



A second reason why science cannot replace judgement is the behaviour of the financial markets

Martin Feldstein

■ STRENGTH WITH STABILITY

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



■ CORPORATE INFORMATION

FUND NAME

NIT Government Bond Fund

NAME OF AUDITORS

A.F.Ferguson & Co. Chartered Accountants

NAME OF TRUSTEE

Central Depository Company of Pakistan Limited

LIST OF BANKERS

Standard Chartered Bank (Pakistan) Limited

Bank Al Falah Limited

United Bank Limited

Bank Al Habib Limited

Allied Bank Limited

NIB Bank

**NIT - GOVERNMENT BOND FUND CONDENSED INTERIM
STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2010**

| | Note | September 30, 2010 Unaudited | June 30, 2010 Audited |
|------------------------------------------------------------------------|------|---------------------------------|--------------------------|
| ----- (Rupees in '000) ----- | | | |
| ASSETS | | | |
| Bank balances | | 398,549 | 341,572 |
| Investments | 3 | 2,552,130 | 3,382,931 |
| Accrued income | | 16,317 | 28,993 |
| Security deposits | | 350 | 350 |
| Preliminary expenses and floatation costs | | 3,088 | 3,277 |
| Unamortized Listing Fee | | 36 | - |
| Total assets | | 2,970,470 | 3,757,123 |
| LIABILITIES | | | |
| Payable to National Investment Trust Limited - Management Company | | 9,834 | 10,641 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 243 | 292 |
| Payable to Securities and Exchange Commission of Pakistan | | 619 | 1,646 |
| Accrued expenses and other liabilities | | 6,028 | 4,771 |
| Total liabilities | | 16,724 | 17,350 |
| NET ASSETS | | <u>2,953,746</u> | <u>3,739,773</u> |
| Unit holders' fund (as per statement attached) | | <u>2,953,746</u> | <u>3,739,773</u> |
| Contingencies and commitments | 4 | | |
| -----Number of units----- | | | |
| Number of units in issue | | <u>288,395,198</u> | <u>351,218,756</u> |
| -----Rupees----- | | | |
| Net asset value per unit | | <u>10.2420</u> | <u>10.6480</u> |

The annexed notes 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
CONDENSED INTERIM INCOME STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

| | Note | September 30, 2010 Unaudited |
|----------------------------------------------------------------------------------------------------------------------------|------|---------------------------------|
| | | (Rupees in '000) |
| INCOME | | |
| Income from government securities | | 76,603 |
| Profit on bank deposits | | 5,064 |
| Markup on fixed income securities | | 17,420 |
| Capital loss on sale of investments | | (3,063) |
| Total income | | <u>96,024</u> |
| EXPENSES | | |
| Remuneration of National Investment Trust Limited - Management Company | | 10,321 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | | 808 |
| Annual fee - Securities and Exchange Commission of Pakistan | | 619 |
| Amortisation of preliminary expenses and floatation costs | | 188 |
| Bank charges | | 22 |
| Listing fee | | 24 |
| Printing charges | | 25 |
| Auditors' remuneration | | 150 |
| Securities transaction costs | | 123 |
| Total expenses | | <u>12,280</u> |
| Net income from operating activities | | <u>83,744</u> |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed | | (8,680) |
| Workers' welfare fund | | (1,514) |
| Net income for the period before taxation | | <u>73,550</u> |
| Taxation | 5 | - |
| Net income for the period after taxation | | <u><u>73,550</u></u> |
| Earnings per unit (in Rupees) | 6 | <u><u>0.2550</u></u> |

The annexed notes 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
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

| | Note | September 30, 2010 Unaudited |
|-----------------------------------------------------------------------------------------------|------|---------------------------------|
| | | (Rupees in '000) |
| Net income for the period after taxation | | 73,550 |
| Other comprehensive income for the period | | |
| Net unrealised diminution in the fair value of investments classified as 'available for sale' | 3.2 | (3,224) |
| Total comprehensive income for the period | | <u>70,326</u> |

The annexed notes 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
CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

| | September 30, 2010 Unaudited |
|-----------------------------------------------------------------------|---------------------------------|
| | (Rupees in '000) |
| Undistributed income at the beginning of the period | 231,742 |
| Final Distribution for the year ended June 30, 2010: Rs.0.65 per unit | (228,292) |
| Net income for the period after taxation | 73,550 |
| Undistributed income carried forward | <u>77,000</u> |
| Undistributed income comprising of: | |
| Realised income | 77,000 |
| Unrealised income | - |
| | <u>77,000</u> |

The annexed notes 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 CONDENSED INTERIM
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

| | Note | September 30, 2010 Unaudited |
|--------------------------------------------------------------------------------------------------------------------------------|------|---------------------------------|
| | | (Rupees in '000) |
| Net assets at the beginning of the period | | 3,739,773 |
| Issue of 90,971,717 units | | 917,746 |
| Redemption of 168,591,060 units | | (1,702,415) |
| Issue of 14,795,785 bonus units | | (784,669) |
| | | 147,928 |
| | | 3,103,032 |
| Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed | | 8,680 |
| Net unrealised diminution in the fair value of investments classified as 'available for sale' | 3.2 | (3,224) |
| Capital loss on sale of investments | | (3,063) |
| Other net income for the period | | 76,613 |
| Final Distribution for the year ended June 30, 2010: Rs.0.65 per unit | | (228,292) |
| | | (154,742) |
| Net assets at the end of the period | | <u>2,953,746</u> |

The annexed notes 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
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

| | September 30, 2010 Unaudited |
|----------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| | (Rupees in '000) |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net income for the period before taxation | 73,550 |
| Adjustments for non-cash items | |
| Amortisation of preliminary expenses and floatation costs | 188 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed | 8,680 |
| | 82,418 |
| (Increase) / decrease in assets | |
| Investments | 827,578 |
| Accrued income | 12,676 |
| Unamortized Listing Fee | (36) |
| | 840,218 |
| Increase / (decrease) in liabilities | |
| Payable to National Investment Trust Limited - Management Company | (807) |
| Payable to Central Depository Company of Pakistan Limited - Trustee | (49) |
| Payable to Securities and Exchange Commission of Pakistan | (1,027) |
| Accrued expenses and other liabilities | 1,257 |
| | (626) |
| Net cash inflow on operating activities | 922,010 |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Receipts from issue of units | 1,065,674 |
| Dividend paid | (228,292) |
| Payments on redemption of units | (1,702,415) |
| Net cash outflow from financing activities | (865,033) |
| Net increase in cash and cash equivalents during the period | 56,977 |
| Cash and cash equivalents at the beginning of the period | 341,572 |
| Cash and cash equivalents at the end of the period | 398,549 |
| The annexed notes form an integral part of these financial statements. | |

For National Investment Trust Limited
(Management Company)

| | | |
|-------------------|----------|----------|
| Sd/- | Sd/- | Sd/- |
| Managing Director | Director | Director |

■ NIT - GOVERNMENT BOND FUND NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

The NIT - Government Bond Fund (the Fund) was established under a Trust Deed executed between National Investment Trust Limited (NITL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. NBFC-II/NITL/896/2009 dated September 24, 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on September 4, 2009. The units of the Fund have been initially issued at Rs. 10 per unit.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building, I. I. Chundrigar Road, Karachi.

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. The units of the Fund were initially offered for public subscription at par from November 16, 2009 to November 18, 2009 (both days inclusive). Prior to the public offer, units were offered and issued to core investors and pre IPO investors at par value of Rs. 10. However, subsequent to the initial period i.e., after November 18, 2009 units are being offered in accordance with the basis specified in the offering document.

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.

In accordance with the Trust Deed, the first accounting period of the Fund commenced on the date on which the Trust Property was first paid or transferred to the Trustee i.e., October 24, 2009.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset management rating of 'AM2' to the management company. The rating has not yet been assigned to the Fund as Fund has not yet completed full year of operation.

2 BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This condensed interim financial information is being submitted to the unit holders as required under regulation 38(g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

2.1.2 The disclosure made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: "Interim Financial Reporting".

2.1.3 These condensed interim financial statements have been prepared using the same accounting policies which were applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2010.

3 INVESTMENTS

Available for sale

Government securities:

- Market Treasury Bills
- Pakistan Investment Bond
- National Savings Certificate

| Note | September 30, 2010 Unaudited | June 30, 2010 Audited |
|------------------------------|---------------------------------|--------------------------|
| ----- (Rupees in '000) ----- | | |
| 3.1 | 2,002,163 | 2,831,059 |
| | 45,931 | 47,836 |
| | <u>504,036</u> | <u>504,036</u> |
| | <u>2,552,130</u> | <u>3,382,931</u> |

NIT - GOVERNMENT BOND FUND NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2010

3.1 Investment in government securities - Available for sale

| Issue date | Tenor | Face value | | | | Balance as at September 30, 2010 | | | Market value as a percentage of net assets | Market value as a percentage of total investments |
|-----------------------------------------------|-----------|--------------------|-----------------------------|-----------------------------------|--------------------------|----------------------------------|--------------|-----------------------------|--------------------------------------------|---------------------------------------------------|
| | | As at July 1, 2010 | Purchases during the period | Sales / matured during the period | As at September 30, 2010 | Book Value | Market value | Appreciation / (Diminution) | | |
| -----Rupees in '000----- | | | | | | | | | | |
| July 30, 2009 | 12 months | - | 100,000 | 100,000 | - | - | - | - | - | - |
| September 10, 2009 | 12 months | - | 200,000 | 200,000 | - | - | - | - | - | - |
| December 31, 2009 | 6 months | 25,000 | - | 25,000 | - | - | - | - | - | - |
| January 14, 2010 | 6 months | 700,000 | - | 700,000 | - | - | - | - | - | - |
| January 14, 2010 | 12 months | 650,000 | - | - | 650,000 | 630,127 | 627,029 | (3,098) | 21% | 25% |
| February 11, 2010 | 12 months | 300,000 | - | - | 300,000 | 288,305 | 286,628 | (1,677) | 10% | 11% |
| March 11, 2010 | 12 months | 300,000 | - | 100,000 | 200,000 | 190,360 | 189,287 | (1,073) | 6% | 7% |
| April 8, 2010 | 6 months | 162,500 | - | 50,000 | 112,500 | 112,287 | 112,250 | (37) | 4% | 4% |
| April 8, 2010 | 12 months | 437,500 | - | 30,000 | 407,500 | 384,493 | 382,065 | (2,428) | 13% | 15% |
| May 6, 2010 | 3 months | - | 500,000 | 500,000 | - | - | - | - | - | - |
| May 6, 2010 | 12 months | 212,500 | - | 212,500 | - | - | - | - | - | - |
| June 17, 2010 | 3 months | 200,000 | - | 200,000 | - | - | - | - | - | - |
| July 15, 2010 | 3 months | - | 600,000 | 600,000 | - | - | - | - | - | - |
| July 15, 2010 | 6 months | - | 250,000 | 250,000 | - | - | - | - | - | - |
| July 15, 2010 | 12 months | - | 250,000 | 200,000 | 50,000 | 45,667 | 45,389 | (278) | 2% | 2% |
| July 29, 2010 | 3 months | - | 362,000 | - | 362,000 | 359,636 | 359,515 | (121) | 12% | 14% |
| | | 2,987,500 | 2,262,000 | 3,167,500 | 2,082,000 | 2,010,875 | 2,002,163 | (8,712) | 68% | 78% |
| Pakistan Investment Bond September 3, 2009 | 10 years | 50,000 | - | - | 50,000 | 48,635 | 45,931 | (2,704) | 2% | 2% |
| National Savings Certificate | 3 years | 500,000 | - | - | 500,000 | 500,000 | 504,036 | 4,036 | 17% | 20% |
| | | 3,537,500 | 2,262,000 | 3,167,500 | 2,632,000 | 2,559,510 | 2,552,130 | (7,380) | 86% | 100% |

September 30, 2010
Unaudited

(Rupees in '000)

3.2 Net unrealised diminution in the fair value of investments classified as 'available for sale'

| | |
|------------------------------------------------------------------------------------------------|-----------------------|
| Fair value of investments | 2,552,130 |
| Less: Carrying value of investments | <u>(2,559,510)</u> |
| | (7,380) |
| Less: Net un realised (diminution) in fair value of investments at the beginning of the period | <u>4,156</u> |
| | <u><u>(3,224)</u></u> |

■ NIT - GOVERNMENT BOND FUND NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2010

4 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at September 30, 2010.

5 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 current period as reduced by capital gains, whether realised or unrealised, to its unit holders.

6 EARNINGS PER UNIT - BASIC AND DILUTED

Net income for the period after taxation

September 30, 2010
Unaudited

(Rupees in '000)

73,550

(Number of units)

Units outstanding during the period

288,395,198

(Rupees)

Earnings per unit

0.2550

September 30, 2010
Unaudited

(Rupees in '000)

7 TRANSACTIONS WITH CONNECTED PERSONS

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

Transactions during the period:

National Investment Trust Limited
- Management Company
Unit issued during the period
Units redeemed during the period
Front end load on sale of units
Management fee for the period

-
-
23
10,321

Central Depository Company of Pakistan Limited - Trustee
Trustee fee for the period

808

Directors & management personnel
Unit issued (19,640 units)

201

**■ NIT - GOVERNMENT BOND FUND NOTES TO AND FORMING
PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

| | September 30, 2010 Unaudited | June 30, 2010 Audited |
|--------------------------------------------------------------------------------------|---------------------------------|--------------------------|
| ----- (Rupees in '000) ----- | | |
| Amounts outstanding as at period end: | | |
| National Investment Trust Limited - Management Company | | |
| Units held revalued at current NAV (26,671,864 units) | 273,173 | 266,665 |
| Management fee and other payables | 9,834 | 10,641 |
| Central Depository Company of Pakistan Limited - Trustee Trustee fee payable | 243 | 292 |
| Directors & management personnel Unit held revalued at current NAV (24,965 units) | 256 | 620 |

8 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 14, 2010 by the Board of Directors of the Management Company.

9 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For National Investment Trust Limited
(Management Company)

| | | |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| <p>Sd/-</p> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <p>Managing Director</p> | <p>Sd/-</p> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <p>Director</p> | <p>Sd/-</p> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <p>Director</p> |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|