

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



## CORPORATE INFORMATION

### FUND NAME

NIT - Government Bond Fund

### NAME OF AUDITORS

KPMG Taseer Hadi & Co. Chartered Accountants

### LIST OF BANKERS

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

## NIT - GOVERNMENT BOND FUND FUND MANAGER REPORT 2014-2015

### NIT Government Bond Fund Objective

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

### Profile of Investment Manager

National Investment Trust Ltd. (NITL) is the first Asset Management Company of Pakistan, formed in 1962. NITL is the largest asset management company of Pakistan with approximately Rs. 95 billion assets under management. The family of Funds of NIT comprises of eight funds including 4 equity funds, 2 fixed income funds, 1 conventional pension fund and 1 Islamic pension fund. These are the General Pension Funds and Shariah Compliant Pension Funds. NIT's tally of nationwide branches is 23, yet another milestone as no Asset Management Company in Pakistan has such a big network of branches. To cater the matters relating to investments in NIT and day to day inquiries / issues of NIT's unit holders, state of the art Investors' Facilitation Centre is also in place. The Board of Directors of NITL consists of top executives from leading financial institutions, prominent industrialists and nominee of Govt. of Pakistan. The Company has been assigned an Asset Manager rating of "AM2" by Pakistan Credit Rating Agency, which reflects the company's very strong capacity to manage the risks inherent in the asset management business and the asset manager meets very high investment management industry standards and benchmarks. All Investment decisions are taken by the Investment Committee of NITL.

### Fund Information - NIT GBF

• Fund Type	Open-End	• Category	Income Fund
• Launch Date	November 18, 2009	• Listing	KSE, LSE & ISE
• Management Fee	1.25%	• Front End Load*	1.00%
• Back End Load	Nil	• Par Value	PKR 10.0000
• Fund Manager	Shoaib Ahmed Khan	• Risk Profile	Low
• Stability Rating	AA- (f) (PACRA)	• AMC Rating	AM2 (PACRA)
• Trustee	Central Depository Co. (CDC)	• Auditors	KPMG Taseer Hadi
• Registrar	National Investment Trust Ltd.	• Pricing Mechanism	Forward Pricing
• Min Subscription	Rs. 5,000 Growth Units		
	Rs. 10,000 Income Units		

\* *Varies as per policy.*

### Rating

The Pakistan Credit Rating Agency (PACRA) assigned stability rating of "AA - (f)" (Double A Minus – fund rating) to NIT Government Bond Fund in Mar 2015. The fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

## NIT - GOVERNMENT BOND FUND FUND MANAGER REPORT 2014-2015

### Fund's Performance at a Glance

	2014-15	2013-14
Beginning Net Assets (Rs. Million)	4,166	4,796
Beginning NAV Per Unit (Ex-Dividend) (Rs.)	10.1039	10.0833
Ending Net Assets (Rs. Million)	4,861	4,166
Ending NAV Per Unit (Rs.)	10.1222	10.8539
Net Income (Rs. Million)	456	305
Distribution Per Unit (Rs.)	1.38**	0.75
Income Distribution (% of Net Income)	99.39%	96.84%
Annualized Return (%)	13.86%	7.64%
Benchmark Return (%)	8.17%	8.80%
Weighted Average Time to Maturity (Year)	1.1	1.6

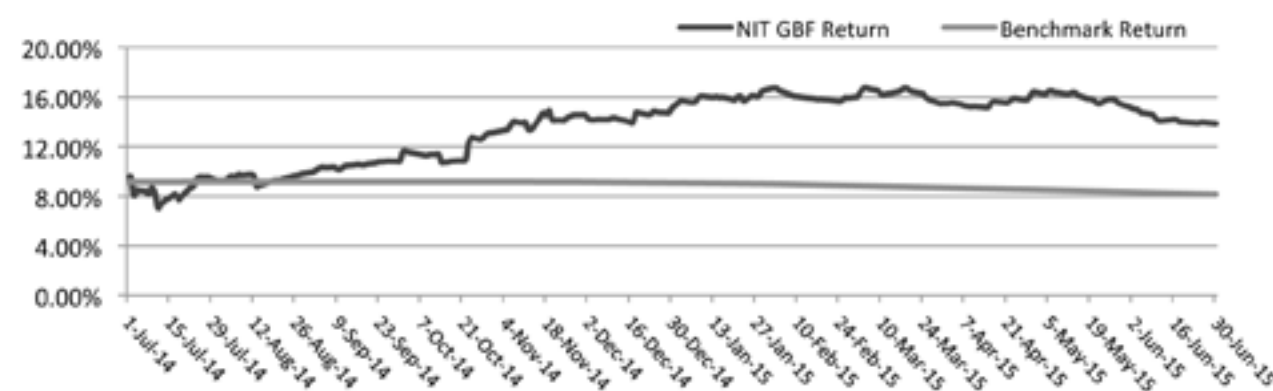
\*\* Interim Distribution.

### Benchmark vs. Return

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

### Comparison of Fund's return against benchmark

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



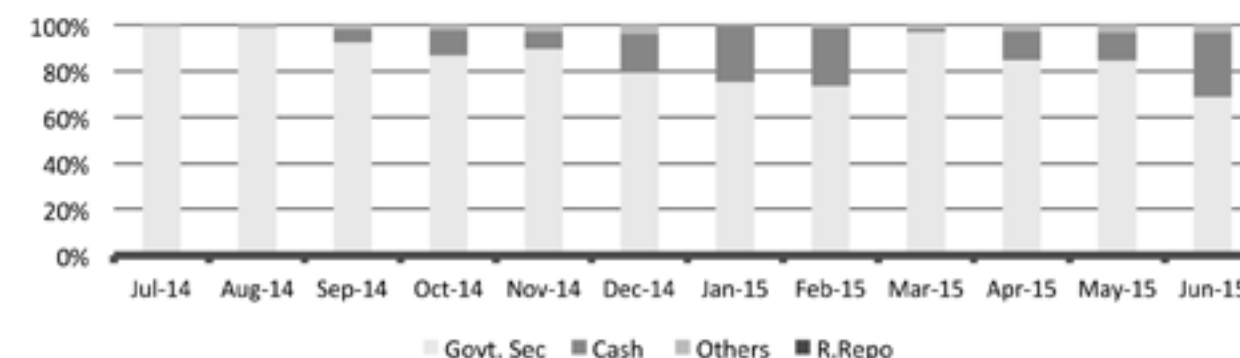
### Investment Strategy

NIT Government Bond Fund generated a return of 13.86% p.a. for FY15 as compared to its benchmark return of 8.17% p.a. thereby, outperforming its benchmark by 569bps. In the backdrop of decade low inflation levels and comfortable external account position, the SBP adopted an easing monetary stance and reduced Discount rates from 10% p.a. to bring it down to a 42 year low level of 7% p.a. during FY15. CPI inflation, mainly assisted by lower commodity prices, closed FY15 at an average of 4.53% which is an 11 year low level.

## NIT - GOVERNMENT BOND FUND FUND MANAGER REPORT 2014-2015

The Fund's annualized return since its inception was 13.37% p.a. while its benchmark return was 9.63% p.a. hence outperforming its benchmark by 374bps. During the year the fund invested an average of 85% in Marketable Government Securities such as Treasury Bills and Pakistan Investment Bonds. The fund varied its portfolio's weighted average maturity over the year concentrating on long maturing Bonds however reduced the weighted average maturity from 1.6 years at the start of the fiscal year to 1.1 years.

### Asset Allocation



The fund as of June 30, 2015 had allocated about 69% of its total assets in Government Securities consisting of an exposure of about 8% in Treasury Bills and about 61% in Pakistan Investment Bonds, where as the remaining 31% of total assets were in the form of cash and other receivables/assets. Weighted average time to maturity of the fund was 409 days as on June 30, 2015. This was adjusted in accordance with the view on market conditions. The fund has around Rs. 4.86 Billion of net assets as of June 30, 2015.

### Dividend Declaration by the Fund for FY15

During FY15, NIT Government Bond Fund has earned a net income of Rs. 456 million as compared to Rs. 305 million in FY14. Net income translates into a per unit earning of Rs. 0.74 as compared to Rs. 0.74 per unit last year. The fund has declared a per unit distribution of Rs. 1.38 for its unit holders.

### Pattern of Unit Holders

Category	(Units in million) NIT-GBF	% of Holding
Institutional Investors	372	77.34%
Individuals	109	22.66%
<b>Total</b>	<b>481</b>	<b>100.00%</b>

### WWF Disclosure

The Scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 39.14m. If the same were not made the NAV per unit/ year to date return of the Scheme would be higher by Rs. 0.0815/ 0.92%.

# NIT - GOVERNMENT BOND FUND

## FUND MANAGER REPORT

### 2014-2015

#### Money Market Review

State Bank of Pakistan reduced its discount rate by 300 bps during the fiscal year to bring the rate to 7.00% p.a. from 10.00% p.a. In the backdrop of decade low inflation levels and comfortable external account position, the SBP adopted for an easing monetary stance and reduced Discount rates to bring it down to a 42 year low level of 7% p.a. during FY15. Low levels of interest rates were aimed at rejuvenating the economic cycle and pick private credit growth. CPI inflation, mainly assisted by lower commodity prices, closed FY15 at an average of 4.53% which is an 11 year low level. The country's FX reserves gained significant momentum over the year and reached an all time high level of well over US\$ 18 billion mark.

Six month KIBOR reduced to 7.04% as compared to last year ending at 10.17% and decrease of 313 bps mainly due to reduction in discount rate.

During FY15, SBP conducted a total of 26 T-bill auctions (two auctions per month and 3 auctions in Oct-14 and Apr-15). Treasury Bills auction cutoff held in Jun-15 for the 3M, 6M and 12M tenors reduced to 6.93% p.a., 6.95% p.a. and 6.97% p.a. from 9.96% p.a., 9.98% p.a. and 9.98% p.a. respectively held in June-14. The cut-off yield on the 3 years, 5 years and 10 years PIB closed at 8.09% p.a., 8.99% p.a. and 9.25% p.a. decreasing from the previous year's closing rate of 12.10% p.a., 12.55% p.a. and 13.00% p.a. for the 3 years, 5 years and 10 years bond.

#### Economic Review

The revival of growth that started in 2013-14 accelerated further in 2014-15. The factors contributing to this momentum in growth include the reform initiatives, commitment to a calibrated fiscal and monetary management and an overall improvement in macroeconomic situation. The impact of these factors was strengthened by a steep decline in oil prices, rise in foreign exchange buffers, growth in remittances and proceeds from privatization.

The GDP growth accelerated to 4.2 % in 2014-15 against a growth of 4.00 % recorded in the same period last year. The growth momentum is broad based, as all major sectors like Commodities Producing Sector along with Services Sector performed better than last year amid gas shortages, power outages along with security related challenges and untoward environment behavior.

Agriculture accounted for 20.9 % of the Gross Domestic Product (GDP) in 2014-15 and is a source of livelihood of 43.5 % of rural population. During fiscal year 2014-15, the overall performance of agriculture sector recorded a growth of 2.9 % compared to the growth of 2.7 % during last year due to positive growth in all related agriculture sub sectors. Crops witnessed a growth of 1.0 %, Livestock 4.1 %, Forestry 3.2 % and Fishing 5.8 %.

Manufacturing sector accounts for 13.3 % of GDP and 14.2 % of the total employed labor force. The Large Scale Manufacturing sector which has a share of 11 % in the industry and 80 % in manufacturing could not perform at the same pace as last year, registering a growth of 2.5 % in 2014-15 as compared to 4.6 % in the same period last year.

The services sector registered a growth of 5% compared to last year's growth of 4.4 %. In the services sector, major growth emanated from finance and insurance which posted a growth of 6.2 % against a target of 5.8 % and growth of 4.2 % achieved last year.

During FY 2014-15, FDI inflows posted a growth of 10.2 % and reached \$2,057.3 million against \$1,866.3 million in the same period of FY13-14. During FY14-15, foreign private investment increased to \$1,666.2 million against \$1,050.3 million in the comparable period of FY14, thereby showing a sign of restoring investor's confidence. The communications, oil & gas exploration, financial business, power and chemicals sectors remained the main recipient of FDI during the year.

Workers Remittances remained a key source of external resource flows for our economy. After India, Pakistan is the second largest recipient of remittances in the South Asian region. The available data suggest that inflow of Remittances for FY 2014-15 stood at \$18.5 billion as compared to \$15.8 billion during the corresponding period last year, a YoY growth of 17 %.

Price stability remained a high priority of the government due to socio-economic cost of inflation. Inflation rate measured through the Consumer Price Index (CPI) averaged at 4.5 % during 2014-15 as against 8.6 % in the same period last year. This is the lowest level of inflation since 2003.

Pakistan's current account deficit declined to US\$2.3 billion during 2014-15 from US\$3.1 billion in 2013-14. A combination of factors helped this marked improvement including declining oil prices, larger inflows under the Coalition Support Fund (CSF), lower freight charges on imports and steady growth in workers' remittances. The trade deficit posted an increase of around 2.4% during FY 2014-15, primarily due to decline in exports. On the other hand, higher imports of metal, machinery, agriculture & other chemicals, and transport, nearly offset the gain in import bill from a sharp fall in international POL prices.

# NIT - GOVERNMENT BOND FUND

## FUND MANAGER REPORT

### 2014-2015

Given the above macro stabilization achievements, it is expected that a better energy supply situation in the country going forward coupled with a historically low discount rate would encourage the private sector investors to expand their business and maximize capacity utilization. This will have a direct impact on the investment to GDP ratio.

**(Economic data source: Economic Survey of Pakistan, FBS & 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

We, Central Depository Company of Pakistan Limited, being the Trustee of NIT Government Bond Fund (the Fund) are of the opinion that National Investment Trust Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 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, October 19, 2015

## AUDITORS' REPORT

### INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of NIT - Government Bond Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2015 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unit holders' fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Fund'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 Fund'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 state of the Fund's affairs as at 30 June 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Sd/-

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Muhammad Nadeem  
Dated: September 30, 2015  
Karachi

## COMPLIANCE REPORT

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of National Investment Trust Limited ("the Management Company") for and on behalf of NIT - Government Bond Fund (the Fund) for the year ended 30 June 2015, to comply with the listing regulations, where the Fund is listed .

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach . We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code 'requires the company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2015 .

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S.No.	Paragraph Reference	Description
1	1	Appointment of Independent Director
2	15	Audit Committee Composition

Sd/-

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Karachi**  
**Dated: September 30, 2015**

## COMPLIANCE STATEMENT

### STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

This Statement is being presented to comply with the requirements of the Code of Corporate Governance contained in the Listing Regulations of Karachi, Islamabad and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

National Investment Trust Limited, the Management Company, is not listed and hence, the Code is not applicable to it. However, NIT-Government Bond Fund (the Fund) being listed at the Karachi, Islamabad and Lahore Stock Exchanges comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Managing Director (MD), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of non-executive directors (the Board). Presently, the Board includes ten non-executive directors and one executive director. The names are listed in alphabetical order as under:

(i) Mr. Aman Aziz Siddiqui	– Non Executive
(ii) Mr. Iqbal Adamjee	– Non Executive
(iii) Mr. Jamal Nasim	– Non Executive
(iv) Mian Nusrat-ud-Din	– Non Executive
(v) Mr. Muhtashim Ahmad Ashai	– Non Executive
(vi) Mr. Muhammad Hanif Akhal	– Non Executive
(vii) Mr. Rana Assad Amin	– Non Executive
(viii) Mr. Shahid Ghaffar	– Executive
(ix) Mr. Shahzad Farooq Lodhi	– Non Executive
(x) Syed Ahmed Iqbal Ashraf	– Non Executive
(xi) Mr. Yameen Kerai	– Non Executive

Currently, the Board doesn't have any independent director. The matter has been referred to SECP for advice in consultation with GOP.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies.
3. All the resident directors of the Management Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the board on 19 February 2015 which was filled up by the directors within 57 days thereof.
5. The Management Company has adopted a "Corporate Social Responsibility (CSR) Document" detailing organizational governance and business practices which has been acknowledged by all the directors and employees of the Management Company.
6. The Management Company has developed a vision / mission statement, overall corporate strategy and significant record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions. Including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board of Directors has met at least once every quarter during the year and written notices of the meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board conducted an orientation program for the Board in a Brain Storming Session held on 09 December 2014. Four Directors on the Board are Certified Directors of PICG.



## COMPLIANCE STATEMENT

10. There was no new appointment of Chief Financial Officer, Company Secretary or the Head of Internal Audit during the year. Their remuneration and terms and conditions of employment had been approved by the Board.
11. The Directors' Report for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund have been prepared in accordance with the approved accounting standards as applicable in Pakistan and were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 19 to the financial statements "Transactions and Balances with Connected Persons".
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of six members, all of whom are non-executive directors. None of the members is Independent.
16. The meetings of the Audit Committee were held at least every quarter prior to approval of interim and final results of the Fund as required by the Code. The Board has approved terms of reference of the Audit Committee.
17. The Board has formed a Human Resource and Remuneration Committee which comprises of 4 (four) members. 3 (three) of whom are non-executive directors.
18. The Board has set-up an effective internal audit function headed by the Head of Internal Audit & Compliance who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of final results, and business decisions, which may materially affect market price of the fund's unit was determined and intimated to the trustee, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles contained in the Code have been complied with.

Sd/-

**Shahid Ghaffar**  
Managing Director

**Dated: September 30, 2015**

**Place: Karachi**

## NIT - GOVERNMENT BOND FUND STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2015

Note	2015 (Rupees in '000)	2014
<b>Assets</b>		
5	1,443,512	126,421
6	3,581,133	4,002,443
7	169,141	121,537
	100	100
8	-	290
	<b>5,193,886</b>	<b>4,250,791</b>
<b>Liabilities</b>		
9	6,955	9,600
10	409	343
11	5,047	3,230
	569	153
12	122,492	39,019
	197,705	32,071
	<b>333,177</b>	<b>84,416</b>
	<b>4,860,709</b>	<b>4,166,375</b>
	<b>4,860,709</b>	<b>4,166,375</b>
<b>Contingency</b>		
13		
<b>(Number of units)</b>		
14	<b>480,205,131</b>	<b>412,351,840</b>
<b>(Rupees)</b>		
	<b>10.1222</b>	<b>10.1039</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - GOVERNMENT BOND FUND**  
**INCOME STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2015

Note	2015 (Rupees in '000)	2014
<b>Income</b>		
Income from government securities	102,942	329,080
Mark-up on Pakistan Investment Bonds	532,323	64,863
Profit on bank deposits	71,805	15,761
Income from reverse repurchase transactions	54	929
Gain on sale of investments - net	203,827	2,279
<b>Total income</b>	<b>910,951</b>	<b>412,912</b>
<b>Expenses</b>		
Remuneration of National Investment Trust Limited - Management Company	9.1 84,362	53,849
Sindh Sales Tax on remuneration of Management Company	9.1 14,680	10,071
Federal Excise Duty on remuneration of Management Company	12.2 13,498	9,093
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10 5,800	3,987
Annual fee - Securities and Exchange Commission of Pakistan	11 5,047	3,230
Amortisation of preliminary expenses and floatation costs	8 290	748
Auditors' remuneration	15 707	678
Legal and professional charges	-	42
Mutual fund rating fee	232	182
Annual listing fee	120	120
Bank charges	589	310
Securities transaction costs	22	230
Printing charges	318	100
<b>Total expenses</b>	<b>125,665</b>	<b>82,640</b>
<b>Net income from operating activities</b>	<b>785,286</b>	<b>330,272</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(320,844)	(19,299)
Provision for Workers' Welfare Fund	12.1 (8,107)	(6,219)
<b>Net income before taxation</b>	<b>456,335</b>	<b>304,754</b>
Taxation	-	-
<b>Net income for the year</b>	<b>456,335</b>	<b>304,754</b>
(Rupees)		
<b>Earnings per unit - basic and diluted</b>	<b>0.74</b>	<b>0.74</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - GOVERNMENT BOND FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2015

Note	2015 (Rupees in '000)	2014
Net income for the year	456,335	304,754
<b>Other comprehensive income for the year</b>		
<b>Items to be reclassified to income statement in subsequent periods:</b>		
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	6.3 123,323	(9,827)
<b>Total comprehensive income for the year</b>	<b>579,658</b>	<b>294,927</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director



**NIT - GOVERNMENT BOND FUND**  
**DISTRIBUTION STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2015**

Note	2015 (Rupees in '000)	2014
<b>Undistributed income brought forward - realised</b>	<b>46,141</b>	412,981
Final distribution for the year ended 30 June 2014: Nil [(2013: Rs 0.8803 per unit) (Date of Distribution: 4 July 2013)]		
- Cash distribution	-	(39,043)
- Issue of units under Cumulative Investment Plan	-	(435)
- Issue of bonus units	-	(345,611)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund - net	<b>(125,682)</b>	3,608
Net income for the year	<b>456,335</b>	304,754
Interim distribution for the year ended 30 June 2015: Rs 1.38 per unit (Date of distribution: 24 June 2015) [(2014: Rs 0.75 per unit) (Date of distribution: 30 June 2014)]		
- Cash distribution	<b>(236,208)</b>	(32,071)
- Issue of units under Cumulative Investment Plan	<b>(209,927)</b>	(394)
- Issue of bonus units	-	(257,648)
<b>(Accumulated loss) / undistributed income carried forward - realised</b>	<b>(69,341)</b>	<b>46,141</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - GOVERNMENT BOND FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**  
**FOR THE YEAR ENDED 30 JUNE 2015**

Note	2015 (Rupees in '000)	2014
Net assets at beginning of the year [Rs. 10.1039 per unit (2014: Rs. 10.9636 per unit)]	<b>4,166,375</b>	4,796,053
Issue of 812,961,475 units (2014: 212,588,181 units)	<b>8,644,656</b>	2,233,896
Redemption of 765,865,080 units (2014: 297,541,243 units)	<b>(8,614,616)</b>	(3,106,686)
Issue of Nil bonus units (2014: 59,775,433 units)	-	603,259
Issue of 20,756,896 units under Cumulative Investment Plan (2014: 78,386 units)	<b>209,927</b>	829
	<b>239,967</b>	(268,702)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		
- amount representing loss transferred to income statement	<b>320,844</b>	19,299
- amount representing loss / (income) transferred to distribution statement	<b>125,682</b>	(3,608)
	<b>446,526</b>	15,691
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'		
Gain on sale of investments - net	<b>123,323</b>	(9,827)
Other net income for the year	<b>203,827</b>	2,279
<b>Total comprehensive income for the year</b>	<b>252,508</b>	302,475
	<b>579,658</b>	294,927
Final distribution for the year ended 30 June 2014: Nil [(2013: Rs. 0.8803 per unit) (Date of distribution: 4 July 2013)]		
- Cash distribution	-	(39,043)
- Issue of units under Cumulative Investment Plan	-	(435)
- Issue of bonus units	-	(345,611)
Interim distribution for the year ended 30 June 2015: Rs 1.38 per unit (Date of distribution: 24 June 2015) [(2014: Rs 0.75 per unit) (Date of distribution: 30 June 2014)]		
- Cash distribution	<b>(236,208)</b>	(32,071)
- Issue of units under Cumulative Investment Plan	<b>(209,927)</b>	(394)
- Issue of bonus units	-	(257,648)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund - net	<b>(125,682)</b>	3,608
<b>Net assets at end of the year</b> [Rs. 10.1222 per unit (2014: Rs. 10.1039 per unit)]	<b>4,860,709</b>	<b>4,166,375</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - GOVERNMENT BOND FUND**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2015**

Note	2015 (Rupees in '000)	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before taxation	456,335	304,754
<b>Adjustments:</b>		
Amortisation of preliminary expenses and floatation costs	290	748
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	320,844	19,299
	<u>777,469</u>	<u>324,801</u>
<b>Decrease / (increase) in assets</b>		
Investments	544,633	778,194
Profit receivables	(47,604)	(97,354)
	<u>497,029</u>	<u>680,840</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to National Investment Trust Limited - Management Company	(2,645)	(325)
Payable to Central Depository Company of Pakistan Limited - Trustee	66	(18)
Payable to Securities and Exchange Commission of Pakistan	1,817	139
Payable against redemption of units	416	(958)
Accrued expenses and other liabilities	83,473	12,930
	<u>83,127</u>	<u>11,768</u>
<b>Net cash generated from operating activities</b>	<u>1,357,625</u>	<u>1,017,409</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	8,644,656	2,233,896
Payments against redemption of units	(8,614,616)	(3,106,686)
Distribution paid	(70,574)	(39,107)
<b>Net cash (used in) financing activities</b>	<u>(40,534)</u>	<u>(911,897)</u>
<b>Net increase in cash and cash equivalents during the year</b>	<u>1,317,091</u>	<u>105,512</u>
Cash and cash equivalents at beginning of the year	126,421	20,909
<b>Cash and cash equivalents at end of the year</b>	<u>5</u> <u>1,443,512</u>	<u>126,421</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - GOVERNMENT BOND FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** The NIT - Government Bond Fund (the Fund) was established under a Trust Deed executed between National Investment Trust Limited (NITL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no.NBFC-II/NITL/896/2009 dated 24 September 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on 4 September 2009. The Fund is categorized as an Income Scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters. The units of the Fund were initially issued at Rs 10 per unit.
- 1.2** The Management Company of the Fund has been classified as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building, I.I. Chundrigar Road, Karachi.
- 1.3** The Fund is an open-ended mutual fund and is listed on Karachi, Lahore and Islamabad stock exchanges. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** Pakistan Credit Rating Agency Limited (PACRA) has assigned "AA-(f)" rating to the Fund and has assigned an asset manager rating of "AM2" to the Management Company.
- 1.5** The objective of the Fund is to generate competitive stream of return with moderate level of risk for its unit holders, by investing primarily in government securities.
- 1.6** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

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

**2.2 Accounting convention**

These financial statements are prepared under the historical cost convention except for investments which are carried at fair value.

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. 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 related to classification and valuation of investments and impairment thereagainst, if any (note 4.1 and note 6).

# NIT - GOVERNMENT BOND FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

#### 3 NEW OR AMENDMENTS / INTERPRETATION TO EXISTING STANDARD, INTERPRETATION AND FORTHCOMING REQUIREMENTS

3.1 There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2014 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not stated in these financial statements.

#### 3.2 New standards, amendments to approved accounting standards and a new interpretation to existing standard that are not yet effective yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Fund's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of

# NIT - GOVERNMENT BOND FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on the Fund's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Fund's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual period beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

#### 4 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 to all periods presented.

##### 4.1 Financial assets

##### 4.1.1 Classification

The Fund classifies its financial assets into the following categories: loans and receivables, at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Management Company 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.

**NIT - GOVERNMENT BOND FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2015

**4.1.2 Regular way contracts**

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

**4.1.3 Initial recognition and measurement**

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

**4.1.4 Subsequent measurement**

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

**Basis of valuation of government securities**

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

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

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

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

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

**4.1.5 Impairment of financial assets**

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. In case of debt instruments classified as available-for-sale, if any such evidence exists, 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 unit holders' fund through comprehensive income is reclassified from unit holders' fund through other comprehensive income to income statement. Impairment losses recognised on debt instruments in the income statement are reversed subsequently from income statement to unit holders' fund through comprehensive income.

**4.1.6 Derecognition**

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

**4.1.7 Offsetting of financial assets and liabilities**

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

**4.2 Cash and cash equivalents**

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

**NIT - GOVERNMENT BOND FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2015

**4.3 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.

**4.4 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.

**4.5 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs (formation cost) represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of five years starting from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

**4.6 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.

**4.7 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, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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 taxation in these financial statements as the Fund has distributed more than ninety percent of its accounting income for the current year and 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.

**4.8 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors / Management Company during business hours on the date on which the funds are actually realized against application. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

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

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



**NIT - GOVERNMENT BOND FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

The element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement.

**4.10 Net assets value per unit**

The net assets 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 circulation at the year end.

**4.11 Revenue recognition**

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as available for sale are included in the statement of comprehensive income in the period in which they arise.
- Profit on bank deposits and mark-up income on government securities is recognised using effective yield method.

**4.12 Proposed distributions**

Dividend / distributions are recognised in the financial statements in the period in which such distributions are declared / approved.

**5 BANK BALANCES**

2015 2014  
(Rupees in '000)

In current accounts	-	44
In savings accounts	5.1	126,377
	<b>1,443,512</b>	<b>126,421</b>

5.1 These accounts carry rates ranging from 5.00% to 10.35% per annum (30 June 2014: 7.00% to 9.60% per annum).

**6 INVESTMENTS**

**Available for sale**

Government securities:

- Market Treasury Bills	6.1	425,780	2,022,071
- Pakistan Investment Bonds	6.2	3,155,353	1,980,372
		<b>3,581,133</b>	<b>4,002,443</b>

**6.1 Market Treasury Bills**

Issue date	Tenor	Face value				Balance as at 30 June 2015		Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2014	Purchases during the year	Sales / matured during the year	As at 30 June 2015	Carrying value	Market value		
(Rupees in '000) ----- (%) -----									
12 July 2013	12 months	75,000	-	75,000	-	-	-	-	-
20 March 2014	6 months	550,000	100,000	650,000	-	-	-	-	-
20 March 2014	12 months	-	225,000	225,000	-	-	-	-	-
17 April 2014	6 months	-	520,000	520,000	-	-	-	-	-
02 May 2014	6 months	200,000	-	200,000	-	-	-	-	-
15 May 2014	3 months	200,000	-	200,000	-	-	-	-	-
15 May 2014	6 months	350,000	250,000	600,000	-	-	-	-	-
15 May 2014	12 months	-	500,000	500,000	-	-	-	-	-
12 June 2014	3 months	400,000	-	400,000	-	-	-	-	-
12 June 2014	6 months	300,000	-	300,000	-	-	-	-	-
10 July 2014	3 months	-	470,000	470,000	-	-	-	-	-
24 July 2014	3 months	-	485,000	485,000	-	-	-	-	-
07 August 2014	3 months	-	140,000	140,000	-	-	-	-	-

**NIT - GOVERNMENT BOND FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

Issue date	Tenor	Face value				Balance as at 30 June 2015		Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2014	Purchases during the year	Sales / matured during the year	As at 30 June 2015	Carrying value	Market value		
(Rupees in '000) ----- (%) -----									
21 August 2014	3 months	-	200,000	200,000	-	-	-	-	-
04 September 2014	3 months	-	455,000	455,000	-	-	-	-	-
18 September 2014	3 months	-	100,000	100,000	-	-	-	-	-
16 October 2014	3 months	-	800,000	800,000	-	-	-	-	-
30 October 2014	3 months	-	1,000,000	1,000,000	-	-	-	-	-
30 October 2014	6 months	-	200,000	200,000	-	-	-	-	-
13 November 2014	3 months	-	605,000	605,000	-	-	-	-	-
27 November 2014	6 months	-	200,000	200,000	-	-	-	-	-
22 January 2015	12 months	-	250,000	250,000	-	-	-	-	-
19 February 2015	3 months	-	100,000	100,000	-	-	-	-	-
05 March 2015	3 months	-	187,500	187,500	-	-	-	-	-
05 March 2015	6 months	-	287,500	-	287,500	283,740	283,981	5.84	7.93
05 March 2015	12 months	-	187,500	187,500	-	-	-	-	-
19 March 2015	3 months	-	200,000	200,000	-	-	-	-	-
19 March 2015	6 months	-	150,000	150,000	-	-	-	-	-
19 March 2015	12 months	-	250,000	250,000	-	-	-	-	-
30 April 2015	12 months	-	150,000	-	150,000	142,031	141,799	2.92	3.96
<b>Total - 30 June 2015</b>		<b>2,075,000</b>	<b>8,012,500</b>	<b>9,650,000</b>	<b>437,500</b>	<b>425,771</b>	<b>425,780</b>	<b>8.76</b>	<b>11.89</b>
Total - 30 June 2014		4,751,000	10,660,000	13,336,000	2,075,000	2,023,130	2,022,071	48.54	50.52

**6.2 Pakistan Investment Bonds**

Issue date	Tenor	Face value				Balance as at 30 June 2015		Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2014	Purchases during the year	Sales / matured during the year	As at 30 June 2015	Carrying value	Market value		
(Rupees in '000) ----- (%) -----									
19 July 2012	3 years	50,000	-	50,000	-	-	-	-	-
19 July 2012	10 years	320,000	325,000	645,000	-	-	-	-	-
18 July 2013	3 years	1,475,000	2,980,000	2,355,000	2,100,000	2,090,923	2,188,830	45.03	61.12
18 July 2013	5 years	175,000	50,000	175,000	50,000	51,328	54,682	1.12	1.53
17 July 2014	3 years	-	857,500	250,000	607,500	626,431	652,962	13.43	18.23
17 July 2014	5 years	-	722,500	722,500	-	-	-	-	-
17 July 2014	10 years	-	550,000	500,000	50,000	57,284	55,833	1.15	1.56
26 March 2015	5 years	-	300,000	100,000	200,000	207,326	203,046	4.18	5.67
<b>Total - 30 June 2015</b>		<b>2,020,000</b>	<b>5,785,000</b>	<b>4,797,500</b>	<b>3,007,500</b>	<b>3,033,292</b>	<b>3,155,353</b>	<b>64.91</b>	<b>88.11</b>
Total - 30 June 2014		175,000	2,285,000	440,000	2,020,000	1,980,566	1,980,372	47.54	49.48

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

	2015	2014
	(Rupees in '000)	
Market value of investments	3,581,133	4,002,443
Less: Carrying value of investments	(3,459,063)	(4,003,696)
	<b>122,070</b>	<b>(1,253)</b>
Less: Net unrealised diminution / (appreciation) on re-measurement of investments at beginning of the year	1,253	(8,574)
	<b>123,323</b>	<b>(9,827)</b>

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**7 PROFIT RECEIVABLES**

Profit on savings accounts		6,190	2,651
Mark-up on fixed income securities		<u>162,951</u>	<u>118,886</u>
		<u>169,141</u>	<u>121,537</u>

**8 PRELIMINARY EXPENSES AND FLOATATION COSTS**

Balance at beginning of the year	8.1	290	1,038
Less: amortisation during the year		<u>(290)</u>	<u>(748)</u>
Balance at end of the year		<u>-</u>	<u>290</u>

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

**9 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY**

Management remuneration	9.1	5,884	4,591
Sindh Sales Tax	9.1	1,024	852
Preliminary expenses and floatation costs		-	3,835
Sales load		<u>47</u>	<u>322</u>
		<u>6,955</u>	<u>9,600</u>

**9.1** Under the provisions of the NBFC 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. The Management Company has charged its remuneration at the rate of 1.25 percent per annum of the average annual net assets of the Fund for the current year. The remuneration is paid on a monthly basis in arrears. The Sindh Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax Act, 2011 effective from 01 July 2011, which had been charged upto 30 June 2014. However, the rate has been changed to 15% effective from 01 July 2014.

**10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value (NAV) of the Fund. The remuneration is paid to the Trustee, monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2015 is as follows:

Net assets	Tariff
Upto Rupees 1 billion	Higher of Rupees 700,000 or 0.15% per annum of NAV
Over Rupees 1 billion to Rupees 10 billion	0.075% per annum of NAV exceeding Rupees 1 billion
Exceeding Rupees 10 billion	0.05% per annum of NAV exceeding Rupees 10 billion

**11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Under the provisions of the NBFC Regulations, 2008, a collective investment scheme categorised as income scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is payable annually in arrears.

**NIT - GOVERNMENT BOND FUND**  
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**12 ACCRUED EXPENSES AND OTHER LIABILITIES**

		2015	2014
(Rupees in '000)			
Provision for Workers' Welfare Fund	12.1	39,149	31,042
Federal Excise Duty	12.2	20,568	7,070
Capital gain tax		23,168	129
Auditors' remuneration		503	397
Legal and professional charges		26	92
Printing charges		125	25
Settlement charges		46	15
Brokerage		294	65
Withholding Tax		37,421	107
Zakat Payable		<u>1,192</u>	<u>77</u>
		<u>122,492</u>	<u>39,019</u>

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

During the year ended 30 June 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on 14 December 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. Furthermore, the Fund received show cause notice dated 19 March 2015 from the Deputy Commissioner Inland Revenue (DCIR) regarding the payment of WWF liability of Rs. 24.729 million for the tax year 2010 through 2013 but no payment has been made in the view of the matter stated above. However, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 39.149 million (including Rs. 8.107 million for the current year). Had the same not been made the net assets value per unit of the Fund would have been higher by Rs 0.0815 per unit.

**12.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan where various options are being considered. The High Court of Sindh in its order dated 09 September 2013 granted stay to the various funds for the recovery of FED. As a matter of abundant caution, the Management Company has made a provision with effect from 13 June 2013, aggregating to Rs. 22.591 million out of which Rs. 2.023 million have been paid to the Management Company. Had the provision not been made, the net assets value (NAV) per unit of the fund as at 30 June 2015 would have been higher by Rs. 0.0470 per unit.

**13 CONTINGENCY**

NIT - Government Bond Fund had received a show cause notice dated 23 December 2013 whereby Federal Board of Revenue considers that the tax return filed for the tax year 2011 (deemed assessment order) is erroneous and prejudicial to the interest of revenue as a result of reasons mentioned in the notice and had asked the Fund to provide them with the required information. The issue of notice was in line with various notices issued to several other mutual funds and on the same grounds orders has been passed for certain mutual funds. The tax department considers that distribution of bonus shares should not be included in calculation of distribution of 90% of declared profit required to claim exemption from income tax. The reasons cited for this view are that tax has not been deducted on bonus units and the bonus issue is only exempt from tax where it results in increase in capital.

**NIT - GOVERNMENT BOND FUND**  
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The tax advisor of the NIT-GBF submitted the basis for considering distribution by way of bonus units for the purpose of tax exemption. However, Additional Commissioner Revenue through the notice no. ACIR/AUDIT RANGE/ ZONE -I/RTO/KHI/2014/331 did not accept the basis and stated that the distribution of profit by the Fund to its unit holders can not include issuance of bonus units. Consequently, the Fund failed to distribute ninety percent of its income for the tax year 2011, therefore falling outside the ambit of clause (99) of Part I of Second Schedule to the Income Tax Ordinance, 2001.

However, the Fund has submitted its reply in respect of above stated notice on the grounds that as clause (99) of Part I of Second Schedule to the Income Tax Ordinance, 2001 which provides for tax exemption in respect of mutual funds does not specifically provides any mode of distribution of profit nor places any restriction on distribution by way of bonus units, whereas under clause (100) which provides for tax exemption for Modarabas it has been specifically specified that distribution by way of bonus shares would not be considered as distribution in calculation of 90% distribution to claim exemption from tax, the Fund has consistently made distributions by way of issue of bonus units. This practice is also consistent with mutual fund industry. We have been informed that no response subsequent to the reply has been received.

Finance Act 2014, effective from 01 July 2014, included a specific proviso in clause (99) similar to clause (100) where it has been specified that issue of bonus units would not be considered for calculating 90% distribution required to claim exemption from tax.

Several asset management companies on behalf of the mutual funds have filed a petition in the Sindh High Court against the demands raised in this respect and have obtained a stay order against the payment of tax demand. The Commissioner (Appeals) in case of certain mutual funds has annulled the order passed u/s 122(1) of the Income Tax Ordinance and has given decision in favor of the Funds on the same ground. Income tax department has filed appeals before Appellate Tribunal in these cases which are pending.

In view of above and based on the advice from its tax advisor, the management considers that decision of Sindh High Court and Appellate Tribunal would be in favour of the tax payer as the orders are passed by the department are incorrect and based on erroneous understanding of the law. Accordingly, no provision in this respect has been made in these financial statements.

14 NUMBER OF UNITS IN ISSUE	2015	2014
	(Number of units)	
Total units in issue at beginning of the year	412,351,840	437,451,083
Add: Units issued	812,961,475	212,588,181
Add: Bonus units issued	-	59,775,433
Add: Units issued under Cumulative Investment Plan	20,756,896	78,386
Less: Units redeemed	(765,865,080)	(297,541,243)
Total units in issue at end of the year	<u>480,205,131</u>	<u>412,351,840</u>

15 AUDITORS' REMUNERATION	2015	2014
	Statutory audit fee	347
Half yearly review	174	174
Fee for review of the statement of compliance with the best practices of the Code of Corporate Governance and others	100	100
Out of pocket expenses including government levy	86	57
	<u>707</u>	<u>678</u>

**16 TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Board of Directors of the Management Company in their meeting held on 24 June 2015 has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2015.

**NIT - GOVERNMENT BOND FUND**  
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17 EARNINGS PER UNIT - BASIC AND DILUTED	2015	2014
	(Rupees in '000)	
Net income for the year	<u>456,335</u>	<u>304,754</u>
	(Number of units)	
Weighted average number of units in issue during the year	<u>620,273,106</u>	<u>412,880,789</u>
	(Rupees)	
Earnings per unit	<u>0.74</u>	<u>0.74</u>

18 FINANCIAL INSTRUMENTS BY CATEGORY	As at 30 June 2015		
	Loans and receivables	Available for sale	Total
	(Rupees in '000)		
<b>Assets</b>			
Bank balances	1,443,512	-	1,443,512
Investments	-	3,581,133	3,581,133
Profit receivables	169,141	-	169,141
Deposit with Central Depository Company of Pakistan Limited	100	-	100
	<u>1,612,753</u>	<u>3,581,133</u>	<u>5,193,886</u>

18 FINANCIAL INSTRUMENTS BY CATEGORY	As at 30 June 2015		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees in '000)		
<b>Liabilities</b>			
Payable to National Investment Trust Limited - Management Company	-	6,955	6,955
Payable to Central Depository Company of Pakistan Limited - Trustee	-	409	409
Accrued expenses and other liabilities	-	21,562	21,562
Payable against redemption of units	-	569	569
Dividend payable	-	197,705	197,705
	<u>-</u>	<u>227,200</u>	<u>227,200</u>

18 FINANCIAL INSTRUMENTS BY CATEGORY	As at 30 June 2014		
	Loans and receivables	Available for sale	Total
	(Rupees in '000)		
<b>Assets</b>			
Bank balances	126,421	-	126,421
Investments	-	4,002,443	4,002,443
Profit receivables	121,537	-	121,537
Deposit with Central Depository Company of Pakistan Limited	100	-	100
	<u>248,058</u>	<u>4,002,443</u>	<u>4,250,501</u>



**NIT - GOVERNMENT BOND FUND**  
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	As at 30 June 2014		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees in '000)		
<b>Liabilities</b>			
Payable to National investment Trust Limited - Management Company	-	9,600	9,600
Payable to Central Depository Company of Pakistan Limited - Trustee	-	343	343
Accrued expenses and other liabilities	-	7,664	7,664
Payable against redemption of units	-	153	153
Dividend payable	-	32,071	32,071
	-	49,831	49,831

**19 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS**

**19.1** Connected persons include National Investment Trust Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and directors and officers of the Management Company and the Trustee and unit holders holding 10 percent or more units of the Fund.

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

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

**19.4** The details of significant transactions carried out by the Fund with connected persons and balances with them at year end are as follows:

<b>19.5 Transactions during the year</b>	<b>2015</b>	<b>2014</b>
	(Rupees in '000)	
<b>National Investment Trust Limited - Management Company</b>		
Issue of 427,902,255 units (2014: 70,381,895 units)	4,436,000	750,000
Bonus units issued: Nil (2014: 13,983,070 units)	-	141,190
Redemption of 435,858,913 units (2014: Nil)	4,899,467	-
Front end load on issue of units	61	28
Remuneration of the Management Company	84,362	53,849
Sindh Sales Tax on management remuneration	14,680	10,071
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	5,800	3,987
<b>National Bank of Pakistan</b>		
Units redeemed: Nil (2014: 10,000,000 Units)	-	108,209
<b>National Investment Trust Limited - Employees Provident Fund</b>		
Bonus units issued: Nil (2014: 977,455 units)	-	9,865
Units redeemed: Nil (2014: 493,579 units)	-	5,000
Issue of 667,211 units under CIP (2014: Nil)	6,748	-
<b>National Investment Trust Limited - Employees Pension Fund</b>		
Bonus units issued: Nil (2014: 2,096,445 units)	-	21,160
Issue of 1,988,675 units under CIP (2014: Nil)	20,113	-
<b>National Investment Trust Limited - Employees Benevolent Fund</b>		
Bonus units issued: Nil (2014: 309,299 units)	-	3,122
Issue of 220,049 units under CIP (2014: Nil)	2,225	-

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	<b>2015</b>	<b>2014</b>
	(Rupees in '000)	
<b>Bank Al Habib Limited</b>		
Issue of 44,177,866 units (2014: 54,514,869 units)	508,540	551,821
Bonus units issued: Nil (2014: 9,702,477 units)	-	97,924
Redemption of 59,779,954 units (2014: 60,308,399 units)	688,139	610,465
<b>Chief Operating Officer</b>		
Issue of 88,474 units (2014: 92,431 units)	1,000	1,000
Bonus units issued: Nil (2014: 102,063 units)	-	1,029
Issue of 104,337 units under CIP (2014: Nil)	1,055	-
<b>Fund Manager</b>		
Bonus units issued: Nil (2014: 78 units)	-	1
Issue of 67 units under CIP (2014: Nil)	1	-
<b>Head of MD's Secretariat and Personnel</b>		
Units issued: Nil (2014: 46,151 units)	-	500
Bonus units issued: Nil (2014: 3,426 units)	-	35
Issue of 6,088 units under CIP (2014: Nil)	62	-
<b>19.6 Amounts outstanding as at year end:</b>		
<b>National Investment Trust Limited - Management Company</b>		
128,539,788 units held (2014: 136,496,446 units)	1,301,105	1,379,146
Management remuneration payable	5,884	4,591
Sindh Sales Tax payable	1,024	852
Preliminary expenses and floatation costs payable	-	3,835
Sales load payable	47	322
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	409	343
Security Deposit	100	100
<b>National Investment Trust Limited - Employees Provident Fund</b>		
7,186,923 units held (2014: 6,519,713 units)	72,747	65,875
<b>National Investment Trust Limited - Employees Pension Fund</b>		
16,563,072 units held (2014: 14,574,397 units)	167,655	147,258
<b>National Investment Trust Limited - Employees Benevolent Fund</b>		
2,370,282 units held (2014: 2,150,233 units)	23,992	21,726
<b>Bank Al Habib Limited</b>		
48,615,258 units held (2014: 64,217,346 units)	492,093	648,848
<b>Chief Operating Officer</b>		
953,955 units held (2014: 761,144 units)	9,656	7,691
<b>Fund Manager</b>		
605 units held (2014: 538 units)	6	5
<b>Head of MD's Secretariat and Personnel</b>		
55,665 units held (2014: 49,577 units)	563	501

**20 FINANCIAL RISK MANAGEMENT**

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

**NIT - GOVERNMENT BOND FUND**  
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**20.1 Market risk**

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

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

**20.1.1 Currency risk**

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

**20.1.2 Interest rate risk**

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

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

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

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

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

As at 30 June 2015, the Fund holds Market Treasury Bills and Pakistan Investment Bonds which are classified as 'available for sale', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan on 30 June 2015, with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 46.757 million (2014: Rs 6.821 million). In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on 30 June 2015, with all other variables held constant, the net income for the year and net assets would have been higher by Rs. 46.757 million (2014: Rs 6.821million).

The composition of the Fund's investment portfolio and rates announced by Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2015 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)					

**On-balance sheet financial instruments**

**Financial assets**

Bank balances	5.00 - 10.35	1,443,512	-	-	-	1,443,512
Investments	6.96 - 10.01	283,981	141,799	3,155,353	-	3,581,133
Profit receivables		-	-	-	169,141	169,141
Deposit with Central Depository Company of Pakistan Limited		-	-	-	100	100
		1,727,493	141,799	3,155,353	169,241	5,193,886

**Financial liabilities**

Payable to National Investment Trust Limited - Management Company		-	-	-	6,955	6,955
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	409	409
Payable against redemption of units		-	-	-	569	569
Accrued expenses and other liabilities		-	-	-	21,562	21,562
Dividend payable		-	-	-	197,705	197,705
		-	-	-	227,200	227,200
<b>On-balance sheet gap</b>		<b>1,727,493</b>	<b>141,799</b>	<b>3,155,353</b>	<b>(57,959)</b>	<b>4,966,686</b>

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Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)					

**Off-balance sheet financial instruments**

**Off-balance sheet gap**

**Total interest rate sensitivity gap**

**Cumulative interest rate sensitivity gap**

	-	-	-	-	-
	-	-	-	-	-
	<b>1,727,493</b>	<b>141,799</b>	<b>3,155,353</b>	<b>(57,959)</b>	<b>4,966,686</b>
	<b>1,727,493</b>	<b>1,869,292</b>	<b>5,024,645</b>		

Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)					

**On-balance sheet financial instruments**

**Financial assets**

Bank balances	7.00 - 9.60	126,377	-	-	44	126,421
Investments	8.80 - 12.00	1,203,988	818,083	1,980,372	-	4,002,443
Profit receivables		-	-	-	121,537	121,537
Deposit with Central Depository Company of Pakistan Limited		-	-	-	100	100
		1,330,365	818,083	1,980,372	121,681	4,250,501

**Financial liabilities**

Payable to National Investment Trust Limited - Management Company		-	-	-	9,600	9,600
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	343	343
Payable against redemption of units		-	-	-	153	153
Accrued expenses and other liabilities		-	-	-	7,664	7,664
Dividend payable		-	-	-	32,071	32,071
		-	-	-	49,831	49,831
<b>On-balance sheet gap</b>		<b>1,330,365</b>	<b>818,083</b>	<b>1,980,372</b>	<b>71,850</b>	<b>4,200,670</b>

**Off-balance sheet financial instruments**

**Off-balance sheet gap**

**Total interest rate sensitivity gap**

**Cumulative interest rate sensitivity gap**

	-	-	-	-	-
	-	-	-	-	-
	<b>1,330,365</b>	<b>818,083</b>	<b>1,980,372</b>	<b>71,850</b>	<b>4,200,670</b>
	<b>1,330,365</b>	<b>2,148,448</b>	<b>4,128,820</b>		

**20.1.3 Price risk**

Price risk is that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at 30 June 2015.

**20.2 Credit risk**

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in loans and receivables and bank balances. Risks attributable to investments in National Savings Certificate, Market Treasury Bills and Pakistan Investment Bonds is limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with a reasonably high credit rating.

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The analysis below summarises the credit quality of the Fund's bank balances as at 30 June 2015 and 30 June 2014.

Name of the bank	Balance as at 30 June 2015	Rating agency	Published rating	Percentage of total bank balances
(Rupees in '000)				
Standard Chartered Bank Limited	4,232	PACRA	AAA	0.29
Habib Bank Limited	396	JCR-VIS	AAA	0.03
Bank Al-Habib Limited	387,068	PACRA	AA+	26.81
United Bank Limited	797	JCR-VIS	AA+	0.06
Allied Bank Limited	396	PACRA	AA+	0.03
Soneri Bank Limited	800,051	PACRA	AA-	55.41
NIB Bank Limited	250,420	PACRA	AA-	17.35
Bank Al-Falah Limited	73	PACRA	AA	0.01
Summit Bank Limited	79	JCR-VIS	A	0.01
	<u>1,443,512</u>			<u>100.00</u>

Name of the bank	Balance as at 30 June 2014	Rating agency	Published rating	Percentage of total bank balances
(Rupees in '000)				
Standard Chartered Bank Limited	921	PACRA	AAA	0.73
Bank Al-Habib Limited	123,304	PACRA	AA+	97.53
Allied Bank Limited	817	PACRA	AA+	0.65
United Bank Limited	658	JCR-VIS	AA+	0.52
Soneri Bank Limited	4	PACRA	AA-	-
Bank Al-Falah Limited	475	PACRA	AA	0.38
NIB Bank Limited	224	PACRA	AA	0.18
Summit Bank Limited	18	JCR-VIS	A-	0.01
	<u>126,421</u>			<u>100.00</u>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2015 is the carrying amount of the financial assets.

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mostly concentrated in government sector and deposits held with commercial banks.

**20.3 Liquidity risk**

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

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was obtained by the Fund during the current year.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business

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day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the year.

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

**Financial liabilities**

Payable to National Investment Trust Limited - Management Company  
 Payable to Central Depository Company of Pakistan Limited - Trustee  
 Payable against redemption of units  
 Accrued expenses and other liabilities  
 Dividend payable

Unitholders' Fund

As at 30 June 2015			
Upto three months	Over three months and upto one year	Over one year	Total
(Rupees in '000)			
	6,955	-	6,955
	409	-	409
	569	-	569
	21,562	-	21,562
	197,705	-	197,705
	<u>227,200</u>	<u>-</u>	<u>227,200</u>
	<u>4,860,709</u>	<u>-</u>	<u>4,860,709</u>

**Financial liabilities**

Payable to National Investment Trust Limited - Management Company  
 Payable to Central Depository Company of Pakistan Limited - Trustee  
 Payable against redemption of units  
 Accrued expenses and other liabilities  
 Dividend payable

Unitholders' Fund

As at 30 June 2014			
Upto three months	Over three months and upto one year	Over one year	Total
(Rupees in '000)			
	5,765	3,835	9,600
	343	-	343
	153	-	153
	7,664	-	7,664
	32,071	-	32,071
	<u>45,996</u>	<u>3,835</u>	<u>49,831</u>
	<u>4,166,375</u>	<u>-</u>	<u>4,166,375</u>

**21 UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restrictions on the subscription and redemption of units.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 20, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowings or disposal of investments, where necessary.

As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. The Fund has maintained and complied with the requirements of minimum fund size during the year.

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**22 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are traded in an open market are revalued at the market prices prevailing at the close of trading on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard (IFRS) 7, "Financial Instruments: Disclosures" - requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

All Investments of the Fund carried at fair value are categorised as level 2.

**23 TRANSACTIONS WITH BROKERS / DEALERS**

List of brokers by percentage of commission paid during the year ended 30 June 2015:

Particulars	Percentage
Invest Capital Market Limited	33.42
Summit Capital (Private) Limited	7.53
JS Global Capital Limited	9.78
Invest & Finance Securities Limited	3.77
KASB Securities Limited	2.67
Global Securities Pakistan Limited	6.71
Icon Securities (Private) Limited	12.32
Elixir Securities Pakistan (Private) Limited	19.97
BMA Capital Management Limited	3.83
	<b>100.00</b>

List of brokers by percentage of commission paid during the year ended 30 June 2014:

Particulars	Percentage
Invest Capital Market Limited	31.76
Summit Capital (Private) Limited	22.71
JS Global Capital Limited	20.99
Invest & Finance Securities Limited	6.31
KASB Securities Limited	5.16
Global Securities Pakistan Limited	4.88
Icon Securities (Private) Limited	4.51
Elixir Securities Pakistan (Private) Limited	3.52
BMA Capital Management Limited	0.16
	<b>100.00</b>

**NIT - GOVERNMENT BOND FUND**  
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**24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

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

As at 30 June 2015				
S. No.	Name	Designation	Qualification	Experience in years
1	Mr. Shahid Ghaffar	Chief Executive Officer / Managing Director	MBA	38
2	Mr. Manzoor Ahmed	Chief Operating Officer / Head of Asset Management	MBA, DAIBP & Candidate for CFA Level III	26
3	Mr. Shahid Anwar	Head of MD's Secretariat and Personnel	MBA & DAIBP	38
4	Mr. S. Zubair Ahmed	Controller of Branches / Company Secretary	M.Phil, MBA, PGD-General Management & PGD-Development Policies	42
5	Mr. Aamir Amin	Head of Finance	CA	18
6	Mr. Shoaib Ahmed Khan*	Fund Manager	MBA & DAIBP	19
7	Mr. M. Imran Rafiq	Head of Research	MBA and CFA	12
8	Mr. Ammar Habib	Manager / In-charge Risk Management	MS and FRM	5
9	Mr. Syed Aqib Hussain	Manager / In-charge Compliance	MBA	3

\* Mr. Shoaib Ahmed Khan is also managing NIT - Income Fund.

**25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 309th, 310th, 311th, 312th, 313th, 314th, 315th and 316th Board meetings were held on 08 July 2014, 04 September 2014, 09 September 2014, 22 October 2014, 22 January 2015, 19 February 2015, 16 April 2015 and 24 June 2015 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 during tenor of directorship	Attended	Leave granted	
1 Mr. Shahid Ghaffar	8	8	-	
2 Mr. Nusrat-ud-Din	8	8	-	
3 Mr. Syed Ahmed Iqbal Ashraf	7	7	1	314th BOD
4 Mr. Jamal Nasim	8	8	-	
5 Mr. Muhtashim Ahmed Ashai	7	7	1	312th BOD
* 6(a) Mr. Ali Sameer Farooqui	7	7	1	309th BOD
* 6(b) Mr. Muhammad Hanif Akhai	2	2	-	
7 Mr. Shahzad F. Lodhi	8	8	-	
8 Mr. Aman Aziz Siddiqui	6	6	2	314th and 316th BOD
9 Mr. Yameen Kerai	8	8	-	
10 Mr. Iqbal Adamjee	7	7	1	312th BOD
11 Mr. Rana Assad Amin	6	6	2	314th and 316th BOD

\* Mr. Ali Sameer Farooqui, nominee director of United Bank Limited resigned w.e.f 19 February 2015 and Mr. Muhammad Hanif Akhai was appointed in his place w.e.f 16 April 2015.

**26 PATTERN OF UNIT HOLDING**

	As at 30 June 2015		
	Number of unit holders	Investment amount	Percentage of total investment
	(Rupees in '000)		--- (%) ---
Individuals	1,579	1,095,655	22.54
Insurance companies	2	486,372	10.01
Banks / Development Financial Institutions	2	524,330	10.79
Non-Banking Financial Institutions	2	1,398,787	28.78

**NIT - GOVERNMENT BOND FUND**  
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**26 PATTERN OF UNIT HOLDING**

	As at 30 June 2015		
	Number of unit holders	Investment amount	Percentage of total investment
	(Rupees in '000)		--- (%) ---
Retirement funds	31	947,134	19.49
Others	13	408,431	8.39
	<b>1,629</b>	<b>4,860,709</b>	<b>100.00</b>

	As at 30 June 2014		
	Number of unit holders	Investment amount	Percentage of total investment
	(Rupees in '000)		--- (%) ---
Individuals	1,182	379,738	9.11
Insurance companies	8	374,770	9.00
Banks / Development Financial Institutions	3	2,042,178	49.01
Non-Banking Financial Institutions	1	76,890	1.85
Retirement funds	14	320,784	7.70
Public limited companies	6	183,068	4.39
Others	22	788,947	18.94
	<b>1,236</b>	<b>4,166,375</b>	<b>100.00</b>

**27 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 30 September 2015 by the Board of Directors of the Management Company.

**28 GENERAL**

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

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

Sd/-  
**Managing Director**

Sd/-  
**Director**

Sd/-  
**Director**

**NIT - GOVERNMENT BOND FUND**  
**PERFORMANCE TABLE**  
**LAST 3 YEARS**

		JUNE 15	JUNE 14	JUNE 13
Total Net Asset Value Ex - Dividend	(Rs. In 000's)	4,860,709	4,166,375	4,410,967
Net Asset Value per Unit Ex-Dividend	(Rs. / unit)	10.1222	10.1039	10.0833
Last Issue Price Per Unit *	(Rs. / unit)	11.6034	10.9624	11.0691
Last Repurchase Price Per Unit *	(Rs. / unit)	11.5022	10.8539	10.9595
Highest Issue Price During the Period	(Rs. / unit)	11.6710	10.9624	11.0691
Lowest Issue Price During the Period	(Rs. / unit)	10.2147	10.1968	10.0992
Highest Repurchase Price During the Period	(Rs. / unit)	11.5554	10.8539	10.9595
Lowest Repurchase Price During the Period	(Rs. / unit)	10.1136	10.0958	9.9992
Total Return of the Fund	%	13.86	7.64	9.93
Capital Growth	%	0.20	0.20	1.10
Income Distributions	%	13.66	7.44	8.83
Distribution per Unit (Final)	(Rs. / unit)	-	-	0.8803
Distribution per Unit (Interim)	(Rs. / unit)	1.38	0.75	-
Distribution Date		24-Jun-15	30-Jun-14	4-Jul-13
Average Annual Return				
One Year	%	13.86	7.64	9.93
Two Years	%	10.75	8.79	9.85
Three Years	%	10.48	9.11	10.29

Note: All investments in Mutual Funds and Securities are subject to Market Risk. 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.

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