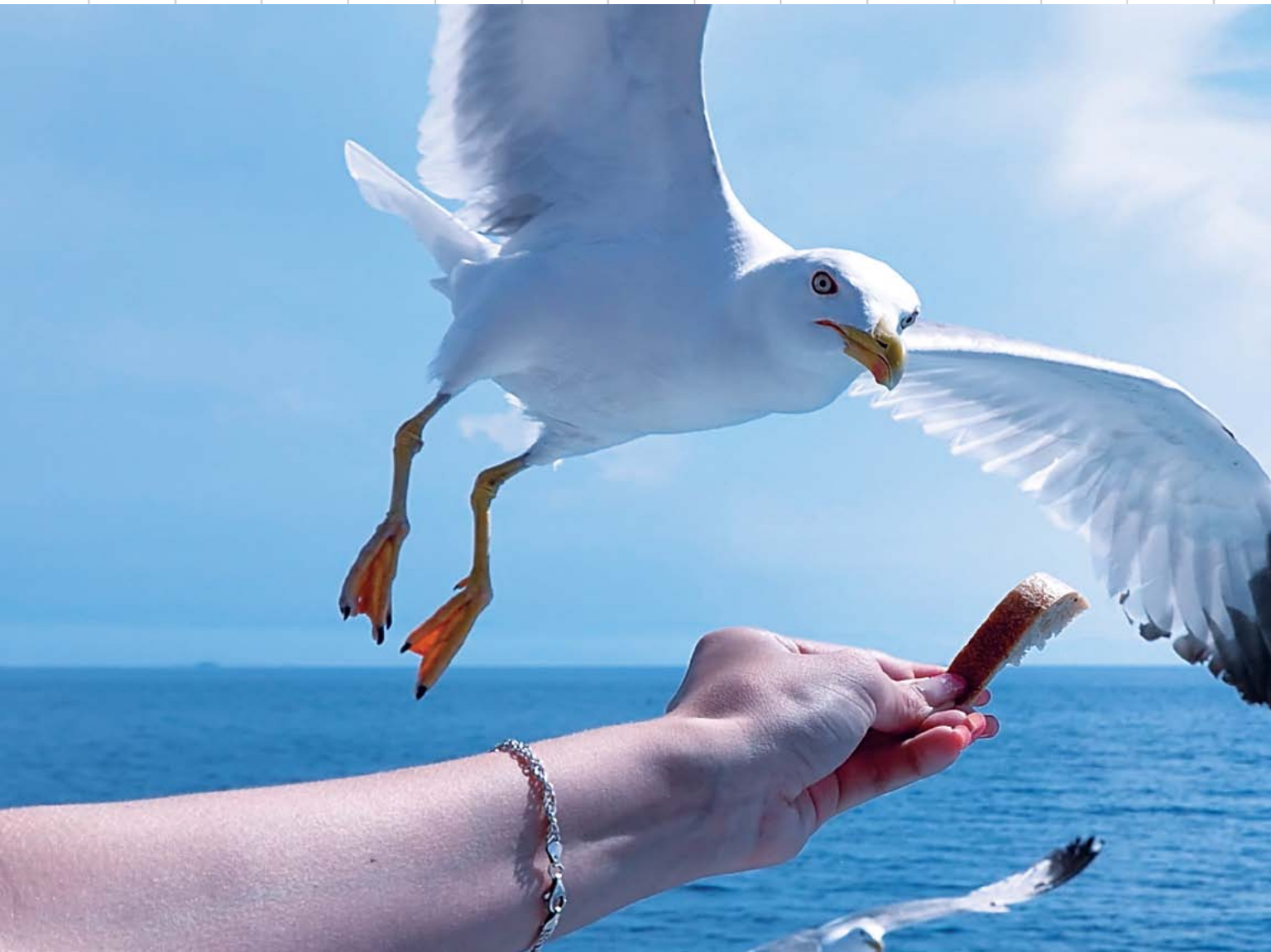


Launched to support the stock market, NIT-SEF has given a staggering outperformance of 34.62% against the KSE-100 Index benchmark since the year of inception till June 30, 2011. NIT-SEF has proven the management's skill set and expertise in Fund Management through depressed market conditions. With investments in only eight blue chip state owned enterprises, NIT-SEF has re-invented the concept of investments in Equity Market amidst a volatile environment.



Loyalty to Enterprise



CORPORATE

information

FUND NAME

NIT - State Enterprise Fund

NAME OF AUDITORS

A.F. Ferguson & Co. Chartered Accountants

LIST OF BANKERS

Allied Bank Limited

Bank Al Habib Limited

NIB Bank Limited

Standard Chartered Bank (Pakistan) Limited

Summit Bank (Formerly Arif Habib Bank Limited)

United Bank Limited

NIT - STATE ENTERPRISE FUND

FUND MANAGER REPORT

2010-2011

NIT-SEF Objective

The objective is to take advantage of market conditions and acquire Eligible Stocks, and write Put Options in favor of Foreign and / or local investors as may be allowed by the Commission on the guarantee of Government, on such stocks thereby creating an opportunity for investors to achieve superior returns in the long run.

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 SEF:

• Launch date	13th January 2009	• Minimum Investment:	-
• Type	Open End Equity Fund	• Management Fee:	0.75%
• Fund Manager	Manzoor Ahmed	• Front End Load:	0.00%
• Fund Size as on June 30, 2011	Rs. 26.37 Billion	• Back End Load:	0.00%
• Par Value	Rs. 50	• Auditors:	A.F. Ferguson & Co. Chartered Accountants
• NAV/unit	Rs. 95.71	• Trustee:	Central Depository Co. of Pakistan Ltd.
• Pricing Mechanism	Forward Pricing	• Risk Profile	Moderate / High
• Benchmark	KSE 100 Index	• Fund Rating: (Ratings based on 31st December 2010)	5-Star Ranking (by JCR-VIS)

Fund Performance Analysis:

	2010-11	2009-10
Opening Net Assets (Rs. in billion)	24.79	15.24
Opening NAV / unit (Rs.) (Ex Div)	83.41	71.50
Ending Net Assets (Rs. in billion)	26.37	24.79
Ending NAV / unit (Rs.)	95.71	98.41
Cash Distribution / unit (Rs.)	-	-
Bonus Distribution / unit (Rs.) Interim	-	4.12
Bonus Distribution / unit (Rs.) Final	11.50	15.00
Dividend Yield (%)	13.79%	26.74%
Capital Growth (%)	0.96%	16.66%
Total Return (%)	14.75%	43.40%
Maximum Funds under management during the year (Rs. in billion)	29.50	27.22

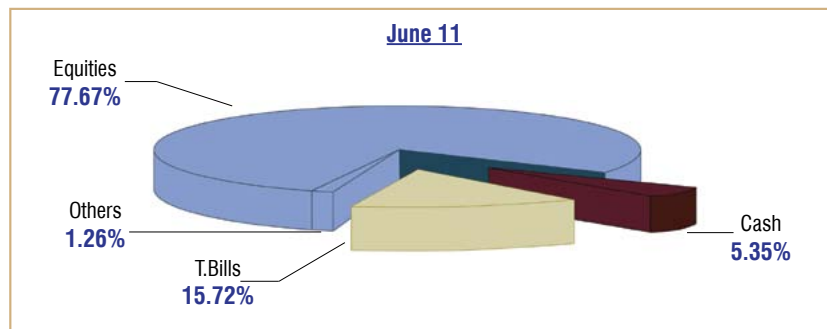
NIT - STATE ENTERPRISE FUND

FUND MANAGER REPORT

2010-2011

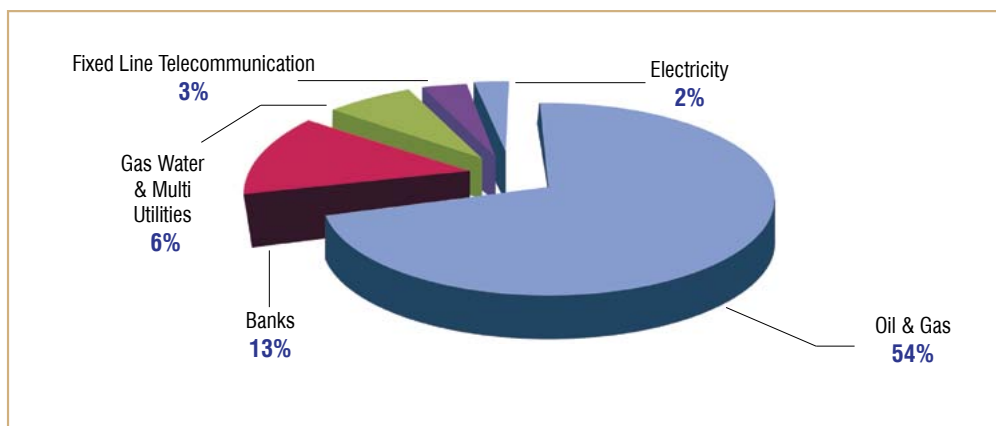
Asset Allocation

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 77.67% in Equities whereas the remaining exposure was in Treasury Bills and cash to the extent of 15.72% and 5.35% 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

Sector-wise breakdown of Fund's Equity portfolio as % of total assets is given below:



In December 2008, after the removal of the floor on individual stock prices, the market started to adjust for a long overdue correction. A tremendous selling pressure, particularly from the foreign investors made the conditions more alarming. In order to ward off the systemic risk in the equity market, the Government of Pakistan decided to launch the State Enterprises Fund under the management of NIT for the specific purpose of buying stocks of companies in which GOP has substantial shareholding. The Fund was mandated to invest in eight eligible stocks irrespective of sector specific allocation limits.

During the year, the Fund continued to play its role in line with its given mandate. The Fund booked substantial capital gains by offloading some of its holdings particularly from the Oil & Gas sector at opportune moments. The Fund booked capital gains of Rs. 1.25 billion during the year and the generated liquidity was invested in other eligible stocks at attractive valuations and also to support the stock market in difficult times.

NIT - STATE ENTERPRISE FUND

FUND MANAGER REPORT

2010-2011

Top Holdings

As stated above the investments of this Fund remain restricted to only eight eligible stocks. Therefore holdings of the Fund as on June 30th 2011 are as follows:

Oil & Gas Development Co. Ltd.	Pakistan Telecommunication Co. Ltd.
Pakistan Petroleum Ltd.	Sui Southern Gas Co. Ltd.
National Bank of Pakistan	Kot Addu Power Company Ltd.
Pakistan State Oil	Sui Northern Gas Pipelines Ltd.

Categorization of Unit Holders By Size - (JUNE 2011)		
CATEGORY	NIT-SEF UNIT HOLDERS	% OF HOLDING
Institutional Investors	1	100%
TOTAL	1	100%

(At present the sole investor of NIT SEF is NITL as this 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.

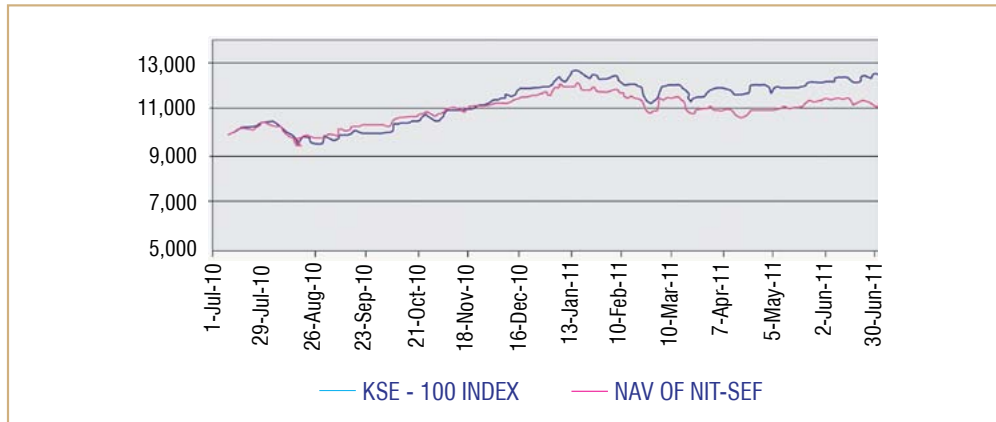
During the 2H of FY11, 'Arab spring uprising' coupled with financial crises in the EU caused the foreign investors to pull out from emerging markets. On the domestic front, worsening political and law and order situation remained the source of uneasiness among the investors. Rumors regarding capital 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 - STATE ENTERPRISE FUND

FUND MANAGER REPORT

2010-2011

Relative Performance of NAV vs. KSE 100



During the period under review, NIT-SEF underperformed the benchmark KSE-100 Index by 13.79% where the Net Asset Value of NIT-SEF unit increased by 14.75% from Rs. 83.41 as on 30th June 2010 (Ex-Dividend) to Rs. 95.71 as on June 30, 2011 against an increase of 28.54% in the benchmark KSE-100 index during the same period. This underperformance is attributable mainly to a few stocks in which the fund is heavily invested which have not performed relative to the benchmark.

Performance of the Fund since inception

	FY 09 (From 13th Jan 09 to 30th June 2009)	FY 10	FY 11	Return since inception (13th Jan. 2009 to 30th June 2011)
NIT-SEF (%)	57.16%	43.40%	14.75%	141.46%
KSE 100 (%)	18.55%	35.74%	28.54%	106.84%
Dividend Per Unit (Rs.)	5.9	-	-	-
Bonus Distribution on the face value of Rs.50	-	38.24%	23.00%	

The above table indicates that NIT-SEF provided a return of 141.46% since inception as compared to a return of 106.84% by its benchmark of KSE-100 index during the same period thus outperforming the benchmark by a staggering margin of 35%.

Dividend declaration for the FY 2010-11:

The Fund has earned a Net Income of Rs. 3.3 billion which translates into per unit earning of Rs. 11.56. NIT-SEF has declared a final bonus @ 23% (Rs. 11.50/unit) on the face value of Rs. 50/- for unit holder of NIT-SEF for the year ended on 30th June 2011.

NIT - STATE ENTERPRISE 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. 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;

- 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 State Enterprise Fund (the Fund), an open-end fund was established under a trust deed dated October 24, 2008, 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 – State Enterprise 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 - STATE ENTERPRISE FUND

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2011

	Note	2011	2010
		Rupees in '000	
ASSETS			
Bank balances	4	1,422,430	6,737,141
Investments	5	24,844,876	18,886,654
Receivable against sale of investments		50,263	-
Dividend and profit receivable	6	288,385	237,661
Unamortised formation costs		507	707
Total assets		26,606,461	25,862,163
LIABILITIES			
Payable to National Investment Trust Limited - Management Company	7	16,444	15,659
Payable to Central Depository Company of Pakistan Limited - Trustee	8	683	651
Payable to Securities and Exchange Commission of Pakistan	9	25,427	20,604
Payable against purchase of investments		-	58,734
Formation costs payable to management company		1,000	1,000
Payable against redemption of units	10	-	850,213
Accrued expenses and other liabilities	11	196,763	129,037
Total liabilities		240,317	1,075,898
NET ASSETS		<u>26,366,144</u>	<u>24,786,265</u>
Unit holders' funds (as per statement attached)		<u>26,366,144</u>	<u>24,786,265</u>
Contingencies and Commitments			
	12	(Number of units)	
Number of units in issue		<u>275,478,665</u>	<u>251,879,845</u>
		(Rupees)	
Net asset value per unit		<u>95.71</u>	<u>98.41</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 - STATE ENTERPRISE FUND

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		Rupees in '000	
INCOME			
Dividend income		1,341,797	1,094,359
Capital gains		1,252,181	1,739,889
Income from government securities		507,624	-
Profit on bank deposits		173,633	298,138
Total income		3,275,235	3,132,386
EXPENSES			
Impairment loss on equity securities classified as 'available for sale'	5.5	210,899	-
Remuneration of National Investment Trust Limited - Management Company	7.1	201,017	162,645
Remuneration of Central Depository Company of Pakistan Limited - Trustee	8.1	8,341	6,793
Annual fee - Securities and Exchange Commission of Pakistan	9.1	25,427	20,604
Custodian charges of Central Depository Company of Pakistan Limited		82	120
Settlement and bank charges		361	275
Amortisation of formation costs		200	200
Auditors' remuneration	13	558	464
Printing and stationery expenses		100	1,442
Other charges		152	-
Total expenses		447,137	192,543
Net income from operating activities		2,828,098	2,939,843
Element of income and capital gains included in prices of units issued less those in units redeemed		565,162	2,259,505
Provision for Workers' Welfare Fund	14	67,864	128,451
Net income for the year before taxation		3,325,396	5,070,897
Taxation	15	-	-

NIT - STATE ENTERPRISE FUND
INCOME STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2011

Note	2011	2010
	Rupees in '000	
Net income for the year after taxation	<u>3,325,396</u>	<u>5,070,897</u>
Earnings per unit (in Rupees)	<u>11.56</u>	<u>21.19</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 - STATE ENTERPRISE FUND
STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		Rupees in '000	
Net income for the year after taxation		3,325,396	5,070,897
Other comprehensive income			
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	5.4	852,740	3,961,782
Total comprehensive income for the year		<u>4,178,136</u>	<u>9,032,679</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 - STATE ENTERPRISE FUND

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	Rupees in '000	
Undistributed income brought forward		
- Realised income	4,059,357	1,225,294
- Unrealised income	-	-
	<u>4,059,357</u>	<u>1,225,294</u>
Final distribution for the year ended June 30, 2010: Rs 15 per unit (2009: Rs 5.9 per unit) (Date of distribution: July 5, 2010)		
- Cash distribution	-	(1,162,229)
- Bonus units	(3,778,198)	-
Interim distribution by issue of bonus units during the year ended June 30, 2010: Rs 4.12 per unit (Date of distribution : February 8, 2010)	-	(1,074,605)
Net Income for the year after taxation	3,325,396	5,070,897
Undistributed income carried forward	<u>3,606,555</u>	<u>4,059,357</u>
Undistributed income comprising:		
Realised income	3,606,555	4,059,357
Unrealised income	-	-
	<u>3,606,555</u>	<u>4,059,357</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 - STATE ENTERPRISE FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	Rupees in '000	
Net assets at the beginning of the year	24,786,265	15,246,300
Issue of 34,634,187 units (2010: 68,692,389 units)	3,400,000	6,405,000
Redemption of 56,332,066 units (2010: 25,405,557 units)	(5,433,095)	(2,475,980)
	(2,033,095)	3,929,020
Issue of 45,296,699 bonus units (2010: 11,604,988 units)	3,778,198	1,074,605
	<u>26,531,368</u>	<u>20,249,925</u>
Element of income and capital gains included in prices of units issued less those in units redeemed - transferred to income statement	(565,162)	(2,259,505)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale' - note 5.4	852,740	3,961,782
Capital gains	1,252,181	1,739,889
Other net income for the year	2,073,215	3,331,008
Final distribution for the year ended June 30, 2010: Rs 15 per unit (2009: Rs 5.9 per unit) (Date of distribution: July 5, 2010)		
- Cash distribution	-	(1,162,229)
- Bonus units	(3,778,198)	-
Interim distribution by issue of bonus units during the year ended June 30, 2010 Rs 4.12 per unit (Date of distribution : February 8, 2010)	-	(1,074,605)
	(452,802)	2,834,063
Net assets at the end of the year	<u><u>26,366,144</u></u>	<u><u>24,786,265</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 - STATE ENTERPRISE FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

Note	2011	2010
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the year before taxation	3,325,396	5,070,897
Adjustments:		
Dividend income	(1,341,797)	(1,094,359)
Profit on bank deposits	(173,633)	(298,138)
Element of income and capital gains included in prices of units issued less those in units redeemed	(565,162)	(2,259,505)
Impairment loss on equity securities classified as 'available for sale'	210,899	-
Amortisation of formation costs	200	200
Remuneration of National Investment Trust Limited - Management Company	201,017	162,645
	1,656,920	1,581,740
Increase in assets		
Investments	(5,316,381)	(60,787)
Receivable against sale of investments	(50,263)	-
	(5,366,644)	(60,787)
Increase / (decrease) in liabilities		
Payable to Central Depository Company of Pakistan Limited - Trustee	32	286
Payable to Securities and Exchange Commission of Pakistan	4,823	15,933
Payable against purchase of investments	(58,734)	(162,419)
Accrued expenses and other liabilities	67,726	125,774
	13,847	(20,426)
Remuneration paid to National Investment Trust Limited - Management Company	(200,232)	(156,819)
Profit received on bank deposits	224,698	236,527
Dividends received	1,240,008	1,049,794
Net cash (outflow on) / inflow from operating activities	(2,431,403)	2,630,029
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts / (payments) against issue / (redemption) of units	(2,883,308)	4,779,233
Distribution paid	-	(1,162,229)
Net cash (outflow on) / inflow from financing activities	(2,883,308)	3,617,004
Net (decrease) / increase in cash and cash equivalents during the year	(5,314,711)	6,247,033

NIT - STATE ENTERPRISE FUND
CASH FLOW STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2011

Note	2011	2010
	Rupees in '000	
Cash and cash equivalents at the beginning of the year	6,737,141	490,108
Cash and cash equivalents at the end of the year	<u>4</u> 1,422,430	<u>6,737,141</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 - STATE ENTERPRISE 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 - State Enterprise 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 October 22, 2008 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the trust deed was executed on October 24, 2008. The units of the Fund were initially issued at Rs 50 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 subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** JCR - VIS Credit Rating Company Limited has assigned a "5 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.
- 1.5** The core objective of the Fund is to take advantage of market conditions, creating an opportunity for investors to achieve superior returns in the long run by acquiring a selection of equity securities of the Eligible Stocks and write Put Options in favour of Foreign Investors and / or local investors as may be allowed by the Securities and Exchange Commission of Pakistan, on the guarantee of the Government of Pakistan. The Eligible Stocks comprise of the following companies:
- National Bank of Pakistan
 - Kot Addu Power Company Limited
 - Pakistan State Oil Company Limited
 - Oil & Gas Development Company Limited
 - Pakistan Petroleum Limited
 - Sui Southern Gas Company Limited
 - Sui Northern Gas Pipelines Limited
 - Pakistan Telecommunication Company Limited

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.

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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:

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 3.2 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 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.

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

b) Financial assets at fair value through profit or loss

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

c) Available for sale

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

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

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

3.2.4 Subsequent measurement

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

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.

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

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. 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, among other indicators, 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 the income statement.

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

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and 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 or cancelled or expired.

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

3.5 Formation costs

Formation 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 amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.7 Taxation

The income of the Fund is exempt from income tax 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.

3.8 Proposed distributions

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

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 'net 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 'net 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 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 the year is transferred to the income statement.

3.11 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in 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.
- Dividend income is recognised when the right to receive dividend is established.
- Income on government securities, bank deposits and placements is recognised on an accrual basis.

	Note	2011	2010
		Rupees in '000	
4 BANK BALANCES			
In current accounts		3,254	79,943
In deposit accounts	4.1	1,419,176	6,657,198
		<u>1,422,430</u>	<u>6,737,141</u>

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

4.1 These accounts carry return at rates ranging from 5% to 13% per annum (2010: 11% to 12.5%) per annum

5 INVESTMENTS	Note	2011	2010
		Rupees in '000	
Available for sale			
Listed equity securities	5.1	20,662,466	18,886,654
Government securities	5.2	4,182,410	-
		<u>24,844,876</u>	<u>18,886,654</u>

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 the investee company	As at July 1, 2010	Purchases during the year	Bonus/right shares issued during the year	Sales during the year	As at June 30, 2011	Carrying value as at June 30, 2011	Market value as at June 30, 2011	Unrealised gain / (loss) as at June 30, 2011	Market value as a percentage of net assets	Market value as a percentage of investments	Percentage of paid-up capital of the investee company held
Banks											
National Bank of Pakistan	49,160,874	6,738,168	13,156,010	2,075,000	66,980,052	2,544,232	3,377,134	832,902	12.81%	13.59%	3.98%
Electricity											
Kot Addu Power Company Limited	11,582,500	1,836,497	-	-	13,418,997	495,244	571,783	76,539	2.17%	2.30%	1.52%
Gas, Water and Multiutilities											
Sui Northern Gas Pipelines Limited	11,079,950	9,529,193	-	-	20,609,143	410,534	410,534	-	1.56%	1.65%	3.75%
Sui Southern Gas Company Limited	36,300,854	6,764,132	10,007,423	-	53,072,409	665,813	1,150,079	484,266	4.36%	4.63%	6.33%
Oil and Gas											
Pakistan State Oil Company Limited	9,245,108	2,137,098	-	1,123,877	10,258,329	1,713,394	2,714,149	1,000,755	10.29%	10.92%	5.98%
Oil and Gas Development Company Limited	53,311,309	-	-	7,069,010	46,242,299	2,284,377	7,074,609	4,790,232	26.83%	28.48%	1.08%
Pakistan Petroleum Limited	18,652,552	2,858,131	3,929,856	3,333,818	22,106,721	2,709,582	4,577,639	1,868,057	17.36%	18.42%	1.85%
Fixed Line Telecommunication											
Pakistan Telecommunication Company Limited	54,628,382	683,767	-	-	55,312,149	850,605	786,539	(64,066)	2.98%	3.17%	1.47%
	<u>243,961,529</u>	<u>30,546,986</u>	<u>27,093,289</u>	<u>13,601,705</u>	<u>288,000,099</u>	<u>11,673,781</u>	<u>20,662,466</u>	<u>8,988,685</u>	<u>78.37%</u>	<u>83.17%</u>	

NIT - STATE ENTERPRISE 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										
Treasury Bills										
August 13, 2009	12 Months	-	850,000	850,000	-	-	-	-	-	
February 11, 2010	06 Months	-	325,000	325,000	-	-	-	-	-	
March 11, 2010	12 Months	-	25,000	25,000	-	-	-	-	-	
May 20, 2010	03 Months	-	25,000	25,000	-	-	-	-	-	
June 17, 2010	12 Months	-	504,000	504,000	-	-	-	-	-	
July 29, 2010	03 Months	-	2,502,000	2,502,000	-	-	-	-	-	
August 13, 2010	03 Months	-	2,212,000	2,212,000	-	-	-	-	-	
October 21, 2010	03 Months	-	2,487,500	2,487,500	-	-	-	-	-	
November 4, 2010	03 Months	-	1,950,000	1,950,000	-	-	-	-	-	
December 2, 2010	03 Months	-	815,000	815,000	-	-	-	-	-	
December 18, 2010	03 Months	-	45,000	45,000	-	-	-	-	-	
December 30, 2010	03 Months	-	150,000	150,000	-	-	-	-	-	
January 13, 2011	03 Months	-	1,100,000	1,100,000	-	-	-	-	-	
January 27, 2011	03 Months	-	2,012,500	2,012,500	-	-	-	-	-	
February 10, 2011	03 Months	-	200,000	200,000	-	-	-	-	-	
February 10, 2011	06 Months	-	400,000	-	400,000	394,305	393,941	(364)	1.49%	
February 24, 2011	03 Months	-	975,000	975,000	-	-	-	-	-	
March 10, 2011	03 Months	-	100,000	100,000	-	-	-	-	-	
March 24, 2011	03 Months	-	196,000	196,000	-	-	-	-	-	
April 7, 2011	03 Months	-	1,025,000	1,025,000	-	-	-	-	-	
April 21, 2011	03 Months	-	1,937,000	-	1,937,000	1,928,292	1,927,332	(960)	7.31%	
May 19, 2011	03 Months	-	950,000	-	950,000	936,414	935,610	(804)	3.55%	
June 16, 2011	03 Months	-	825,000	-	825,000	804,662	804,280	(382)	3.05%	
June 30, 2011	03 Months	-	125,000	-	125,000	121,295	121,247	(48)	0.46%	
Total - June 30, 2011			21,736,000	17,499,000	4,237,000	4,184,968	4,182,410	(2,558)	15.86%	16.83%

5.3 Investments include shares with market value aggregating to Rs 1108.210 million (2010: 1084.92 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

5.4 Net unrealised appreciation on re-measurement of investments classified as 'available for sale'

	2011	2010
	Rupees in '000	
Market value of investments	24,844,876	18,886,654
Less: Carrying value of investments - net of impairment	15,858,749	10,753,267
	8,986,127	8,133,387
Less: Net unrealised appreciation in fair value of investments at the beginning of year	8,133,387	4,171,605
	<u>852,740</u>	<u>3,961,782</u>

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

During the current year, based on scrip wise analysis of the deficit arising on revaluation of quoted shares classified as 'available for sale', it has been determined that an amount of Rs 210.899 million should be charged to the income statement as impairment loss. This impairment loss has been fully recognised and the charge has been reflected in the income statement of the Fund.

6	DIVIDEND AND PROFIT RECEIVABLE	Note	2011	2010
			Rupees in '000	
	Dividend receivable		277,356	175,567
	Profit receivable on bank deposits		11,029	62,094
			<u>288,385</u>	<u>237,661</u>

7 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY

Management fee	7.1	<u>16,444</u>	<u>15,659</u>
----------------	-----	---------------	---------------

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 three fourth of one percent of the average annual net assets of the Fund.

8	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2011	2010
			Rupees in '000	
	Trustee fee	8.1	<u>683</u>	<u>651</u>

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
Up to Rs 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% 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.

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

		Note	2011		2010	
			Rupees in '000			

9	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN				
	Annual fee	9.1	25,427		20,604

9.1 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 Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the scheme. The Fund has been categorised as an equity scheme by the management company.

10 PAYABLE AGAINST REDEMPTION OF UNITS

This represented amount payable to National Investment Trust Limited against pending request for redemption of units.

			2011		2010	
			Rupees in '000			

11	ACCRUED EXPENSES AND OTHER LIABILITIES				
	Provision for Workers' Welfare Fund		196,314		128,451
	Auditors' remuneration		356		300
	Payable to Management Company on account of initial deposit with Bank AL Habib Limited		-		50
	Others		93		236
			196,763		129,037

12 CONTINGENCIES AND COMMITMENTS

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

			2011		2010	
			Rupees in '000			

13	AUDITORS' REMUNERATION				
	Statutory audit fee		330		300
	Half yearly review fee		165		150
	Tax Services		50		-
	Out of pocket expenses		13		14
			558		464

14 PROVISION FOR WORKERS' WELFARE FUND

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

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

15 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 if 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 every year.

16 EARNINGS PER UNIT

	2011	2010
	Rupees in '000	
Net Income for the year after taxation	3,325,396	5,070,897
	(Number of units in '000)	
Weighted average number of units outstanding	287,699	239,356
	(Rupees)	
Earnings per unit (basic and diluted)	11.56	21.19

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2011		
	Loans and receivables	Available for sale	Total
	Rupees in '000		
Assets			
Bank balances	1,422,430	-	1,422,430
Investments	-	24,844,876	24,844,876
Receivable against sale of investments	50,263	-	50,263
Dividend and profit receivable	288,385	-	288,385
	1,761,078	24,844,876	26,605,954

NIT - STATE ENTERPRISE 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
	Rupees in '000		
Liabilities			
Payable to National Investment Trust Limited - Management Company	-	16,444	16,444
Payable to Central Depository Company of Pakistan Limited - Trustee	-	683	683
Payable against purchase of investment	-	-	-
Formation costs payable	-	1,000	1,000
Payable against redemption of units	-	-	-
Accrued expenses and other liabilities	-	449	449
	-	18,576	18,576

	As at June 30, 2010		
	Loans and receivables	Available for sale	Total
	Rupees in '000		
Assets			
Bank balances	6,737,141	-	6,737,141
Investments	-	18,886,654	18,886,654
Dividend and profit receivable	237,661	-	237,661
	6,974,802	18,886,654	25,861,456

	As at June 30, 2010		
	Liabilities at fair value through profit or loss	Others	Total
	Rupees in '000		
Liabilities			
Payable to National Investment Trust Limited - Management Company	-	15,659	15,659
Payable to Central Depository Company of Pakistan Limited - Trustee	-	651	651
Payable against purchase of investments	-	58,734	58,734
Formation costs payable	-	1,000	1,000
Payable against redemption of units	-	850,213	850,213
Accrued expenses and other liabilities	-	586	586
	-	926,843	926,843

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

18 TRANSACTIONS WITH CONNECTED PERSONS

- 18.1** Connected persons include National Investment Trust Limited being the Management Company, Central Depository Company of Pakistan being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company and the Trustee and entities having common directorship with the Management Company.
- 18.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 18.3** Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 18.4** Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.
- 18.5** The details of significant transactions carried out by the Fund with connected persons and balances with them at year end are as follows:

	2011	2010
	Rupees in '000	
Transactions during the year		
National Investment Trust Limited - Management Company		
Issue of 34,634,187 units (2010: 68,692,389 units)	3,400,000	6,405,000
Redemption of 56,332,066 units (2010: 25,405,557 units)	5,433,095	2,475,980
45,296,699 Bonus unit issued (2010: 11,604,988 units)	3,778,198	1,074,605
Management fee expense for the year	201,017	162,645
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	8,341	6,793
Custodian charges	82	120
National Bank of Pakistan		
Purchase of 6,738,168 shares (2010: 5,429,715 shares)	438,086	388,320
Sale of 2,075,000 shares (2010: 2,684,364 shares)	155,802	216,613
13,156,010 bonus shares received (2010: 9,915,163 shares)	-	-
Amounts outstanding as at year end		
National Investment Trust Limited - Management Company		
Investment held by the Sponsor in the Fund [Units held 275,478,665 (2010: 251,879,845 units)]	26,366,144	24,786,265
Management fee payable	16,444	15,659
Formation costs payable	1,000	1,000

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	Rupees in '000	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	683	651
Custodian charges payable	3	21
National Bank of Pakistan		
Shares held 66,980,052 (2010: 49,160,874 shares)	3,377,134	3,151,212

19 FINANCIAL RISK MANAGEMENT

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

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

19.1.1 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 all transactions are carried out in Pak Rupees.

19.1.2 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

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

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. 4.011 million. 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. 4.022 million.

The composition of the Fund's investment portfolio and rates announced by the Financial Market Association of Pakistan 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.

NIT - STATE ENTERPRISE 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 interest rate / yield risk	Total	
	Upto three months	More than three months and up-to one year	More than one year			
On-balance sheet financial instruments						
Financial assets						
Bank balances	5% - 13%	1,419,176	-	-	3,254	1,422,430
Investments	13.7% - 14.1%	4,182,410	-	-	20,662,466	24,844,876
Receivable against sale of investments		-	-	-	50,263	50,263
Dividend and profit receivable		-	-	-	288,385	288,385
		5,601,586	-	-	21,004,368	26,605,954
Financial liabilities						
Payable to National Investment Trust Limited - Management Company		-	-	-	16,444	16,444
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	683	683
Payable against purchase of investments		-	-	-	-	-
Formation costs payable		-	-	-	1,000	1,000
Payable against redemption of units		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	449	449
		-	-	-	18,576	18,576
On-balance sheet gap		5,601,586	-	-	20,985,792	26,587,378
Off-balance sheet financial instruments						
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		5,601,586	-	-	20,985,792	26,587,378
Cumulative interest rate sensitivity gap		5,601,586	5,601,586	5,601,586		

Rupees in '000

NIT - STATE ENTERPRISE 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 interest rate / yield risk	Total	
	Upto three months	More than three months and up-to one year	More than one year			
On-balance sheet financial instruments						
Financial assets						
Bank balances	11 % - 12.5%	6,657,198	-	-	79,943	6,737,141
Investments		-	-	-	18,886,654	18,886,654
Dividend and profit receivable		-	-	-	237,661	237,661
		6,657,198	-	-	19,204,258	25,861,456
Financial liabilities						
Payable to National Investment Trust Limited - Management Company		-	-	-	15,659	15,659
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	651	651
Payable against purchase of investments		-	-	-	58,734	58,734
Formation costs payable		-	-	-	1,000	1,000
Payable against redemption of units		-	-	-	850,213	850,213
Accrued expenses and other liabilities		-	-	-	586	586
		-	-	-	926,843	926,843
On-balance sheet gap		6,657,198	-	-	18,277,415	24,934,613
Off-balance sheet financial instruments						
		-	-	-	-	-
Off-balance sheet gap						
		-	-	-	-	-
Total interest rate sensitivity gap		6,657,198	-	-	18,277,415	24,934,613
Cumulative interest rate sensitivity gap		6,657,198	6,657,198	6,657,198		

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

19.1.3 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 securities 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 the securities which ever is higher, subject to maximum of 35%. However, relaxation in this regard has been obtained from the regulators, to maximise returns and achieve the objectives of the Fund.

In case of 5% increase 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 674.675 million (2010: Rs 632.555 million) as a result of gains / (losses) on equity securities classified as available for sale.

The analysis is based on the assumption that the 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.

19.2 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 investment 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 system. 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.

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 30th, 2010

Bank balances by rating category	2011	2010
A1+, A-1+	0.56%	97%
A-2	99.44%	3%

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.

NIT - STATE ENTERPRISE 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 securities and deposits held with a commercial bank.

19.3 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.

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 redemptions 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.

	As at June 30, 2011			
	Upto three months	Over three months and upto one year	Over one year	Total
	Rupees '000			
Payable to National Investment Trust Limited				
- Management Company	16,444	-	-	16,444
Payable to Central Depository Company of Pakistan Limited - Trustee	683	-	-	683
Payable against purchase of investments	-	-	-	-
Formation costs payable	-	-	1,000	1,000
Payable against redemption of units	-	-	-	-
Accrued expenses and other liabilities	449	-	-	449
	17,576	-	1,000	18,576

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

As at June 30, 2010				
Upto three months	Over three months and upto one year	Over one year	Total	
Rupees '000				
Payable to National Investment Trust Limited - Management Company	15,659	-	-	15,659
Payable to Central Depository Company of Pakistan Limited - Trustee	651	-	-	651
Payable against purchase of investments	58,734	-	-	58,734
Formation costs payable	-	-	1,000	1,000
Payable against redemption of units	850,213	-	-	850,213
Accrued expenses and other liabilities	586	-	-	586
	925,843	-	1,000	926,843

20 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' Funds.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is 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 for unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity which would be augmented by short-term borrowings or disposal of investments where necessary.

21 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.

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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	20,662,466	-	-	20,662,466
- Investment in government securities	-	4,182,410	-	4,182,410

22 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) Arif Habib Limited
- (iii) JS Global Capital Limited
- (iv) Amin Tai Securities (Pvt) Limited
- (v) Cassim investment (Pvt) Limited
- (vi) KASB Securities Limited
- (vii) Foundation Securities (Pvt) Limited
- (viii) BMA Capital Management Limited
- (ix) D.J.M Securities (Pvt) Limited
- (x) Global Securities Pakistan Limited

List of top ten brokers by percentage of commission paid for the period ended June 30, 2010

- (i) AKD Securities Limited
- (ii) JS Global Capital Limited
- (iii) Arif Habib Limited
- (iv) Concordia Securities (Pvt) Limited
- (v) Amin Tai Securities (Pvt) Limited
- (vi) KASB Securities Limited
- (vii) BMA Capital Management Limited

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- (viii) Taurus Securities Limited
- (ix) Foundation Securities (Pvt) Limited
- (x) Cassim Investment (Pvt) Limited

23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

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

23.1 Mr. Manzoor Ahmed is the Manager of the Fund. Other funds being managed by the Fund Manager are as follows:

- National Investment (Unit) Trust
- National Investment (Unit) Trust - LOC Holders' Fund

24 PATTERN OF UNIT HOLDING

	As at June 30, 2011		
	No of Unit Holders	Investment Amount Rupees '000	Percentage Investment
Associated Companies / directors			
Management Company	1	26,366,144	100%
	As at June 30, 2010		
	No of Unit Holders	Investment Amount Rupees '000	Percentage Investment
Associated Companies / directors			
Management Company	1	24,786,265	100%

NIT - STATE ENTERPRISE 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 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in the meeting held on July 5, 2011 have approved a distribution by way of bonus issue of Rs 11.5 per unit for the year ended June 30, 2011 (2010: Rs 19.12 per unit including an interim distribution of Rs 4.12 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.

27 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.

NIT - STATE ENTERPRISE 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

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 - STATE ENTERPRISE FUND PERFORMANCE TABLE LAST 3 YEARS

		JUNE 11	JUNE 10	JUNE 09
Total Net Asset Value Ex-Dividend	(Rs. In 000's)	23,198,139	21,008,067	14,084,071
Net Asset Value per Unit Ex-dividend	(Rs./unit)	84.21	83.41	71.50
Last Issue/Repurchase Price per Unit *	(Rs./unit)	95.71	98.41	77.40
Highest Issue Price During the year	(Rs./unit)	103.76	103.99	77.40
Lowest Issue Price During the year	(Rs./unit)	81.05	75.24	45.02
Total Return of the Fund	%	14.75	43.40	57.16
Capital Growth	%	0.96	16.66	45.18
Income Distributions	%	13.79	26.74	11.98
Total Distribution per Unit	(Rs./unit)	11.50	19.12	5.90
Interim	(Rs./unit)	-	4.12	-
Final	(Rs./unit)	11.50	15.00	5.90
Distribution Date				
Interim		Not Applicable	13-Feb-10	Not Applicable
Final		5-Jul-11	5-Jul-10	6-Jul-09
Average Annual Return				
One Year	%	14.75	43.40	57.16
Two Years	%	29.08	50.28	-
Three Years	%	38.44	-	-

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.