods</b>										
Amtext Limited	2,400,000	-	603,374	388,753	2,614,621	6,380	6,615	235	0.12	1.08
Azgard Nine Limited	814,067	-	-	-	814,067	4,494	4,494	-	0.08	0.18
Nishat Mills Limited	3,169,757	1,031,000	-	346,653	3,854,104	206,874	194,016	(12,858)	3.40	1.10
	6,383,824	1,031,000	603,374	735,406	7,282,792	217,748	205,125	(12,623)	3.60	
<b>Fixed Line Telecommunication</b>										
Pakistan Telecommunication Company Limited	5,985,639	-	-	-	5,985,639	85,116	85,116	-	1.49	0.16
Wateen Telecom Limited	4,000,000	-	-	-	4,000,000	8,320	8,320	-	0.15	0.65
World Call Telecom Limited	1,237,408	-	-	-	1,237,408	2,611	2,611	-	0.05	0.14
	11,223,047	-	-	-	11,223,047	96,047	96,047	-	1.69	
<b>Electricity</b>										
The Hub Power Company Limited	1,680,201	-	-	492,301	1,187,900	36,979	44,546	7,567	0.78	0.13
Kot Addu Power Company Limited	13,170	-	-	-	13,170	536	561	25	0.01	0.00
	1,693,371	-	-	492,301	1,201,070	37,515	45,107	7,592	0.79	
<b>Gas, Water and Multi Utilities</b>										
Sui Nothern Gas Pipelines Limited	446,018	-	-	-	446,018	8,849	8,885	36	0.16	0.08
Sui Southern Gas Company Limited	277,667	-	69,416	-	347,083	3,715	7,521	3,806	0.13	0.05
	723,685	-	69,416	-	793,101	12,564	16,406	3,842	0.29	
<b>Banks</b>										
Askari Bank Limited	439,686	590,032	102,971	-	1,132,689	12,324	12,324	-	0.21	0.18
Bank Alfalah Limited	4,620,970	4,825,344	-	-	9,446,314	90,401	90,401	-	1.58	0.70
Bank Al Habib Limited	31,944	-	6,388	-	38,332	799	1,130	331	0.02	0.01
Faysal Bank Limited	148,980	-	29,796	-	178,776	1,855	1,655	(200)	0.03	0.03
Habib Bank Limited	1,056,289	313,069	112,267	-	1,481,625	152,169	171,957	19,788	3.01	0.15
MCB Bank Limited	646,402	402,714	72,761	321,500	800,377	144,755	159,515	14,760	2.79	0.11
National Bank of Pakistan	8,376,656	25,000	1,737,914	1,450,000	8,689,570	439,476	438,128	(1,348)	7.67	0.65
NIB Bank Limited	946,039	-	-	-	946,039	1,429	1,429	-	0.03	0.02
United Bank Limited	1,908,444	388,893	-	50,000	2,247,337	119,302	139,133	19,831	2.43	0.18
	18,175,410	6,545,052	2,062,097	1,821,500	24,961,059	962,510	1,015,672	53,162	17.77	
<b>Non Life Insurance</b>										
Adamjee Insurance Company Limited	597,949	-	-	-	597,949	38,861	38,861	-	0.68	0.48
EFU General Insurance Limited	87,569	-	-	-	87,569	2,986	3,040	54	0.05	0.07
Pakistan Reinsurance Company Limited	15,379	-	-	-	15,379	245	245	-	-	0.01
	700,897	-	-	-	700,897	42,092	42,146	54	0.73	
<b>Total - June 30, 2011</b>	<b>70,535,010</b>	<b>23,908,408</b>	<b>6,108,265</b>	<b>9,243,842</b>	<b>91,307,841</b>	<b>4,491,570</b>	<b>5,089,219</b>	<b>597,649</b>	<b>89.10</b>	<b>91.57</b>

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 5.2 Government securities - Available for sale

Issue date	Tenor	Face value				Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2010	Purchases during the year	Sales/ matured during the year	As at June 30, 2011	Book value	Market value	Appreciation / (Diminution)		
Rupees in '000										
<b>Treasury Bills</b>										
February 24, 2011	3 months	-	50,000	50,000	-	-	-	-	-	-
March 24, 2011	3 months	-	50,000	50,000	-	-	-	-	-	-
April 21, 2011	3 months	-	75,000	-	75,000	74,656	74,620	(36)	1.31	1.34
May 5, 2011	3 months	-	150,000	-	150,000	148,572	148,483	(89)	2.60	2.67
May 19, 2011	3 months	-	150,000	-	150,000	147,848	147,728	(120)	2.58	2.66
June 16, 2011	3 months	-	100,000	-	100,000	97,528	97,488	(40)	1.71	1.76
Total - June 30, 2011		-	575,000	100,000	475,000	468,604	468,319	(285)	8.20	8.43

5.3 Investments include shares with market value of Rs 729.880 million (2010: 867.480 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

	2011	2010
	(Rupees in '000)	
<b>5.4 Net unrealised diminution in fair value of investments classified as 'available for sale'</b>		
Market value of investments	5,557,538	3,996,699
Less: Carrying value of investments - net of impairment	4,960,174	4,085,132
	<u>597,364</u>	<u>(88,433)</u>
Less: Net unrealised appreciation / (diminution) in the fair value of investments at the beginning of the year / period	(88,433)	-
	<u>685,797</u>	<u>(88,433)</u>

#### 5.5 Impairment against equity securities classified as 'available for sale'

During the year, the management has carried out a scrip wise analysis of the deficit on revaluation of its portfolio of listed equity securities classified as 'available for sale' and has determined that a deficit amounting to Rs 178.772 million (2010: Rs 149.995 million) represents a significant decline in the fair value of such equity securities with reference to their cost and accordingly an impairment loss to that extent has been recognised in the income statement.

	Note	2011	2010
		(Rupees in '000)	
<b>6 DIVIDEND AND PROFIT RECEIVABLE</b>			
Dividend receivable		24,048	14,953
Profit receivable on savings accounts		1,617	5,652
		<u>25,665</u>	<u>20,605</u>

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		(Rupees in '000)	
<b>7</b>			
<b>PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED</b>			
<b>- MANAGEMENT COMPANY</b>			
Management fee	7.1	955	740

7.1 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 one-fifth of one percent of the average annual net assets of the Fund. The remuneration is paid to the Management Company monthly in arrears.

	Note	2011	2010
		(Rupees in '000)	
<b>8</b>			
<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee	8.1	182	149

8.1 The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:

Amount of Funds under management (Average NAV)	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.2% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.1% p.a. of NAV exceeding Rs 1,000 million

The Trustee has agreed to receive remuneration at the rate of 30% of the applicable tariff. Accordingly the Management Company has charged and paid the Trustee remuneration on the same basis. The remuneration is paid to the Trustee monthly in arrears.

## 9 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The Fund has been classified as an equity scheme by the management company.

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 10 PROVISION FOR TAXATION

This represents provision for taxation acquired by the Fund upon transfer of assets held under trust by NITL on behalf of the participants of the proposed NIT - Equity Market Opportunity Fund. The total provision transferred amounted to Rs 43.101 million out of which Rs 36.275 million has been paid against tax liability for the tax year 2009. The remaining provision has been maintained to pay off tax liability in respect of income earned on net assets held under trust by NITL for the period from July 1, 2009 to September 13, 2009.

11 ACCRUED EXPENSES AND OTHER LIABILITIES	2011	2010
	(Rupees in '000)	
Provision for Workers' Welfare Fund	11,317	3,043
Federal Excise Duty payable	-	320
Auditors' remuneration payable	380	300
Printing and related expenditure payable	25	200
Brokerage payable	20	32
Payable to National Clearing Company of Pakistan Limited	15	15
Custodian charges payable	3	5
	<u>11,760</u>	<u>3,915</u>

#### 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011 (June 30, 2010: Nil).

#### 13 NUMBER OF UNITS IN ISSUE

Units in issue as at June 30, 2011 comprise Class 'B' units. The redemption option for these units rests with the Management Company and the unit holders may redeem their units subject to consent of the Management Company.

##### 13.1 Pattern of unit holding

Pattern of unit holding as at June 30, 2011 is as follows:

Category	As at June 30, 2011	
	Units held	Percentage
<b>Insurance Companies</b>		
State Life Insurance Corporation of Pakistan	13,773,843	29.33%
National Insurance Company Limited	3,614,778	7.69%
<b>Banks / DFIs</b>		
National Bank of Pakistan	13,592,297	28.94%
<b>Others</b>		
Employees Old Age Benefit Institution	15,985,946	34.04%
	<u>46,966,864</u>	<u>100.00%</u>

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

Pattern of unit holding as at June 30, 2010 is as follows:

Category	As at June 30, 2011	
	Units held	Percentage
<b>Insurance Companies</b>		
State Life Insurance Corporation of Pakistan	13,366,051	29.33%
National Insurance Company Limited	3,507,759	7.69%
<b>Banks / DFIs</b>		
National Bank of Pakistan	13,189,880	28.94%
<b>Others</b>		
Employees Old Age Benefit Institution	15,512,662	34.04%
	<u>45,576,352</u>	<u>100.00%</u>

#### 14 AUDITORS' REMUNERATION

	For the year ended June 30, 2011	For the period from September 14, 2010 to June 30, 2010
	(Rupees in '000)	
Statutory audit fee	330	300
Interim review fee	165	150
Tax services	50	-
Out of pocket expenses	37	15
	<u>582</u>	<u>465</u>

#### 15 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, challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended 30 June 2010.

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

Subsequent to the year ended 30 June 2011, the Honourable 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, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 5.869 million (including Rs. 4.219 million for the current year) in these financial statements.

#### 16 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealised) to its unit holders.

#### 17 EARNINGS PER UNIT

	For the year ended June 30, 2011	For the period from September 14, 2010 to June 30, 2010
	(Rupees in '000)	
Net income after taxation	405,634	149,130
	Number of units	
Weighted average number of units outstanding	46,966,864	53,444,855
	Rupees	
Earnings per unit (basic and diluted)	8.64	2.79

#### 18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2011		
	Loans and receivables	Available for sale	Total
	Rupees in '000		
<b>Assets</b>			
Bank balances	129,649	-	129,649
Investments	-	5,557,743	5,557,743
Receivable against sale of investments	21,369	-	21,369
Dividend and profit receivable	25,665	-	25,665
Deposit with National Clearing Company of Pakistan Limited	2,500	-	2,500
	179,183	5,557,743	5,736,926

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

	As at June 30, 2011		
	Liabilities at fair value through profit or loss	Others	Total
<b>Liabilities</b>	Rupees in '000		
Payable to National Investment Trust Limited - Management Company	-	955	955
Payable to Central Depository Company of Pakistan Limited - Trustee	-	182	182
Accrued expenses and other liabilities	-	443	443
	-	1,580	1,580

	As at June 30, 2010		
	Loans and receivables	Available for sale	Total
<b>Assets</b>	Rupees in '000		
Bank balances	614,400	-	614,400
Investments	-	3,996,699	3,996,699
Dividend and profit receivable	20,605	-	20,605
Deposit with National Clearing Company of Pakistan Limited	2,500	-	2,500
	637,505	3,996,699	4,634,204

	As at June 30, 2010		
	Liabilities at fair value through profit or loss	Others	Total
<b>Liabilities</b>	Rupees in '000		
Payable to National Investment Trust Limited - Management Company	-	740	740
Payable to Central Depository Company of Pakistan Limited - Trustee	-	149	149
Accrued expenses and other liabilities	-	552	552
	-	1,441	1,441

#### 19 TRANSACTIONS WITH CONNECTED PERSONS

- 19.1** 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.
- 19.2** The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.



# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

- 19.3** Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 19.4** Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

	For the year ended June 30, 2011	For the period from September 14, 2010 to June 30, 2010
	———— (Rupees in '000) ————	
<b>19.5</b>	<b>Details of transactions with connected persons are as follows:</b>	
	<b>National Investment Trust Limited - Management Company</b>	
	Remuneration of the management company	10,781      8,912
	<b>Central Depository Company of Pakistan Limited - Trustee</b>	
	Remuneration of the Trustee	1,918      1,589
	Custodian charges	55      202
	<b>National Bank of Pakistan</b>	
	Issue of Nil units (2010: 20,690,007 units)	-      2,069,000
	Redemption of Nil units (2010: 7,500,128 units)	-      827,316
	Issue of 402,417 bonus units	40,776      -
	Purchase of 25,000 shares (2010: 140,000 shares)	1,736      9,985
	1,737,914 bonus shares received (2010: 1,707,331 shares)	-      -
	Sale of shares 1,450,000 (2010: 4,250,000 shares)	102,039      363,130
	<b>State Life Insurance Corporation of Pakistan</b>	
	Issue of Nil units (2010: 17,821,401 units)	-      1,782,140
	Redemption of Nil units (2010: 4,455,350 units)	-      519,093
	Issue of 407,792 bonus units	41,322      -
	<b>Employees Old Age Benefit Institution</b>	
	Issue of Nil units (2010: 15,512,662 units)	-      1,551,266
	Issue of 473,284 bonus units	47,958      -
	2011	2010
<b>19.6</b>	<b>Amounts outstanding as at June 30</b>	
	<b>National Investment Trust Limited - Management Company</b>	
	Remuneration payable to the management company	955      740
	<b>Central Depository Company of Pakistan Limited - Trustee</b>	
	Remuneration payable	182      149
	———— (Rupees in '000) ————	

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

Custodian charges payable	3	5
<b>National Bank of Pakistan</b>		
13,592,297 units held (2010: 13,189,880 units)	1,653,088	1,336,553
8,689,570 shares held (2010: 8,376,656 units)	438,128	536,944
<b>State Life Insurance Corporation of Pakistan</b>		
13,773,843 units held (2010: 13,366,051 units)	1,675,168	1,354,405
<b>Employees Old Age Benefit Institution</b>		
15,985,946 units held (2010: 15,512,662 units)	1,944,202	1,571,925

## 20 FINANCIAL RISK MANAGEMENT

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

### 20.1 Market risk

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

The Management Company manages the market risk through diversification of the investment portfolio by exposures and by following the internal guidelines established by the investment committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### 20.1.1 Currency risk

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

#### 20.1.2 Interest rate risk

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

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

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

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

As at June 30, 2011, the Fund holds Treasury Bills 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 Market Association on June 30, 2011, with all other variables held constant, the net assets would have been lower by Rs. 490 thousand. In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2011, with all other variables held constant, the net assets would have been higher by Rs. 492 thousand.

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

The composition of the Fund's investment portfolio and rates announced by the Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments 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, 2011						
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 up-to one year	More than one year			
Rupees in '000						
<b>On-balance sheet financial instruments</b>						
<b>Financial Assets</b>						
Bank balances	8% - 13%	126,658	-	-	2,991	129,649
Investments	13.74% - 14.2%	468,319	-	-	5,089,424	5,557,743
Receivable against sale of investments					21,369	21,369
Dividend and profit receivable		-	-	-	25,665	25,665
Deposit with National Clearing Company of Pakistan Limited		-	-	-	2,500	2,500
		594,977	-	-	5,141,949	5,736,926
<b>Financial Liabilities</b>						
Payable to National Investment Trust Limited - Management Company		-	-	-	955	955
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	182	182
Accrued expenses and other liabilities		-	-	-	443	443
		-	-	-	1,580	1,580
<b>On-balance sheet gap</b>		594,977	-	-	5,140,369	5,735,346
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-	-

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

<b>Total interest rate sensitivity gap</b>	594,977	-	-	5,140,369	5,735,346
<b>Cumulative interest rate sensitivity gap</b>	594,977	594,977	594,977		

As at June 30, 2010

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 up-to one year	More than one year		

Rupees in '000

#### On-balance sheet financial instruments

##### Financial Assets

Bank balances	5% - 11.5%	611,443	-	-	2,957	614,400
Investments		-	-	-	3,996,699	3,996,699
Dividend and profit receivable		-	-	-	20,605	20,605
Deposit with National Clearing Company of Pakistan Limited		-	-	-	2,500	2,500
		611,443	-	-	4,022,761	4,634,204

##### Financial Liabilities

Payable to National Investment Trust Limited - Management Company		-	-	-	740	740
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	149	149
Accrued expenses and other liabilities		-	-	-	552	552
		-	-	-	1,441	1,441

<b>On-balance sheet gap</b>	611,443	-	-	4,021,320	4,632,763
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<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
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<b>Off-balance sheet gap</b>	-	-	-	-	-
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<b>Total interest rate sensitivity gap</b>	611,443	-	-	4,021,320	4,632,763
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# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

As at June 30, 2010

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 up-to one year	More than one year		
	Rupees in '000				
<b>Cumulative interest rate sensitivity gap</b>	611,443	611,443	611,443		

#### 20.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

The Fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as 'available for sale'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 30% of the net assets or index weight of securities whichever is higher, subject to maximum of 35% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2011, with all other variables held constant, net income for the year would not be affected as the Fund does not have any security which is classified at fair value through profit or loss. Other components of equity and net assets of the fund would increase / (decrease) by Rs 206.555 million (2010: Rs 172.178 million) as a result of gains / (losses) on equity securities classified as available for sale.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

#### 20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments and investments in debt securities. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein. Risk attributable to investment in Treasury Bills is limited as these are guaranteed by the Federal Government.

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2011 and June 30, 2010.

Bank balances by rating category	2011	2010
A1+	3.83%	100.00%
A-2	96.17%	-
	<u>100.00%</u>	<u>100.00%</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk.

#### 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 Funds portfolio of financial instruments is mostly concentrated in government securities and deposits held with a commercial bank.

#### 20.3 Liquidity risk

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

The Fund is exposed to the daily settlement of equity securities and to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's listed securities are considered readily realisable, as they are listed on the Karachi Stock Exchange.

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.

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 redemption requests during the year.

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

**NIT - EQUITY MARKET OPPORTUNITY FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	As at June 30, 2011			
	Total	Upto three months	Over three months and upto one year	Over one year
Rupees in '000				
<b>Financial liabilities</b>				
Payable to National Investment Trust Limited - Management Company	955	955	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	182	182	-	-
Accrued expenses and other liabilities	443	443	-	-
	1,580	1,580	-	-

	As at June 30, 2010			
	Total	Upto three months	Over three months and upto one year	Over one year
Rupees in '000				
<b>Financial liabilities</b>				
Payable to National Investment Trust Limited - Management Company	740	740	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	149	149	-	-
Accrued expenses and other liabilities	552	552	-	-
	1,441	1,441	-	-

## 21 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. They 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 on the "Statement of Movement in Unit Holders' Fund".

The Fund has no restriction on the subscription of units under any class of units and redemption of Class 'A' units. However, Class 'B' units may be redeemed subject to consent of the Management Company. There is no specific capital requirement which is applicable on 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 for 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 20, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 22 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 tradable in an open market are revalued at the market prices prevailing at the close of trading on the year end date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

IFRS 7 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, whether 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)

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 shares	5,089,219	205	-	5,089,424
- Investment in government securities	-	468,319	-	468,319

#### 23 TRANSACTIONS WITH TOP TEN BROKERS / DEALERS

List of top ten brokers by percentage of commission paid for the year ended June 30, 2011

- (i) AKD Securities Limited
- (ii) JS Global Capital Limited
- (iii) Amin Tai Securities (Pvt) Limited
- (iv) Arif Habib Limited
- (v) BMA Capital Management Limited
- (vi) KASB Securities Limited
- (vii) Invest & Finance Securities Limited
- (viii) Concordia Securities (Pvt) Limited
- (ix) Cassim Investment (Pvt) Limited
- (x) Lakhani Securites Pvt) Limited



# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 23 TRANSACTIONS WITH TOP TEN BROKERS / DEALERS

List of top ten brokers by percentage of commission paid for the period from September 14, 2009 to June 30, 2010

- (i) Arif Habib Limited
- (ii) AKD Securities Limited
- (iii) JS Global Capital Limited
- (iv) KASB Securities Limited
- (v) Abbasi Securities (Pvt) Limited
- (vi) Cassim Investment (Pvt) Limited
- (vii) Al Habib Capital Market (Pvt) Limited
- (viii) DJM Securities (Pvt) Limited
- (ix) BMA Capital Management Limited
- (x) Invest Capital Investment Bank Limited

#### 24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No	Name	Designation	Qualification	Experience in years
1	Wazir Ali Khoja	Chairman and Managing Director	B. Com	40
2	Shahid Anwar	Head of MD's Secretariat and Personnel	MBA & DAIBP	34
3	Manzoor Ahmed	Chief Operating Officer	MBA, DAIBP & Candidate for CFA Level III	22
4	S. Zubair Ahmed	Controller of Branches	M.Phil, MBA, PGD-General management & PGD-Development Policies	38
5	Aamir Amin	Head of Finance	CA	14
6	Syed Raza Abbas Jaffery	Fund Manager	MBA	13

24.1 Mr. Syed Raza Abbas Jaffert is the Manager of the Fund.

# NIT - EQUITY MARKET OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 283rd, 284th, 285th, 286th and 287th Board meetings were held on July 05, 2010, August 13, 2010, October 14, 2010, February 8, 2011 and April 11, 2011 respectively. Information in respect of attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
1 Mr. Wazir Ali Khoja	5	5	-	-
2 Mian Tajammal Hussain	5	5	-	-
3 Syed Ali Raza *	3	3	-	-
4 Mr. Qamar Hussain *	2	2	-	-
5 Ms. Rukhsana Saleem	5	3	2	284th and 285th meeting
6 Mr. Jamal Nasim	5	5	-	-
7 Mr. Bahauddin Khan	5	5	-	-
8 Ms. Nazrat Bashir	5	5	-	-
9 Mr. Abdul Razak Adamjee	5	1	4	284th, 285th, 286th and 287th meeting
10 Mr. Aftab Ahmed Khan **	-	-	-	-
11 Mr. Muhtashim Ahmed Ashai **	4	4	-	-

\* Mr. Qamar Hussain was co-opted as nominee of National Bank of Pakistan in place of Syed Ali Raza in 286th BoD held on February 8, 2011.

\*\* Mr. Muhtashim Ahmed Ashai was co-opted as nominee of MCB Bank Limited in place of Mr. Aftab Ahmed Khan in 283rd BoD meeting held on July 5, 2010.

#### 26 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.

#### 27 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on July 5, 2011 have approved a distribution by way of bonus issue of Rs 8 per unit (2010: Rs 3 per unit) for the year ended June 30, 2011. The financial statements of the Fund for the year ended June 30, 2011 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ended June 30, 2012.

**NIT - EQUITY MARKET OPPORTUNITY FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2011

**28 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 22, 2011 by the Board of Directors of the Management Company.

**29 GENERAL**

**29.1** 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 - EQUITY MARKET OPPORTUNITY FUND PERFORMANCE TABLE LAST 2 YEARS

		JUNE 11	JUNE 10
Total Net Asset Value Ex-Dividend	(Rs. In 000's)	5,336,349	4,481,602
Net Asset Value per Unit Ex-dividend	(Rs./unit)	113.62	98.33
Last Issue/Repurchase Price per Unit *	(Rs./unit)	121.62	101.33
Highest Issue/Repurchase Price During the year	(Rs./unit)	128.36	116.51
Lowest Issue/Repurchase Price During the year	(Rs./unit)	98.13	95.49
Total Return of the Fund	%	23.68	1.33
Capital Growth	%	15.54	(1.67)
Income Distributions	%	8.14	3.00
Distribution Per Unit	(Rs./unit)	8.00	3.00
Distribution Date		5-Jul-11	5-Jul-10
Average Annual Return **			
One Year	%	23.68	1.68
Two Years	%	12.68	-

Note: All investments in Mutual Funds and securities are subject to Market Risks. 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.

\* These are cum-dividend prices of 30th June.

\*\* Note: Fund launched on 14th September 2009.