



In life when you face
choices, just toss a
coin, not because it
settles the quest, but
while the coin is in the
air, you will know what
your heart is hoping
for...

Operating as an Open-end Equity Fund Since 1962, NI(U)T is the flagship carrier of a diversified portfolio of collective Investment Schemes managed by NITL. With net assets of over PKR 41.487 billion and 54,217 unit holders, it is the first and largest mutual fund in Pakistan.

Belief in Success

CORPORATE INFORMATION

FUND NAME

National Investment (Unit) Trust

NAME OF AUDITORS

A.F. Ferguson & Co. Chartered Accountants

LIST OF BANKERS

Allied Bank Limited
 Askari Bank
 Bank Al Falah Limited
 Bank Al Habib Limited
 Faysal Bank Limited
 Habib Bank Limited
 Habib Metropolitan Bank Limited
 MCB Bank Limited
 National Bank of Pakistan
 NIB Bank Limited
 Standard Chartered Bank (Pakistan) Limited
 Soneri Bank Limited
 Summit Bank Limited (Formerly Arif Habib Bank Limited)
 United Bank Limited

NATIONAL INVESTMENT (UNIT) TRUST FUND MANAGER REPORT 2011-2012

NI(UT) Objective

The core objective of NI(UT) is to maximize return for Unit holders, provide a regular stream of current income through dividends, while long term growth is achieved by the management of diversified portfolio and investments into growth and high yielding equity 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. 74 billion assets under management. The family of Funds of NIT comprises of five funds including 3 equity Funds and 2 fixed income nature Funds. NIT's distribution network comprises of 22 NIT branches, various Authorized bank branches all over Pakistan and Arab Emirates Investment Bank (AEIB) in Dubai (UAE). The Board of Directors of NITL consists of representatives of leading financial institutions, prominent industrialists and nominee of Govt. of Pakistan. The Company has been assigned an Asset Manager rating of "AM2-" by 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 - NI(UT)

• Launch date	12th November 1962	• Minimum Investment:	Rs. 5,000
• Type	Open End Equity Fund	• Management Fee:	1.00%
• Fund Manager	Manzoor Ahmed	• Front End Load:	3.00%
• Fund Size as on June 30, 2012	Rs. 41.487 Billion	• Back End Load:	0.00%
• Par Value	Rs. 10	• Auditors:	A.F. Ferguson & Co. Chartered Accountants
• NAV/unit	Rs. 30.27	• Trustee:	National Bank of Pakistan
• Pricing Mechanism	Forward Pricing	• Risk Profile	Moderate / High
• Benchmark	KSE 100 Index	• Fund Rating assigned by PACRA	3-Star Ranking (rating based on the performance during the twelve months ended June 30, 2010) 2-star long term rating (based on the performance during the thirty six months ended June 30, 2011).

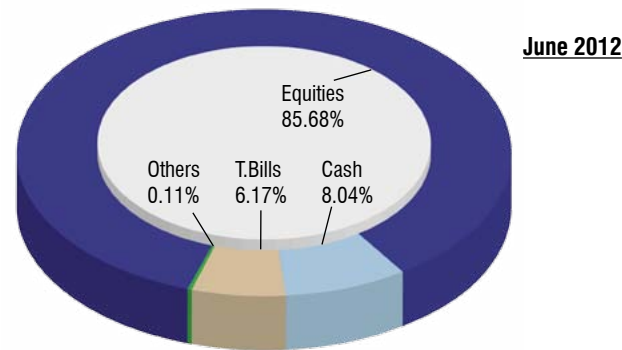
Fund Performance Analysis:

	2011-12	2010-11
Opening Net Assets (Rs. in billion)	40.46	30.16
Opening NAV /unit (Rs.) (Ex Div)	28.14	25.92
Ending Net Assets (Rs. in billion)	41.48	40.46
Ending NAV/unit (Rs.)	30.27	32.14
Cash Distribution / unit (Rs.)	3.50	4.00
Dividend Yield (%)	12.44	15.43
Capital Growth (%)	(4.87%)	8.56
Total Return (%)	7.57%	24.00%
Maximum Funds under management during the year (Rs. in billion)	41.48	36.93

NATIONAL INVESTMENT (UNIT) TRUST FUND MANAGER REPORT 2011-2012

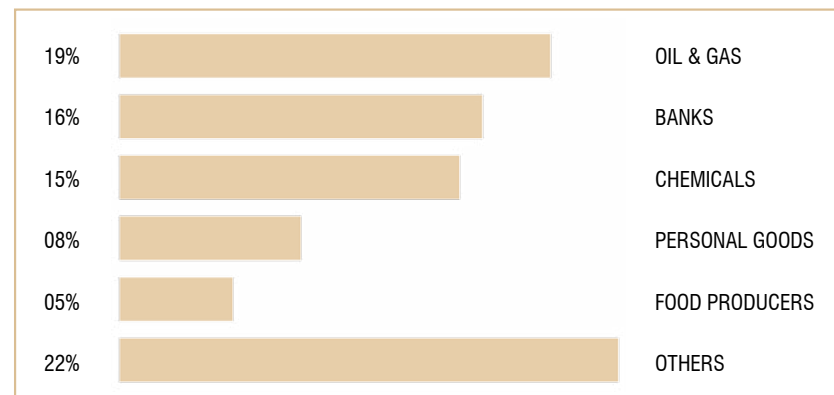
Asset Allocation

Keeping in view the market conditions the Fund has been slightly changing its asset allocation during the year. As on 30th June 2012, the Fund was invested in 85.68% in Equities whereas the remaining exposure was in Treasury Bills and cash. The asset allocation position of the Fund as on 30-06-2012 is depicted in the pie chart below:



Sector Wise Breakdown of Equity Portfolio

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



During the year, NI(U)T continued to remain heavily invested in the oil & gas sector with an exposure of 19% as compared to 22% last year. The sector has been an underperformer with an overall appreciation of just 2% in contrast to the KSE-100 index which appreciated by 10%. This underperformance is attributable mainly to poor performance of oil marketing & refinery sector owing to the long-standing circular debt issue. However, anticipated resolution of the circular debt issue in the near future will have a positive impact on the entire sector's valuations; as well as the dividend paying capacity of the blue chip stocks within this sector.

Exposure in the banking sector was slightly increased to 16% this year as compared to 15% last year. In our view, banks have the potential to deliver positive earnings surprises in CY12 with strong growth in earning assets and significant decline in non-provisioning loans. Moreover, your Fund holds strategic holdings in a few good commercial banks, so in order to maintain its strategic position the Fund mostly held on to its investments in the banking sector.

The Chemicals sector lost the lime light this year due to gas curtailment issues facing by the Fertilizer plants and steep decline in PTA margins during FY12. The weight of your Fund in the chemical sector declined to 15% compared to 16% last year as the Fund had to divest from this

NATIONAL INVESTMENT (UNIT) TRUST FUND MANAGER REPORT 2011-2012

sector to bring its investments under compliance. Your fund diligently offloaded the non-compliant investments from this sector protecting the best interest of the unit holders, and the liquidity generated switched in other stocks within the same sector at attractive valuations. Hopefully the strategy may turn out well in the period ahead.

The automobile sector remained another area of focus where the Fund increased its exposure due to strong underlying fundamentals and promising future of the industry. The exposure in the Auto sector at the period ended stood at 2% as compared to 1.6% last year.

In line with the strategy adopted during the last couple of years, we are striving to reduce the number of companies held in our portfolio by offloading the shares of companies where the Fund's holding is quiet insignificant or non-remunerative. As a result the number of companies has further been reduced to 425. This effort also continued this year as a result the number of companies now stands at 425. This exercise will continue in the period ahead as well, while keeping the best interest of the Fund in mind.

The Fund also took buy / sell positions in other sectors during the year to benefit from short term trading opportunities available in the market.

It may be pertinent to mention that the Fund's holding in PSO and SNGPL which constitutes about 10% of the portfolio continued to remain frozen under the directive of the Government of Pakistan.

Top Ten Holdings

Top ten holdings of the Fund's portfolio as on June 30th 2012 are as follows:

Fauji Fertilizer Co. Ltd.	Attock Refinery Ltd.
Pakistan State Oil	Pakistan OilFields Ltd.
Bank Al-Habib Ltd.	Soneri Bank Ltd.
National Refinery Ltd.	Unilever Pakistan Ltd.
Habib Metropolitan Bank	Engro Corporation

Categorization of Unit Holders By Size - (JUNE 2012)

Category	NI(U)T Unit Holders	% of Holding
Institutional Investors	1,105	74.5%
Individual	53,112	25.5%
TOTAL	54,217	100.00%

Stock Market & Fund Performance Review

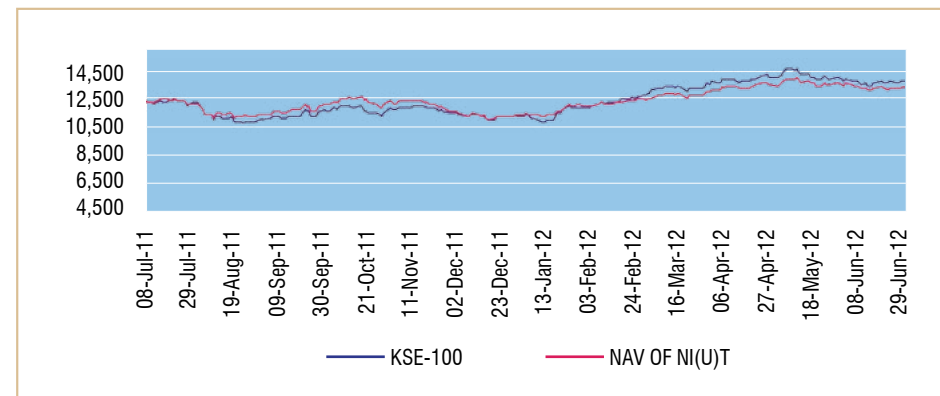
The Pakistani bourse has posted a respectable gain of 10.4% in the outgoing fiscal year ended June 2012, with the benchmark KSE 100 Index closing at 13,801 points. The aggregate market capitalization increased to PKR 3.51tn from PKR 3.28tn, registering a surge of 7%. The average daily trading volumes also improved to reach 130mn shares compared to 95mn shares last year. If we analyse the KSE-100 index performance into two halves of the year we find that the market remained very volatile during 1HFY12 and posted negative return of 6% with low average daily volumes of 62mn shares. However, during 2HFY12, the market bounced back strongly and posted a 22% return with considerably higher daily average trading volume of 196mn shares.

The 1st half of the fiscal year started in a bearish mode due to persistent outflow of foreign portfolio investors, precarious law and order situation in parts of the country and spillover impact from a slump in global equity markets. Cut of 200 bps in discount rate by SBP, (50 bps in July and then 150 bps in October) led to an exuberant reaction of investors. However, concerns over the massive gas crisis severely affecting the fertilizer sector, strained US-Pakistan relations in the wake of Salala check post incident, continued uncertainty on the political front and the continuing foreign outflows did not allow the market to generate an expected bullish rally. During 1HFY12, foreign investors offloaded shares worth US\$157.40 million as opposed to an inflow of US\$249.99 million during the same period last year.

NATIONAL INVESTMENT (UNIT) TRUST FUND MANAGER REPORT 2011-2012

However, market sharply bounced back in the later half of the fiscal year. Overall, the KSE-100 index during 2HFY12 surged by 2,453 points or 21.27%. Average daily turnover registered a major upsurge with 196.40mn shares. The catalyst for the major recovery was the much awaited promulgation of 'Capital Gains Tax Ordinance 2012' which was signed by the President on 24th April 2012. The Ordinance froze CGT rates for a period of two years and amnesty scheme was also introduced by virtue of which no enquiry as to the nature and source of the amount invested shall be made for any investment made in the stock market, which was yet another pivotal factor behind the market's improved liquidity. In another major development during the quarter, the joint sitting of the Parliament unanimously passed the "Stock Exchange (Corporatization, Demutualization and Integration) Bill, 2009 for the growth and strengthening of capital markets in Pakistan. The landmark legislative move would affect a balance among interest of different stakeholders in the corporate and governance structure of a stock exchange. The federal budget FY 2012-13 was another major event, where the budget document confirmed the earlier issued Presidential Ordinance regarding CGT by incorporating it into Finance bill 2012-13. The benchmark KSE-100 index finally settled at 13,801 points as of June 29, 2012 with a return of 10.4% for FY2011-12.

Relative Performance of NAV vs. KSE 100



During the period under review, the KSE-100 index increased by 10.45% whereas the NAV of your Fund increased by 7.57%, resulting into an under performance of 2.88%. The underperformance of the Fund is attributable primarily to the considerable underperformance of the Fund's frozen holdings in which the Fund is not allowed to trade. As of 30th June 2012, NI(U)T's frozen portfolio, accounted for approximately 10% of the overall portfolio. Pakistan State Oil, the primary frozen holding, depreciated by 9% in FY12 whereas Sui Northern Gas Pipeline's market value declined by 6% against the KSE-100 increase of 10.5%, thus underperforming the benchmark by 19.5% and 16% respectively. If the performance of the frozen stocks is taken out, the Fund outperformed the KSE-100 index by 0.55% with a total return of 11%. Since these frozen holdings are valued as good investments and most of the other companies in the portfolio are also fundamentally strong, therefore it is expected that your Fund will show a good performance in the long term perspective.

10 Year Performance of Fund

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	10yr. Annualized Return
NI(U)T (%)	105.05%	60.74%	35.70%	28.20%	44.80%	-5.76%	-41.48%	17.92%	24.00%	7.57%	21.80%
KSE 100 (%)	92.22%	55.21%	41.08%	34.10%	37.90%	-10.80%	-41.72%	35.74%	28.54%	10.45%	22.80%
Dividend Per Unit (Rs.)	1.75	2.55	3.3	5.80	6.20	6.50	3.25	2.25	4.00	3.50	

*Up till FY 07, returns are based on consolidated information of NI(U)T & LOC Funds.

NATIONAL INVESTMENT (UNIT) TRUST FUND MANAGER REPORT 2011-2012

Dividend declaration for the FY11-12:

During FY12, NI(U)T Fund has registered a healthy growth of 69.6% in realized capital gains which increased to Rs. 1,439 million during the year ended on 30th June 2012 from Rs. 848 million for the year ended June 30, 2011. Furthermore, the dividend income earned also increased by 25% to Rs. 2,421 million in FY12 against Rs. 1,931 million earned in FY11. During FY12, NI(U)T earned a net income (excluding unrealized figures) of Rs. 5,664 million translating into earnings per unit of Rs. 4.13. NI(U)T in line with its remarkable history of regularly paying cash dividends over the entire 50 years life of the Trust, declared a cash dividend of Rs. 3.50 per unit for the year ended June 30, 2012. The payment of dividend @ Rs. 3.50 per unit involved a total cash payout of Rs. 4,798 million among its unit holders.

WWF Disclosure:

As of 30th June 2012, the Scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 241.66 million, if the same were not made the NAV per unit/ year to date return of the Scheme would be higher by Rs. 0.17 / 0.6%.

Economic Review:

The FY 2011-12 happened to be another challenging year for the Pakistan's economy, affected by natural disasters and structural weaknesses including energy crisis, fiscal indiscipline, poor law and order situation, precipitous decline in saving & investment, decrease in coalition support funds. Budget deficit remained high, driven by substantial subsidies and losses of state-owned enterprises and low tax revenues. However the economy of Pakistan reflected some recovery this year as GDP growth rate increased from 3% in FY2011 to 3.7% in FY 2011-12.

Encouragingly, the agriculture sector posted a healthy growth of 3.13% as compared to 2.4% in the last year mainly on the back of 4.04% growth in the livestock sector (highest contribution in the agricultural sector) and 3% growth in major crops.

The industrial sector grew by 3.6% compared to 3.1% in the previous year, showing some improvement during FY2011-12. In particular the mining and construction sector reflected a healthy growth of 4.38% and 6.46%, respectively. Large Scale Manufacturing, which comprises of 11.9% of the GDP, clocked a 1.78% growth in FY12, whereas small scale manufacturing once again showed the largest growth rate of 7.51% in FY2011-12.

The services sector grew by 4.02% in FY2011-12 in comparison with 4.45% in FY2010-11. Within the services sector, the wholesale and retail trade sector grew at 3.58%, while, Finance and insurance sector recorded healthy growth of 6.53% in FY2011-12.

During FY 12, the current account deficit stood at \$ 4.7 billion. Overall, exports remained almost stagnant at \$ 24.6 billion during FY 2011-12 as compared to \$ 25.3 billion last year. Compared to this, imports during the fiscal year increased by 12% compared to the same corresponding period, reaching \$ 40.1 billion. It was largely a result of high oil prices and import of fertilizers. Pinpointing main factors behind the decline in exports, energy crisis was the major reason that resulted in negative impact. During FY 2011-12, worker's remittances grew by 20.2% at \$ 13.1 billion which helped in containing current account balance up to a great extent.

Inflation declined during the year from 13.8% in FY2010-11 to 11% in the current year. As a result of which SBP's policy rate was cut by a cumulative 200 bps to 12.0% during the fiscal year.

A steep decline in Foreign Direct Investment was seen during the year, which tumbled from \$ 1.6 billion during FY 2010-11 to only \$ 0.8 billion in the current year owing to a multiple of factors. On the other hand, foreign portfolio investment also recorded a net outflow of US\$ 71 million as compared to the inflow of US\$ 365 million in the last year.

Another major concern on Pakistan's external accounts is the commencement of repayment to the IMF for its latest Stand By Agreement (SBA). The declining reserves continue to be a source of concern for the economy as in FY13 Pakistan is expected to repay USD 3.9bn to the IMF, having already paid back USD 1.2bn during FY12.

Overall the economic prospects are challenging given a weak global economic environment, domestically widening fiscal deficit and declining

NATIONAL INVESTMENT (UNIT) TRUST FUND MANAGER REPORT 2011-2012

foreign exchange reserves. The foreign exchange reserves position will retain paramount importance with investors to keep a close watch on US-Pakistan relations. Overall economy is expected to perform relatively better, however, improved prospects for Pakistan's economy, will largely depend on the implementation of measures to address key problems such as inflation, the budget deficit, law and order situation and the Energy crisis.

(Economic data source: Economic Survey of Pakistan & SBP Website)

Other Disclosures under NBFC Regulations 2008:

The Fund Manager hereby makes the following disclosures as required under the NBFC Regulations 2008;

- a. The Management Company or any of its delegates did not receive any soft commission (goods & services) from any of its brokers / dealers by virtue of transactions conducted by the Fund.
- b. There was no unit split undertaken during the year.

TRUSTEE REPORT

National Investment Trust Limited (NITL), the Management Company of National Investment (Unit) Trust, has in material respects managed NI(U)T during the period July 01, 2011 to June 30, 2012 in accordance with the provisions of the Trust Deed dated November 12, 1962 amended by the Supplemental Trust Deeds dated June 26, 1968, June 07, 1981, November 27, 1998, November 12, 2002, December 31, 2003 and January 18, 2007, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Sd/-

Faisal Ahmed Topra
SVP / Wing Head

Sd/-

Aamir Sattar
EVP / Divisional Head

For National Bank of Pakistan
Dated July 30, 2012

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of National Investment (Unit) Trust (here in after referred to as "The Fund"), which comprise the statement of assets and liabilities as at June 30, 2012, the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standard on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2012, 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 all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Sd/-

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: Rashid A. Jafer
Dated: August 13, 2012
Karachi

NATIONAL INVESTMENT (UNIT) TRUST STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2012

	Note	2012	2011
		-----Rupees in '000-----	
ASSETS			
Bank balances	4	3,400,060	1,988,677
Investments	5	38,831,919	39,154,572
Loans and receivables	6	-	-
Receivable against sale of investments		-	51,625
Dividend and other receivables	7	39,793	52,067
Deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Total assets		42,274,272	41,249,441
LIABILITIES			
Payable to National Investment Trust Limited - Management Company	8	119,985	270,788
Fee payable to Securities and Exchange Commission of Pakistan	9	35,365	33,020
Creditors, accrued and other liabilities	10	290,804	173,904
Unclaimed distribution	11	340,623	307,178
Total liabilities		786,777	784,890
NET ASSETS		41,487,495	40,464,551
Unit holders' fund (as per statement attached)		41,487,495	40,464,551
Contingencies and commitments			
	12		
		(Number of units in '000)	
Number of units in issue	13	1,370,777	1,259,181
		------(Rupees)-----	
Net asset value per unit		30.27	32.14

The annexed notes from 1 to 28 and annexures 1 to 4 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

E.V.P. / Divisional Head
For National Bank of Pakistan (Trustee)

NATIONAL INVESTMENT (UNIT) TRUST INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

Note	2012 -----Rupees in '000-----	2011 -----Rupees in '000-----
INCOME		
Dividend income	2,420,692	1,930,493
Capital gains	1,438,870	848,489
Income from government securities	102,729	122,838
Profit on bank deposits	215,838	53,228
Income on issue and repurchase of units	27,759	51,005
Other Income	2,809	2,069
	<u>4,208,697</u>	<u>3,008,122</u>
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net	5.4 (28,318)	212,254
Unrealised gain on letter of rights	-	6,436
	<u>4,180,379</u>	<u>3,226,812</u>
EXPENSES		
Impairment loss on equity securities classified as 'available for sale'	5.7 1,127,875	629,151
Management participation fee	8.1 373,030	344,472
Sindh sales tax on management participation fee	8.2 59,685	-
Annual fee - Securities and Exchange Commission of Pakistan	9 35,365	33,020
Custodian charges of Central Depository Company of Pakistan Limited	3,478	3,754
Settlement and bank charges	566	343
Financial charges	-	2,348
Legal and professional charges	-	352
Printing and related costs	3,333	5,495
Others	252	926
	<u>1,603,584</u>	<u>1,019,861</u>
Net income from operating activities	<u>2,576,795</u>	<u>2,206,951</u>
Element of income and capital gains included in prices of units issued less those in units redeemed	2,022,743	3,357,265
Provision for Workers' Welfare Fund	14 (91,911)	(104,413)
Net income for the year before taxation	<u>4,507,627</u>	<u>5,459,803</u>
Taxation	15 -	-
Net income for the year after taxation	<u>4,507,627</u>	<u>5,459,803</u>
Earnings per unit		
With unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss' and impairment loss on equity securities classified as 'available for sale'	16 <u>3.29</u>	<u>4.34</u>

NATIONAL INVESTMENT (UNIT) TRUST INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

Note	2012 -----Rupees in '000-----	2011 -----Rupees in '000-----
Without unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss and impairment loss on equity securities classified as 'available for sale'	<u>4.13</u>	<u>4.67</u>

The annexed notes from 1 to 28 and annexures 1 to 4 form an integral part of these financial statements.

Sd/-
Managing Director

For National Investment Trust Limited
(Management Company)

Sd/-
Director

E.V.P. / Divisional Head
For National Bank of Pakistan (Trustee)

Sd/-
Director

NATIONAL INVESTMENT (UNIT) TRUST
STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 -----Rupees in '000-----	2011 -----Rupees in '000-----
Net income for the year after taxation		4,507,627	5,459,803
Other comprehensive income			
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	5.5	436,086	5,372,036
Total comprehensive income for the year		<u>4,943,713</u>	<u>10,831,839</u>

The annexed notes from 1 to 28 and annexures 1 to 4 form an integral part of these financial statements.

Sd/-
Managing Director

For National Investment Trust Limited
(Management Company)

Sd/-
Director

E.V.P. / Divisional Head
For National Bank of Pakistan (Trustee)

Sd/-
Director

NATIONAL INVESTMENT (UNIT) TRUST
DISTRIBUTION STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2012

	2012 -----Rupees in '000-----	2011 -----Rupees in '000-----
Undistributed income brought forward	10,765,890	7,715,047
Final distribution for the year ended June 30, 2011: Rs 4 per unit (2010: Rs. 2.25 per unit)	(5,036,724)	(2,408,960)
Net income for the year after taxation	4,507,627	5,459,803
Undistributed income carried forward	<u>10,236,793</u>	<u>10,765,890</u>

The annexed notes from 1 to 28 and annexures 1 to 4 form an integral part of these financial statements.

Sd/-
Managing Director

For National Investment Trust Limited
(Management Company)

Sd/-
Director

E.V.P. / Divisional Head
For National Bank of Pakistan (Trustee)

Sd/-
Director

NATIONAL INVESTMENT (UNIT) TRUST STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2012

	2012 -----Rupees in '000-----	2011 -----Rupees in '000-----
Net assets at the beginning of the year	40,464,551	30,156,358
Issue of 181,274,311 units (2011: 305,053,229 units)	5,323,861	8,860,346
Redemption of 139,553,942 units (2011: 151,494,368 units)	(4,159,143)	(4,537,197)
	1,164,718	4,323,149
Issue of 69,875,410 units under Cumulative Investment Plan (2011: 34,972,607 units)	1,973,980	919,430
	43,603,249	35,398,937
Element of (income) and capital (gains) included in prices of units issued less those in units redeemed - transferred to income statement	(2,022,743)	(3,357,265)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale' - note 5.5	436,086	5,372,036
Capital gains	1,438,870	848,489
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	(28,318)	212,254
Other net income for the year	3,097,075	4,399,060
Final distribution for the year ended June 30, 2011: Rs 4.00 per unit (2010: Rs. 2.25 per unit)	(5,036,724)	(2,408,960)
	(529,097)	3,050,843
Net assets at the end of the year	<u>41,487,495</u>	<u>40,464,551</u>

The annexed notes from 1 to 28 and annexures 1 to 4 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

E.V.P. / Divisional Head
For National Bank of Pakistan (Trustee)

NATIONAL INVESTMENT (UNIT) TRUST CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	2012 -----Rupees in '000-----	2011 -----Rupees in '000-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	4,507,627	5,459,803
Adjustments:		
Unrealised diminution / (appreciation) on remeasurement of investments classified as financial assets at fair value through profit or loss - net	28,318	(212,254)
Unrealized gain on letters of right	-	(6,436)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(2,022,743)	(3,357,265)
Impairment loss on equity securities classified as 'available for sale'	1,127,875	629,151
Management participation fee	373,030	344,472
Sindh Sales Tax on Management Fee	59,685	-
	<u>4,073,792</u>	<u>2,857,471</u>
(Increase) / decrease in assets		
Receivable from National Investment Trust Limited - Management Company Investments	-	80
Receivable against sale of investments	(397,454)	(4,728,024)
Dividend and other receivables	51,625	(51,625)
	12,274	(27,584)
	(333,555)	(4,807,153)
Increase / (decrease) in liabilities		
Payable to National Investment Trust Limited - Management Company	31,060	(15,387)
Fee payable to Securities and Exchange Commission of Pakistan	2,345	3,268
Creditors, accrued and other liabilities	116,900	102,284
	150,305	90,165
Management Participation fee paid	(423,298)	(326,251)
Net cash inflow from / (outflow on) operating activities	<u>3,467,244</u>	<u>(2,185,768)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from sales of units	973,438	4,532,183
Dividend paid	(3,029,299)	(1,488,858)
Net cash (outflow on) / inflow from financing activities	<u>(2,055,861)</u>	<u>3,043,325</u>
Net increase in cash and cash equivalents during the year	<u>1,411,383</u>	<u>857,557</u>

NATIONAL INVESTMENT (UNIT) TRUST CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 -----Rupees in '000-----	2011
Cash and cash equivalents at the beginning of the year		1,988,677	1,131,120
Cash and cash equivalents as at the end of the year	4	3,400,060	1,988,677

The annexed notes from 1 to 28 and annexures 1 to 4 form an integral part of these financial statements.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

**E.V.P. / Divisional Head
For National Bank of Pakistan (Trustee)**

NATIONAL INVESTMENT (UNIT) TRUST NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The National Investment (Unit) Trust (NI(U)T), was established under a Trust Deed executed between National Investment Trust Limited (NITL) as Management Company and National Bank of Pakistan (NBP) as Trustee. The Trust Deed was executed on November 12, 1962, and was amended vide Supplemental Trust Deeds dated June 26, 1968, June 7, 1981, November 27, 1998, November 12, 2002, December 31, 2003 and January 18, 2007. The functions of the Fund are governed by the Trust Deed and the National Investment (Unit) Trust Ordinance, 1965.
- 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 Privatisation Commission, Government of Pakistan had invited expressions of interest for the sale of the rights to manage the Fund which exists solely with the Management Company, NITL. The Trustee, National Bank of Pakistan and the Management Company hold the rights and privileges of the Unit Holders to be paramount. Till date, the Privatisation Commission is engaged in the process of privatisation. The Fund has been granted exemptions from application of certain provisions of the NBFC Rules and Notified Entities Regulations till privatisation.
- 1.4 The Fund is an open end 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.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned "3-star" rating based on the performance during the twelve months ended June 30, 2011 and "2-star" long term rating based on the performance during the thirty six months ended June 30, 2011.

PACRA has assigned an asset manager rating of "AM2-" to the Management Company.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

The following standards, amendments and interpretation to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures'. This amendment is effective from January 01, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Fund's financial statements, other than certain additional disclosures.
- b) IFRS 7, 'Financial instruments: Disclosures'. This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Fund's financial statements during the current year.

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Fund's financial statements as currently no items are being reported in other comprehensive income.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard does not have any impact on the Fund's financial statements.
- e) IAS 34, 'Interim financial reporting' (effective January 1, 2011). The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and adds disclosure requirements around:
 - The circumstances likely to affect fair values of financial instruments and their classification;
 - Transfers of financial instruments between different levels of the fair value hierarchy;
 - Changes in classification of financial assets; and
 - Changes in contingent liabilities and assets.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will not have any effect on the Fund's financial statements.
- b) IFRS 7, 'Financial instruments: Disclosures' (effective January 1, 2013). This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.
- c) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.1 and note 5).

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair value.

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Financial assets

3.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market

b) Financial assets at fair value through profit or loss

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

c) Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity.

d) 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, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

3.1.2 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.

3.1.3 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.

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.1.4 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:

a) Basis of valuation of equity securities / units of mutual funds

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

Mutual funds units are valued by reference to the net asset values (redemption prices) declared by the respective funds.

Investments in unquoted equity securities are carried at lower of investment price or their breakup value as per latest audited accounts.

b) Basis of valuation of government securities

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

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' and 'Held to maturity' are carried at amortised cost using the effective interest method.

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

3.1.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement is reclassified from unit holders' fund to 'income statement'. Impairment losses recognised on equity instruments are not reversed through the income statement.

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

3.1.6 Derecognition

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

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.1.7 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 realise the assets and settle the liabilities simultaneously.

3.2 Cash and cash equivalents

Cash and cash equivalents include stamps in hand, deposits with banks and other short term highly liquid investments with original maturities of three months or less and which are subject to insignificant changes in value, net of short-term finances.

3.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

3.5 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.6 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 is also exempt from the the Provisions of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the Fund.

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

3.8 Proposed distributions

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared.

3.9 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.

The "element of income/ (loss) and capital gains/ (losses) in prices of units issued less those in units redeemed" account is credited with the amount representing net income/ (loss) and capital gains/ (losses) accounted for in the net asset value and included in the sale proceeds of units. Upon redemption of units, the "element of income/ (loss) and capital gains/ (losses) in prices of units issued less those in units redeemed" account is debited with the amount representing net income/ (loss) and capital gains/ (losses) accounted for in the net asset value and included in the redemption price.

The net "element of income/ (loss) and capital gains/ (losses) in prices of units issued less those in units redeemed" during an accounting period is transferred to the 'income statement'.

3.10 Borrowing costs

Borrowings costs directly attributable to the acquisition of qualifying assets (one that takes substantial period of time to get ready for use or sale) are capitalised as part of the cost of the asset. Other borrowing costs are taken to the income statement in the period in which they are incurred. Currently the Fund does not have any qualifying assets.

3.11 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on marking to market of investments classified as 'Financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Income from investment in morabaha arrangements, term finance certificates and other redeemable capital is recognised on an accrual basis, except where recovery is doubtful, in which case it is credited to the suspense account.
- Dividend income is recognised when the right to receive the dividend is established.
- Income on government securities, bank deposits and placements is recognised on an accrual basis.
- Income on issue and repurchase of units is recognised when the units are issued and redeemed at the transaction date.

3.12 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

3.13 Earnings per unit

Earning per unit (EPU) has been calculated by dividing the net income after taxation by the number of units in issue at the year end as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
-----Rupees in '000-----			
4 BANK BALANCES			
In current accounts	4.1	343,226	500,351
In deposit accounts	4.2	3,056,834	1,488,294
Stamps in hand		-	32
		<u>3,400,060</u>	<u>1,988,677</u>

4.1-4.2 The above include an amount of Rs 375.690 million (2011: Rs 339.286 million) relating to unclaimed distribution.

4.2 Deposit accounts carry profit at the rates ranging from 6% to 13% (2011: 6% to 13%) per annum.

	Note	2012	2011
-----Rupees in '000-----			
5 INVESTMENTS			
At fair value through profit or loss - held for trading			
Investment in shares / units of mutual funds	5.1	1,766,900	1,970,812
Derivative financial instruments (unrealised gain on letters of right)		-	6,436
		<u>1,766,900</u>	<u>1,977,248</u>
Available for sale			
Investment in shares / units of mutual funds	5.1	34,455,517	34,344,076
Investment in government securities	5.1	2,609,502	2,833,248
		<u>37,065,019</u>	<u>37,177,324</u>
Held to maturity			
- Morabaha arrangements	5.1	54,125	54,125
- Participation term certificates		10,500	10,500
- Term finance certificates		10,839	10,839
		<u>75,464</u>	<u>75,464</u>
Less: Provision for impairment loss on held to maturity investments		(75,464)	(75,464)
		<u>38,831,919</u>	<u>39,154,572</u>

5.1 The investment portfolio of the Fund specifying the movement in portfolio during the year since the preceding accounting year, the carrying value and market value of the investments held and the value of each holding as a percentage of the net asset value, total investments of the Fund and investee paid up capital has been set out in annexures 1 to 4 to these financial statements.

5.2 Investments include shares with a market value of Rs 804.105 million (2011: Rs 948.500 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 22, 2007 issued by the Securities and Exchange Commission of Pakistan.

5.3 The investment portfolio of the Fund includes shares of Pakistan State Oil Company Limited and Sui Northern Gas Pipelines Limited, that have been frozen by the Government of Pakistan (GoP) for sale in the equity market due to their proposed privatisation.

	2012	2011
-----Rupees in '000-----		
5.4 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - held for trading		
Market value of investments	1,766,900	1,970,812
Less: Carrying value of investments	(1,795,218)	(1,758,558)
	<u>(28,318)</u>	<u>212,254</u>

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

Market value of investments	37,065,019	37,177,324
Less: Carrying value of investments - net of impairment	<u>(19,522,080)</u>	<u>(20,070,471)</u>
	17,542,939	17,106,853
Less: Net unrealised appreciation in fair value of investments at the beginning of the period	<u>(17,106,853)</u>	<u>(11,734,817)</u>
	<u>436,086</u>	<u>5,372,036</u>

5.6 Movement in provision for impairment loss on held to maturity investments

Opening balance	(75,464)	(77,530)
Charge for the year	-	-
Reversals during the year	-	2,066
Closing balance	<u>(75,464)</u>	<u>(75,464)</u>

5.7 Impairment against equity securities classified as 'available for sale'

During the year, based on a scrip wise analysis of the deficit arising on revaluation of quoted shares, closed end mutual funds and open end mutual funds classified as 'available for sale', it has been determined that an amount of Rs 1,127.875 million (2011: Rs 629.151 million) should be charged to the income statement as an impairment loss. This impairment loss has been fully recognised and the charge has been reflected in the income statement of the Fund.

6 LOANS AND RECEIVABLES

	Note	2012	2011
		------(Rupees in '000)-----	
Term finance certificates	6.1	802	802
Less: Provision for impairment loss on term finance certificates		<u>(802)</u>	<u>(802)</u>
		-	-

6.1 This represents term finance certificates of Crescent Standard Investment Bank Limited (Pacific Leasing). These carry interest at the rate of Nil % (2011: Nil %) per annum.

7 DIVIDEND AND OTHER RECEIVABLES

	Note	2012	2011
		------(Rupees in '000)-----	
Dividend receivable		26,600	38,686
Profit on term finance certificates		<u>24,599</u>	<u>24,599</u>
Less: Provision against doubtful receivables		<u>(24,599)</u>	<u>(24,599)</u>
		-	-
Profit on morabaha arrangements		<u>51,267</u>	<u>51,267</u>
Less: Provision against profit on morabaha arrangements		<u>(51,267)</u>	<u>(51,267)</u>
		-	-
Mark-up receivable on bank deposits		13,193	13,369
Advance against pre IPO-investment	7.1	<u>150,000</u>	<u>150,000</u>
Less: Provision against doubtful receivables		<u>(150,000)</u>	<u>(150,000)</u>
		-	-
Other receivables		<u>2,991</u>	<u>3,003</u>
Less: Provision against doubtful receivables		<u>(2,991)</u>	<u>(2,991)</u>
		-	12
		<u>39,793</u>	<u>52,067</u>

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

7.1 The Fund had subscribed towards the term finance certificates of an issuer as Pre-IPO on March 13, 2008. Under the agreement, the issuer was required to complete the public offering by November 23, 2008. However no public offering has been carried out by the issuer as at June 30, 2012. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As a matter of prudence, the Fund has made a provision of 100% against this advance.

	Note	2012	2011
		------(Rupees in '000)-----	
8 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY			
On account of :			
- repurchase of units		21,041	212,321
- management participation fee	8.1	42,342	32,925
- others	8.3	<u>56,602</u>	<u>25,542</u>
		<u>119,985</u>	<u>270,788</u>

8.1 Management Company is entitled to receive management participation fee on account of services rendered to the Trust. Management participation fee is charged at 1% of the average funds under management during the year subject to a maximum of 1% of the value of the Fund as on June 30 each year.

8.2 During the current year, the Sindh Revenue Board (SRB) levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

8.3 Others include preliminary charges on sale of units amounting to Rs 47.970 million (2011: Rs 22.172 million).

9 FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme categorised as equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The Fund has been categorised as an equity scheme by the management company.

10 CREDITORS, ACCRUED AND OTHER LIABILITIES

	2012	2011
	------(Rupees in '000)-----	
Provision for Workers' Welfare Fund - note 14	241,658	150,415
Excess dividend received	10,122	7,891
Distributions not claimed by unit holders	3,599	3,386
Brokerage payable against purchase of securities	23,689	34
Others	<u>11,736</u>	<u>12,178</u>
	<u>290,804</u>	<u>173,904</u>

11 UNCLAIMED DISTRIBUTION

As at each accounting date, the amount of cash required to effect distribution of profits amongst holders of registered and bearer units, is transferred to a special account titled distribution account. The aggregate balance in such accounts for the years 1997-98 and earlier in case of distribution to registered unit holders and 1999-2000 and earlier in case of distribution to bearer unit holders exceeds the liability for unclaimed distribution by approximately Rs. 31.469 million (2011: 31.469 million). This amount represents payments of dividend out of accounts other than the relevant distribution account and is included as part of the deposited property of the Fund.

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012 (2011: Nil).

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

13 NUMBER OF UNITS IN ISSUE

	Registered	Bearer	Total	Total
	(Number of units)		2012	2011
Total outstanding at the beginning of the period	1,231,460,546	27,720,290	1,259,180,836	1,070,649,368
Add: Sales during the year	181,274,311	-	181,274,311	305,053,229
Units issued under Cumulative Investment Plan (CIP) during the period	69,875,410	-	69,875,410	34,972,607
	<u>1,482,610,267</u>	<u>27,720,290</u>	<u>1,510,330,557</u>	<u>1,410,675,204</u>
Less: Repurchases during the period	(139,167,402)	(386,540)	(139,553,942)	(151,494,368)
Total units in issue at the end of the period	<u>1,343,442,865</u>	<u>27,333,750</u>	<u>1,370,776,615</u>	<u>1,259,180,836</u>

13.1 Pattern of Unit Holding

Pattern of unit holding as at June 30, 2012:

Category	Number of unit holders	Investment Amount (Rupees in '000)	Percentage
Individuals	53,111	11,351,250	27.36%
Associated companies / directors	1	16,558	0.04%
Insurance companies	23	3,997,275	9.63%
Banks / DFIs	34	3,929,197	9.47%
NBFCs	32	2,259,565	5.45%
Retirement funds	440	11,934,159	28.77%
Public Limited companies	19	562,992	1.36%
Others	557	7,436,500	17.92%
	<u>54,217</u>	<u>41,487,496</u>	<u>100.00%</u>

Pattern of unit holding as at June 30, 2011:

Category	Number of unit holders	Investment Amount (Rupees in '000)	Percentage
Individuals	55,048	11,411,596	28.20%
Associated companies / directors	1	15,602	0.04%
Insurance companies	23	2,648,934	6.55%
Banks / DFIs	39	4,788,289	11.83%
NBFCs	35	1,672,826	4.13%
Retirement funds	465	12,087,176	29.88%
Public Limited companies	14	803,080	1.98%
Others	571	7,037,048	17.39%
	<u>56,196</u>	<u>40,464,551</u>	<u>100.00%</u>

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

Subsequent to the year ended June 30, 2011, 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, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the Sindh High Court (SHC). However, 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 241.658 million (including Rs 91.911 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 0.17 per unit.

15 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 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 Board of Directors of the Management Company 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 as further explained in note 26 to these financial statements.

16 EARNINGS PER UNIT

	2012 (Rupees in '000)	2011 (Rupees in '000)
Net income with unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss	<u>4,507,627</u>	<u>5,459,803</u>
Net income without unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss and impairment loss on equity securities classified as 'available for sale'	<u>5,663,820</u>	<u>5,876,700</u>
	---Number of units in '000---	
Units outstanding as at year end	<u>1,370,777</u>	<u>1,259,181</u>
	-----Rupees per unit-----	
Net income with unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss	<u>3.29</u>	<u>4.34</u>
Net income without unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss and impairment loss on equity securities classified as 'available for sale'	<u>4.13</u>	<u>4.67</u>

NATIONAL INVESTMENT (UNIT) TRUST
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NATIONAL INVESTMENT (UNIT) TRUST
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FOR THE YEAR ENDED JUNE 30, 2012

17 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2012				
Loans and receivables	At fair value through profit or loss	Available for sale	Held to maturity	Total
(Rupees in '000)				
Assets				
Bank balances	3,400,060	-	-	3,400,060
Receivable from National Investment Trust Limited - Management Company	-	-	-	-
Investments	1,766,900	37,065,019	-	38,831,919
Receivable against sale of investments	-	-	-	-
Dividend and other receivables	39,793	-	-	39,793
Deposit with National Clearing Company of Pakistan Limited	2,500	-	-	2,500
	<u>3,442,353</u>	<u>37,065,019</u>	<u>-</u>	<u>42,274,272</u>

As at June 30, 2012		
Liabilities at fair value through profit or loss	Others	Total
(Rupees in '000)		
Liabilities		
Payable to National Investment Trust Limited - Management Company	-	119,985
Creditors, accrued and other liabilities	-	49,146
Unclaimed distribution	-	340,623
	<u>-</u>	<u>509,754</u>

As at June 30, 2011				
Loans and receivables	At fair value through profit or loss	Available for sale	Held to maturity	Total
(Rupees in '000)				
Assets				
Bank balances	1,988,677	-	-	1,988,677
Receivable from National Investment Trust Limited - Management Company	-	-	-	-
Investments	1,977,248	37,177,324	-	39,154,572
Receivable against sale of investments	51,625	-	-	51,625
Dividend and other receivables	52,067	-	-	52,067
Deposit with National Clearing Company of Pakistan Limited	2,500	-	-	2,500
	<u>2,094,869</u>	<u>37,177,324</u>	<u>-</u>	<u>41,249,441</u>

As at June 30, 2011		
Liabilities at fair value through profit or loss	Others	Total
(Rupees in '000)		
Liabilities		
Short-term finances	-	-
Payable to National Investment Trust Limited - Management Company	-	270,788
Creditors, accrued and other liabilities	-	23,385
Unclaimed distribution	-	307,178
	<u>-</u>	<u>601,351</u>

18 TRANSACTIONS WITH CONNECTED PERSONS

18.1 Connected persons include National Investment Trust Limited being the Management Company, National Bank of Pakistan 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 key management personnel of the Management Company.

18.2 Transactions with connected persons essentially comprise sale and repurchase of units, fee on account of managing the affairs of the Fund, sales load and other charges and dividend payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

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

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

Transactions during the year	2012	2011
	(Rupees in '000)	
National Investment Trust Limited - Management Company		
16,355,904 units issued [2011: Nil units]	500,000	-
6,355,488 units issued under CIP [2011: 3,566,755 units]	179,543	93,770
Management participation fee	373,030	344,472
Sindh Sales Tax on Management Fee	59,685	-
Preliminary charges and handling fee	31,060	52,405
Directors and key management personnel		
Nil units issued [2011: 63,857 units]	-	2,000
61,858 units issued under CIP [2011: 47,455 units]	1,747	1,248
Nil units redeemed [2011: 242,000 units]	-	7,456
National Investment Trust Limited Provident Fund		
7,490 units issued under CIP [2011: 4,634 units]	212	122
Dividend distributed during the period	-	1,999
National Investment Trust Limited Pension Fund		
39,451 units issued under CIP [2011: 21,966 units]	1,114	577
Dividend distributed during the period	-	2,855

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

Amount outstanding as at year end	2012	2011
	-----Rupees in '000-----	
National Investment Trust Limited - Management Company		
72,585,148 units held (2011: 49,873,755)	2,197,152	1,602,942
Payable to management company	119,985	270,788
National Bank of Pakistan - Trustee		
Bank balances	629,395	494,593
10,577,242 shares held (2011: 9,929,176)	460,533	500,629
Directors and key management personnel		
547,269 units held (2011: 485,412)	16,566	15,601
National Investment Trust Limited Provident Fund		
954,593 units held (2011: 947,103 units)	28,896	30,440
National Investment Trust Limited Pension Fund		
1,587,112 units held (2011: 1,547,661 units)	48,042	49,742

19 FINANCIAL RISK MANAGEMENT

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

19.1 Market risk

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

The Management Company manages market risk through diversification of the investment portfolio by exposures and by following the internal guidelines established by the investment committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

19.1.1 Currency risk

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

19.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

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

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2012, the Fund holds Treasury Bills which are classified as available for sale, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan on June 30, 2012, with all other variables held constant, the net assets would have been lower by Rs 3.739 million. In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2012, with all other variables held constant, the net assets would have been higher by Rs 3.753 million.

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

The composition of the Fund's investment portfolio and rates announced by the Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

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

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 up-to one year	More than one year		
----- As at June 30, 2012 -----					
	(Rupees in '000)				
On-balance sheet financial instruments	Percentage -----				
Financial Assets					
Bank balances	6-13	3,056,834	-	343,226	3,400,060
Investments	11.98-12.59	2,609,502	-	36,222,417	38,831,919
Receivable against sale of investments	-	-	-	-	-
Dividend and other receivables	-	-	-	39,793	39,793
Deposit with National Clearing Company of Pakistan Limited	-	-	-	2,500	2,500
		5,666,336	-	36,607,936	42,274,272
Financial Liabilities					
Short-term finances	-	-	-	-	-
Payable to National Investment Trust Limited - Management Company	-	-	-	119,985	119,985
Creditors, accrued and other liabilities	-	-	-	49,146	49,146
Unclaimed distribution	-	-	-	340,623	340,623
	-	-	-	509,754	509,754
On-balance sheet gap		5,666,336	-	36,098,182	41,764,518
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		5,666,336	-	36,098,182	41,764,518
Cumulative interest rate sensitivity gap		5,666,336	5,666,336	5,666,336	

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 up-to one year	More than one year		
----- As at June 30, 2011 -----					
	(Rupees in '000)				
On-balance sheet financial instruments	Percentage -----				
Financial Assets					
Bank balances	6-13	1,488,294	-	500,383	1,988,677
Investments	13.74 - 14.07	2,833,248	-	36,321,324	39,154,572
Receivable against sale of investments	-	-	-	51,625	51,625
Dividend and other receivables	-	-	-	52,067	52,067
Deposit with National Clearing Company of Pakistan Limited	-	-	-	2,500	2,500
		4,321,542	-	36,927,899	41,249,441

NATIONAL INVESTMENT (UNIT) TRUST

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FOR THE YEAR ENDED JUNE 30, 2012

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 up-to one year	More than one year		
Percentage	(Rupees in '000)				
On-balance sheet financial instruments					
Financial Liabilities					
Short-term finances	-	-	-	-	-
Payable to National Investment Trust Limited - Management Company	-	-	-	270,788	270,788
Creditors, accrued and other liabilities	-	-	-	23,385	23,385
Unclaimed distribution	-	-	-	307,178	307,178
				601,351	601,351
On-balance sheet gap	4,321,542	-	-	36,326,548	40,648,090
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-
Total interest rate sensitivity gap	4,321,542	-	-	36,326,548	40,648,090
Cumulative interest rate sensitivity gap	4,321,542	4,321,542	4,321,542		

19.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as available for sale and at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 30% of net assets or index weight of the security whichever is higher, subject to maximum of 35% of the net assets. However, relaxation in this regard has been obtained from the SECP.

In case of 5% increase / decrease in KSE 100 index on June 30, 2012, with all other variables held constant, net income of the Fund for the year would increase / decrease by Rs 7.519 million (2011: Rs 37.835 million) and the net assets would increase / decrease by the same amount, as a result of gains / losses on equity securities included in KSE 100 index classified as at fair value through profit or loss. Other components of equity and net assets of the Fund would increase / decrease by Rs 259.914 million (2011: Rs. 1,030.937 million) as a result of gains / (losses) on equity securities included in KSE 100 index classified as available for sale.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 index.

NATIONAL INVESTMENT (UNIT) TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

19.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, receivable from management company, investment in debt securities, credit exposure arising as a result of dividends receivable on equity securities and receivable against sale of investments. For banks and financial institutions, only reputed parties are accepted. Risk attributable to investment in Treasury Bills is limited as these are guaranteed by the Federal Government. Credit risk on dividends receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2012 and June 30, 2011.

Bank balances by rating category	2012	2011
A -1+	49.00%	25.30%
A - 2	51.00%	74.70%
	100.00%	100.00%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk.

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 Funds portfolio of financial instruments is mostly concentrated in equity securities.

19.3 Liquidity risk

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

The Fund is exposed to the daily settlement of equity securities and to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed off. The Fund's listed securities are considered readily realisable, as they are listed on the Karachi Stock Exchange.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the year.

NATIONAL INVESTMENT (UNIT) TRUST

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FOR THE YEAR ENDED JUNE 30, 2012

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

----- As at June 30, 2012 -----				
Total	Upto three months	Over three months and upto one year	Over one year	
----- (Rupees in '000) -----				
Liabilities				
Short-term finances	-	-	-	-
Payable to National Investment Trust Limited - Management Company	119,985	119,985	-	-
Creditors, accrued and other liabilities	49,146	49,146	-	-
Unclaimed distribution	340,623	340,623	-	-
	<u>509,754</u>	<u>509,754</u>	<u>-</u>	<u>-</u>
----- As at June 30, 2011 -----				
Total	Upto three months	Over three months and upto one year	Over one year	
----- (Rupees in '000) -----				
Liabilities				
Short-term finances	-	-	-	-
Payable to National Investment Trust Limited - Management Company	270,788	270,788	-	-
Creditors, accrued and other liabilities	23,385	23,385	-	-
Unclaimed distribution	307,178	307,178	-	-
	<u>601,351</u>	<u>601,351</u>	<u>-</u>	<u>-</u>

20 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the Fund.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns 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 19, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

NATIONAL INVESTMENT (UNIT) TRUST

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

IFRS 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Investments of the Fund carried at fair value are categorised as follows:

Assets	Level 1	Level 2	Level 3	Total
Financial assets classified as 'at fair value through profit or loss'				
- Investment in shares / units of mutual funds	1,766,900	-	-	1,766,900
- Derivative financial instruments (unrealised gain on letter of rights)	-	-	-	-
Financial assets classified as 'available for sale'				
- Investment in shares / units of mutual funds	34,455,517	-	-	34,455,517
- Investment in government securities	-	2,609,502	-	2,609,502

22 TRANSACTIONS WITH TOP TEN BROKERS / DEALERS

List of top ten brokers by percentage of commission paid for the year ended June 30, 2012

- (i) JS Global Capital Limited
- (ii) AKD Securities Limited
- (iii) Arif Habib Limited
- (iv) KASB Securities Limited
- (v) BMA Capital Management Limited
- (vi) Global Securities Pakistan Limited
- (vii) Elixir Securities Pakistan (Pvt) Limited
- (viii) Al-Habib Capital Markets (Pvt) Limited
- (ix) Amin Tai Securities (Pvt) Limited
- (x) Concordia Securities (Pvt) Limited

List of top ten brokers by percentage of commission paid for the year ended June 30, 2011

- (i) AKD Securities Limited
- (ii) Arif Habib Limited
- (iii) JS Global Capital Limited
- (iv) Amin Tai Securities (Pvt) Limited
- (v) Cassim Investment (Pvt) Limited
- (vi) KASB Securities Limited
- (vii) BMA Capital Management Limited
- (viii) Al-Habib Capital Markets (Pvt) Limited
- (ix) Taurus Securities Limited
- (x) Lakhani Securities (Pvt) Limited

NATIONAL INVESTMENT (UNIT) TRUST NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NATIONAL INVESTMENT (UNIT) TRUST NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No	Name	Designation	Qualification	Experience in years
1	Wazir Ali Khoja	Chairman and Managing Director	B. Com	41
2	Shahid Anwar	Head of MD's Secretariat and Personnel	MBA & DAIBP	35
3	Manzoor Ahmed	Chief Operating Officer	MBA, DAIBP & Candidate for CFA Level III	23
4	S. Zubair Ahmed	Controller of Branches	MPhil, MBA .PGD-General Management & PGD-Development Policies	39
5	Aamir Amin	Head of Finance	CA	15
6	M. Imran Rafiq*	Head of Research	MBA and CFA	6
7	M. Atif Khan*	Manager Compliance and Risk Management	ACMA and CIA	8

* M. Imran Rafiq and M. Atif Khan were appointed as members of the investment committee during the year.

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

- National Investment (Unit) Trust - LOC Holders' Fund (uptil its dissolution as of April 02, 2012)
- NIT-State Enterprise Fund

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 288th, 289th, 290th, 291st, 292nd and 293rd Board meetings were held on July 05, 2011, August 22, 2011, October 13, 2011, November 23, 2011, February 6, 2012 and April 11, 2012 respectively. Information in respect of attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
1 Mr. Wazir Ali Khoja	6	6	-	-
2 Mian Tajammal Hussain	6	4	2	292nd and 293rd
3 Mr. Qamar Hussain	6	6	-	-
4 Ms. Rukhsana Saleem	6	6	-	-
5 Mr. Jamal Nasim	6	6	-	-
6 Mr. Bahauddin Khan	6	6	-	-
7 Ms. Nazrat Bashir	6	6	-	-
8 Mr. Abdul Razak Adamjee	6	-	6	288th, 289th, 290th, 291st, 292nd and 293rd
9 Mr. Muhtashim Ahmed Ashai	6	5	1	291st

25 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements.

26 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in their meeting held on July 5, 2012 approved a distribution of Rs 3.50 per unit for the year ended June 30, 2012 (2011: Rs 4.00 per unit). The financial statements of the Fund for the year ended June 30, 2012 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2013.

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 13, 2012 by the Board of Directors of the Management Company.

28 GENERAL

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

28.2 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

E.V.P. / Divisional Head
For National Bank of Pakistan (Trustee)

NATIONAL INVESTMENT (UNIT) TRUST INVESTMENTS - AVAILABLE FOR SALE

AS AT JUNE 30, 2012

Name of Investee Company	Number of shares							Balance as at June 30, 2012		Percentage in relation to			
	As at July 01, 2011	Purchase during the year	Bonus issue during the year	Right/New Issue during the year	Merger / Demerger Effects / Adjustment	Sales during the year	As at June 30, 2012	Carrying Value	Market Value	Market Value as percentage of Net Assets	Market Value as percentage of total investment	Paid up capital of the investee company	
Industrial Development Bank Of Pakistan	1,970	-	-	-	-	-	1,970	-	-	-	-	0.04	
Innovative Investment Bank Limited	35,227	-	-	-	-	-	35,227	-	352	0.00	0.00	0.35	
Karachi Pipe	156,102	-	-	-	-	-	156,102	-	-	-	-	7.81	
Kohinoor Cotton Limited	62,553	-	-	-	-	-	62,553	-	-	-	-	5.57	
Lafayette Industries Synthetics Limited	92,360	-	-	-	-	-	92,360	-	-	-	-	2.59	
Marr Fabrics Limited	118,221	-	-	-	-	-	118,221	-	-	-	-	4.93	
Mehran Bank Limited	738,590	-	-	-	-	-	738,590	-	-	-	-	2.46	
Mohib Textile Mills Limited	159,813	-	-	-	-	-	159,813	-	-	-	-	1.33	
National Construction Overseas	24,629	-	-	-	-	-	24,629	-	-	-	-	-	
National Match Industries	26,452	-	-	-	-	-	26,452	-	-	-	-	7.56	
Naveed Textile Mills Limited	70,637	-	-	-	-	-	70,637	-	-	-	-	3.62	
Nowshera Engineering	26,057	-	-	-	-	-	26,057	-	-	-	-	5.21	
Nusrat Textile Mills Limited	306,342	-	-	-	-	-	306,342	-	-	-	-	6.81	
Pak Paper Corporation	103,848	-	-	-	-	-	103,848	-	-	-	-	-	
Pearl Fabrics	229,970	-	-	-	-	-	229,970	-	-	-	-	2.64	
Premier Board	29,998	-	-	-	-	-	29,998	-	-	-	-	-	
Punjab Building	443,845	-	-	-	-	-	443,845	-	-	-	-	-	
Punjab Cotton	56,155	-	-	-	-	-	56,155	-	-	-	-	-	
Punjab Lamp	108,468	-	-	-	-	-	108,468	-	-	-	-	-	
RCD Ball Bearing	19,716	-	-	-	-	-	19,716	-	-	-	-	1.31	
Refrigerators Manufacturing Company of Pakistan Limited	26	-	-	-	-	-	26	-	-	-	-	0.00	
Rex Baren Battery	56,155	-	-	-	-	-	56,155	-	-	-	-	1.50	
Saleem Denim (Kaytex Mills) Limited	162,160	-	-	-	-	-	162,160	-	-	-	-	3.77	
Shahyar (O.E.)	78,469	-	-	-	-	-	78,469	-	-	-	-	3.79	
Shahyar Textile Mill Limited	222,109	-	-	-	-	-	222,109	-	-	-	-	5.14	
Sunrise Textile Mills Limited	15,024	-	-	-	-	-	15,024	-	-	-	-	0.14	
Sunshine Cloth Mills Limited	440,918	-	-	-	-	-	440,918	-	-	-	-	5.62	
SFL Limited	224,435	-	-	-	-	-	224,435	-	2,244	0.01	0.01	1.14	
Zaffar Textile Limited	66,844	-	-	-	-	-	66,844	-	-	-	-	6.68	
Total	9,454,385	2,129,388	-	121,208	497,882	-	12,202,863	81,357	89,148	0.21	0.23		
Total	942,475,424	37,663,560	50,954,217	2,340,938	168,351	21,243,948	1,012,358,542	16,911,242	34,455,517	83.05	88.73		

NATIONAL INVESTMENT (UNIT) TRUST INVESTMENTS IN GOVERNMENT SECURITIES - AVAILABLE FOR SALE

AS AT JUNE 30, 2012

Issue date	Tenor	Face value				Balance as at June 30, 2012			Market Value as a Percentage of Net Assets	Market Value as a Percentage of Investments
		As at July 1, 2011	Purchases During the Period	Sales/ Matured During the Period	As at June 30, 2012	Carrying Value	Market Value	Appreciation / (Diminution)		
-----Rupees in '000-----										
Market Treasury Bills										
September 8, 2011	12 Months	-	500,000	-	500,000	489,367	489,137	(230)	1.18%	1.26%
May 31, 2012	03 Months	-	200,000	-	200,000	196,643	196,533	(110)	0.47%	0.51%
May 17, 2012	03 Months	-	905,000	-	905,000	893,798	893,324	(474)	2.15%	2.30%
May 3, 2012	03 Months	-	200,000	-	200,000	198,417	198,315	(102)	0.48%	0.51%
March 22, 2012	03 Months	-	300,000	300,000	-	-	-	-	-	-
November 17, 2011	03 Months	-	300,000	300,000	-	-	-	-	-	-
June 14, 2012	03 Months	-	700,000	-	700,000	685,127	684,793	(334)	1.65%	1.76%
August 25, 2011	03 Months	-	225,000	225,000	-	-	-	-	-	-
August 25, 2011	12 Months	-	150,000	-	150,000	147,486	147,400	(86)	0.36%	0.38%
August 11, 2011	03 Months	-	125,000	125,000	-	-	-	-	-	-
July 25, 2011	03 Months	-	125,000	125,000	-	-	-	-	-	-
June 2, 2011	03 Months	1,000,000	-	1,000,000	-	-	-	-	-	-
May 19, 2011	03 Months	400,000	-	400,000	-	-	-	-	-	-
May 19, 2011	06 Months	-	200,000	200,000	-	-	-	-	-	-
May 5, 2011	03 Months	1,399,000	500,000	1,899,000	-	-	-	-	-	-
May 5, 2011	06 Months	-	350,000	350,000	-	-	-	-	-	-
April 21, 2011	03 Months	75,000	-	75,000	-	-	-	-	-	-
April 21, 2011	06 Months	-	153,500	153,500	-	-	-	-	-	-
April 7, 2011	06 Months	-	500,000	500,000	-	-	-	-	-	-
January 27, 2011	06 Months	-	300,000	300,000	-	-	-	-	-	-
Total		2,874,000	5,733,500	5,952,500	2,655,000	2,610,838	2,609,502	(1,336)	6.29%	6.72%

NATIONAL INVESTMENT (UNIT) TRUST INVESTMENTS - HELD TO MATURITY

AS AT JUNE 30, 2012

S No	Name	At cost			% age of net assets
		Opening	Redemptions during the period	Closing	
Rupees in '000					
INVESTMENT IN SECURITIES CLASSIFIED AS - 'HELD TO MATURITY'					
Investment under Morabaha Arrangements					
1	Textile Management (Private) Limited	4,125	-	4,125	0.01%
2	Pak China Fertilizers Limited	27,000	-	27,000	0.07%
3	Quaidabad Woolen Mills Limited	23,000	-	23,000	0.06%
	Sub-total	54,125	-	54,125	0.13%
	Less : Provision for impairment loss	(54,125)	-	(54,125)	-0.13%
		-	-	-	-
Participation Term Certificates					
1	Adamjee Paper & Board Mills Limited	10,500	-	10,500	0.03%
	Less : Provision for impairment loss	(10,500)	-	(10,500)	-0.03%
		-	-	-	-
Term Finance Certificates and Redeemable Capital					
1	Adamjee Paper & Board Mills Limited	8,125	-	8,125	0.02%
2	Brothers Steel Mills Limited	1,959	-	1,959	0.00%
3	Naimat Basal Oil & Gas Securitization Company Limited	2	-	2	0.00%
4	Pakistan Telecommunication Limited (PTC) / BEL	753	-	753	0.00%
	Sub-total	10,839	-	10,839	0.03%
	Less : Provision for impairment loss	(10,839)	-	(10,839)	-0.03%
		-	-	-	-
	Total	75,464	-	75,464	0.18%
	Less: Provision for impairment	(75,464)	-	(75,464)	-0.18%
		-	-	-	-

NATIONAL INVESTMENT (UNIT) TRUST PERFORMANCE TABLE

LAST 3 YEARS

		JUNE 12	JUNE 11	JUNE 10
Total Net Asset Value Ex-Dividend	(Rs. In 000's)	36,689,776	35,427,827	27,747,397
Net Asset Value per Unit Ex-dividend	(Rs./unit)	26.77	28.14	25.92
Last Issue Price per Unit *	(Rs./unit)	31.20	33.10	29.05
Last Repurchase Price per Unit *	(Rs./unit)	30.26	32.14	28.17
Highest Issue Price During the year	(Rs./unit)	32.85	34.15	33.30
Lowest Issue Price During the year	(Rs./unit)	26.35	25.90	25.45
Highest Repurchase Price During the year	(Rs./unit)	31.88	33.16	32.26
Lowest Repurchase Price During the year	(Rs./unit)	25.57	25.13	24.55
Total Return of the Fund	%	7.57	24.00	17.92
Capital Growth	%	(4.87)	8.57	8.50
Income Distributions	%	12.44	15.43	9.42
Distribution per Unit (Final)	(Rs./unit)	3.50	4.00	2.25
Distribution Date		5-Jul-12	5-Jul-11	5-Jul-10
Average Annual Return				
One Year	%	7.57	24.00	17.92
Two Years	%	15.79	20.96	(11.78)
Three Years	%	16.50	0.15	(9.77)

Note: All investments in Mutual Funds and securities are subject to Market Risks. Our target return/dividend range can not be guaranteed. NIT's unit price is neither guaranteed nor administered/managed. It is based on Net Asset Value (NAV) and the NAV of NIT units may go up or down depending upon the factors and forces affecting the stock market. Past performance is not indicative of future returns.

* These are cum-dividend prices of 30th June.