



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.



Strength with Stability



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 (Formerly Arif Habib Bank Limited)

United Bank Limited

NIT - GOVERNMENT BOND FUND FUND MANAGER REPORT

2010-2011

NIT-GBF 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. 78 billion assets under management as of June 30, 2011. The family of Funds of NIT comprises of five (5) funds including three (3) equity Funds and two (2) fixed income Funds. NIT's distribution network comprises of 21 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 Management Quality (MQ) rating of "AM2-" by JCR-VIS credit rating Company Ltd., 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 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- (JCR-VIS)
• 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 Mar 2011. The fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

Fund's Performance at a Glance

	2010-11	2009-10
Beginning Net Assets (Rs. Million)	3,740	2,500
Beginning NAV Per Unit (Ex-Dividend) (Rs.)	9.9980	10.0000
Ending Net Assets (Rs. Million)	3,056	3,740
Ending NAV Per Unit (Rs.)	11.1169	10.6480
Net Income (Rs. Million)	305	232
Distribution Per Unit (Rs.)	1.0201	0.65
Income Distribution (% of Net Income)	92%	98%
Annualized Return (%)	11.19%	10.77%
Benchmark Return (%)	11.33%	10.42%
Weighted Average Time to Maturity (Year)	0.6	0.8

NIT - GOVERNMENT BOND FUND FUND MANAGER REPORT

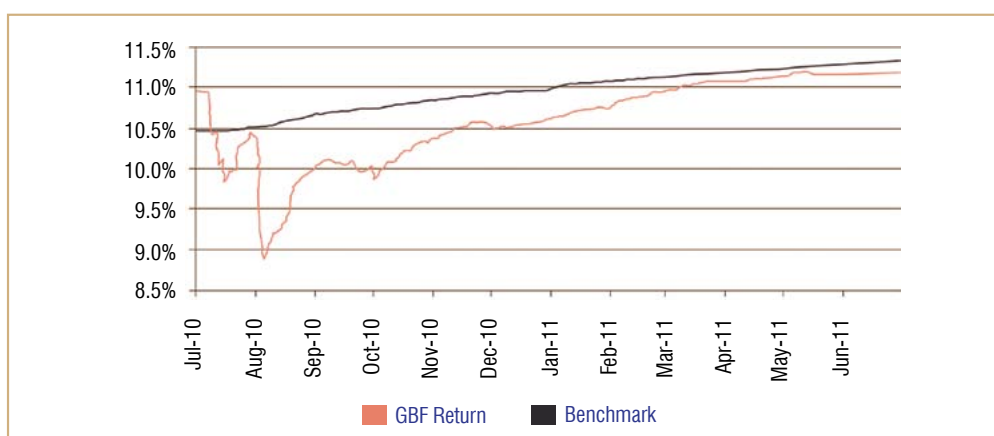
2010-2011

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

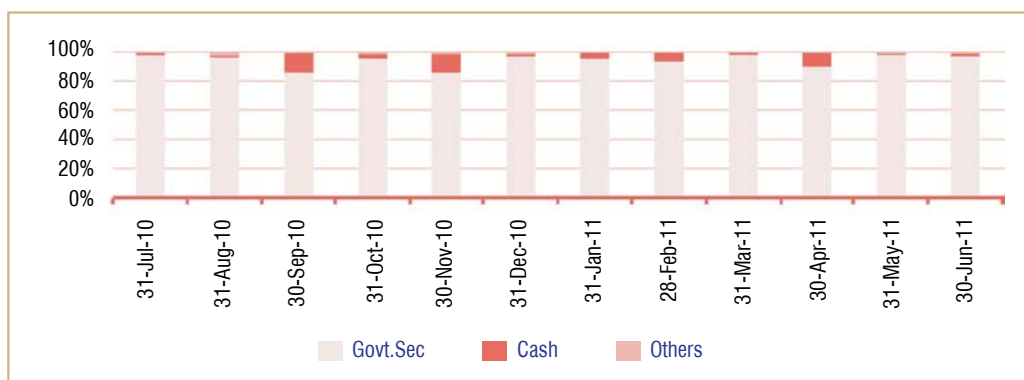
The graph below depicts the comparison of the Fund's return against its benchmark



Investment Strategy

NIT Government Bond Fund started the year with healthy returns but soon it was hampered by a series of increase in policy rate during first half FY11 from 12.50% p.a. to 14.00% p.a. in three consecutive Monetary Policy statements announced by State Bank of Pakistan. The Fund however generated a return of 11.19% p.a. for FY11 as compared to its benchmark return of 11.33% p.a. thereby, slightly underperforming its benchmark by 14bps. During the year the fund invested an average of 94% in short term Marketable Government Securities such as Treasury Bills which gave competitive returns as well as provided sufficient liquidity to the fund. As per its investment strategy, investments in Government Securities varied from a low of 86% to a high of 98% during the period under discussion. These high exposures in short term Treasury Bills, helped the fund to minimize interest rate risk.

Asset Allocation



NIT - GOVERNMENT BOND FUND FUND MANAGER REPORT

2010-2011

The fund as of June 30, 2011 had allocated 97% of its total assets in Government Securities where as the remaining 3% of total assets were in the form of cash and other receivables/assets. Weighted average time to maturity of the fund was 217 days as on June 30, 2011 this was adjusted in accordance with the view on market conditions. The fund has around Rs. 3.06 Billion of net assets as of June 30, 2011.

Dividend Declaration by the Fund for FY 2010-11

During FY 2010-11, NIT Government Bond Fund has earned a net income of Rs. 305 million as compared to Rs. 232 million in FY10 (since its inception on November 18, 2009 till June 30, 2010). Net income translates into a per unit earning of Rs. 1.11 as compared to Rs. 0.66 per unit last year. The fund has declared a per unit distribution of Rs. 1.0201 for its unit holders. Those who have opted for growth units with the option to receive bonus will be allocated 10.1032 units per 100 units at the ex-dividend NAV.

Pattern of Unit Holders

Category	(Units in million) NIT-GBF	Percentage of Holding
Institutional Investors	255.46	92.95%
Individuals	19.39	7.05%
TOTAL	274.85	100.00%

Money Market Review

The State Bank of Pakistan hiked its discount rate three times at the commencement of the fiscal year 2011 in response to what it deemed to be inflationary pressures and excessive government borrowing from the banking sector. Discount rates increased from 12.50% p.a. to 14.00% p.a. in three consecutive Monetary Policy statements announced by State Bank of Pakistan. The government has since made progress in this area, by adopting economic and fiscal reforms in mid-March this year in spite of political disagreements. During the 2HFY11 Policy rates were kept on hold mainly as higher interest rates would exacerbate the problem of weak business investment. Private sector credit growth remains suppressed at around 3-4% y/y, in contrast to the double-digit pace of public borrowing. Economic recovery was not entrenched despite strong and sustained growth in remittances, household spending was still only increasing at a tepid pace. Finally, core inflation had been steady rather than trending higher.

Six month KIBOR remained on the higher side with an average of 13.38% as compared to last year's average of 12.46% an increase of 92 bps mainly due to 150 bps increase in the discount rate.

During FY11, SBP conducted a total of 26 T-bill auctions (two auctions per month and 3 auctions in Dec-10 and Jun-11). Total target amount was Rs 3,375bn set by SBP, while the accepted amount was Rs 3,629bn. The last cutoff yields from Jun-11 for 3M, 6M and 12M tenors increased to 13.48%, 13.74% and 13.91% from Jun-10 last cutoff yields of 12.10%, 12.35% and 12.46% respectively. The cut-off yield on the benchmark 10 year PIB closed at 14.09%, increased by 141 bps over last year closing of 12.68%.

NIT - GOVERNMENT BOND FUND

FUND MANAGER REPORT

2010-2011

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. Hence rehabilitation of flood affectees took the position of 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;

- 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

The NIT Government Bond Fund (the Fund), an open-end fund was established under a trust deed dated September 04, 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 - Government Bond 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.

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 auditors' 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 state 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 the 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

Compliance Report

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **National Investment Trust Limited**, (the Management Company) for and on behalf of **NIT – Government Bond Fund** to comply with the requirements of Chapter XI of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, the Lahore Stock Exchange and the Islamabad Stock Exchange where the Fund is listed.

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

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

Regulation 35 (xiii a) of the Listing Regulations requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. All such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance 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, 2011.

Sd/-

A.F. Ferguson & Co.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: August 18, 2011

Karachi

Compliance Statement

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

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.
2. None of the directors are serving as a director in ten or more listed companies with the exception of Chairman and Managing Director of NIT who is serving as a director of twelve 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. None of the directors or their spouses is engaged in the business of stock brokerage.
5. During the year, the tenure of directors' expired and the Board was re-elected with the exception of Mr. Qamar Hussain who was co-opted as nominee of National Bank of Pakistan in place of Syed Ali Raza and Mr. Muhtashim Ahmed Ashai was co-opted as nominee of MCB Bank Limited in place of Mr Aftab Ahmed Khan in meetings held on February 8, 2011 and July 5, 2010 respectively.
6. 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.
7. 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.
8. 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.
9. The meetings of the Board were presided over by the Chairman. The Board of Directors has met five times 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.
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. The Chairman and the Key Management members have participated in the orientation course arranged by the Management Company.

Compliance Statement

12. 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.
13. Directors' Report for the year ended June 30, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. 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. 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 six 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 set-up an effective internal audit function headed by the Head of Internal Audit & Compliance.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. 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, 2011.

Sd/-

Wazir Ali Khoja

Chairman & Managing Director

Dated: August 22, 2011

Place: Karachi

NIT - GOVERNMENT BOND FUND

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2011

	Note	2011	2010
		Rupees in '000	
ASSETS			
Bank balances	4	168,615	341,572
Investments	5	2,985,908	3,382,931
Accrued income	6	35,505	28,993
Security deposits	7	100	350
Preliminary expenses and floatation costs	8	2,530	3,277
Total assets		3,192,658	3,757,123
LIABILITIES			
Payable to National Investment Trust Limited - Management Company	9	7,279	10,641
Payable to Central Depository Company of Pakistan Limited - Trustee	10	263	292
Payable to Securities and Exchange Commission of Pakistan	11	2,335	1,646
Accrued expenses and other liabilities	12	11,740	4,771
Payable against redemption of units	13	115,537	-
Total liabilities		137,154	17,350
NET ASSETS		<u>3,055,504</u>	<u>3,739,773</u>
Unit holders' fund (as per statement attached)		<u>3,055,504</u>	<u>3,739,773</u>
Contingencies and commitments	14		
		Number of units	
Number of units in issue	15	<u>274,851,693</u>	<u>351,218,756</u>
		Rupees	
Net asset value per unit		<u>11.1169</u>	<u>10.648</u>

The annexed notes 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

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	For the year ended June 30, 2011	For the period from October 24, 2009 to June 30, 2010
Rupees in '000			
INCOME			
Income from government securities		292,505	175,425
Profit on bank deposits		21,260	60,313
Mark-up on fixed income securities	16	68,500	28,615
Income from reverse repurchase transactions		212	-
Capital loss on sale of government securities		(2,921)	(183)
Total income		379,556	264,170
EXPENSES			
Remuneration of National Investment Trust Limited - Management Company	9.1	38,936	27,436
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	3,086	2,106
Annual fee - Securities and Exchange Commission of Pakistan	11.1	2,335	1,646
Amortisation of preliminary expenses and floatation costs	8	747	458
Bank charges		340	109
Listing fee		60	300
Rating fee		150	-
Printing charges		100	448
Auditors' remuneration	17	647	530
Securities transaction costs		119	69
Total expenses		46,520	33,102
Net income from operating activities		333,036	231,068
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(22,051)	4,995
Provision for Workers' Welfare Fund	18	(6,220)	(4,321)
Net income before taxation		304,765	231,742

NIT - GOVERNMENT BOND FUND
INCOME STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2011

	Note	For the year ended June 30, 2011	For the period from October 24, 2009 to June 30, 2010
		Rupees in '000	
Taxation	19	-	-
Net income after taxation		<u>304,765</u>	<u>231,742</u>
		Rupees	
Earnings per unit	20	<u>1.03</u>	<u>0.68</u>

The annexed notes 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, 2011

	Note	For the year ended June 30, 2011	For the period from October 24, 2009 to June 30, 2010
		Rupees in '000	
Net income after taxation		304,765	231,742
Other comprehensive income			
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	5.2	2,931	(4,156)
Total comprehensive income		<u>307,696</u>	<u>227,586</u>

The annexed notes 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, 2011

Note	For the year ended June 30, 2011	For the period from October 24, 2009 to June 30, 2010
	Rupees in '000	
Undistributed income brought forward		
- Realised income	231,742	-
Final distribution for the period from October 24, 2009 to June 30, 2010: Rs 0.65 per unit (Date of distribution: July 5, 2010)		
- Cash Distribution	(67,550)	-
- Units under Cumulative Investment Plan	(12,814)	-
- Bonus Units	(147,928)	-
Net income after taxation	304,765	231,742
Undistributed income carried forward	<u>308,215</u>	<u>231,742</u>
Undistributed income comprising of:		
Realised income	308,215	231,742
Unrealised income	-	-
	<u>308,215</u>	<u>231,742</u>

The annexed notes 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, 2011

Note	For the year ended June 30, 2011	For the period from October 24, 2009 to June 30, 2010
	Rupees in '000	
Net assets at the beginning of the year / period	3,739,773	-
Issue of 248,925,523 units (2010: 682,122,770 units)	2,606,113	6,990,612
Redemption of 341,369,954 units (2010: 330,904,014 units)	(3,552,579)	(3,473,430)
	(946,466)	3,517,182
Issue of 14,795,785 bonus units (2010: Nil)	147,928	-
Issue of 1,281,583 units under Cumulative Investment Plan (2010: Nil)	12,814	-
	<u>2,954,049</u>	<u>3,517,182</u>
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	22,051	(4,995)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	5.2 2,931	(4,156)
Capital loss on sale of government securities	(2,921)	(183)
Other net income for the year / period after taxation	307,686	231,925
Final distribution for the period from October 24, 2009 to June 30, 2010: Rs 0.65 per unit (Date of distribution: July 5, 2010)		
- Cash Distribution	(67,550)	-
- Units under Cumulative Investment Plan	(12,814)	-
- Bonus Units	(147,928)	-
	76,473	231,742
Net assets at the end of the year / period	<u>3,055,504</u>	<u>3,739,773</u>

The annexed notes 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, 2011

Note	For the year ended June 30, 2011	For the period from October 24, 2009 to June 30, 2010
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	304,765	231,742
Adjustments:		
Profit on bank deposits	(21,260)	(60,313)
Capital loss on sale of government securities	2,921	183
Remuneration of National Investment Trust Limited - Management Company	38,936	27,436
Amortisation of preliminary expenses and floatation costs	747	458
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	22,051	(4,995)
	348,160	194,511
(Increase) / decrease in assets		
Investments - net	397,033	(3,387,270)
Accrued income	(6,250)	(28,171)
Security deposits	250	(350)
Preliminary expenses and floatation costs	-	(3,735)
	391,033	(3,419,526)
Increase / (decrease) in liabilities		
Payable to National Investment Trust Limited - Management Company	(2,871)	6,794
Payable to Central Depository Company of Pakistan Limited - Trustee	(29)	292
Payable to Securities and Exchange Commission of Pakistan	689	1,646
Accrued expenses and other liabilities	6,969	4,771
Redemption against payable of units	115,537	-
	120,295	13,503
Remuneration paid to National Investment Trust Limited - Management Company	(39,427)	(23,589)
Profit received on bank deposits	20,998	59,491
Net cash inflow from / (outflow on) operating activities	841,059	(3,175,610)

NIT - GOVERNMENT BOND FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	For the year ended June 30, 2011	For the period from October 24, 2009 to June 30, 2010
Rupees in '000			
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of units		2,606,113	6,990,612
Payments on redemption of units		(3,552,579)	(3,473,430)
Distribution paid		(67,550)	-
Net cash (outflow on) / inflow from financing activities		(1,014,016)	3,517,182
Net (decrease) / increase in cash and cash equivalents during the year / period		(172,957)	341,572
Cash and cash equivalents at the beginning of the year / period		341,572	-
Cash and cash equivalents at the end of the year / period	4	168,615	341,572

The annexed notes 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, 2011

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 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 based on the performance during the period ended December 31, 2010.

The Management Company has been assigned management rating "AM2-" by JCR-VIS.

- 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

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 detailed in these financial statements.

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 beginning on or after July 1, 2011:

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 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 new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 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 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).

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 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

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

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 fair value through profit or loss and available for sale are valued as follows:

Basis of valuation of government securities

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

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

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

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

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

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 income statement is reclassified from unit holders' fund to '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.

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

3.8 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.

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

4	BANK BALANCES	Note	2011	2010
			Rupees in '000	
	In deposit accounts	4.1	168,615	341,572

4.1 These accounts carry rates ranging from 8% to 13% per annum (2010: 6% to 12.8% p.a.).

5	INVESTMENTS	Note	2011	2010
			Rupees in '000	
	Available for sale			
	Government securities:	5.1		
	- Market Treasury Bills		2,436,135	2,831,059
	- Pakistan Investment Bond		45,737	47,836
	- National Savings Certificate		504,036	504,036
			<u>2,985,908</u>	<u>3,382,931</u>

5.1 Investment in 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	Carrying cost	Market value		
Rupees in '000									
Market Treasury Bills									
July 30, 2009	12 months	-	100,000	100,000	-	-	-	-	-
September 10, 2009	12 months	-	200,000	200,000	-	-	-	-	-
December 31, 2009	06 months	25,000	-	25,000	-	-	-	-	-
January 14, 2010	06 months	700,000	-	700,000	-	-	-	-	-
January 14, 2010	12 months	650,000	-	650,000	-	-	-	-	-
February 11, 2010	12 months	300,000	-	300,000	-	-	-	-	-
March 11, 2010	12 months	300,000	-	300,000	-	-	-	-	-
March 25, 2010	12 months	-	210,000	210,000	-	-	-	-	-
April 8, 2010	06 months	162,500	-	162,500	-	-	-	-	-
April 8, 2010	12 months	437,500	-	437,500	-	-	-	-	-
May 6, 2010	03 months	-	500,000	500,000	-	-	-	-	-
May 6, 2010	12 months	212,500	-	212,500	-	-	-	-	-
June 3, 2010	12 months	-	100,000	100,000	-	-	-	-	-
June 17, 2010	03 months	200,000	-	200,000	-	-	-	-	-
June 17, 2010	06 months	-	100,000	100,000	-	-	-	-	-
June 17, 2010	12 months	-	170,000	170,000	-	-	-	-	-
July 15, 2010	03 months	-	600,000	600,000	-	-	-	-	-
July 15, 2010	06 months	-	250,000	250,000	-	-	-	-	-
July 15, 2010	12 months	-	250,000	200,000	50,000	49,803	49,747	(57)	2%
July 29, 2010	03 months	-	362,000	362,000	-	-	-	-	-
October 7, 2010	03 months	-	250,000	250,000	-	-	-	-	-
October 21, 2010	03 months	-	487,500	487,500	-	-	-	-	-
November 16, 2010	03 months	-	200,000	200,000	-	-	-	-	-

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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	Carrying cost	Market value	Appreciation / (diminution)		
Rupees in '000										
December 2, 2010	03 months	-	500,000	500,000	-	-	-	-	-	-
December 18, 2010	03 months	-	275,000	275,000	-	-	-	-	-	-
December 30, 2010	03 months	-	100,000	100,000	-	-	-	-	-	-
January 13, 2011	03 months	-	300,000	300,000	-	-	-	-	-	-
January 27, 2011	03 months	-	450,000	450,000	-	-	-	-	-	-
February 10, 2011	03 months	-	575,000	575,000	-	-	-	-	-	-
February 24, 2011	03 months	-	417,000	417,000	-	-	-	-	-	-
March 10, 2011	03 months	-	500,000	500,000	-	-	-	-	-	-
March 10, 2011	06 months	-	100,000	-	100,000	97,607	97,488	(118)	3%	3%
March 24, 2011	06 months	-	300,000	-	300,000	291,312	290,991	(321)	10%	10%
April 7, 2011	03 months	-	500,000	500,000	-	-	-	-	-	-
April 7, 2011	06 months	-	200,000	-	200,000	193,199	193,012	(187)	6%	6%
April 21, 2011	06 months	-	160,000	-	160,000	153,804	153,624	(180)	5%	5%
May 5, 2011	03 months	-	250,000	-	250,000	247,630	247,470	(160)	8%	8%
May 5, 2011	06 months	-	265,000	-	265,000	253,552	253,148	(404)	8%	8%
May 19, 2011	03 months	-	100,000	-	100,000	98,565	98,485	(80)	3%	3%
May 19, 2011	06 months	-	350,000	-	350,000	333,079	332,656	(424)	11%	11%
June 2, 2011	03 months	-	250,000	-	250,000	245,089	244,961	(128)	8%	8%
June 2, 2011	06 months	-	150,000	-	150,000	141,942	141,847	(96)	5%	5%
June 16, 2011	03 months	-	200,000	100,000	100,000	97,528	97,488	(39)	3%	3%
June 16, 2011	06 months	-	250,000	-	250,000	235,319	235,218	(101)	8%	8%
		2,987,500	9,971,500	10,434,000	2,525,000	2,438,430	2,436,135	(2,294)	80%	82%
Pakistan Investment Bond										
September 3, 2009	10 years	50,000	-	-	50,000	48,703	45,737	(2,967)	1%	2%
National Savings Certificate										
	03 years	500,000	-	-	500,000	500,000	504,036	4,036	16%	17%
		3,537,500	9,971,500	10,434,000	3,075,000	2,987,133	2,985,908	(1,225)	98%	100%

Note 2011 2010
 Rupees in '000

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

Market value of investments

Less: carrying value of investments

Less: net unrealised diminution at the beginning of the year / period

2,985,908	3,382,931
(2,987,133)	(3,387,087)
(1,225)	(4,156)
(4,156)	-
2,931	(4,156)

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		Rupees in '000	
6	ACCRUED INCOME		
	Profit on deposit accounts	1,084	822
	Mark-up on fixed income securities	34,421	28,171
		<u>35,505</u>	<u>28,993</u>
7	SECURITY DEPOSITS		
	Security deposits with:		
	- Central Depository Company of Pakistan Limited	100	100
	- National Clearing Company of Pakistan Limited	-	250
		<u>100</u>	<u>350</u>
8	PRELIMINARY EXPENSES AND FLOATATION COSTS		
	Balance as at the beginning of the year / period	3,277	-
	Preliminary expenses and floatation costs incurred	8.1	3,735
	Less: amortisation for the year / period	747	458
	Balance as at the end of the year / period	<u>2,530</u>	<u>3,277</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.

	Note	2011	2010
		Rupees in '000	
9	PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED		
	- MANAGEMENT COMPANY		
	On account of:		
	- Management remuneration	9.1	3,847
	- Formation costs and other initial charges	3,835	3,835
	- Sales load	88	2,959
		<u>7,279</u>	<u>10,641</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.

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		Rupees in '000	
10	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
	Trustee fee	10.1 263	292

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, 2011 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	2011	2010
		Rupees in '000	
11	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
	Annual fee	11.1 2,335	1,646

11.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund 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.

	2011	2010
	Rupees in '000	
12	ACCRUED EXPENSES AND OTHER LIABILITIES	
	10,541	4,321
Provision for Workers' Welfare Fund	557	-
Capital gain tax payable	445	350
Auditors' remuneration	25	50
Printing charges payable	15	16
Settlement charges payable	9	34
Brokerage payable	148	-
Others	11,740	4,771

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

13 PAYABLE AGAINST REDEMPTION OF UNITS

Payable to unit holders:

- NITL Employees Pension Fund	73,385	-
- NITL Employees Provident Fund	41,938	-
- Individuals	214	-
	<u>115,537</u>	<u>-</u>

14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011.

15 NUMBER OF UNITS IN ISSUE

	For the year ended June 30, 2011	For the period from October 24, 2009 to June 30, 2010
Total units in issue at the beginning of the year / period	351,218,756	-
Add: Units issued	248,925,523	682,122,770
Add: Bonus units issued	14,795,785	-
Add: Units issued under Cumulative Investment Plan	1,281,583	-
Less: Units redeemed	(341,369,954)	(330,904,014)
Total units in issue at the end of the year / period	<u>274,851,693</u>	<u>351,218,756</u>

16 MARK-UP ON FIXED INCOME SECURITIES

Mark-up on:

	For the year ended June 30, 2011	For the period from October 24, 2009 to June 30, 2010
Pakistan Investment Bond	6,000	2,416
National Savings Certificate	62,500	26,199
	<u>68,500</u>	<u>28,615</u>

17 AUDITORS' REMUNERATION

Statutory audit fee	345	300
Half yearly review	173	140
Fee for the review of statement of compliance with best practices of the Code of Corporate Governance	50	50

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Tax services	50	-
Out of pocket expenses	29	25
Other certification	-	15
	<u>647</u>	<u>530</u>

18 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971. 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 financial statements for the period ended June 30, 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 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.

19 TAXATION

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

20 EARNINGS PER UNIT

	For the year ended June 30, 2011	For the period from October 24, 2009 to June 30, 2010
	Rupees in '000	
Net income after taxation	<u>304,765</u>	<u>231,742</u>
	Number of units	
Weighted average number of units outstanding	<u>296,168,666</u>	<u>342,791,314</u>
	Rupees	
Earnings per unit (basic and diluted)	<u>1.03</u>	<u>0.68</u>

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

21 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2011		
	Loans and receivables	Available for sale	Total
	Rupees in '000		
Assets			
Bank balances	168,615	-	168,615
Investments	-	2,985,908	2,985,908
Accrued income	35,505	-	35,505
Security deposit	100	-	100
	<u>204,220</u>	<u>2,985,908</u>	<u>3,190,128</u>

	As at June 30, 2011		
	At fair value through profit or loss	Others	Total
	Rupees in '000		
Liabilities			
Payable to National Investment Trust Limited - Management Company	-	7,279	7,279
Payable to Central Depository Company of Pakistan Limited - Trustee	-	263	263
Accrued expenses and other liabilities	-	515	515
Payable against redemption of units	-	115,537	115,537
	<u>-</u>	<u>123,594</u>	<u>123,594</u>

	As at June 30, 2010		
	Loans and receivables	Available for sale	Total
	Rupees in '000		
Assets			
Bank balances	341,572	-	341,572
Investments	-	3,382,931	3,382,931
Accrued income	28,993	-	28,993
Security deposits	350	-	350
	<u>370,915</u>	<u>3,382,931</u>	<u>3,753,846</u>

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	As at June 30, 2010		
	At fair value through profit or loss	Others	Total
	Rupees in '000		
Liabilities			
Payable to National investment Trust Limited			
- Management Company	-	10,641	10,641
Payable to Central Depository Company of Pakistan Limited - Trustee	-	292	292
Accrued expenses and other liabilities	-	400	400
	-	11,333	11,333

22 TRANSACTIONS WITH CONNECTED PERSONS

- 22.1** 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 Fund and directors and officers of the Management Company and the Trustee.
- 22.2** The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.
- 22.3** Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 22.4** 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 October 24, 2009 to June 30, 2010
	Rupees in '000	
22.5 Details of the transactions with connected persons are as follows:		
National Investment Trust Limited - Management Company		
Units issued Nil (2010: 119,601,783 units)	-	1,218,532
Issue of 1,170,242 bonus units (2010: Nil)	11,700	-
Units redeemed Nil (2010: 94,558,085 units)	-	996,196
Front end load on issue of units	102	2,959
Management fee for the year / period	38,936	27,436
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee for the year / period	3,086	2,106
National Investment Trust Limited - Employees Provident Fund		
Units issued 3,598,125 (2010: 14,545,585 units)	40,000	150,000
Issue of 457,924 bonus units (2010: Nil)	4,578	-

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Units redeemed 7,043,576 (2010: 7,500,000 units)	76,811	79,860
	National Investment Trust Limited - Employees Pension Fund		
	Units issued 6,296,719 (2010: 23,366,679 units)	70,000	241,000
	Issue of 735,731 bonus units (2010: Nil)	7,356	-
	Units redeemed 11,316,678 (2010: 12,050,000 units)	123,171	128,308
	Directors and management personnel		
	Units issued Nil (2010: 58,256 units)	-	600
		2011	2010
22.6	Amounts outstanding as at year / period end:	—————	—————
		Rupees in '000	
	National Investment Trust Limited - Management Company		
	Units held 19,170,364 (2010: 18,000,122 units)	213,115	191,665
	Management fee and other payables	7,279	10,641
	Central Depository Company of Pakistan Limited - Trustee		
	Trustee fee payable	263	292
	National Investment Trust Limited - Provident Fund		
	4,056,049 units held (2010: 7,043,576 units)	45,091	75,000
	Payable against redemption of units	41,938	-
	National Investment Trust Limited - Pension Fund		
	7,032,451 units held (2010: 11,316,679 units)	78,179	75,000
	Payable against redemption of units	73,385	-

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 the risk 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 the risk 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.

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

23.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate 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 Bond and bank balances. Except for Market Treasury Bills and Pakistan Investment Bond, the Fund's income and net assets are substantially independent of changes in market interest rate.

As at June 30, 2011, the Fund holds Market Treasury Bills and Pakistan Investment Bond 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, 2011, with all other variables held constant, the net income for the year and net assets would have been lower by Rs 8.653 million (2010: Rs 14.215 million). In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on June 30, 2011, with all other variables held constant, the net income for the year and net assets would have been higher by Rs 8.458 million (2010: Rs 14.548 million).

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, 2011 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, 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 upto one year	More than one year		
Rupees in '000					

On-balance sheet financial instruments

Financial assets

Bank balances	8.00 - 13.00	168,615	-	-	-	168,615
Investments	11.00 - 13.71	1,126,631	1,309,504	549,773	-	2,985,908
Accrued income		-	-	-	35,505	35,505
Security deposit		-	-	-	100	100
		1,295,246	1,309,504	549,773	35,605	3,190,128

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 upto one year	More than one year		

Rupees in '000

Financial liabilities

Payable to National
Investment Trust Limited
- Management Company

	-	-	-	7,279	7,279
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	263	263
Accrued expenses and other liabilities	-	-	-	515	515
Payable against redemption of units	-	-	-	115,537	115,537

	-	-	-	123,594	123,594
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On-balance sheet gap

	1,295,246	1,309,504	549,773	(87,989)	3,066,534
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**Off-balance sheet
financial instruments**

	-	-	-	-	-
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Off-balance sheet gap

	-	-	-	-	-
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**Total interest rate
sensitivity gap**

	1,295,246	1,309,504	549,773	(87,989)	3,066,534
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**Cumulative interest rate
sensitivity gap**

	1,295,246	2,604,750	3,154,523	3,066,534	
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NIT - GOVERNMENT BOND 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 upto one year	More than one year		

Rupees in '000

**On-balance sheet
financial instruments****Financial assets**

Bank balances	6.00 - 12.80	341,572	-	-	-	341,572
Investments	11.99 - 12.50	916,977	1,914,082	551,872	-	3,382,931
Accrued income		-	-	-	28,993	28,993
Security deposits		-	-	-	350	350
		1,258,549	1,914,082	551,872	29,343	3,753,846

Financial liabilities

Payable to National Investment Trust Limited - Management Company		-	-	-	10,641	10,641
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	292	292
Accrued expenses and other liabilities		-	-	-	400	400
		-	-	-	11,333	11,333
On-balance sheet gap		<u>1,258,549</u>	<u>1,914,082</u>	<u>551,872</u>	<u>18,010</u>	<u>3,742,513</u>

**Off-balance sheet
financial instruments****Off-balance sheet gap**

		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>1,258,549</u>	<u>1,914,082</u>	<u>551,872</u>	<u>18,010</u>	<u>3,742,513</u>
Cumulative interest rate sensitivity gap		<u>1,258,549</u>	<u>3,172,631</u>	<u>3,724,503</u>	<u>3,742,513</u>	

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

23.1.3 Price risk

Price risk is the risk 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, 2011.

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 Bond 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, 2011:

Name of the bank	Balance as at June 30, 2011	Rating agency	Published rating	Percentage of total bank balances
(Rupees in '000)				
Bank Al Habib Limited	135,119	PACRA	A1+	80.14%
Summit Bank Limited	30,676	JCR-VIS	A-2	18.19%
Allied Bank Limited	2,578	PACRA	A1+	1.53%
Standard Chartered Bank Limited	102	PACRA	A1+	0.06%
Bank Alfalah Limited	61	PACRA	A1+	0.04%
NIB Bank Limited	54	PACRA	A1+	0.03%
United Bank Limited	25	JCR-VIS	A-1+	0.01%
	168,615			100.00%

Name of the bank	Balance as at June 30, 2010	Rating agency	Published rating	Percentage of total bank balances
(Rupees in '000)				
Allied Bank Limited	329,445	PACRA	A1+	96.45%
Standard Chartered Bank Limited	10,410	PACRA	A1+	3.05%
Bank Al Habib Limited	1,669	PACRA	A1+	0.49%
United Bank Limited	42	JCR-VIS	A1+	0.01%
Bank Alfalah Limited	6	PACRA	A1+	0.00%
	341,572			100.00%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'past due but not impaired'.

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 a commercial bank.

23.3 Liquidity risk

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

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, 2011				
	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	7,279	-	-	7,279
Payable to Central Depository Company of Pakistan Limited - Trustee	263	-	-	263
Accrued expenses and other liabilities	515	-	-	515
Payable against redemption of units	115,537	-	-	115,537
Contractual cash outflows	<u>123,594</u>	<u>-</u>	<u>-</u>	<u>123,594</u>

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

As at June30, 2010				
	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	10,641	-	-	10,641
Payable to Central Depository Company of Pakistan Limited - Trustee	292	-	-	292
Accrued expenses and other liabilities	400	-	-	400
Contractual cash outflows	<u>11,333</u>	<u>-</u>	<u>-</u>	<u>11,333</u>

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:

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- 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).

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	-	2,436,135	-	2,436,135
- Investment in Pakistan Investment Bond	-	45,737	-	45,737
- Investment in National Savings Certificate	504,036	-	-	504,036

26 TRANSACTIONS WITH BROKERS / DEALERS

List of brokers by percentage of commission paid during the year ended June 30, 2011:

S.No	Particulars	Amount of commission (Rupees)	Percentage
1	JS Global Capital Limited	66,041	34.73%
2	BMA Capital Limited	43,781	23.02%
3	Elixir Securities Pakistan Limited	18,929	9.96%
1	KASB Securities (Private) Limited	13,818	7.27%
2	Summit Capital (Private) Limited	13,732	7.22%
3	Invest Capital Investment Bank	13,133	6.91%
4	Global Securities Pakistan Limited	5,623	2.96%
5	IGI Finex Securities Limited	5,366	2.82%
6	Invisor Securities (Private) Limited	5,016	2.64%
7	Invest and Finance Securities Limited	4,706	2.47%
		<u>190,145</u>	<u>100.00%</u>

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

List of brokers by percentage of commission paid during the period ended June 30, 2010:

S.No	Particulars	Amount of commission (Rupees)	Percentage
1	KASB Securities (Private) Limited	33,573	48.32%
2	Global Securities Pakistan Limited	12,013	17.29%
3	BMA Securities Limited	11,429	16.45%
4	Invisor Securities (Private) Limited	8,731	12.57%
5	Invest Capital Investment Bank	2,438	3.50%
6	JS Global Capital Limited	1,300	1.87%
		<u>69,484</u>	<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, 2011				
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	Khurram Aftab**	Fund Manager	MBA	09

* Mr. Wazir Ali Khoja was elected as Chairman of the Investment Committee on June 4, 2010 in place of Mr. Tariq Iqbal Khan.

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

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

28 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 **	1	1	-	-
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.

29 PATTERN OF UNIT HOLDING

	As at June 30, 2011		
	Number of units	Investment amount	Percentage of total investment
	Rupees in '000		
Individuals	19,392,848	215,589	7.06%
Insurance companies	14,281,881	165,816	5.42%
Banks / DFIs	85,133,805	946,426	30.97%
NBFIs	26,978,604	240,721	7.88%
Retirement funds	30,113,212	189,064	6.19%
Public limited companies	80,783,784	441,683	14.46%
Others	18,167,559	856,206	28.02%
	<u>274,851,693</u>	<u>3,055,504</u>	<u>100.00%</u>

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

As at June 30, 2010			
	Number of units	Investment amount	Percentage of total investment
	Rupees in '000		
Individuals	13,882,363	147,815	3.95%
Insurance companies	14,542,315	154,817	4.14%
Banks / DFIs	147,413,525	1,569,659	41.97%
NBFIs	29,098,878	309,845	8.29%
Retirement funds	27,755,233	295,538	7.90%
Public limited companies	10,596,468	112,831	3.02%
Others	107,929,974	1,149,238	30.73%
	<u>351,218,756</u>	<u>3,739,743</u>	<u>100.00%</u>

30 NON - ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Management Company in their meeting held on July 5, 2011 for the year ended June 30, 2011 (2010: Rs 0.65 per unit) have approved a distribution of Rs 1.0201 per unit. 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 ending June 30, 2012.

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 22, 2011 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 2 YEARS

		JUNE 11	JUNE 10
Total Net Asset Value Ex - Dividend	(Rs. In 000's)	2,775,128	3,551,481
Net Asset Value per Unit Ex-Dividend	(Rs. / unit)	10.0968	9.9980
Last Issue Price Per Unit *	(Rs. / unit)	11.1169	10.7545
Last Repurchase Price Per Unit *	(Rs. / unit)	11.1169	10.6480
Highest Issue Price During the Period	(Rs. / unit)	11.2281	10.7650
Lowest Issue Price During the Period	(Rs. / unit)	10.1210	10.000
Highest Repurchase Price During the Period	(Rs. / unit)	11.1169	10.6584
Lowest Repurchase Price During the Period	(Rs. / unit)	10.0208	10.0074
Total Return of the Fund	%	11.19	10.77
Capital Growth	%	0.99	4.27
Income Distributions	%	10.20	6.5
Distribution per Unit (Final)		1.0201	0.65
Distribution Date		5-Jul-11	5-Jul-10
Average Annual Return **			
One Year	%	11.19	10.77
Two Year	%	10.98	-

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

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