

An Open-end Income Fund primarily investing in portfolio of fixed income securities; NIT-IF offers a high degree of security to investors and is an ideal Fund for investors seeking competitive stream of returns with moderate level of risk.



## TRUSTEE REPORT TO THE UNIT HOLDERS

### NIT - INCOME FUND

#### **Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of NIT - Income Fund (the Fund) are of the opinion that National Investment Trust Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2017 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 26, 2018

# **NIT - INCOME FUND**

## **AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS**

### **INTRODUCTION**

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NIT-Income Fund** ("the Fund") as at 31 December 2017 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **SCOPE OF REVIEW**

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

### **CONCLUSION**

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

### **OTHER MATTER**

The figures for the three months period ended 31 December 2017 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Nadeem  
Dated: 27<sup>th</sup> February, 2018  
Karachi

**NIT - INCOME FUND**  
**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT DECEMBER 31, 2017**

	Note	31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
<b>Assets</b>			
Bank balances	7	4,466,407	2,683,739
Investments	8	612,738	1,290,226
Receivable against Margin Trading System	9	42,997	-
Receivable from Margin Trading System		3,610	-
Profit receivables		12,971	5,671
Receivable against redemption of Term Finance Certificate		50,001	-
Security deposits		4,200	350
<b>Total assets</b>		<b>5,192,924</b>	<b>3,979,986</b>
<b>Liabilities</b>			
Payable to National Investment Trust Limited - Management Company	10	4,350	3,141
Payable to Central Depository Company of Pakistan Limited - Trustee	11	519	405
Payable to Securities and Exchange Commission of Pakistan		1,795	3,089
Payable against redemption of units		1,661	7
Accrued expenses and other liabilities	12	34,778	38,967
Dividend payable		2,027	33,714
<b>Total liabilities</b>		<b>45,130</b>	<b>79,323</b>
<b>Net assets</b>		<b>5,147,794</b>	<b>3,900,663</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>5,147,794</b>	<b>3,900,663</b>
<b>Contingencies and commitments</b>	13		
		(Number of units)	
<b>Number of units in issue</b>		<b>487,314,183</b>	<b>378,714,128</b>
		(Rupees)	
<b>Net assets value per unit</b>		<b>10.5636</b>	<b>10.2998</b>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

Sd/-  
Chief Financial Officer

## NIT - INCOME FUND

### CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

Note	Six months period ended		Three months period ended	
	2017	2016	2017	2016
----- (Rupees in '000) -----				
<b>Income</b>				
	31,017	56,704	14,402	27,316
	15,184	15,913	8,390	24,658
	2,965	3,176	2,763	7,786
	-	1,156	-	587
	87	8,823	87	414
	101,190	44,745	58,316	2,582
	(399)	(183)	(363)	(778)
	(49)	5,564	(7)	979
	<b>149,995</b>	<b>135,898</b>	<b>83,588</b>	<b>63,544</b>
<b>Expenses</b>				
10.1	15,135	25,746	8,339	12,539
10.2	1,967	3,347	1,084	1,630
	2,453	2,180	1,338	1,067
11.1	319	283	174	138
	1,795	1,544	1,001	752
	3	193	1	87
10.3	2,403	2,060	1,347	1,004
	15	1,234	15	389
	94	116	94	116
	143	135	103	60
	470	432	360	248
	35	64	7	64
	21	-	16	-
	197	-	197	-
	<b>25,050</b>	<b>37,334</b>	<b>14,076</b>	<b>18,094</b>
	<b>124,945</b>	<b>98,564</b>	<b>69,512</b>	<b>45,450</b>
	-	(6,489)	-	(6,864)
	(2,499)	-	(1,391)	-
	<b>122,446</b>	<b>92,075</b>	<b>68,121</b>	<b>38,586</b>
	-	-	-	-
	<b>122,446</b>	<b>92,075</b>	<b>68,121</b>	<b>38,586</b>

**NIT - INCOME FUND**  
**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)**  
**FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017**

Note	Six months period ended		Three months period ended	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
<b>Allocation of net income for the period after taxation</b>				
Net income for the period	122,446		68,121	
Income already paid on units redeemed	(7,991)		(7,335)	
	<u>114,455</u>		<u>60,786</u>	
<b>Accounting income available for distribution:</b>				
-Relating to capital gains	-		-	
-Excluding capital gains	<u>114,455</u>		<u>60,786</u>	
	<u>114,455</u>		<u>60,786</u>	

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

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

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

Sd/-  
Chief Financial Officer

## NIT - INCOME FUND

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

	Note	Six months period ended		Three months period ended	
		2017	2016	2017	2016
		----- (Rupees in '000) -----			
Net income for the period		122,446	92,075	68,121	38,586
<b>Other comprehensive income for the period</b>					
Items to be reclassified to income statement in subsequent periods:					
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	8.7	(2,187)	(6,855)	(760)	1,369
<b>Total comprehensive income for the period</b>		<b>120,259</b>	<b>85,220</b>	<b>67,361</b>	<b>39,955</b>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

Sd/-  
Chief Financial Officer





**NIT - INCOME FUND**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017**

	Note	2017 (Rupees in '000)	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period before taxation		122,446	92,075
<b>Adjustments:</b>			
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		-	6,489
		<b>122,446</b>	<b>98,564</b>
<b>Decrease in assets</b>			
Investments		675,301	645,643
Receivable against Margin Trading System		(42,997)	102,004
Receivable from Margin Trading System		(3,610)	-
Profit receivables		(7,300)	31,903
Advance against subscription of Habib Bank Limited Term Finance Certificate		-	(55,036)
Receivable against redemption of Term Finance Certificate		(50,001)	-
Security deposits		(3,850)	-
		<b>567,543</b>	<b>724,514</b>
<b>(Decrease) / increase in liabilities</b>			
Payable to National Investment Trust Limited - Management Company		1,209	374
Payable to Central Depository Company of Pakistan Limited - Trustee		114	10
Payable to Securities and Exchange Commission of Pakistan		(1,294)	(1,358)
Payable against redemption of units		1,654	4,890
Payable against Margin Trading System		-	105,705
Accrued expenses and other liabilities		(4,189)	592
		<b>(2,506)</b>	<b>110,213</b>
<b>Net cash generated from operating activities</b>		<b>687,483</b>	<b>933,291</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount received on issue of units		2,043,466	463,953
Payments against redemption of units		(916,594)	(815,103)
Distribution paid		(31,687)	(5,980)
<b>Net cash generated / (used in) from financing activities</b>		<b>1,095,185</b>	<b>(357,130)</b>
<b>Net increase in cash and cash equivalents during the period</b>		<b>1,782,668</b>	<b>576,161</b>
Cash and cash equivalents at beginning of the period		2,683,739	1,994,036
<b>Cash and cash equivalents at end of the period</b>	7	<b>4,466,407</b>	<b>2,570,197</b>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

Sd/-  
Chief Financial Officer

# **NIT - INCOME FUND**

## **NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**

### **FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017**

#### **1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 NIT - Income Fund (the "Fund") was established under a Trust Deed executed on 17 September 2009 between National Investment Trust Limited ("NITL"), as Management Company, and Central Depository Company of Pakistan Limited ("CDC"), as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan ("SECP") vide its letter no.NBFC-II/NITL/1026/2009 dated 20 November 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("NBFC Rules"). The Fund is categorized as an Income Scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters.
- 1.2 The Management Company of the Fund has been classified as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building I.I. Chundrigar Road, Karachi.
- 1.3 The Fund is an open-ended mutual fund and is listed on Pakistan Stock Exchange Limited. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The objective of the Fund is to generate competitive stream of return with moderate level of risk for its unit holders, by investing primarily in fixed income securities / instruments.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned "A+(f)" rating to the Fund and has assigned an asset manager rating of "AM2++" to the Management Company.
- 1.6 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

#### **2 BASIS OF PREPARATION**

##### **2.1 Statement of compliance**

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail (refer note 4.2.2).

- 2.1.1 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last financial statements.
- 2.1.2 This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (2) (f) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

##### **2.2 Functional and presentation currency**

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

#### **3 SIGNIFICANT ACCOUNTING POLICIES**

- 3.1 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended 30 June 2017 except for the changes in accounting policies as explained in notes 3.2.
- 3.2 Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for

# NIT - INCOME FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

### FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

sale securities is included in distribution statement.

SECP through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specifies that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed in Statement of movements in reserves or unit holders' fund.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 07 February 2018. Accordingly, corresponding figures have not been restated.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 8.151 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been lower by Rs. 0.0003.

#### **4 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs**

##### **4.1 Amendments to published approved accounting standards that are effective in the current period**

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on 01 July 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

##### **4.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

**4.2.1** During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from 01 July 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after 1 July 2018. The Fund is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the other impact on adoption of the Standards. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

**4.2.2** The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Hence, the provision of the Companies Act, 2017 will be applicable for the preparation of financial statements for the reporting periods ending after 31 December 2017. The Companies Act, 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. The amendments are not likely to have an impact on the Fund's financial statements except extended disclosures.

#### **5 USE OF JUDGEMENTS AND ESTIMATES**

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

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to annual financial statements as at and for the year ended 30 June 2017.

# NIT - INCOME FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

### FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

#### 6 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2017.

#### 7 BANK BALANCES

These represent balances with banks in savings accounts carrying rates ranging from 3.75% to 6.50% per annum (30 June 2017: 3.75% to 6.50% per annum).

#### 8 INVESTMENTS

	31 December 2017 Unaudited	30 June 2017 Audited
	(Rupees in '000)	
<b>Available for sale</b>		
Government securities:		
- Market Treasury Bills	8.1	946,901
Term finance certificates - listed	8.2	106,483
Term finance certificates - unlisted	8.3	219,547
Sukuk - listed	8.4	17,295
Sukuk - unlisted	8.5	-
	<b>612,738</b>	<b>1,290,226</b>

#### 8.1 Market Treasury Bills

Issue date	Tenor	Face value				As at 31 December 2017		Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 December 2017	Carrying Cost	Market value / Carrying value		
		(Rupees in '000)						(%)	
21 July 2016	12 Months	450,000	-	450,000	-	-	-	-	
27 April 2017	3 Months	500,000	-	500,000	-	-	-	-	
17 August 2017	3 Months	-	2,000,000	2,000,000	-	-	-	-	
09 November 2017	3 Months	-	750,000	750,000	-	-	-	-	
23 November 2017	3 Months	-	1,550,000	1,500,000	50,000	49,636	49,624	0.96	
		<b>950,000</b>	<b>4,300,000</b>	<b>5,200,000</b>	<b>50,000</b>	<b>49,636</b>	<b>49,624</b>	<b>0.96</b>	
								<b>8.10</b>	

8.1.1 Treasury bill with a market value of Rs. 49.636 million (30 June 2017: nil) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the fund's trades in accordance with Circular no. 11 dated 23 October 2007 issued by the securities and Exchange Commission of Pakistan.

#### 8.2 Term finance certificates - listed

Name of the investee company	Number of certificates				As at 31 December 2017		Market value as a percentage of net assets	Market value as a percentage of total investments	
	As at 01 July 2017	Purchases during the period	Disposals during the period	As at 31 December 2017	Carrying cost	Market value / Carrying value			
		(Rupees in '000)						(%)	
Commercial banks									
Summit Bank Limited	20,000	-	-	20,000	99,724	100,526	1.95	16.41	
Faysal Bank Limited	5,000	-	5,000	-	-	-	-	-	
MCB Bank Limited	-	10,000	-	10,000	50,661	50,707	0.99	8.28	
	<b>25,000</b>	<b>10,000</b>	<b>5,000</b>	<b>30,000</b>	<b>150,385</b>	<b>151,233</b>	<b>2.94</b>	<b>24.69</b>	

**NIT - INCOME FUND**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**INFORMATION (UNAUDITED)**  
**FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017**

Name of the investee company	Number of certificates				As at 31 December 2017		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at 01 July 2017	Purchases during the period	Disposals during the period	As at 31 December 2017	Carrying cost	Market value / Carrying value		

(Rupees in '000) ----- (%)

**8.3 Term finance certificates - unlisted**

Bank Al-Falah Limited TFC-5	-	25,003	-	25,003	127,010	127,010	2.47	20.73
Bank Al-Falah Limited (Fixed)	7,000	-	7,000	-	-	-	-	-
Bank Al-Falah Limited (Floating)	5,250	-	5,250	-	-	-	-	-
Standard Chartered Bank Limited (Floating)	6,400	3,600	10,000	-	-	-	-	-
Habib Bank Limited	1,000	-	-	1,000	99,940	99,057	1.92	16.17
Bank Al-Habib Limited (5th issue)	13,125	15,000	-	28,125	140,844	140,681	2.73	22.96
JS Bank Limited	-	1,000	-	1,000	5,000	4,998	0.10	0.82
	<b>32,775</b>	<b>44,603</b>	<b>22,250</b>	<b>55,128</b>	<b>372,794</b>	<b>371,746</b>	<b>7.22</b>	<b>60.68</b>

**8.4 Sukuk - listed**

Fatima Fertilizer Company Limited	3,678	-	-	3,678	14,712	15,117	0.29	2.47
	<b>3,678</b>	<b>-</b>	<b>-</b>	<b>3,678</b>	<b>14,712</b>	<b>15,117</b>	<b>0.29</b>	<b>2.47</b>

**8.5 Sukuk - unlisted**

Ghani Gases Limited	285	-	-	285	25,012	25,018	0.49	4.08
	<b>285</b>	<b>-</b>	<b>-</b>	<b>285</b>	<b>25,012</b>	<b>25,018</b>	<b>0.49</b>	<b>4.08</b>

**8.6 Significant terms and conditions of term finance certificates outstanding at the period end are as follows:**

Name of security	Number of certificates	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Tenor	Secured / Unsecured	Rating
<b>Listed term finance certificates</b>							
Summit Bank Limited	20,000	4,986	6-months KIBOR + 3.25%	27 October 2011	7 years	Unsecured	A-
MCB Bank Limited	10,000	4,993	6-months KIBOR + 1.15%	19 June 2014	8 years	Unsecured	AAA
<b>Unlisted term finance certificates</b>							
Bank Al-Falah Limited TFC-5	25,003	4,991	6-months KIBOR + 1.25%	20 February 2013	8 years	Unsecured	AA
Habib Bank Limited	1,000	99,940	6-months KIBOR + 0.50%	19 February 2016	10 years	Unsecured	AAA
Bank Al-Habib Limited (5th issue)	28,125	4,997	6-months KIBOR + 0.75%	17 March 2016	10 years	Unsecured	AA
JS Bank Limited	1,000	4,998	6-months KIBOR + 1.40%	14 December 2016	7 years	Unsecured	A+
<b>Listed sukuk</b>							
Fatima Fertilizer Company Ltd.	3,678	4,000	6-months KIBOR + 1.10%	28 November 2017	5 years	Secured	AA-
<b>Unlisted sukuk</b>							
Ghani Gases Limited	285	87,500	3-months KIBOR + 1.00%	02 February 2017	6 years	Unsecured	A

**8.7 Net unrealised diminution on re-measurement of investments classified as 'available for sale'**

	31 December 2017	31 December 2016
	<b>Unaudited (Rupees in '000)</b>	
Market value of investments	612,738	1,193,927
Less: Carrying value of investments	(612,539)	(1,191,701)
	199	2,226
Less: Net unrealised appreciation at beginning of the period	(2,386)	(9,081)
	<b>(2,187)</b>	<b>(6,855)</b>

## NIT - INCOME FUND

### NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

#### 9 RECEIVABLE AGAINST MARGIN TRADING SYSTEM

This carries average profit rate of 9.14% (30 June 2017: 9.67%) and are matured at the option of financee subject to maximum period of 60 days.

#### 10 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY

		<b>31 December 2017 Unaudited (Rupees in '000)</b>	<b>30 June 2017 Audited</b>
Management remuneration	10.1	<b>3,040</b>	2,079
Sindh Sales Tax	10.2	<b>395</b>	270
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	<b>463</b>	340
Sales load		<b>452</b>	452
		<b>4,350</b>	<b>3,141</b>

**10.1** Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 1.25 percent per annum of the average net assets of the Fund till 5 February 2017 and effective from 6 February 2017, the Management Company has charged its remuneration at the rate of 10% of the gross earnings of the Fund subject to upper cap of 1% and lower cap of 0.5% of the average annual net assets of the Fund.

**10.2** During the period, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on management remuneration.

**10.3** Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated November 25, 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(3)(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it. Accordingly, such expenses has been charged.

#### 11 PAYABLE TO THE CENTRAL DEPOSITORY 'COMPANY OF PAKISTAN LIMITED - TRUSTEE

Trustee remuneration		<b>459</b>	358
Sindh Sales Tax on trustee remuneration	11.1	<b>60</b>	47
		<b>519</b>	<b>405</b>

**11.1** During the period, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on trustee remuneration.

#### 12 ACCRUED EXPENSES AND OTHER LIABILITIES

		<b>31 December 2017 Unaudited (Rupees in '000)</b>	<b>30 June 2017 Audited</b>
Provision for Sindh Workers' Welfare Fund	12.1	<b>10,350</b>	7,851
Federal Excise Duty	12.2	<b>20,799</b>	20,799
Auditors' remuneration		<b>385</b>	433
Legal and professional charges		-	91
Printing charges		-	28
Brokerage		<b>228</b>	55
Zakat		<b>2,813</b>	4,285
Capital gains tax		<b>84</b>	290
MTS Charges payable		<b>116</b>	193
Withholding tax		<b>3</b>	4,922
Others		-	20
		<b>34,778</b>	<b>38,967</b>

## NIT - INCOME FUND

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

- 12.1** The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

The Mutual Fund Association of Pakistan (MUFAP), after deliberating the position and obtaining advice from the legal counsel, decided that the provision for WWF held for the period from 1 January 2013 to 30 June 2015 should be reversed effective from 12 January 2017. Accordingly, the provision amounted to Rs. 28.973 million has been reversed on 12 January 2017.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. MUFAP reviewed the issue and based on an opinion obtained in August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

MUFAP has also taken a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. 21 May 2015. Accordingly, on 12 January 2017, MUFAP as an abundant caution, has decided to provide for SWWF with effect from 21 May 2015, while the efforts to exclude mutual funds from SWWF continue. The provision made for SWWF on 12 January 2017 is amounted to Rs. 5.352 million. Thereafter the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.0212 (30 June 2017: 0.0207).

- 12.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013.

The Honorable Sindh High Court (SHC) through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has interalia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the Honorable Court, as directed, will have affect in the manner prescribed in the judgment. The Sindh High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honourable Supreme Court against the Sindh High Court's decision dated 2 June 2016, which is pending for the decision. However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued making the provision in this regard.

Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 22.379 million out of which Rs. 1.580 million have been paid to the Management Company (30 June 2017: Rs. 22.379 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.0459 (30 June 2017: Rs. 0.0591) per unit.

## 13 CONTINGENCIES AND COMMITMENTS

There is no change in the status of contingency as fully disclosed in annual financial statements for the year ended 30 June 2017.

## 14 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders. The

# NIT - INCOME FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

### FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

#### 15 TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the period ended 31 December 2017 is 1.15% which include 0.27% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

#### 16 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

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

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

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

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

#### 16.5 Transactions during the period:

	Six months period ended		Three months period ended	
	2017	2016	2017	2016
----- (Unaudited) -----				
----- (Rupees in '000) -----				
<b>National Investment Trust Limited - Management Company</b>				
Issue of 23,790,265 units (2016: 19,162,225 units)	250,000	200,000	250,000	200,000
9,561,966 Units redeemed (2016: 43,103,259 units)	100,000	450,000	100,000	450,000
Sales load	-	1	-	1
Remuneration to the Management Company	15,135	25,746	8,339	12,539
Sindh Sales Tax on remuneration to Management Company	1,967	3,347	1,084	1,630
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,403	2,060	1,347	1,004
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration of the Trustee	2,453	2,180	1,338	1,067
Sindh Sales Tax on remuneration to Trustee	319	283	174	138
Custodian charges	3	193	1	87
<b>Head of MD's Secretariat</b>				
36,924 Units redeemed (2016: Nil units)	389	-	389	-

#### 16.6 Amounts outstanding at end of the period / year:

	31 December	30 June
	2017	2017
----- (Rupees in '000) -----		
<b>National Investment Trust Limited - Management Company</b>		
173,763,192 units held (30 June 2017: 159,534,893 units)	1,835,565	1,643,177
Remuneration to management company	3,040	2,079
Sindh Sales Tax on management remuneration	395	270
Sales load	452	452
Allocation of expenses related to registrar services, accounting, operation and valuation services	463	340



**NIT - INCOME FUND**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**INFORMATION (UNAUDITED)**  
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	<b>31 December 2017 Unaudited (Rupees in '000)</b>	<b>30 June 2017 Audited</b>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	459	358
Sindh Sales Tax on trustee remuneration	60	47
Security deposit	4,200	100
<b>National Investment Trust Limited - Employees Provident Fund</b>		
7,068,906 units held (30 June 2017: 7,068,906 units)	71,570	72,808
<b>National Investment Trust Limited - Employees Pension Fund</b>		
21,212,189 units held (30 June 2017: 21,212,189 units)	224,077	218,481
<b>Chief Operating Officer</b>		
1,493,459 units held (30 June 2017: 1,493,459 units)	15,776	15,382
<b>Fund Manager</b>		
529 units held (30 June 2017: 529 units)	5	5
<b>Head of MD's Secretariat</b>		
Nil units held (30 June 2017: 36,923 units)	-	380

**17 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Quoted prices (unadjusted) in active markets for identical assets or Liabilities (level 1).

IFRS 13, 'Fair Value Measurement' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

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## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

### FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

31 December 2017							
Carrying amount				Fair Value			
Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Unaudited)							
(Rupees in '000)							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Investments							
- Market Treasury Bills	49,624	-	49,624	-	49,624	-	49,624
- Term Finance Certificates - listed	151,233	-	151,233	-	151,233	-	151,233
- Term Finance Certificates - unlisted	371,746	-	371,746	-	371,746	-	371,746
- Sukuk - listed	15,117	-	15,117	-	15,117	-	15,117
- Sukuk - unlisted	25,018	-	25,018	-	25,018	-	25,018
	<b>612,738</b>	-	<b>612,738</b>	-	<b>612,738</b>	-	<b>612,738</b>
<b>Financial assets not measured at fair value</b>							
Bank balances	-	4,466,407	4,466,407	-	-	-	-
Receivable against Margin Trading System	-	42,997	42,997	-	-	-	-
Receivable from Margin Trading System	-	3,610	3,610	-	-	-	-
Profit receivables	-	12,971	12,971	-	-	-	-
Receivable against redemption of Term Finance Certificate	-	50,001	50,001	-	-	-	-
Security deposits	-	4,200	4,200	-	-	-	-
	-	<b>4,580,186</b>	<b>4,580,186</b>	-	-	-	-
<b>Financial liabilities not measured at fair value</b>							
Payable to National Investment Trust Limited - Management Company	-	-	4,350	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	519	-	-	-	-
Payable against redemption of units	-	-	1,661	-	-	-	-
Accrued expenses and other liabilities	-	-	729	-	-	-	-
Dividend payable	-	-	2,027	-	-	-	-
	-	-	<b>9,286</b>	-	-	-	-

  

30 June 2017							
Carrying amount				Fair Value			
Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Audited)							
(Rupees in '000)							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Investments							
- Market Treasury Bills	946,901	-	946,901	-	946,901	-	946,901
- Term Finance Certificates - listed	106,483	-	106,483	-	106,483	-	106,483
- Term Finance Certificates - unlisted	219,547	-	219,547	-	219,547	-	219,547
- Listed Sukuks	17,295	-	17,295	-	17,295	-	17,295
	<b>1,290,226</b>	-	<b>1,290,226</b>	-	<b>1,290,226</b>	-	<b>1,290,226</b>
<b>Financial assets not measured at fair value</b>							
Bank balances	-	2,683,739	2,683,739	-	-	-	-
Profit receivables	-	5,671	5,671	-	-	-	-
Security deposits	-	350	350	-	-	-	-
	-	<b>2,689,760</b>	<b>2,689,760</b>	-	-	-	-
<b>Financial liabilities not measured at fair value</b>							
Payable to National Investment Trust Limited - Management Company	-	-	3,141	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	405	-	-	-	-
Payable against redemption of units	-	-	7	-	-	-	-
Accrued expenses and other liabilities	-	-	820	-	-	-	-
Dividend payable	-	-	33,714	-	-	-	-
	-	-	<b>38,087</b>	-	-	-	-

17.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**NIT - INCOME FUND**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**INFORMATION (UNAUDITED)**  
FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

**18 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on February 27, 2018 by the Board of Directors of the Management Company.

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

**Sd/-  
Managing Director**

**Sd/-  
Director**

**Sd/-  
Director**

**Sd/-  
Chief Financial Officer**