

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 (Formerly Arif Habib Bank Limited)

United Bank Limited

Soneri Bank Limited

NIT - GOVERNMENT BOND FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT SEPTEMBER 30, 2013

	Note	September 30, 2013 Unaudited	June 30, 2013 Audited
-----Rupees in '000-----			
ASSETS			
Bank balances		23,929	20,909
Investments	3	4,330,185	4,790,464
Accrued income		18,827	24,183
Security deposits		100	100
Preliminary expenses and floatation costs		850	1,038
Total assets		4,373,891	4,836,694
LIABILITIES			
Payable to National Investment Trust Limited - Management Company		10,274	9,925
Payable to Central Depository Company of Pakistan Limited - Trustee		681	361
Payable to Securities and Exchange Commission of Pakistan		853	3,091
Accrued expenses and other liabilities		29,223	26,153
Payable against redemption of unit		-	1,111
Total liabilities		41,031	40,641
NET ASSETS		4,332,860	4,796,053
Unit holders' fund (as per statement attached)		4,332,860	4,796,053
Contingencies and commitments	4	-	-
		Number of units	
Number of units in issue		423,482,462	437,451,083
		-----Rupees-----	
Net asset value per unit		10.2315	10.9636

The annexed notes from 1 to 11 form an integral part of these financial statements.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND

CONDENSED INTERIM INCOME STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	September 30, 2013 Unaudited Rupees in '000	September 30, 2012 Unaudited Rupees in '000
INCOME		
Income from government securities	95,913	70,444
Profit on bank deposits	2,742	796
Markup on fixed income securities	4,358	22,217
Income from Reverse Repo transactions	290	
Capital gain / (loss) on sale of government securities	2,190	78
Total income	105,493	93,534
EXPENSES		
Remuneration of National Investment Trust Limited - Management Company	14,220	10,003
Sindh Sales tax on remuneration of Management Company	2,716	1,600
Federal Excise Duty on remuneration of Management Company	2,753	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,042	789
Annual fee - Securities and Exchange Commission of Pakistan	853	600
Amortisation of preliminary expenses and floatation costs	188	188
Bank charges	94	50
Listing fee	120	60
Printing charges	25	25
Auditors' remuneration	200	25
Securities transaction costs	47	47
Others	1	-
Total expenses	22,259	13,388
Net income from operating activities	83,234	80,146
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	5 (3,834)	(1,190)
Workers' welfare fund	6 (1,586)	(1,579)
Net income for the period before taxation	77,814	77,377
Taxation	7 -	-
Net income for the period after taxation	77,814	77,377
Earnings per unit (in Rupees)	0.1753	0.2451

The annexed notes from 1 to 11 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Note	September 30, 2013 Unaudited Rupees in '000	September 30, 2012 Unaudited Rupees in '000
Net income for the period after taxation		77,814	77,377
Other comprehensive income for the period			
Net unrealised appreciation / (diminution) in the fair value of investments classified as 'available for sale'	3.2	(15,874)	19,980
Total comprehensive income for the period		61,940	97,357

The annexed notes from 1 to 11 form an integral part of these financial statements.

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

**Sd/-
Managing Director**

**Sd/-
Director**

**Sd/-
Director**

NIT - GOVERNMENT BOND FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Note	September 30, 2013 Unaudited Rupees in '000	September 30, 2012 Unaudited Rupees in '000
Undistributed income brought forward			
- Realised Income		412,981	342,622
Final Distribution for the year ended June 30, 2013: Rs.0.8803 per unit (2012: Rs.1.1094 per unit)			
- Cash Distribution		(39,043)	(47,453)
- Units under Cumulative Plan		(435)	(733)
- Bonus Units		(345,611)	(266,601)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	5	805	
Net income for the period after taxation		77,814	77,377
Undistributed income carried forward		<u>106,511</u>	<u>105,212</u>
Undistributed income comprising of:			
Realised income		106,511	105,212
Unrealised income		-	-
		<u>106,511</u>	<u>105,212</u>

The annexed notes from 1 to 11 form an integral part of these financial statements.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Note	September 30, 2013 Unaudited Rupees in '000	September 30, 2012 Unaudited Rupees in '000
Net assets at the beginning of the period	4,796,053	3,144,560
Issue of 64,783,541 units (2012: 48,955,542 units)	656,455	496,925
Redemption of 113,070,861 units (2012: 45,522,688 units)	(1,146,379)	(463,060)
	4,306,129	33,865
Issue of 34,275,592 bonus units (2012: 26,732,581)	345,611	266,601
Issue of 43,107 units under Cumulative Investment Plan (2012: 73,498)	435	733
	4,652,175	3,445,759
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	3,834	1,190
Net unrealised appreciation / (diminution) in the fair value of investments classified as "available for sale"	3.2 (15,874)	19,980
Capital gain on sale of investments	2,190	78
Other net income for the period	75,624	77,299
Final Distribution for the year ended June 30, 2013: Rs.0.8803 per unit (2012: Rs.1.1094 per unit)		
- Cash Distribution	(39,043)	(47,453)
- Units under Cumulative Plan	(435)	(733)
- Bonus Units	(345,611)	(266,601)
	(307,275)	(237,410)
Net assets at the end of the period	4,332,860	3,229,519

The annexed notes from 1 to 11 form an integral part of these financial statements.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	September 30, 2013 Unaudited Rupees in '000	September 30, 2012 Unaudited Rupees in '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	77,814	77,377
Adjustments for non-cash items		
Amortisation of preliminary expenses and floatation costs	188	188
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	3,834	1,190
	<u>81,836</u>	<u>78,755</u>
(Increase) / decrease in assets		
Investments	444,405	(77,032)
Accrued income	5,356	18,293
	449,761	(58,739)
Increase / (decrease) in liabilities		
Payable to National Investment Trust Limited - Management Company	349	152
Payable to Central Depository Company of Pakistan Limited - Trustee	320	7
Payable to Securities and Exchange Commission of Pakistan	(2,238)	(1,524)
Accrued expenses and other liabilities	3,070	1,376
Payable against redemption of unit	(1,111)	-
	390	10
Net cash inflow on operating activities	<u>531,987</u>	<u>20,026</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units	656,455	496,925
Dividend paid	(39,043)	(44,695)
Payments on redemption of units	(1,146,379)	(463,060)
Net cash outflow from financing activities	(528,967)	(10,830)
Net increase in cash and cash equivalents during the period	<u>3,020</u>	<u>9,196</u>
Cash and cash equivalents at the beginning of the period	20,909	20,716
Cash and cash equivalents at the end of the period	<u><u>23,929</u></u>	<u><u>29,912</u></u>

The annexed notes from 1 to 11 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 CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The NIT - Government Bond Fund (the Fund) was established under a Trust Deed executed between National Investment Trust Limited (NITL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. NBFC-II/NITL/896/2009 dated September 24, 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on September 4, 2009. The units of the Fund were initially issued at Rs 10 per unit.
- 1.2 The Management Company of the Fund has been classified as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building, I.I. Chundrigar Road, Karachi.
- 1.3 The Fund is an open-ended mutual fund. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 Pakistan Credit Rating Agency Limited (PACRA) has assigned "AA(f)" rating to the Fund and has assigned an asset management 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

- 2.1.1 This condensed interim financial information is being submitted to the unit holders as required under regulation 38(g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 2.1.2 The disclosure made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: "Interim Financial Reporting".
- 2.1.3 These condensed interim financial statements have been prepared using the same accounting policies which were applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2013.

3 INVESTMENTS

Available for sale

Government securities:

- Market Treasury Bills
- Pakistan Investment Bond
- Reverse Repurchase Transactions

Note	September 30, 2013 Unaudited	June 30, 2013 Audited
-----Rupees in '000-----		
3.1	3,957,259	4,607,743
	75,236	182,721
	297,690	-
	<u>4,330,185</u>	<u>4,790,464</u>

3.1 Investment in government securities - Available for sale

Issue date	Tenor	Face value				Balance as at September 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at June 30, 2013	Purchases during the period	Sales / matured during the period	As at September 30, 2013	Book Value	Market value	Appreciation / (Diminution)		
------(Rupees in '000)-----										
Market Treasury Bills										
August 9, 2012	12 months	280,000		280,000	-	-	-	-	0.00%	0%
September 6, 2012	12 months	400,000		400,000	-	-	-	-	0.00%	0%
September 20, 2012	12 months	315,000		315,000	-	-	-	-	0.00%	0%
October 4, 2012	12 months	280,000		280,000	-	-	-	-	0.00%	0%
October 18, 2012	12 months	363,000		250,000	113,000	112,555	112,516	(39)	2.60%	3%
November 1, 2012	12 months	400,000		100,000	300,000	297,891	297,694	(197)	6.87%	7%
November 15, 2012	12 months	45,000			45,000	44,533	44,499	(34)	1.03%	1%
January 10, 2013	6 months	70,000		70,000	-	-	-	-	0.00%	0%

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Issue date	Tenor	Face value				Balance as at September 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at June 30, 2013	Purchases during the period	Sales / matured during the period	As at September 30, 2013	Book Value	Market value	Appreciation / (Diminution)		
------(Rupees in '000)-----										
Market Treasury Bills										
January 24, 2013	6 months	400,000		400,000	-	-	-	0.00%	0%	
April 4, 2013	6 months	273,000		273,000	-	-	-	0.00%	0%	
May 2, 2013	6 months	300,000		300,000	-	-	-	0.00%	0%	
May 16, 2013	6 months	200,000			200,000	197,834	197,773	(61)	4.56%	
May 16, 2013	12 months	250,000			250,000	237,215	236,020	(1,195)	5.45%	
May 30, 2013	6 months	250,000	370,000	-	620,000	611,360	610,965	(395)	14.10%	
May 30, 2013	12 months	25,000			25,000	23,596	23,517	(79)	0.54%	
June 13, 2013	6 months	300,000			300,000	294,787	294,569	(218)	6.80%	
June 13, 2013	12 months	250,000			250,000	235,329	234,318	(1,011)	5.41%	
June 27, 2013	6 months	350,000	200,000	-	550,000	538,830	538,080	(750)	12.42%	
July 12, 2013	6 months	-	350,000	-	350,000	634,649	633,638	(1,011)	14.62%	
July 12, 2013	12 months	-	375,000	-	375,000	70,234	69,792	(442)	1.61%	
July 25, 2013	6 months	-	545,000	-	545,000	529,915	529,388	(527)	12.22%	
August 7, 2013	6 months	-	40,000	-	40,000	38,794	38,717	(77)	0.89%	
September 19, 2013	6 months	-	100,000	-	100,000	95,797	95,773	(24)	2.21%	
		4,751,000	1,980,000	2,668,000	4,063,000	3,963,319	3,957,259	(6,060)	91.33%	
Pakistan Investment Bond										
September 3, 2009	10 years	50,000	-	50,000	-	-	-	-	0.00%	
August 18, 2011	5 years	50,000	-	50,000	-	-	-	-	0.00%	
July 19, 2012	5 years	75,000	-	-	75,000	76,476	75,236	(1,240)		
		175,000	-	100,000	75,000	76,476	75,236	(1,240.00)	0.00%	
		4,926,000	1,980,000	2,768,000	4,138,000	4,039,795	4,032,495	(7,300)	91.33%	

(Unaudited) September 30 2013 (Unaudited) September 30 2012

-----Rupees in '000-----

3.2 Net unrealised diminution in the fair value of investments

Fair value of investments	4,330,185	3,200,865
Less: Carrying value of investments	<u>(4,337,485)</u>	<u>(3,216,387)</u>
	(7,300)	(15,522)
Less: Net un realised appreciation / (diminution) in fair value of investments at the beginning of the period	<u>8,574</u>	<u>(35,502)</u>
	<u>(15,874)</u>	<u>19,980</u>

4 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at September 30, 2013.

5 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 income per unit and distribution of income already paid out on redemption.

During the period ended September 30, 2013, the Fund has revised the methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, 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 / period is recognised in condensed income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the period on available for sale securities is included in condensed distribution statement. Previously, the entire element was recognised in the income statement based on cumulative values of undistributed income and unrealised gains / (losses) on available for sale securities present in the net asset value of units.

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

The revised methodology would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund and Net income from the operating activities.

6 WORKERS WELFARE FUND

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

During the year ended June 30, 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 December 14, 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above referred clarification issued by the Ministry and the response filed by the Ministry in the Court.

During the year ended June 30, 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. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 26.4090 million (including Rs 1.5863 million for the current year) in these financial statements. Had the same not been made the net asset value per unit of the Fund would have been higher by Rs 0.0624 per unit.

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 amongst the unit holders. The Fund has not recorded provision for taxation as the management company intends to distribute at least ninety percent of the Fund's accounting income for the current period as reduced by capital gains, whether realised or unrealised, to its unit holders.

8 EARNINGS PER UNIT - BASIC AND DILUTED

	(Unaudited) September 30 2013	(Unaudited) September 30 2012
	-----Rupees in '000-----	
Net income for the period after taxation	77,814	77,377
	<u>77,814</u>	<u>77,377</u>
	----- Number of units -----	
Weighted average number of units outstanding during the period	443,914,196	315,641,827
	<u>443,914,196</u>	<u>315,641,827</u>
	-----Rupees in '000-----	
Earnings per unit	0.1753	0.2451
	<u>0.1753</u>	<u>0.2451</u>

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

9 TRANSACTIONS WITH CONNECTED PERSONS

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

	(Unaudited) Sept 30, 2013	(Unaudited) Sept 30, 2012
	-----Rupees in '000-----	
Transactions during the period:		
National Investment Trust Limited - Management Company		
Issue of 4,551,223 of bonus units (2012: 2,347,944 units)	23,417	23,417
Front end load on sale of units	8	8
Management fee for the period	14,220	10,003
National Investment Trust Limited - Provident Fund		
Issue of 526,945 of bonus units (2012: 496,787 units)	5,313	4,954
Redemption of 493,579 of units (2012: 979,144 units)	5,000	10,000
National Investment Trust Limited - Pension Fund		
Issue of 1,039,360 of bonus units (2012: 864,337 units)	10,984	8,590
National Investment Trust Limited - Employees Benevolent Fund		
Issue of 160,718 of bonus units (2012: NIL units)	1,621	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee for the period	1,042	789
Directors & management personnel		
Unit issued Nil (2012: Nil units)	-	-
	(Unaudited) Sept 30, 2013	(Audited) June 30, 2013
	-----Rupees in '000-----	
Amounts outstanding as at period / year end:		
National Investment Trust Limited - Management Company		
56,682,703 units held (June 30, 2013: 52,131,481 units)	579,949	571,549
Management fee and other payables	10,274	9,925
National Bank of Pakistan		
10,000,000 units held (June 30, 2013: 10,000,000 units)	102,315	109,636
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	681	361
National Investment Trust Limited - Provident Fund		
6,069,203 units held (June 30, 2013: 6,035,837 units)	62,097	66,175
National Investment Trust Limited - Pension Fund		
13,567,312 units held (June 30, 2013: 12,477,953 units)	138,814	136,804
National Investment Trust Limited - Employees Benevolent Fund		
2,001,653 units held (June 30, 2013: 1,840,934 units)	20,480	20,184

10 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **October 10, 2013** by the Board of Directors of the Management Company.

11 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director