

MFS GOVERNMENT MARKETS INCOME TRUST
Form N-CSR
January 31, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-05078

MFS GOVERNMENT MARKETS INCOME TRUST

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

500 Boylston Street

Boston, Massachusetts 02116

(Name and address of agents for service)

Registrant's telephone number, including area code: (617) 954-5000

Date of fiscal year end: November 30

Date of reporting period: November 30, 2011

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ITEM 1. REPORTS TO STOCKHOLDERS.

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MFS® Government Markets Income Trust

ANNUAL REPORT

November 30, 2011

MGF-ANN

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Managed Distribution Policy Disclosure

The MFS Government Markets Income Trust's (the fund) Board of Trustees has adopted a managed distribution policy. The fund seeks to pay monthly distributions based on an annual rate of 7.25% of the fund's average monthly net asset value. The fund's total return in relation to changes in net asset value is presented in the Financial Highlights. You should not draw any conclusions about the fund's investment performance from the amount of the current distribution or from the terms of the fund's managed distribution policy. The Board may amend or terminate the managed distribution policy at any time without prior notice to fund shareholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the managed distribution policy.

With each distribution, the fund will issue a notice to shareholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other related information. In accordance with the amounts and sources of distributions reported in the notice to shareholders, the sources of distributions are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the fund's investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. The fund will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes.

Under a managed distribution policy the fund may at times distribute more than its net investment income and net realized capital gains; therefore, a portion of your distribution may result in a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in the fund is paid back to you. A return of capital does not necessarily reflect the fund's investment performance and should not be confused with yield or income.

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MFS® GOVERNMENT MARKETS INCOME TRUST

New York Stock Exchange Symbol: **MGF**

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NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

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LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholders:

We are indeed living through some volatile times. Economic uncertainty is everywhere, as it seems no place in the world has been unmoved by crisis. We have seen a devastating earthquake and tsunami that have led to disruptions in the Japanese markets and supply chains. Protests have changed the face of the Middle East and left in their wake lingering tensions and resultant higher oil prices. We have seen debt limits tested in Europe and the United States and policymakers grappling to craft often unpopular monetary and fiscal responses at a time when consumers and businesses struggle with what appears to be a slowing global economy. On top of all of that, we have seen long-term U.S. debt lose its Standard & Poor's AAA rating and the long-term debt ratings of 15 eurozone nations put on negative watch.

When markets become volatile, managing risk becomes a top priority for investors and their advisors. At MFS® risk management is foremost in our minds in all market climates. Our analysts and portfolio managers keep risks firmly in mind when evaluating securities. Additionally, we have a team of quantitative analysts that measures and assesses the risk profiles of our portfolios and securities on an ongoing basis. The chief investment risk officer, who oversees the team, reports directly to the firm's president and chief investment officer so the risk associated with each portfolio can be assessed objectively and independently of the portfolio management team.

As always, we continue to be mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with their advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

Chairman and Chief Executive Officer

MFS Investment Management®

January 13, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

Table of Contents**PORTFOLIO COMPOSITION****Portfolio structure (i)****Fixed income sectors (i)**

Mortgage-Backed Securities	37.1%
U.S. Treasury Securities	19.4%
U.S. Government Agencies	16.8%
High Grade Corporates	9.1%
Emerging Markets Bonds	6.8%
Commercial Mortgage-Backed Securities	4.0%
Municipal Bonds	0.8%
Non-U.S. Government Bonds	0.4%

Composition including fixed income credit quality (a)(i)

AAA	2.6%
AA	2.4%
A	2.8%
BBB	12.1%
BB	1.1%
U.S. Government	22.4%
Federal Agencies	53.9%
Not Rated	(2.9)%
Cash & Other	5.6%

Portfolio facts (i)

Average Duration (d)	4.5
Average Effective Maturity (m)	7.0 yrs.

(a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). All ratings are subject to change. U.S. Government includes securities issued by the U.S. Department of the Treasury. Federal Agencies includes rated and unrated U.S. Agency fixed-income securities, U.S. Agency mortgage-backed securities, and collateralized mortgage obligations of U.S. Agency mortgage-backed securities. Not Rated includes fixed income securities, including fixed income futures, which have not been rated by any rating agency. Cash & Other includes cash, other assets less liabilities, offsets to derivative positions, and short-term securities. The fund may not hold all of these instruments. The fund is not rated by these agencies.

(d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.

(i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions. These amounts may be negative from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

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Portfolio Composition continued

(m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity. Percentages are based on net assets as of 11/30/11.

The portfolio is actively managed and current holdings may be different.

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MANAGEMENT REVIEW

Summary of Results

The MFS Government Markets Income Trust (the fund) is a closed-end fund investing primarily in U.S. government securities, mortgage-backed securities, international and emerging markets debt securities, and U.S. investment-grade corporate bonds.

For the twelve months ended November 30, 2011, the fund provided a total return of 5.48%, at net asset value. This compares with a return of 5.65% for the fund's benchmark, the Barclays Capital U.S. Government/Mortgage Bond Index. Over the same period, the fund's other benchmark, the MFS Government Markets Income Trust Blended Index (the Blended Index), generated a return of 5.57%. The Blended Index reflects the blended returns of various fixed income market indices, with percentage allocations to each index designed to resemble the fixed income allocations of the fund. The market indices and related percentage allocations used to compile the Blended Index are set forth in the Performance Summary.

Market Environment

Early in the period, the U.S. Federal Reserve (the Fed) responded to weak economic growth by loosening monetary policy further. More easing by the Fed improved market sentiment and drove risk-asset prices markedly higher. The December 2010 agreement on a surprisingly large (relative to expectations) expansionary U.S. fiscal package also boosted sentiment. During the subsequent several months, the renewed positive market sentiment, coupled with better indications of global macroeconomic activity, pushed many asset valuations to post-crisis highs. At the same time, the yields of the perceived safest global sovereign credits rose, indicating a renewed risk-seeking environment.

However, towards the middle of the period, a weakening macroeconomic backdrop and renewed concerns over peripheral euro zone sovereign debt caused a flight-to-quality move that pushed high-quality sovereign bond yields lower. In the U.S., concerns about sovereign debt default and the long-term sustainability of the trend in U.S. fiscal policy resulted in one agency downgrading U.S. credit quality. Amidst this turmoil, global equity markets declined sharply. As a result of these developments, global consumer and producer sentiment indicators fell precipitously and highly-rated sovereign bond yields hit multi-decade lows. Towards the end of the reporting period, uncertainty in financial markets spiked higher as markets more seriously contemplated the possible failure of the euro zone.

Detractors from Performance

The fund's lesser exposure to shifts at the long end of the yield curve (y) (centered around maturities of 10 years or more) detracted from performance relative to the Blended Index as the yield curve flattened over the reporting period.

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Management Review continued

A greater exposure to Federal National Mortgage Association (Fannie Mae) mortgage-backed securities and to Brazilian bonds also held back relative results.

Contributors to Performance

During the reporting period, the fund's lesser exposure to shifts in the middle portion of the yield curve (centered around maturities of 7 years) was a key contributor to relative performance. The fund's greater exposure to the *inflation linked* sector also benefited relative results.

A lesser exposure to A rated (r) bonds and to Federal Home Loan Mortgage Corporation (Freddie Mac) mortgage-backed securities were additional factors that aided relative performance.

Respectfully,

Geoffrey Schechter
Portfolio Manager

(r) Bonds rated BBB, Baa, or higher are considered investment grade; bonds rated BB, Ba, or below are considered non-investment grade. The source for bond quality ratings is Moody's Investors Service, Standard & Poor's and Fitch, Inc. and are applied using the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned.

Ratings are shown in the S&P and Fitch scale (e.g., AAA). For securities which are not rated by any of the three agencies, the security is considered Not Rated.

(y) A yield curve graphically depicts the yields of different maturity bonds of the same credit quality and type; a normal yield curve is upward sloping, with short-term rates lower than long-term rates.

The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

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PERFORMANCE SUMMARY THROUGH 11/30/11

The following chart represents the fund's historical performance in comparison to its benchmark(s). Investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a shareholder would pay on fund distributions or the sale of fund shares. Performance data shown represents past performance and is no guarantee of future results.

Price Summary for MFS Government Markets Income Trust

Year Ended 11/30/11

	Date	Price
Net Asset Value	11/30/11	\$7.01
	11/30/10	\$7.17
New York Stock Exchange Price	11/30/11	\$6.85
	12/06/10 (high) (t)	\$7.16
	4/06/11 (low) (t)	\$6.35
	11/30/10	\$7.15

Total Returns vs Benchmarks

Year Ended 11/30/11

MFS Government Markets Income Trust at	
New York Stock Exchange Price (r)	3.36%
Net Asset Value (r)	5.48%
Barclays Capital U.S. Government/Mortgage Bond Index (f)	5.65%
MFS Government Markets Income Trust Blended Index (f)(x)	5.57%

(f) Source: FactSet Research Systems Inc.

(r) Includes reinvestment of dividends and capital gain distributions.

(t) For the period December 1, 2010 through November 30, 2011.

(x) MFS Government Markets Income Trust Blended Index is at a point in time and allocations during the period can change. As of November 30, 2011 the blended index was comprised of 80% Barclays Capital U.S. Government/Mortgage Bond Index and 20% Barclays Capital U.S. Credit Bond Index.

Benchmark Definitions

Barclays Capital U.S. Credit Bond Index a market capitalization-weighted index that measures the performance of publicly issued, SEC-registered, U.S. corporate and specified foreign debentures and secured notes that meet

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Performance Summary continued

specified maturity, liquidity, and quality requirements. This index generated a total return of 5.21% for the year ended November 30, 2011.

Barclays Capital U.S. Government/Mortgage Bond Index measures debt issued by the U.S. Government, and its agencies, as well as mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

It is not possible to invest directly in an index.

Notes to Performance Summary

The fund's shares may trade at a discount or premium to net asset value. Shareholders do not have the right to cause the fund to repurchase their shares at net asset value. When fund shares trade at a premium, buyers pay more than the net asset value underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the fund's liquidation. As a result, the total return that is calculated based on the net asset value and New York Stock Exchange price can be different.

The fund's monthly distributions may include a return of capital to shareholders to the extent that the fund's net investment income and net capital gains are insufficient to meet the fund's target annual distribution rate. Distributions that are treated for federal income tax purposes as a return of capital will reduce each shareholder's basis in his or her shares and, to the extent the return of capital exceeds such basis, will be treated as gain to the shareholder from a sale of shares. It may also result in a recharacterization of what economically represents a return of capital to ordinary income in those situations where a fund has long term capital gains and a capital loss carryforward. Returns of shareholder capital have the effect of reducing the fund's assets and increasing the fund's expense ratio.

The fund's target annual distribution rate is calculated based on an annual rate of 7.25% of the fund's average monthly net asset value, not a fixed share price, and the fund's dividend amount will fluctuate with changes in the fund's average monthly net assets.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

In accordance with Section 23(c) of the Investment Company Act of 1940, the fund hereby gives notice that it may from time to time repurchase shares of the fund in the open market at the option of the Board of Trustees and on such terms as the Trustees shall determine.

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**INVESTMENT OBJECTIVE, PRINCIPAL
INVESTMENT STRATEGIES AND RISKS
OF THE FUND**

Investment Objective

The fund's investment objective is to seek high current income, but may also consider capital appreciation. The fund's objective may be changed without shareholder approval.

Principal Investment Strategies

MFS (Massachusetts Financial Services Company, the fund's investment adviser) normally invests at least 80% of the fund's net assets, including borrowings for investment purposes, in U.S. and foreign government securities.

MFS may invest the fund's assets in other types of debt instruments.

MFS generally invests substantially all of the fund's assets in investment grade debt instruments.

MFS may invest the fund's assets in U.S. and foreign securities, including emerging market securities.

MFS may invest a relatively large percentage of the fund's assets in issuers in a single country, a small number of countries, or a particular geographic region.

MFS may invest a relatively large percentage of the fund's assets in a single issuer or a small number of issuers.

The fund seeks to make a monthly distribution at an annual fixed rate of 7.25% of the fund's average monthly net asset value.

While MFS may use derivatives for any investment purpose, to the extent MFS uses derivatives, MFS expects to use derivatives primarily to increase or decrease exposure to a particular market, segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments.

MFS uses a bottom-up investment approach to buying and selling investments for the fund. Investments are selected primarily based on fundamental analysis of individual instruments and their issuers in light of issuers' current financial condition and current market, economic, political, and regulatory conditions. Factors considered may include the instrument's credit quality, collateral characteristics, and indenture provisions, and the issuer's management ability, capital structure, leverage, and ability to meet its current obligations. Quantitative models that systematically evaluate the structure of the debt instrument and its features may also be considered. In structuring the fund, MFS considers sector allocations, yield curve positioning, macroeconomic factors and risk management factors.

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Investment Objective, Principal Investment Strategies and Risks of the Fund continued

If approved by the fund's Board of Trustees, the fund may use leverage through the issuance of preferred shares, borrowing from banks, and/or other methods of creating leverage, and investing the proceeds pursuant to its investment strategies.

MFS may engage in active and frequent trading in pursuing the fund's principal investment strategies.

In response to market, economic, political, or other conditions, MFS may depart from the fund's principal investment strategies by temporarily investing for defensive purposes.

Principal Risks

The fund may not achieve its objective and/or you could lose money on your investment in the fund.

Investments in debt instruments may decline in value as the result of increases in interest rates, declines in the credit quality of the issuer, borrower, counterparty or underlying assets, or changes in economic, political, issuer-specific, or other conditions. Certain types of debt instruments can be more sensitive to these factors and therefore more volatile.

Investments in foreign markets can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical, or other conditions.

Investments in derivatives can be used to take both long and short positions, be highly volatile, result in leverage (which can magnify losses), and involve risks in addition to the risks of the underlying indicator(s) on which the derivative is based, such as counterparty and liquidity risk.

Mortgage-backed securities can be subject to prepayment and/or extension and therefore can offer less potential for gains and greater potential for loss.

The market price of common shares of the fund will be based on factors such as the supply and demand for common shares in the market and general market, economic, political or regulatory conditions. Whether shareholders will realize gains or losses upon the sale of common shares of the fund will depend on the market price of common shares at the time of the sale, not on the fund's net asset value. The market price may be lower or higher than the fund's net asset value. Shares of closed-end funds frequently trade at a discount or premium to their net asset value.

Leverage involves investment exposure in an amount exceeding the initial investment. Leverage can cause increased volatility by magnifying gains or losses.

Please see the fund's registration statement for further information regarding these and other risk considerations. A copy of the fund's registration statement on Form N-2 is available on the EDGAR database on the Securities and Exchange Commission's Internet Web site at <http://sec.gov>.

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PORTFOLIO MANAGER PROFILE

Geoffrey Schechter

Investment Officer of MFS; employed in the investment area of MFS since 1993. Manager of the fund since April 2006.

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DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The fund offers a Dividend Reinvestment and Cash Purchase Plan (the Plan) that allows common shareholders to reinvest either all of the distributions paid by the fund or only the long-term capital gains. Generally, purchases are made at the market price unless that price exceeds the net asset value (the shares are trading at a premium). If the shares are trading at a premium, purchases will be made at a price of either the net asset value or 95% of the market price, whichever is greater. You can also buy shares on a quarterly basis in any amount \$100 and over. The Plan Agent will purchase shares under the Cash Purchase Plan on the 15th of January, April, July, and October or shortly thereafter.

If shares are registered in your own name, new shareholders will automatically participate in the Plan, unless you have indicated that you do not wish to participate. If your shares are in the name of a brokerage firm, bank, or other nominee, you can ask the firm or nominee to participate in the Plan on your behalf. If the nominee does not offer the Plan, you may wish to request that your shares be re-registered in your own name so that you can participate. There is no service charge to reinvest distributions, nor are there brokerage charges for shares issued directly by the fund. However, when shares are bought on the New York Stock Exchange or otherwise on the open market, each participant pays a pro rata share of the transaction expenses, including commissions. Dividends and capital gains distributions are taxable whether received in cash or reinvested in additional shares the automatic reinvestment of distributions does not relieve you of any income tax that may be payable (or required to be withheld) on the distributions.

You may withdraw from the Plan at any time by going to the Plan Agent's website at www.computershare.com, by calling 1-800-637-2304 any business day from 9 a.m. to 5 p.m. Eastern time or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940 - 3078. Please have available the name of your fund and your account number. For certain types of registrations, such as corporate accounts, instructions must be submitted in writing. Please call for additional details. When you withdraw from the Plan, you can receive the value of the reinvested shares in one of three ways: your full shares will be held in your account, the Plan Agent will sell your shares and send the proceeds to you, or you may transfer your full shares to your investment professional who can hold or sell them. Additionally, the Plan Agent will sell your fractional shares and send the proceeds to you.

If you have any questions or for further information or a copy of the Plan, contact the Plan Agent Computershare Trust Company, N.A. (the Transfer Agent for the fund) at 1-800-637-2304, at the Plan Agent's website at www.computershare.com, or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940 - 3078.

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11/30/11

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Bonds - 96.5%		
Issuer	Shares/Par	Value (\$)
U.S. Bonds - 88.2%		
Agency - Other - 14.0%		
Financing Corp., 10.7%, 2017	\$ 4,095,000	\$ 6,150,362
Financing Corp., 9.4%, 2018	3,085,000	4,427,543
Financing Corp., 9.8%, 2018	4,350,000	6,407,872
Financing Corp., 10.35%, 2018	6,820,000	10,367,614
Financing Corp., STRIPS, 0%, 2017	5,000,000	4,499,870
		\$ 31,853,261
Asset-Backed & Securitized - 3.9%		
Citigroup Commercial Mortgage Trust, FRN, 5.885%, 2049	\$ 1,000,000	\$ 1,083,166
Citigroup/Deutsche Bank Commercial Mortgage Trust, 5.322%, 2049	1,200,000	1,240,664
Commercial Mortgage Pass-Through Certificates, A4, 5.306%, 2046	1,366,646	1,459,366
Credit Suisse Mortgage Capital Certificate, 5.311%, 2039	500,000	526,831
CWC Capital LLC, 5.223%, 2048	1,000,000	1,049,972
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.004%, 2049	1,000,000	1,042,900
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.184%, 2051	754,902	796,925
Prudential Securities Secured Financing Corp., FRN, 7.319%, 2013 (z)	1,819,000	1,757,352
		\$ 8,957,176
Cable TV - 0.5%		
Time Warner Cable, Inc., 8.25%, 2019	\$ 1,000,000	\$ 1,240,805
Chemicals - 0.3%		
Dow Chemical Co., 8.55%, 2019	\$ 500,000	\$ 629,767
Computer Software - Systems - 0.3%		
International Business Machines Corp., 8%, 2038	\$ 500,000	\$ 788,323
Energy - Integrated - 0.0%		
Hess Corp., 8.125%, 2019	\$ 30,000	\$ 37,117
Food & Beverages - 0.9%		
Anheuser-Busch InBev S.A., 7.75%, 2019	\$ 750,000	\$ 966,017
Kraft Foods, Inc., 6.125%, 2018	960,000	1,117,731
		\$ 2,083,748

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
U.S. Bonds - continued		
Local Authorities - 1.9%		
California (Build America Bonds), 7.6%, 2040	\$ 420,000	\$ 503,983
Nashville & Davidson County, TN, Metropolitan Government Convention Center Authority (Build America Bonds), 6.731%, 2043	580,000	673,403
New Jersey Turnpike Authority Rev. (Build America Bonds), F, 7.414%, 2040	32,000	44,288
Port Authority NY & NJ (168th Series), 4.926%, 2051	770,000	776,599
San Francisco, CA, City & County Public Utilities Commission, Water Rev. (Build America Bonds), 6%, 2040	1,650,000	1,899,728
University of California Rev. (Build America Bonds), 5.77%, 2043	450,000	508,217
		\$ 4,406,218
Major Banks - 0.4%		
Bank of America Corp., 7.625%, 2019	\$ 170,000	\$ 165,807
Merrill Lynch & Co., Inc., 6.05%, 2016	750,000	703,720
		\$ 869,527
Mortgage-Backed - 37.0%		
Fannie Mae, 4.719%, 2012	\$ 96,219	\$ 97,386
Fannie Mae, 4.542%, 2013	922,335	948,992
Fannie Mae, 5%, 2013 - 2040	3,905,568	4,161,065
Fannie Mae, 5.06%, 2013	364,424	368,963
Fannie Mae, 5.37%, 2013	966,317	992,969
Fannie Mae, 4.77%, 2014	450,034	481,173
Fannie Mae, 4.842%, 2014	2,578,207	2,748,428
Fannie Mae, 5.1%, 2014	488,719	525,704
Fannie Mae, 4.7%, 2015	444,624	481,234
Fannie Mae, 4.74%, 2015	361,520	392,656
Fannie Mae, 4.78%, 2015	504,255	550,305
Fannie Mae, 4.815%, 2015	532,258	579,326
Fannie Mae, 4.82%, 2015	896,121	968,912
Fannie Mae, 4.85%, 2015	317,750	343,783
Fannie Mae, 4.86%, 2015	146,029	157,659
Fannie Mae, 4.87%, 2015	336,249	365,464
Fannie Mae, 4.89%, 2015	377,024	408,558
Fannie Mae, 5.466%, 2015	834,072	921,705
Fannie Mae, 5.09%, 2016	500,000	553,839
Fannie Mae, 5.423%, 2016	728,753	821,634
Fannie Mae, 5.845%, 2016	292,944	319,045
Fannie Mae, 6.5%, 2016 - 2037	3,269,910	3,677,679
Fannie Mae, 5.05%, 2017	512,638	568,209
Fannie Mae, 5.3%, 2017	562,886	627,175

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Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
U.S. Bonds - continued		
Mortgage-Backed - continued		
Fannie Mae, 5.5%, 2017 - 2037	\$ 23,304,505	\$ 25,412,555
Fannie Mae, 6%, 2017 - 2037	6,617,047	7,289,921
Fannie Mae, 4.88%, 2020	253,755	277,462
Fannie Mae, 4.5%, 2041	1,783,975	1,899,416
Freddie Mac, 5%, 2016 - 2040	8,875,554	9,503,974
Freddie Mac, 6%, 2021 - 2038	3,368,684	3,714,178
Freddie Mac, 4.5%, 2024	769,527	814,411
Freddie Mac, 5.5%, 2024 - 2036	4,959,743	5,401,930
Freddie Mac, 6.5%, 2037	1,004,443	1,124,528
Ginnie Mae, 5.5%, 2033 - 2038	4,096,347	4,600,198
Ginnie Mae, 5.612%, 2058	1,036,044	1,103,059
Ginnie Mae, 6.357%, 2058	868,983	893,405
		\$ 84,096,900
Municipals - 0.8%		
Minnesota Public Facilities Authority, Revolving Fund Rev., C, 5%, 2020	\$ 1,090,000	\$ 1,350,292
Triborough Bridge & Tunnel Authority Rev., A, 5%, 2021	370,000	443,663
		\$ 1,793,955
Natural Gas - Pipeline - 0.5%		
Energy Transfer Partners LP, 8.5%, 2014	\$ 21,000	\$ 23,773
Kinder Morgan Energy Partners, 6.85%, 2020	1,000,000	1,157,999
		\$ 1,181,772
Network & Telecom - 0.3%		
Verizon Communications, Inc., 8.75%, 2018	\$ 449,000	\$ 598,332
Other Banks & Diversified Financials - 0.5%		
Capital One Financial Corp., 8.8%, 2019	\$ 280,000	\$ 326,012
Citigroup, Inc., 8.5%, 2019	94,000	108,765
UBS Preferred Funding Trust V, 6.243% to 2016, FRN to 2049	750,000	601,875
		\$ 1,036,652
Pollution Control - 0.5%		
Allied Waste North America, Inc., 6.875%, 2017	\$ 1,000,000	\$ 1,066,250
Real Estate - 0.4%		
Simon Property Group, Inc., REIT, 5.875%, 2017	\$ 750,000	\$ 845,480
Retailers - 0.4%		
Staples, Inc., 9.75%, 2014	\$ 750,000	\$ 856,955

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
U.S. Bonds - continued		
Tobacco - 0.8%		
Altria Group, Inc., 9.7%, 2018	\$ 500,000	\$ 654,700
Altria Group, Inc., 9.25%, 2019	250,000	321,952
Lorillard Tobacco Co., 8.125%, 2019	796,000	922,587
		\$ 1,899,239
U.S. Government Agencies and Equivalents - 2.6%		
Aid-Egypt, 4.45%, 2015	\$ 1,755,000	\$ 1,964,336
Small Business Administration, 6.35%, 2021	393,657	435,657
Small Business Administration, 6.34%, 2021	340,071	376,742
Small Business Administration, 6.44%, 2021	416,481	460,203
Small Business Administration, 6.625%, 2021	490,504	544,087
Small Business Administration, 5.52%, 2024	734,858	813,700
U.S. Department of Housing & Urban Development, 6.36%, 2016	1,038,000	1,041,443
U.S. Department of Housing & Urban Development, 6.59%, 2016	299,000	299,707
		\$ 5,935,875
U.S. Treasury Obligations - 22.2%		
U.S. Treasury Bonds, 5.25%, 2029	\$ 1,448,000	\$ 1,954,348
U.S. Treasury Bonds, 4.75%, 2037	2,000,000	2,640,312
U.S. Treasury Bonds, 4.375%, 2038	6,580,000	8,259,953
U.S. Treasury Bonds, 4.5%, 2039	2,618,100	3,356,077
U.S. Treasury Notes, 1.375%, 2013	4,711,000	4,774,306
U.S. Treasury Notes, 4%, 2015	4,140,000	4,604,131
U.S. Treasury Notes, 2.625%, 2016	6,999,000	7,559,466
U.S. Treasury Notes, 4.75%, 2017 (f)	3,389,000	4,067,064
U.S. Treasury Notes, 2.625%, 2018	702,000	757,063
U.S. Treasury Notes, 2.75%, 2019	6,894,000	7,458,446
U.S. Treasury Notes, 3.125%, 2019	2,834,000	3,138,655
U.S. Treasury Notes, 3.5%, 2020	1,741,000	1,974,402
		\$ 50,544,223
Total U.S. Bonds		\$ 200,721,575
Foreign Bonds - 8.3%		
Brazil - 2.7%		
Banco do Brasil (Cayman Branch), 6%, 2020 (n)	\$ 100,000	\$ 108,000
Banco do Brasil S.A., 5.875%, 2022 (n)	1,231,000	1,212,535
Banco do Nordeste do Brasil (BNB), 3.625%, 2015 (n)	253,000	249,838
BNDES Participacoes S.A., 6.5%, 2019 (n)	475,000	536,038
Centrais Eletricas Brasileiras S.A., 5.75%, 2021 (n)	965,000	996,845
Federative Republic of Brazil, 11%, 2040	183,000	240,188
Federative Republic of Brazil, 5.625%, 2041	323,000	365,798

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Foreign Bonds - continued		
Brazil - continued		
Net Servicos de Comunicacao S.A., 7.5%, 2020	\$ 226,000	\$ 257,640
Petrobras International Finance Co., 5.375%, 2021	1,157,000	1,176,559
Petrobras International Finance Co., 7.875%, 2019	453,000	529,780
Vale Overseas Ltd., 6.875%, 2039	165,000	181,047
Vale Overseas Ltd., 4.625%, 2020	104,000	104,030
Votorantim Participacoes S.A., 6.75%, 2021 (n)	125,000	131,250
		\$ 6,089,548
Canada - 0.9%		
Rogers Communications, Inc., 6.8%, 2018	\$ 1,000,000	\$ 1,207,961
Talisman Energy, Inc., 7.75%, 2019	650,000	789,961
		\$ 1,997,922
Chile - 0.4%		
Corporacion Nacional del Cobre de Chile, 3.75%, 2020 (n)	\$ 209,000	\$ 208,995
Empresa Nacional del Petroleo, 6.25%, 2019	214,000	236,833
Sociedad Quimica y Minera de Chile S.A., 6.125%, 2016	429,000	466,307
		\$ 912,135
China - 0.1%		
CNPC (HK) Overseas Capital Ltd., 4.5%, 2021 (n)	\$ 226,000	\$ 233,821
Iceland - 0.3%		
Republic of Iceland, 4.875%, 2016 (n)	\$ 804,000	\$ 784,802
Italy - 0.1%		
UniCredito Luxembourg Finance S.A., 6%, 2017 (n)	\$ 200,000	\$ 143,654
Kazakhstan - 0.3%		
Development Bank of Kazakhstan, 5.5%, 2015 (n)	\$ 646,000	\$ 657,499
Luxembourg - 0.0%		
ArcelorMittal, 9.85%, 2019	\$ 33,000	\$ 35,810
Malaysia - 0.2%		
Petronas Capital Ltd., 7.875%, 2022	\$ 370,000	\$ 494,612
Mexico - 0.5%		
Pemex Project Funding Master Trust, 5.75%, 2018	\$ 160,000	\$ 174,800
Petroleos Mexicanos, 5.5%, 2021	130,000	138,125
Petroleos Mexicanos, 8%, 2019	228,000	280,440

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Foreign Bonds - continued		
Mexico - continued		
Petroleos Mexicanos, 6%, 2020	\$ 404,000	\$ 444,400
		\$ 1,037,765
Peru - 0.2%		
Republic of Peru, 8.75%, 2033	\$ 180,000	\$ 265,050
Southern Copper Corp., 6.75%, 2040	117,000	117,105
		\$ 382,155
Poland - 0.0%		
Republic of Poland, 5%, 2022	\$ 57,000	\$ 55,290
Portugal - 0.0%		
EDP Finance B.V., 6%, 2018 (n)	\$ 100,000	\$ 81,651
Russia - 1.8%		
Gaz Capital S.A., 5.999%, 2021 (z)	\$ 796,000	\$ 803,960
Gaz Capital S.A., 8.125%, 2014 (n)	509,000	549,720
LUKOIL International Finance B.V., 6.125%, 2020 (n)	810,000	805,950
OJSC Russian Agricultural Bank, FRN, 6%, 2021 (n)	447,000	392,242
SCF Capital Ltd., 5.375%, 2017 (n)	447,000	392,243
VEB Finance Ltd., 6.902%, 2020 (n)	593,000	615,000
VTB Capital S.A., 6.465%, 2015 (n)	154,000	154,385
VTB Capital S.A., 6.551%, 2020 (n)	395,000	370,313
		\$ 4,083,813
South Africa - 0.5%		
Gold Fields Orogen Holding Ltd., 4.875%, 2020 (n)	\$ 592,000	\$ 511,825
Myriad International Holdings B.V., 6.375%, 2017 (n)	174,000	186,180
Republic of South Africa, 5.5%, 2020	140,000	153,300
Republic of South Africa, 6.25%, 2041	344,000	387,000
		\$ 1,238,305
United Kingdom - 0.3%		
Diageo Capital PLC, 5.75%, 2017	\$ 520,000	\$ 606,833
Total Foreign Bonds		\$ 18,835,615
Total Bonds (Identified Cost, \$196,563,734)		\$ 219,557,190

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Portfolio of Investments continued

Money Market Funds - 2.8%		
Issuer	Shares/Par	Value (\$)
MFS Institutional Money Market Portfolio, 0.1%, at Cost and Net Asset Value (v)	6,474,891	\$ 6,474,891
Total Investments (Identified Cost, \$203,038,625)		\$ 226,032,081
Other Assets, Less Liabilities - 0.7%		1,576,583
Net Assets - 100.0%		\$ 227,608,664

(f) All or a portion of the security has been segregated as collateral for open futures contracts.

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$9,322,786 representing 4.1% of net assets.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted is the annualized seven-day yield of the fund at period end.

(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities	Acquisition Date	Cost	Value
Gaz Capital S.A., 5.999%, 2021	11/16/11	\$796,000	\$803,960
Prudential Securities Secured Financing Corp., FRN, 7.319%, 2013	12/06/04	1,855,585	1,757,352
Total Restricted Securities			\$2,561,312
% of Net Assets			1.1%

The following abbreviations are used in this report and are defined:

FRN Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end.

PLC Public Limited Company

REIT Real Estate Investment Trust

STRIPS Separate Trading of Registered Interest and Principal of Securities

Derivative Contracts at 11/30/11

Futures Contracts Outstanding at 11/30/11

Description	Currency	Contracts	Value	Expiration Date	Unrealized Appreciation (Depreciation)
Asset Derivatives					
Interest Rate Futures					
U.S. Treasury Bond 30 yr (Short)	USD	47	\$6,644,625	March - 2012	\$69,229

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At November 30, 2011, the fund had sufficient cash and/or securities to cover any commitments under these derivative contracts.

See Notes to Financial Statements

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Table of Contents*Financial Statements***STATEMENT OF ASSETS AND LIABILITIES**

At 11/30/11

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

Assets	
Investments-	
Non-affiliated issuers, at value (identified cost, \$196,563,734)	\$219,557,190
Underlying affiliated funds, at cost and value	6,474,891
Total investments, at value (identified cost, \$203,038,625)	\$226,032,081
Receivables for	
Daily variation margin on open futures contracts	82,250
Interest	1,859,792
Other assets	2,465
Total assets	\$227,976,588
Liabilities	
Payables for	
Distributions	\$110,014
Payable to affiliates	
Investment adviser	29,241
Transfer agent and dividend disbursing costs	7,416
Payable for independent Trustees' compensation	102,565
Accrued expenses and other liabilities	118,688
Total liabilities	\$367,924
Net assets	\$227,608,664
Net assets consist of	
Paid-in capital	\$223,424,411
Unrealized appreciation (depreciation) on investments	23,062,685
Accumulated net realized gain (loss) on investments	(18,665,865)
Accumulated distributions in excess of net investment income	(212,567)
Net assets	\$227,608,664
Shares of beneficial interest outstanding	32,457,612
Net asset value per share (net assets of \$227,608,664 / 32,457,612 shares of beneficial interest outstanding)	\$7.01

See Notes to Financial Statements

Table of Contents*Financial Statements***STATEMENT OF OPERATIONS**

Year ended 11/30/11

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Net investment income	
Income	
Interest	\$10,400,062
Dividends from underlying affiliated funds	7,001
Total investment income	\$10,407,063
Expenses	
Management fee	\$1,329,685
Transfer agent and dividend disbursing costs	113,760
Administrative services fee	42,688
Independent Trustees compensation	49,936
Stock exchange fee	28,565
Custodian fee	36,340
Shareholder communications	131,192
Auditing fees	68,356
Legal fees	6,218
Miscellaneous	24,279
Total expenses	\$1,831,019
Fees paid indirectly	(38)
Reduction of expenses by investment adviser	(3,589)
Net expenses	\$1,827,392
Net investment income	\$8,579,671
Realized and unrealized gain (loss) on investments	
Realized gain (loss) (identified cost basis)	
Investment transactions	\$526,577
Futures contracts	(942,484)
Net realized gain (loss) on investments	\$(415,907)
Change in unrealized appreciation (depreciation)	
Investments	\$3,127,810
Futures contracts	47,829
Net unrealized gain (loss) on investments	\$3,175,639
Net realized and unrealized gain (loss) on investments	\$2,759,732
Change in net assets from operations	\$11,339,403
See Notes to Financial Statements	

Table of Contents*Financial Statements***STATEMENTS OF CHANGES IN NET ASSETS**

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Years ended 11/30	
	2011	2010
Change in net assets		
From operations		
Net investment income	\$8,579,671	\$9,786,418
Net realized gain (loss) on investments	(415,907)	(1,063,779)
Net unrealized gain (loss) on investments	3,175,639	5,059,647
Change in net assets from operations	\$11,339,403	\$13,782,286
Distributions declared to shareholders		
From net investment income	\$(10,474,901)	\$(10,510,222)
From tax return of capital	(6,121,334)	(6,420,638)
Total distributions declared to shareholders	\$(16,596,235)	\$(16,930,860)
Change in net assets from fund share transactions	\$	\$1,422,740
Total change in net assets	\$(5,256,832)	\$(1,725,834)
Net assets		
At beginning of period	232,865,496	234,591,330
At end of period (including accumulated distributions in excess of net investment income of \$212,567 and \$281,625, respectively)	\$227,608,664	\$232,865,496
See Notes to Financial Statements		

Table of Contents*Financial Statements***FINANCIAL HIGHLIGHTS**

The financial highlights table is intended to help you understand the fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

	Years ended 11/30				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	\$7.17	\$7.27	\$7.01	\$7.35	\$7.28
Income (loss) from investment operations					
Net investment income (d)	\$0.26	\$0.30	\$0.32	\$0.33	\$0.32
Net realized and unrealized gain (loss) on investments and foreign currency	0.09	0.12	0.46	(0.15)	0.09
Total from investment operations	\$0.35	\$0.42	\$0.78	\$0.18	\$0.41
Less distributions declared to shareholders					
From net investment income	\$(0.32)	\$(0.32)	\$(0.35)	\$(0.34)	\$(0.36)
From tax return of capital	(0.19)	(0.20)	(0.17)	(0.18)	(0.02)
Total distributions declared to shareholders	\$(0.51)	\$(0.52)	\$(0.52)	\$(0.52)	\$(0.38)
Net increase from repurchase of capital shares	\$	\$	\$	\$	\$0.04
Net asset value, end of period (x)	\$7.01	\$7.17	\$7.27	\$7.01	\$7.35
Per share market value, end of period	\$6.85	\$7.15	\$7.28	\$7.21	\$6.59
Total return at market value (%)	3.36	5.54	8.45	17.96	5.73
Total return at net asset value (%) (j)(r)(s)(x)	5.48	5.98	11.39	2.83	6.91
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.80	0.83	0.83	0.94	0.89
Expenses after expense reductions (f)	0.80	0.80	0.80	0.80	0.89
Net investment income	3.75	4.19	4.48	4.55	4.33
Portfolio turnover	14	26	21	31	28
Net assets at end of period (000 omitted)	\$227,609	\$232,865	\$234,591	\$225,179	\$235,654

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(j) Total return at net asset value is calculated using the net asset value of the fund, not the publicly traded price and therefore may be different than the total return at market value.

(r) Certain expenses have been reduced without which performance would have been lower.

(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

MFS Government Markets Income Trust (the fund) is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as a closed-end management investment company.

(2) Significant Accounting Policies

General The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests a significant portion of its assets in asset-backed and/or mortgage-backed securities. The value of these securities may depend, in part, on the issuer's or borrower's credit quality or ability to pay principal and interest when due and may fall if an issuer or borrower defaults on its obligation to pay principal or interest or if the instrument's credit rating is downgraded by a credit rating agency. U.S. Government securities not supported as to the payment of principal or interest by the U.S. Treasury, such as those issued by Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, are subject to greater credit risk than are U.S. Government securities supported by the U.S. Treasury, such as those issued by Ginnie Mae.

Investment Valuations Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Futures contracts are generally valued at last posted settlement price as provided by a third-party pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for

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Notes to Financial Statements continued

a particular position are generally valued at the closing bid quotation as provided by a third-party pricing service on the market on which such futures contracts are primarily traded. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

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Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as futures. The following is a summary of the levels used as of November 30, 2011 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
U.S. Treasury Bonds & U.S. Government Agency & Equivalents	\$	\$88,333,359	\$	\$88,333,359
Non-U.S. Sovereign Debt		13,208,411		13,208,411
Municipal Bonds		1,793,955		1,793,955
Corporate Bonds		17,540,185		17,540,185
Residential Mortgage-Backed Securities		84,096,900		84,096,900
Commercial Mortgage-Backed Securities		8,957,176		8,957,176
Foreign Bonds		5,627,204		5,627,204
Mutual Funds	6,474,891			6,474,891
Total Investments	\$6,474,891	\$219,557,190	\$	\$226,032,081
Other Financial Instruments				
Futures	\$69,229	\$	\$	\$69,229

For further information regarding security characteristics, see the Portfolio of Investments.

Inflation-Adjusted Debt Securities The fund invests in inflation-adjusted debt securities issued by the U.S. Treasury. The fund may also invest in inflation-adjusted debt securities issued by U.S. Government agencies and instrumentalities other than the U.S. Treasury and by other entities such as U.S. and foreign corporations and foreign governments. The principal value of these debt securities is adjusted through income according to changes in the Consumer Price Index or another general price or wage index. These debt securities typically pay a fixed rate of interest, but this fixed rate is applied to the inflation-adjusted principal amount. The principal paid at maturity of the

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Notes to Financial Statements continued

debt security is typically equal to the inflation-adjusted principal amount, or the security's original par value, whichever is greater. Other types of inflation-adjusted securities may use other methods to adjust for other measures of inflation.

Foreign Currency Translation Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were purchased options and futures contracts. The fund's period end derivatives, as presented in the Portfolio of Investments and the associated Derivative Contract Tables, generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at November 30, 2011 as reported in the Statement of Assets and Liabilities:

Risk	Derivative Contracts	Fair Value (a)	
		Asset Derivatives	Liability Derivatives
Interest Rate	Interest Rate Futures	\$69,229	\$

(a) The value of futures contracts outstanding includes cumulative appreciation (depreciation) as reported in the fund's Portfolio of Investments. Only the current day variation margin for futures contracts is separately reported within the fund's Statement of Assets and Liabilities.

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Notes to Financial Statements continued

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended November 30, 2011 as reported in the Statement of Operations:

Risk	Futures Contracts	Investment Transactions (Purchased Options)
Interest Rate	\$(942,484)	\$894

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended November 30, 2011 as reported in the Statement of Operations:

Risk	Futures Contracts
Interest Rate	\$47,829

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swaps and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement

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Notes to Financial Statements continued

and one amount is posted from one party to the other to collateralize such obligations. Cash collateral that has been pledged to cover obligations of the fund under derivative contracts, if any, will be reported separately on the Statement of Assets and Liabilities as restricted cash. Securities collateral pledged for the same purpose, if any, is noted in the Portfolio of Investments.

Purchased Options The fund purchased call and put options for a premium. Purchased call and put options entitle the holder to buy and sell a specified number of shares or units of a particular security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing call options may be used to hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or to increase the fund's exposure to an underlying instrument. Purchasing put options may hedge against a decline in the value of portfolio securities or currency.

The premium paid is initially recorded as an investment in the Statement of Assets and Liabilities. That investment is subsequently marked-to-market daily with the difference between the premium paid and the market value of the purchased option being recorded as unrealized appreciation or depreciation. Premiums paid for purchased call and put options which have expired are treated as realized losses on investments in the Statement of Operations. Upon the exercise or closing of a purchased call option, the premium paid is added to the cost of the security or financial instrument. Upon the exercise or closing of a purchased put option, the premium paid is offset against the proceeds on the sale of the underlying security or financial instrument in order to determine the realized gain or loss on investments.

The risk in purchasing an option is that the fund pays a premium whether or not the option is exercised. The fund's maximum risk of loss due to counterparty credit risk is limited to the market value of the option. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Futures Contracts The fund entered into futures contracts which may be used to hedge against or obtain broad market, interest rate or currency exposure. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the fund is required to deposit with the broker, either in cash or securities, an initial margin in an amount equal to a certain percentage of the notional amount of the contract. Subsequent payments (variation margin) are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gain or loss by the

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Notes to Financial Statements continued

fund until the contract is closed or expires at which point the gain or loss on futures is realized.

The fund bears the risk of interest rates, exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. While futures may present less counterparty risk to the fund since the contracts are exchange traded and the exchange's clearinghouse guarantees payments to the broker, there is still counterparty credit risk due to the insolvency of the broker. The fund's maximum risk of loss due to counterparty credit risk is equal to the margin posted by the fund to the broker plus any gains or minus any losses on the outstanding futures contracts.

Indemnifications Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. Inflation-indexed bonds are fixed-income securities whose principal value is periodically adjusted upward or downward to the rate of inflation. Interest is accrued based on the principal value, which is adjusted for inflation. Any increase or decrease in the principal amount of an inflation-indexed bond is generally recorded as an increase or decrease in interest income, respectively, even though the adjusted principal is not received until maturity. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the year ended November 30, 2011, is shown as a reduction of total expenses on the Statement of Operations.

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Notes to Financial Statements continued

Tax Matters and Distributions The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. The fund seeks to pay monthly distributions based on an annual rate of 7.25% of the fund's average monthly net asset value. As a result, distributions may exceed actual earnings which may result in a tax return of capital or, to the extent the fund has long-term gains, distributions of current year long-term gains may be recharacterized as ordinary income. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions from other sources, in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to amortization and accretion of debt securities and straddle loss deferrals.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	11/30/11	11/30/10
Ordinary income (including any short-term capital gains) (a)	\$10,474,901	\$10,510,222
Tax return of capital (b)	6,121,334	6,420,638
Total distributions	\$16,596,235	\$16,930,860

(a) Included in the fund's distributions from ordinary income for the year ended November 30, 2011 is \$1,107,607, in excess of investment company taxable income which, in accordance with applicable U.S. tax law, is taxable to shareholders as ordinary income distributions.

(b) Distributions in excess of tax basis earnings and profits are reported in the financial statements as a tax return of capital.

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The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 11/30/11	
Cost of investments	\$208,225,762
Gross appreciation	18,758,945
Gross depreciation	(952,626)
Net unrealized appreciation (depreciation)	\$17,806,319
Capital loss carryforwards	(10,601,026)
Other temporary differences	(3,021,040)

As of November 30, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

11/30/12	\$(2,529,418)
11/30/14	(1,612,467)
11/30/15	(5,364,143)
11/30/16	(766,085)
11/30/17	(129,764)
11/30/18	(199,149)
Total	\$(10,601,026)

(3) Transactions with Affiliates

Investment Adviser The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at an annual rate of 0.32% of the fund's average daily net assets and 5.33% of gross income. Gross income is calculated based on tax elections that generally include the accretion of discount and exclude the amortization of premium, which may differ from investment income reported in the Statement of Operations. MFS has agreed to reduce its management fee to the lesser of the contractual management fee as set forth above or 0.85% of the average daily net assets. This written agreement will continue until modified by the fund's Board of Trustees, but such an agreement will continue at least until November 30, 2012. The management fee, from net assets and gross income, incurred for the year ended November 30, 2011 was equivalent to an annual effective rate of 0.58% of the fund's average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs and investment-related expenses, such that total annual operating expenses do not exceed 0.80% annually of the fund's average daily net assets. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until November 30, 2012. For the year ended November 30, 2011, this

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Notes to Financial Statements continued

reduction amounted to \$2,651 and is reflected as a reduction of total expenses in the Statement of Operations.

Transfer Agent The fund engages Computershare Trust Company, N.A. (Computershare) as the sole transfer agent for the fund. MFS Service Center, Inc. (MFSC) monitors and supervises the activities of Computershare for an agreed upon fee approved by the Board of Trustees. For the year ended November 30, 2011, these fees paid to MFSC amounted to \$39,682.

Administrator MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of \$17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the year ended November 30, 2011 was equivalent to an annual effective rate of 0.0187% of the fund's average daily net assets.

Trustees and Officers Compensation The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS and MFSC.

Prior to December 31, 2001, the fund had an unfunded defined benefit plan (DB plan) for independent Trustees. As of December 31, 2001, the Board took action to terminate the DB plan with respect to then-current and any future independent Trustees, such that the DB plan covers only certain of those former independent Trustees who retired on or before December 31, 2001. Effective January 1, 2002, accrued benefits under the DB plan for then-current independent Trustees who continued were credited to an unfunded retirement deferral plan (the Retirement Deferral plan), which was established for and exists solely with respect to these credited amounts, and is not available for other deferrals by these or other independent Trustees. Although the Retirement Deferral plan is unfunded, amounts deferred under the plan are periodically adjusted for investment experience as if they had been invested in shares of the fund. The DB plan resulted in a pension expense of \$7,556 and the Retirement Deferral plan resulted in an expense of \$1,335. Both amounts are included in independent Trustees' compensation for the year ended November 30, 2011. The liability for deferred retirement benefits payable to certain independent Trustees under both plans amounted to \$102,553 at November 30, 2011, and is included in payable for independent Trustees' compensation on the Statement of Assets and Liabilities.

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Notes to Financial Statements continued

Other This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended November 30, 2011, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were \$1,990 and are included in miscellaneous expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of \$938, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in dividends from underlying affiliated funds on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than purchased option transactions, and short-term obligations, were as follows:

	Purchases	Sales
U.S. Government securities	\$21,056,035	\$28,761,297
Investments (non-U.S. Government securities)	\$10,372,607	\$12,920,912

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. The Trustees have authorized the repurchase by the fund of up to 10% annually of its own shares of beneficial interest. During the years ended November 30, 2011 and November 30, 2010, the fund did not repurchase any shares. Transactions in fund shares were as follows:

	Year ended 11/30/11		Year ended 11/30/10	
	Shares	Amount	Shares	Amount
Shares issued to shareholders in reinvestment of distributions		\$	196,107	\$1,422,740

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The fund and certain other funds managed by MFS participate in a \$1.1 billion unsecured committed line of credit, subject to a \$1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the year ended November 30, 2011, the fund's commitment fee and interest expense were \$1,919 and \$0, respectively, and are included in miscellaneous expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds-Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be affiliated issuers:

	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
Underlying Affiliated Funds				
MFS Institutional Money Market Portfolio	4,478,377	48,001,565	(46,005,051)	6,474,891
	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
Underlying Affiliated Funds				
MFS Institutional Money Market Portfolio	\$	\$	\$7,001	\$6,474,891

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and the Shareholders of MFS Government Markets Income Trust:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Government Markets Income Trust (the Fund) as of November 30, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Government Markets Income Trust as of November 30, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts

January 13, 2012

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RESULTS OF SHAREHOLDER MEETING

(unaudited)

At the annual meeting of shareholders of MFS Governments Markets Income Trust, which was held on October 5, 2011, the following actions were taken:

Item 1. To elect the following individuals as Trustees:

Nominee	For	Number of Shares	
			Withheld Authority
William R. Gutow	27,619,289.778		509,040.141
Michael Hegarty	27,650,342.443		477,987.476
John P. Kavanaugh	27,718,409.952		409,919.967
Robert W. Uek	27,669,573.103		458,756.816

Table of Contents**TRUSTEES AND OFFICERS****IDENTIFICATION AND BACKGROUND**

The Trustees and officers of the Trust, as of January 1, 2012, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

Name, Age	Position(s) Held	Trustee/Officer	Term	Principal Occupations During	Other
with Fund	Since (h)	Expiring	the Past Five Years	Directorships (j)	
INTERESTED TRUSTEES					
Robert J. Manning (k) (age 48)	Trustee	February 2004	2013	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until December 2009); Chief Investment Officer (until July 2010)	N/A
INDEPENDENT TRUSTEES					
David H. Gunning (age 69)	Trustee and Chair of Trustees	January 2004	2012	Retired; Cleveland-Cliffs Inc. (mining products and service provider), Vice Chairman/Director (until May 2007)	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman; Portman Limited (mining), Director (until 2008)
Robert E. Butler (age 70)	Trustee	January 2006	2012	Consultant investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 56)	Trustee	January 2009	2013	Private investor	N/A

Table of Contents*Trustees and Officers continued*

Name, Age	Position(s) Held	Trustee/Officer Since (h)	Term Expiring	Principal Occupations During the Past Five Years	Other Directorships (j)
William R. Gutow (age 70)	Trustee	December 1993	2014	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007); Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 67)	Trustee	December 2004	2014	Private investor	N/A
John P. Kavanaugh (age 57)	Trustee	January 2009	2014	Private investor; The Hanover Insurance Group, Inc., Vice President and Chief Investment Officer (until 2006); Allmerica Investment Trust, Allmerica Securities Trust and Opus Investment Trust (investment companies), Chairman, President and Trustee (until 2006)	N/A
J. Dale Sherratt (age 73)	Trustee	June 1989	2012	Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner	N/A
Laurie J. Thomsen (age 54)	Trustee	March 2005	2013	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (property and casualty insurance), Director
Robert W. Uek (age 70)	Trustee	January 2006	2014	Consultant to investment company industry	N/A

Table of Contents*Trustees and Officers continued*

Name, Age	Position(s) Held	Trustee/Officer	Term	Principal Occupations During	Other
OFFICERS	with Fund	Since (h)	Expiring	the Past Five Years	Directorships (j)
John M. Corcoran (k) (age 46)	President	October 2008	N/A	Massachusetts Financial Services Company, Senior Vice President (since October 2008); State Street Bank and Trust (financial services provider), Senior Vice President, (until September 2008)	N/A
Christopher R. Bohane (k) (age 37)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark (k) (age 43)	Assistant Treasurer	January 2012	N/A	Massachusetts Financial Services Company, Assistant Vice President	N/A
Ethan D. Corey (k) (age 48)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo (k) (age 43)	Treasurer	July 2005	N/A	Massachusetts Financial Services Company, Vice President	N/A

Table of Contents*Trustees and Officers continued*

Name, Age	Position(s) Held	Trustee/Officer	Term	Principal Occupations During	Other
	with Fund	Since (h)	Expiring	the Past Five Years	Directorships (j)
Robyn L. Griffin (age 36)	Assistant Independent Chief Compliance Officer	August 2008	N/A	Griffin Compliance LLC (provider of compliance services), Principal (since August 2008); State Street Corporation (financial services provider), Mutual Fund Administration Assistant Vice President (October 2006 July 2008); Liberty Mutual Group (insurance), Personal Market Assistant Controller (April 2006 October 2006); Deloitte & Touche LLP (professional services firm	N/A
Brian E. Langenfeld (k) (age 38)	Assistant Secretary and Assistant Clerk	June 2006	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Ellen Moynihan (k) (age 54)	Assistant Treasurer	April 1997	N/A	Massachusetts Financial Services Company, Senior Vice President	N/A
Susan S. Newton (k) (age 61)	Assistant Secretary and Assistant Clerk	May 2005	N/A	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira (k) (age 41)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Mark N. Polebaum (k) (age 59)	Secretary and Clerk	January 2006	N/A	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A

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Trustees and Officers continued

Name, Age	Position(s) Held	Trustee/Officer Since (h)	Term Expiring	Principal Occupations During the Past Five Years	Other Directorships (j)
Frank L. Tarantino (age 67)	Independent Chief Compliance Officer	June 2004	N/A	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 41)	Assistant Secretary and Assistant Clerk	October 2007	N/A	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
James O. Yost (k) (age 51)	Deputy Treasurer	September 1990	N/A	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., public companies).

(k) Interested person of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116. The Trust holds annual shareholder meetings for the purpose of electing Trustees, and Trustees are elected for fixed terms. The Board of Trustees is currently divided into three classes, each having a term of three years which term expires on the date of the third annual meeting following the election to office of the Trustee's class. Each year the term of one class expires. Each Trustee and officer will serve until next elected or his or her earlier death, resignation, retirement or removal.

Messrs. Butler, Kavanaugh, and Uek and Ms. Thomsen are members of the Fund's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2012, the Trustees served as board members of 131 funds within the MFS Family of Funds.

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Trustees and Officers continued

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser

Massachusetts Financial Services Company
500 Boylston Street, Boston, MA 02116-3741

Portfolio Manager

Geoffrey Schechter

Custodian

State Street Bank and Trust
1 Lincoln Street, Boston, MA 02111-2900

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
200 Berkeley Street, Boston, MA 02116

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BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested (independent) Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2011 (contract review meetings) for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the MFS Funds). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance (based on net asset value) of the Fund for various time periods ended December 31, 2010 and the investment performance (based on net asset value) of a group of funds with substantially similar investment classifications/objectives (the Lipper performance universe), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the Lipper expense group), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what

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Board Review of Investment Advisory Agreement continued

extent applicable expense waivers, reimbursements or fee breakpoints are observed for the Fund, (v) information regarding MFS financial results and financial condition, including MFS and certain of its affiliates estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS institutional business, (vi) MFS views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc., the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's common shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2010, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's common shares ranked 7th out of a total of 11 funds in the Lipper performance universe for this three-year period (a ranking of first place out of the total number of funds in the performance universe indicating the best performer and a ranking of last place out of the total number of funds in the performance universe indicating the worst performer). The total return performance of the Fund's common shares ranked 10th out of a total of 12 funds for the one-year period and 5th out of a total of 11 funds for the five-year period ended December 31, 2010. Given the size of

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Board Review of Investment Advisory Agreement continued

the Lipper performance universe and information previously provided by MFS regarding differences between the Fund and other funds in its Lipper performance universe, the Trustees also reviewed the Fund's performance in comparison to a custom benchmark developed by MFS. The Fund out-performed its custom benchmark for the one-, three- and five-year periods ended December 31, 2010 (one-year: 6.3% total return for the Fund versus 6.0% total return for the benchmark; three-year: 6.3% total return for the Fund versus 6.0% total return for the benchmark; and five-year: 6.0% total return for the Fund versus 5.9% total return for the benchmark). Because of the passage of time, these performance results are likely to differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS's responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's common shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. and MFS. The Trustees considered that MFS has agreed in writing to reduce its advisory fee, and that MFS currently observes an expense limitation for the Fund, each of which may not be changed without the Trustees' approval. The Trustees also considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and total expense ratio were each higher than the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees considered that, as a closed-end fund, the Fund is unlikely to experience meaningful asset growth. As a result, the Trustees did not view the potential for realization of economies of scale as the Fund's assets grow to be a material factor in their deliberations. The Trustees noted that they would

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Board Review of Investment Advisory Agreement continued

consider economies of scale in the future in the event the Fund experiences significant asset growth, such as through an offering of preferred shares (which is not currently contemplated) or a material increase in the market value of the Fund's portfolio securities.

The Trustees also considered information prepared by MFS relating to MFS costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative services provided to the Fund by MFS under agreements other than the investment advisory agreement. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called fall-out benefits to MFS such as reputational value derived from serving as investment manager to the Fund.

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Board Review of Investment Advisory Agreement continued

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including a majority of the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2011.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Closed End Funds" in the "Products and Performance" section of the MFS Web site (mfs.com).

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PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at <http://www.sec.gov>.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at <http://www.sec.gov>.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. A shareholder can obtain the quarterly portfolio holdings report at *mfs.com*. The fund's Form N-Q is also available on the EDGAR database on the Commission's Internet Web site at <http://www.sec.gov>, and may be reviewed and copied at the:

Public Reference Room

Securities and Exchange Commission

100 F Street, NE, Room 1580

Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the Fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the News & Commentary section of *mfs.com* or by clicking on the fund's name under Closed End Funds in the Products and Performance section of *mfs.com*.

FEDERAL TAX INFORMATION (unaudited)

The fund will notify shareholders of amounts for use in preparing 2011 income tax forms in January 2012.

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FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

Social Security number and account balances

Account transactions and transaction history

Checking account information and wire transfer instructions

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?

Call **800-225-2606** or go to **mfs.com**.

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Who we are

Who is providing this notice?

MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.

How does MFS collect my personal information?

We collect your personal information, for example, when you

open an account or provide account information

direct us to buy securities or direct us to sell your securities

make a wire transfer

Why can't I limit all sharing?

We also collect your personal information from others, such as credit bureaus, affiliates and other companies.

Federal law gives you the right to limit only

sharing for affiliates everyday business purposes information about your creditworthiness

affiliates from using your information to market to you

sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

Nonaffiliates

MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

Joint Marketing

MFS does not share with nonaffiliates so they can market to you.

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

MFS doesn't jointly market.

Other important information

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

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CONTACT US

Transfer agent, Registrar, and

Dividend Disbursing Agent

Call

1-800-637-2304

9 a.m. to 5 p.m. Eastern time

Write

Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

New York Stock Exchange Symbol: **MGF**

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ITEM 2. CODE OF ETHICS.

The Registrant has adopted a Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act and as defined in Form N-CSR that applies to the Registrant's principal executive officer and principal financial and accounting officer. During the period covered by this report, the Registrant has not amended any provision in its Code of Ethics (the "Code") that relates to an element of the Code's definitions enumerated in paragraph (b) of Item 2 of this Form N-CSR. During the period covered by this report, the Registrant did not grant a waiver, including an implicit waiver, from any provision of the Code.

A copy of the Code of Ethics is filed as an exhibit to this Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Messrs. Robert E. Butler, John P. Kavanaugh and Robert W. Uek and Ms. Laurie J. Thomsen, members of the Audit Committee, have been determined by the Board of Trustees in their reasonable business judgment to meet the definition of "audit committee financial expert" as such term is defined in Form N-CSR. In addition, Messrs. Butler, Kavanaugh and Uek, and Ms. Thomsen are "independent" members of the Audit Committee (as such term has been defined by the Securities and Exchange Commission in regulations implementing Section 407 of the Sarbanes-Oxley Act of 2002). The Securities and Exchange Commission has stated that the designation of a person as an audit committee financial expert pursuant to this Item 3 on the Form N-CSR does not impose on such a person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Audit Committee and the Board of Trustees in the absence of such designation or identification.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Items 4(a) through 4(d) and 4(g):

The Board of Trustees has appointed Deloitte & Touche LLP ("Deloitte") to serve as independent accountants to the Registrant (hereinafter the "Registrant" or the "Fund"). The tables below set forth the audit fees billed to the Fund as well as fees for non-audit services provided to the Fund and/or to the Fund's investment adviser, Massachusetts Financial Services Company ("MFS"), and to various entities either controlling, controlled by, or under common control with MFS that provide ongoing services to the Fund ("MFS Related Entities").

For the fiscal years ended November 30, 2011 and 2010, audit fees billed to the Fund by Deloitte were as follows:

	Audit Fees	
	2011	2010
Fees billed by Deloitte:		
MFS Government Markets Income Trust	51,537	50,876

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For the fiscal years ended November 30, 2011 and 2010, fees billed by Deloitte for audit-related, tax and other services provided to the Fund and for audit-related, tax and other services provided to MFS and MFS Related Entities were as follows:

	Audit-Related Fees ¹		Tax Fees ²		All Other Fees ³	
	2011	2010	2011	2010	2011	2010
Fees billed by Deloitte:						
To MFS Government Markets Income Trust	10,000	10,000	5,936	5,871	977	1,376
To MFS and MFS Related Entities of MFS Government Markets Income Trust*	874,004	1,266,889	0	0	53,100	60,000

	2011	2010
Aggregate fees for non-audit services:		
To MFS Government Markets Income Trust, MFS and MFS Related Entities#	1,393,882	1,669,032

- * This amount reflects the fees billed to MFS and MFS Related Entities for non-audit services relating directly to the operations and financial reporting of the Fund (portions of which services also related to the operations and financial reporting of other funds within the MFS Funds complex).
- # This amount reflects the aggregate fees billed by Deloitte for non-audit services rendered to the Fund and for non-audit services rendered to MFS and the MFS Related Entities.
- ¹ The fees included under **Audit-Related Fees** are fees related to assurance and related services that are reasonably related to the performance of the audit or review of financial statements, but not reported under **Audit Fees**, including accounting consultations, agreed-upon procedure reports, attestation reports, comfort letters and internal control reviews.
- ² The fees included under **Tax Fees** are fees associated with tax compliance, tax advice and tax planning, including services relating to the filing or amendment of federal, state or local income tax returns, regulated investment company qualification reviews and tax distribution and analysis.