

NIT - GOVERNMENT BOND FUND AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

TRUSTEE REPORT TO THE UNIT HOLDERS

NIT - GOVERNMENT BOND FUND

Report of the Trustee pursuant to Regulation 41(h) 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 six months period ended December 31, 2013 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.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 11, 2014

INTRODUCTION

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NIT – Government Bond Fund** (“the Fund”) as at 31 December 2013 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders’ fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the “interim financial information”). The Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

OTHER MATTERS

The figures for the three months period ended 31 December 2013, in the condensed interim income statement and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The interim financial information of the Fund for the six months period ended 31 December 2012 and financial statements for the year ended 30 June 2013 were reviewed and audited by another firm of auditors whose reports dated 07 February 2013 and 06 August 2013 expressed an unmodified conclusion and opinion thereon respectively.

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem
Dated: February 13, 2014
Karachi

NIT - GOVERNMENT BOND FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2013

	Note	31 December 2013 Unaudited (Rupees in '000)	30 June 2013 Audited
Assets			
Bank balances	6	17,961	20,909
Investments	7	4,186,425	4,790,464
Profit receivable		23,198	24,183
Security deposits		100	100
Preliminary expenses and floatation costs		662	1,038
Total assets		4,228,346	4,836,694
Liabilities			
Payable to National Investment Trust Limited - Management Company		9,416	9,925
Payable to Central Depository Company of Pakistan Limited - Trustee		336	361
Payable to Securities and Exchange Commission of Pakistan		1,664	3,091
Accrued expenses and other liabilities	8	31,346	26,153
Payable against redemption of units		1	1,111
Total liabilities		42,763	40,641
Net Assets		4,185,583	4,796,053
Unit holders' fund (as per statement attached)		4,185,583	4,796,053
Contingencies and commitments			
	9		
		(Number of units)	
Number of units in issue		401,947,889	437,451,083
		(Rupees)	
Net assets value per unit		10.4132	10.9636

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND
CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

	Note	Six months period ended		Three months period ended	
		2013	2012	2013	2012
(Rupees in '000)					
Income					
Income from government securities		185,611	144,093	89,698	73,649
Profit on bank deposits		6,605	2,275	3,863	1,479
Mark-up on fixed income securities		8,808	45,174	4,450	22,957
Income from reverse repurchase transactions		366	-	76	-
Capital gain / (loss) on sale of investments - net		2,189	87	(1)	9
Total income		203,579	191,629	98,086	98,094
Expenses					
Remuneration of National Investment Trust Limited - Management Company		27,731	21,665	13,511	11,662
Sindh Sales Tax on remuneration to Management Company		5,225	3,466	2,509	1,864
Federal Excise Duty on remuneration to Management Company		4,915	-	2,162	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,048	1,678	1,006	889
Annual fee - Securities and Exchange Commission of Pakistan		1,664	1,299	811	699
Amortisation of preliminary expenses and floatation costs		376	376	188	188
Securities transaction costs		94	93	47	46
Auditors' remuneration		204	173	4	148
Settlement and bank charges		157	95	62	45
Listing fee		120	60	-	-
Printing charges		50	50	25	25
Other charges		-	75	-	75
Total expenses		42,584	29,030	20,325	15,641
Net income from operating activities		160,995	162,599	77,761	82,453
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	4	(10,246)	38,512	(6,412)	39,702
Provision for Workers' Welfare Fund	10	(3,015)	(4,023)	(1,429)	(2,444)
Net income for the period before taxation		147,734	197,088	69,920	119,711
Taxation	11	-	-	-	-
Net income for the period after taxation		147,734	197,088	69,920	119,711
Earnings per unit - basic and diluted (in Rupees)	12	0.3439	0.5874	0.1684	0.3369

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)
 FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

	Note	Six months period ended		Three months period ended	
		2013	2012	2013	2012
(Rupees in '000)					
Net income for the period after taxation		147,734	197,088	69,920	119,711
Other comprehensive income for the period					
Items to be reclassified to income statement in subsequent periods:					
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	7.2	(16,646)	21,266	(772)	1,286
Total comprehensive income for the period		<u>131,088</u>	<u>218,354</u>	<u>69,148</u>	<u>120,997</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND
CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
 FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

	Note	2013	2012
		(Rupees in '000)	
Undistributed income brought forward comprising:			
Realised income		412,981	342,622
Unrealised income		-	-
		<u>412,981</u>	<u>342,622</u>
Final distribution for the year ended 30 June 2013: Rs 0.8803 per unit (2012: Rs 1.1094 per unit)			
- Cash distribution		(39,043)	(47,453)
- Units under cumulative investment plan		(435)	(733)
- Bonus units		(345,611)	(266,601)
		<u>(385,089)</u>	<u>(314,787)</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	4	1,597	-
Net income for the period after taxation		147,734	197,088
Undistributed income carried forward		<u>177,223</u>	<u>224,923</u>
Undistributed income comprising of:			
Realised income		177,223	224,923
Unrealised income		-	-
		<u>177,223</u>	<u>224,923</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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 (UNAUDITED)
 FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

Note	2013 (Rupees in '000)	2012 (Rupees in '000)
Net assets at beginning of the period	4,796,053	3,144,560
Issue of 67,562,385 units (2012: 194,147,361 units) for the six month period ended 31 December 2013	685,067	2,013,236
Redemption of 137,384,278 units (2012: 96,475,858 units) for the six months period ended 31 December 2013	(1,397,828)	(997,282)
	(712,761)	1,015,954
Issue of 34,275,592 units (2012: 26,732,581) as bonus units for the six months period ended 31 December 2013	345,611	266,601
Issue of 43,107 units (2012: 73,498) under cumulative investment plan for the six months period ended 31 December 2013	435	733
	4,429,338	4,427,848
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net - transferred to condensed interim income statement	10,246	(38,512)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	7.2 (16,646)	21,266
Capital gain on sale of investments - net	2,189	87
Other net income for the period	145,545	197,001
Final distribution for the year ended 30 June 2013: Rs 0.8803 per unit (2012: Rs 1.1094)		
- Cash distribution	(39,043)	(47,453)
- Units under cumulative investment plan	(435)	(733)
- Bonus units	(345,611)	(266,601)
	(237,355)	(117,699)
Net assets at end of the period	4,185,583	4,292,903

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - GOVERNMENT BOND FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
 FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

Note	2013 (Rupees in '000)	2012 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	147,734	197,088
Adjustments:		
Profit on bank deposits	(6,605)	(2,275)
Capital gain on sale of investments - net	(2,189)	(87)
Amortisation of preliminary expenses and floatation costs	376	376
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	10,246	(38,512)
	149,562	156,590
(Increase) / decrease in assets		
Investments	589,582	(999,284)
Mark-up receivable on fixed income securities	235	(3,125)
	589,817	(1,002,409)
Increase / (decrease) in liabilities		
Payable to National Investment Trust Limited - Management Company	(509)	1,205
Payable to Central Depository Company of Pakistan Limited - Trustee	(25)	63
Payable to Securities and Exchange Commission of Pakistan	(1,427)	(825)
Payable against redemption of units	(1,110)	1,197
Accrued expenses and other liabilities	5,193	1,197
	2,122	2,837
Profit received on bank deposits	7,355	2,534
Net cash generated from / (used in) operating activities	748,856	(840,448)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units	685,067	2,013,236
Payments against redemption of units	(1,397,828)	(997,282)
Dividend paid	(39,043)	(47,453)
Net cash (used in) / generated from financing activities	(751,804)	968,501
Net (decrease) / increase in cash and cash equivalents during the period	(2,948)	128,053
Cash and cash equivalents at beginning of the period	20,909	20,716
Cash and cash equivalents at end of the period	17,961	148,769

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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 INFORMATION

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 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 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 04 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. The units of the Fund were initially offered for public subscription at par from 16 November 2009 to 18 November 2009 (both days inclusive).
- 1.4 The objective of the Fund is to generate a competitive stream of return with moderate level of risk for its unit holders, by investing primarily in government securities.
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has assigned a rating of 'AM2-' to the Management Company and 'AA(f)' to the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information of the Company for the six months period ended 31 December 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

- 2.2 The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2013.
- 2.3 This condensed interim financial information is being submitted to the unit holder as required under Regulation 38 (g) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations). However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand of rupees except otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of condensed interim financial information are the same as those applied in preparing the financial statements as at and for the year ended 30 June 2013, except for the change in accounting estimate (refer note 4).

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund.

4 ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumption that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2013, except for change in methodology of calculation and classification of element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed ("element").

During the period ended 31 December 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 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.

The revised methodology, in the opinion of management, 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. Had the management not changed its methodology the income for the period would have decreased by Rs. 1.408 million.

5 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2013.

6 BANK BALANCES

	31 December 2013	30 June 2013
	Unaudited	Audited
	(Rupees in '000)	
In current accounts	48	24
In savings accounts	6.1 17,913	20,885
	<u>17,961</u>	<u>20,909</u>

- 6.1 These accounts carry profit at rates ranging from 6% to 9.5% per annum (30 June 2013: 6% to 12% per annum).

7 INVESTMENTS

Available for sale

Government securities:	7.1		
- Market Treasury Bills		3,847,644	4,607,743
- Pakistan Investment Bonds		338,781	182,721
		<u>4,186,425</u>	<u>4,790,464</u>

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL
INFORMATION
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

7.1 Investment in government securities - Available for sale

Issue date	Tenor	Face value				Balance as at 31 December 2013			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 01 July 2013	Purchases during the period	Sales / matured during the period	As at 31 December 2013	Carrying value	Market value	Appreciation/ (Diminution)		
(Rupees in '000) ----- (%) -----										
Market Treasury Bills										
09 August 2012	12 months	280,000	-	280,000	-	-	-	-	-	-
06 September 2012	12 months	400,000	-	400,000	-	-	-	-	-	-
20 September 2012	12 months	315,000	-	315,000	-	-	-	-	-	-
04 October 2012	12 months	280,000	-	280,000	-	-	-	-	-	-
18 October 2012	12 months	363,000	-	363,000	-	-	-	-	-	-
01 November 2012	12 months	400,000	-	400,000	-	-	-	-	-	-
15 November 2012	12 months	45,000	-	45,000	-	-	-	-	-	-
10 January 2013	6 months	70,000	-	70,000	-	-	-	-	-	-
24 January 2013	6 months	400,000	-	400,000	-	-	-	-	-	-
04 April 2013	6 months	273,000	-	273,000	-	-	-	-	-	-
02 May 2013	6 months	300,000	-	300,000	-	-	-	-	-	-
02 May 2013	12 months	-	200,000	-	200,000	193,916	193,450	(466)	4.62	4.62
16 May 2013	6 months	200,000	-	200,000	-	-	-	-	-	-
16 May 2013	12 months	250,000	250,000	-	500,000	483,790	481,935	(1,855)	11.51	11.51
30 May 2013	6 months	250,000	370,000	620,000	-	-	-	-	-	-
30 May 2013	12 months	25,000	-	-	25,000	24,134	24,006	(128)	0.57	0.57
13 June 2013	6 months	300,000	-	300,000	-	-	-	-	-	-
13 June 2013	12 months	250,000	-	-	250,000	240,643	239,165	(1,478)	5.71	5.71
27 June 2013	6 months	350,000	200,000	550,000	-	-	-	-	-	-
12 July 2013	6 months	-	650,000	-	650,000	648,764	648,367	(397)	15.49	15.49
12 July 2013	12 months	-	75,000	-	75,000	71,789	71,216	(573)	1.70	1.70
25 July 2013	6 months	-	745,000	-	745,000	740,988	740,219	(769)	17.68	17.68
07 August 2013	6 months	-	40,000	-	40,000	39,661	39,590	(71)	0.95	0.95
19 September 2013	6 months	-	100,000	-	100,000	98,071	97,856	(215)	2.34	2.34
28 November 2013	3 months	-	500,000	-	500,000	493,419	493,002	(417)	11.78	11.78
12 December 2013	6 months	-	300,000	-	300,000	287,343	286,998	(345)	6.86	6.86
26 December 2013	3 months	-	300,000	-	300,000	293,788	293,567	(221)	7.01	7.01
26 December 2013	6 months	-	250,000	-	250,000	238,541	238,273	(268)	5.69	5.69
		4,751,000	3,980,000	4,796,000	3,935,000	3,854,847	3,847,644	(7,203)	91.91	91.91
Pakistan Investment Bonds										
29 April 2004	10 years	-	265,000	-	265,000	263,364	263,097	(267)	6.29	6.28
03 September 2009	10 years	50,000	-	50,000.00	-	-	-	-	-	-
18 August 2011	3 years	50,000	-	50,000.00	-	-	-	-	-	-
19 July 2012	3 years	75,000	-	-	75,000	76,286	75,684	(602)	1.82	1.81
		175,000	265,000	100,000	340,000	339,650	338,781	(869)	8.11	8.09
		4,926,000	4,245,000	4,896,000	4,275,000	4,194,497	4,186,425	(8,072)		

NIT - GOVERNMENT BOND FUND
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL
INFORMATION
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

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

	31 December 2013 Unaudited (Rupees in '000)	30 June 2013 Audited
Market value of investments	4,186,425	4,790,464
Less: Carrying value of investments	(4,194,497)	(4,781,890)
	(8,072)	8,574
Less: Net unrealised appreciation / (diminution) on re-measurement of investments at the beginning of the period / year	8,574	(35,502)
Net unrealised (diminution) / appreciation during the period / year	(16,646)	44,076

8 ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for Workers' Welfare Fund	27,838	24,823
Federal Excise Duty payable on remuneration to Management Company	2,892	-
Capital gain tax payable	38	467
Auditors' remuneration	184	468
Printing charges payable	25	25
Brokerage payable	-	104
Others	369	266
	31,346	26,153

9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 31 December 2013.

10 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.

Subsequent to 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 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, declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) in various Constitutional Petitions declared that amendments introduced in the WWF Ordinance, 1971 through 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 WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF for the six months period ended 31 December 2013. As at 31 December 2013 the management has maintained provision against Workers' Welfare Funds' amounting to Rs. 27.838 million, if the same were not made the net assets value per unit of the Fund would have been higher by Rs. 0.0693.

11 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

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

realised or unrealised is distributed amongst the unit holders. 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 unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending 30 June 2014 as reduced by capital gains (whether realised or unrealised) to its unit holders.

12 EARNINGS PER UNIT	Six months period ended		Three months period ended	
	2013	2012	2013	2012
	-----Unaudited-----			
	------(Rupees in '000)-----			
Net income for the period after taxation	147,734	197,088	69,920	119,711
	----- (Number of units) -----			
Weighted average number of units outstanding	429,538,620	335,503,258	415,163,043	355,365,770
	----- (Rupees) -----			
Earnings per unit - basic and diluted	0.3439	0.5874	0.1684	0.3369

13 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

13.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

13.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

13.5 Details of transactions with connected persons are as follows:

	Six months period ended		Three months period ended	
	2013	2012	2013	2012
	-----Unaudited-----			
	------(Rupees in '000)-----			
National Investment Trust Limited - Management Company				
Issue of Nil units (2012: 28,676,302 units)	-	300,000	-	300,000
Issue of 4,551,223 bonus units (2012: 2,347,994 bonus units)	45,891	23,416	-	-
Front end load on sale of units	11	20	3	12
Remuneration of the Management Company inclusive of Sindh Sales Tax	32,956	25,131	16,020	13,526
Federal Excise Duty on remuneration to Management Company	4,915	-	2,162	-
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	2,048	1,678	1,006	889
National Investment Trust Limited Provident Fund				
Issue of 526,945 bonus units (2012: 496,787 units)	5,313	4,954	-	-
Redemption of 493,579 units (2012: 979,144 units)	5,000	10,000	-	-
Loss on redemption of units	487	363	-	-

NIT - GOVERNMENT BOND FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

	Six months period ended		Three months period ended	
	2013	2012	2013	2012
	-----Unaudited-----			
	------(Rupees in '000)-----			
National Investment Trust Limited Employees Pension Fund				
Issue of 1,089,360 bonus units (2012: 861,337 units)	10,984	8,590	-	-
National Investment Trust Limited Employees Benevolent Fund				
Issue of 160,719 bonus units (2012: Nil units)	1,621	-	-	-
National Bank of Pakistan				
Cash distribution	8,803	-	-	-
13.6 Amounts outstanding as at period / year end:			31 December 2013	30 June 2013
			Unaudited	Audited
			----- (Rupees in '000) -----	
National Investment Trust Limited - Management Company				
56,682,703 units held (30 June 2013: 52,131,481 units)			590,248	571,549
Management fee payable inclusive of Sindh Sales Tax			5,275	5,796
Formation costs and other initial charges payable			3,835	3,835
Sales load payable			306	294
Federal Excise Duty payable on remuneration to Management Company			2,892	-
National Bank of Pakistan				
10,000,000 units held (30 June 2013: 10,000,000 units)			104,132	109,636
Central Depository Company of Pakistan Limited - Trustee				
Trustee fee payable			336	361
Security Deposit			100	100
National Investment Trust Limited Provident Fund				
6,069,203 units held (30 June 2013: 6,035,837 units)			63,200	66,175
National Investment Trust Limited Pension Fund				
13,567,313 units held (30 June 2013: 12,477,953 units)			141,279	136,804
National Investment Trust Limited Employees Benevolent Fund				
2,001,653 units held (30 June 2013: 1,840,934 units)			20,844	20,184

14 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 13, 2014 by the Board of Directors of the Management Company.

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

For National Investment Trust Limited
(Management Company)