

**NIT - Government Bond Fund**  
**Condensed Interim Statement of Assets and Liabilities**  
*As at 31 December 2016*

	<b>Note</b>	<b>31 December 2016 Unaudited (Rupees in '000)</b>	<b>30 June 2016 Audited</b>
<b>Assets</b>			
Bank balances	6	1,605,795	1,279,554
Investments	7	2,548,929	2,820,110
Profit receivables		26,015	94,347
Security deposit with Central Depository Company of Pakistan Limited		<u>100</u>	<u>100</u>
<b>Total assets</b>		<b><u>4,180,839</u></b>	<b><u>4,194,111</u></b>
<b>Liabilities</b>			
Payable to National Investment Trust Limited - Management Company	8	5,315	5,088
Payable to Central Depository Company of Pakistan Limited - Trustee	9	352	345
Payable to Securities and Exchange Commission of Pakistan		1,504	3,469
Payable against redemption of units		12,687	131
Accrued expenses and other liabilities	10	71,569	73,796
Dividend payable		9,453	19,655
<b>Total liabilities</b>		<b><u>100,880</u></b>	<b><u>102,484</u></b>
<b>Net assets</b>		<b><u>4,079,959</u></b>	<b><u>4,091,627</u></b>
<b>Unit holders' fund (as per statement attached)</b>		<b><u>4,079,959</u></b>	<b><u>4,091,627</u></b>
Contingencies and Commitments	11		
		<b>(Number of units)</b>	
<b>Number of units in issue</b>		<b><u>401,496,839</u></b>	<b><u>410,935,884</u></b>
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<b><u>10.1619</u></b>	<b><u>9.9569</u></b>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

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

**Sd/-  
Managing Director**

**Sd/-  
Director**

**Sd/-  
Director**

**NIT - Government Bond Fund**  
**Condensed Interim Income Statement (Unaudited)**  
*For the six and three months period ended 31 December 2016*

Note	Six months period ended		Three months period ended	
	2016	2015	2016	2015
----- (Rupees in '000) -----				
<b>Income</b>				
Income from government securities	75,388	45,261	33,966	25,781
Profit on bank deposits	25,408	31,035	10,737	20,662
Mark-up on fixed income securities	19,427	123,624	12,725	40,568
Income from reverse repurchase transactions	-	-	-	-
Gain on sale of investments - net	6,305	110,452	2,235	37,771
<b>Total income</b>	<b>126,528</b>	<b>310,372</b>	<b>59,663</b>	<b>124,782</b>
<b>Expenses</b>				
Remuneration of National Investment Trust Limited - Management Company	8.1	25,081	31,672	12,205
Sindh Sales Tax on remuneration of Management Company	8.2	3,261	5,144	1,587
Federal Excise Duty on remuneration of Management Company	10.2	-	5,068	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,884	2,283	921
Sindh Sales Tax on remuneration of Trustee	9.1	245	320	120
Annual fee - Securities and Exchange Commission of Pakistan		1,504	1,894	732
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	2,007	397	977
Auditors' remuneration		438	390	254
Settlement and bank charges		216	534	106
Listing fee		55	122	55
Printing charges		-	50	-
Mutual fund rating fee		-	232	-
<b>Total expenses</b>		<b>34,691</b>	<b>48,106</b>	<b>16,957</b>
<b>Net income from operating activities</b>		<b>91,837</b>	<b>262,266</b>	<b>42,706</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		1,257	(29,824)	1,688
Provision for Workers' Welfare Fund	10.1	-	-	-
<b>Net income for the period before taxation</b>		<b>93,094</b>	<b>232,442</b>	<b>44,394</b>
Taxation	12	-	-	-
<b>Net income for the period</b>		<b>93,094</b>	<b>232,442</b>	<b>44,394</b>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

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

Sd/-  
**Managing Director**

Sd/-  
**Director**

Sd/-  
**Director**

NIT - Government Bond Fund  
 Condensed Interim Statement of Comprehensive Income (Unaudited)  
 For the six and three months period ended 31 December 2016

	Note	Six months period ended		Three months period ended	
		2016	2015	2016	2015
----- (Rupees in '000) -----					
Net income for the period		93,094	232,442	44,394	73,214
<b>Other comprehensive income for the period</b>					
<i>Items to be reclassified to income statement in subsequent periods:</i>					
Net unrealised (diminution) on re-measurement of investments classified as 'available for sale'	7.3	(10,461)	(114,152)	(2,619)	(42,013)
<b>Total comprehensive income for the period</b>		<b>82,633</b>	<b>118,290</b>	<b>41,775</b>	<b>31,201</b>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

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

**Sd/-  
 Managing Director**

**Sd/-  
 Director**

**Sd/-  
 Director**

**NIT - Government Bond Fund**  
**Condensed Interim Distribution Statement (Unaudited)**  
*For the six months period ended 31 December 2016*

	<i>Note</i>	<b>2016</b> <b>(Rupees in '000)</b>	2015
<b>Undistributed (loss) brought forward - realised</b>		<b>(2,628)</b>	(69,341)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund - net		<b>(67)</b>	14,731
Net income for the period		<b>93,094</b>	232,442
<b>Undistributed income carried forward - realised</b>		<b><u>90,399</u></b>	<b><u>177,832</u></b>

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

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

**Sd/-**  
**Director**

**Sd/-**  
**Director**

# NIT - Government Bond Fund

## Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited)

For the six months period ended 31 December 2016

	Note	2016 (Rupees in '000)	2015
<b>Net assets at beginning of the period</b> [Rs. 9.9569 per unit (2015: Rs. 10.1222 per unit)]		4,091,627	4,860,709
Issue of 63,600,675 units (2015: 92,791,000 units)		642,756	944,852
Redemption of 73,039,720 units (2015: 129,650,146 units)		(735,800)	(1,333,248)
		(93,044)	(388,396)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net			
- amount representing loss transferred to condensed interim income statement		(1,257)	29,824
- amount representing income transferred to condensed interim distribution statement		67	(14,731)
		(1,190)	15,093
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	7.3	(10,461)	(114,152)
Gain on sale of investments - net		6,305	110,452
Other net income for the period		86,789	121,990
<b>Total comprehensive income for the period</b>		82,633	118,290
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund - net		(67)	14,731
<b>Net assets at end of the period</b> [Rs. 10.1619 per unit (2015: Rs. 10.4217 per unit)]		4,079,959	4,620,427

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

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

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - Government Bond Fund**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
*For the six months period ended 31 December 2016*

	Note	2016	2015
		(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period before taxation		93,094	232,442
<b>Adjustments:</b>			
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		(1,257)	29,824
		<u>91,837</u>	<u>262,266</u>
<b>Decrease in assets</b>			
Investments		260,720	160,528
Profit receivables		68,332	44,108
		<u>329,052</u>	<u>204,636</u>
<b>(Decrease) / increase in liabilities</b>			
Payable to National Investment Trust Limited - Management Company		227	(836)
Payable to Central Depository Company of Pakistan Limited - Trustee		7	47
Payable to Securities and Exchange Commission of Pakistan		(1,965)	(3,153)
Payable against redemption of units		12,556	(353)
Accrued expenses and other liabilities		(2,227)	(53,560)
		<u>8,598</u>	<u>(57,855)</u>
<b>Net cash generated from operating activities</b>		<u>429,487</u>	<u>409,047</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amounts received on issue of units		642,756	944,852
Payments against redemption of units		(735,800)	(1,333,248)
Distribution paid		(10,202)	(195,352)
<b>Net cash (used in) financing activities</b>		<u>(103,246)</u>	<u>(583,748)</u>
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>		<u>326,241</u>	<u>(174,701)</u>
Cash and cash equivalents at beginning of the period		1,279,554	1,443,512
<b>Cash and cash equivalents at end of the period</b>	6	<u><u>1,605,795</u></u>	<u><u>1,268,811</u></u>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

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

Sd/-  
**Managing Director**

Sd/-  
**Director**

Sd/-  
**Director**

# NIT - Government Bond Fund

## Notes to and forming part of the Condensed Interim Financial Information

*For the six and three months period ended 31 December 2016*

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

- 1.1** The NIT - Government Bond Fund (the Fund) was established under a Trust Deed executed between National Investment Trust Limited (NITL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no.NBFC-II/NITL/ 896/2009 dated 24 September 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on 4 September 2009. The Fund is categorized as an Income Scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters.
- 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 on all Stock Exchanges of Pakistan (Subsequent to period end due to demutualization, all stock exchanges are integrated into Pakistan Stock Exchange). The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** Pakistan Credit Rating Agency Limited (PACRA) has assigned "AA-(f)" rating to the Fund and has assigned an asset manager rating of "AM2+" to the Management Company.
- 1.5** The objective of the Fund is to generate competitive stream of return with moderate level of risk for its unit holders, by investing primarily in government securities.
- 1.6** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as 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 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.

**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 financial statements of the Fund as at and for the year ended 30 June 2016. 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**

The accounting policies adopted for the preparation of the 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 2016, except for the following standards which became effective during the period.

## **4 USE OF JUDGEMENTS AND ESTIMATES**

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

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2016.

## **5 FINANCIAL RISK MANAGEMENT**

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2016.

## **6 BANK BALANCES**

These represent balances with banks in savings accounts carrying rates ranging from 3.75% to 6.5% per annum (30 June 2016: 2.00% to 7.5% per annum).

## **7 INVESTMENTS**

		<b>31 December 2016 Unaudited</b>	30 June 2016 Audited
		<b>(Rupees in '000)</b>	
<b>Available for sale</b>			
Government securities:			
- Market Treasury Bills	7.1	2,342,815	931,130
- Pakistan Investment Bonds	7.2	206,114	1,888,980
		<u>2,548,929</u>	<u>2,820,110</u>



## 7.1 Market Treasury Bills

Issue date	Tenor	Face value			As at		Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at 1 July 2016	Purchases during the period	Sales / matured during the period	As at 31 December 2016	31 December 2016 Carrying cost			Market value
----- (Rupees in '000) -----									
20 August 2015	12 Months	350,000	500,000	850,000	-	-	-	-	
03 September 2015	12 Months	202,000	-	202,000	-	-	-	-	
21 January 2016	12 months	4,500	-	-	4,500	4,487	4,486	0.11	
18 February 2016	12 months	68,000	-	-	68,000	67,502	67,484	1.65	
03 March 2016	12 months	125,000	300,000	-	425,000	421,050	420,815	10.31	
14 April 2016	12 months	20,700	-	-	20,700	20,367	20,356	0.50	
12 May 2016	6 Months	28,000	-	28,000	-	-	-	-	
26 May 2016	6 Months	150,000	-	150,000	-	-	-	-	
11 July 2016	6 Months	-	200,000	200,000	-	-	-	-	
21 July 2016	6 Months	-	1,350,000	350,000	1,000,000	997,210	996,939	24.44	
21 July 2016	12 months	-	450,000	-	450,000	436,429	435,544	10.68	
04 August 2016	6 Months	-	100,000	-	100,000	99,499	99,467	2.44	
18 August 2016	6 Months	-	200,000	-	200,000	198,554	198,483	4.86	
24 November 2016	3 Months	-	300,000	200,000	100,000	99,261	99,241	2.43	
		<b>948,200</b>	<b>3,400,000</b>	<b>1,980,000</b>	<b>2,368,200</b>	<b>2,344,359</b>	<b>2,342,815</b>	<b>57.42</b>	<b>91.92</b>

## 7.2 Pakistan Investment Bonds

18 July 2013	3years	1,200,000	-	1,200,000	-	-	-	-	-
26 March 2015	3years	450,000	200,000	450,000	200,000	206,223	206,114	5.05	8.09
26 March 2015	5years	150,000	-	150,000	-	-	-	-	-
21 April 2016	3years	50,000	-	50,000	-	-	-	-	-
		<b>1,850,000</b>	<b>200,000</b>	<b>1,850,000</b>	<b>200,000</b>	<b>206,223</b>	<b>206,114</b>	<b>5.05</b>	<b>8.09</b>

## 7.3 Net unrealised (diminution) on re-measurement of investments classified as 'available for sale'

	31 December 2016	31 December 2015
	Unaudited (Rupees in '000)	
Market value of investments	2,548,929	3,306,453
Less: Carrying cost of investments	(2,550,582)	(3,298,535)
	(1,653)	7,918
Less: Net unrealised (appreciation) at beginning of the period	(8,808)	(122,070)
	<b>(10,461)</b>	<b>(114,152)</b>

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

	31 December 2016	30 June 2016
	Unaudited Audited (Rupees in '000)	
Management remuneration	8.1	4,123
Sindh Sales Tax	8.2	536
Sales load		327
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	329
	<b>5,315</b>	<b>5,088</b>

8.1 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 (30 June 2016: 1.25 percent per annum) of the average net assets for the current period.

8.2 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2016 (30 June 2016: 14%)

8.3 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. The allocation of expenses relating to registrar services, accounting, operations and valuation services at 0.1% of average net annual assets of the Fund has been charged with effect from 15 December 2015.

9	<b>PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	<b>31 December 2016 Unaudited (Rupees in '000)</b>	30 June 2016 Audited
	Trustee remuneration	312	303
	Sindh Sales Tax on Trustee Remuneration	9.1 <u>40</u>	<u>42</u>
		<u><b>352</b></u>	<u><b>345</b></u>

9.1 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2016 (30 June 2016: 14%).

#### 10 ACCRUED EXPENSES AND OTHER LIABILITIES

	Provision for Workers' Welfare Fund	10.1 <b>39,149</b>	39,149
	Federal Excise Duty	10.2 <b>29,849</b>	29,849
	Capital gain tax	<b>358</b>	-
	Auditors' remuneration	<b>411</b>	471
	Legal and professional charges	<b>470</b>	729
	Printing charges	<b>9</b>	25
	Settlement charges	<b>21</b>	21
	Brokerage	<b>62</b>	101
	Withholding Tax	<b>1,240</b>	3,060
	Zakat Payable	-	391
		<u><b>71,569</b></u>	<u><b>73,796</b></u>

10.1 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. 39.149 million has been reversed on 12 January 2017. This has resulted in an increase in NAV per unit of Rs. 0.0950 on 12 January 2017. Had this reversal been recognized on 31 December 2016, the NAV per unit of the Fund would have been higher by Rs. 0.0975 per unit.

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 dated 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. 6.7 million. This has resulted in a decrease in NAV per unit of Rs. 0.0163 on 12 January 2017. Had this provision been recognized on 31 December 2016, the NAV per unit of the Fund would have been lower by Rs. 0.0165 per unit.

- 10.2** 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.

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 Sind 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 Honorable Supreme Court against the Sindh High Court's decision dated 2 June 2016. Therefore, as a matter of abundant caution, without prejudice to the above, the Management Company has made a provision with effect from 13 June 2013, aggregating to Rs. 31.872 million out of which Rs. 2.023 million have been paid to the Management Company. Had the provision not been made, the Net Assets Value (NAV) per unit of the Fund as at 31 December 2016 would have been higher by Rs. 0.0794 per unit (30 June 2016: Rs. 0.0776 per unit). 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.

## **11 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 2016.

## **12 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 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 2017 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

### 13 TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated July 20, 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 December 31, 2016 is 1.73% which include 0.25% representing government levy, Worker Welfare Fund and SECP fee.

### 14 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

14.1 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.

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

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

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

#### 14.5 Transactions during the period

	Six months period ended		Three months period ended	
	2016	2015	2016	2015
	----- Unaudited -----			
	----- (Rupees in '000) -----			
<b>National Investment Trust Limited</b>				
<b>- Management Company</b>				
Issue of 44,359,115 units (2015: 31,424,382 units)	450,000	320,000	450,000	-
Redemption of 7,937,610 units (2015: 57,975,945 units)	80,000	600,000	80,000	600,000
Remuneration of the Management Company	25,081	31,672	12,205	15,273
Sindh Sales Tax on Management remuneration	3,261	5,144	1,587	2,481
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,007	397	977	397
Sales load	3	122	3	103
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration of the Trustee	1,884	2,283	921	1,105
Sindh Sales Tax on Trustee remuneration	245	320	120	156

#### 14.6 Amounts outstanding as at period / year end:

	31 December	30 June
	2016	2016
	Unaudited	Audited
	(Rupees in '000)	
<b>National Investment Trust Limited - Management Company</b>		
137,031,199 units held (30 June 2016: 100,609,694 units)	1,392,493	1,001,761
Management fee payable	4,123	4,040
Sindh Sales Tax payable	536	657
Sales load payable	327	67
Allocation of expenses related to registrar services, accounting, operation and valuation services	329	324
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration payable	312	303
Sindh Sales Tax payable	40	42
Security deposit	100	100

	<b>31 December 2016 Unaudited (Rupees in '000)</b>	30 June 2016 Audited
<b>National Investment Trust Limited - Employees' Provident Fund</b> 7,593,652 units held (30 June 2016: 7,593,652 units)	<b>77,166</b>	75,609
<b>National Investment Trust Limited - Employees' Pension Fund</b> 17,812,877 units held (30 June 2016: 17,812,877 units)	<b>181,012</b>	177,330
<b>National Investment Trust Limited - Employees' Benevolent Fund</b> 2,504,423 units held (30 June 2016: 2,504,423 units)	<b>25,450</b>	24,936
<b>Bank Al Habib Limited</b> 48,615,258 units held (30 June 2016: 48,615,258 units)	<b>494,022</b>	484,055
<b>Chief Operating Officer</b> 1,169,189 units held (30 June 2016: 1,169,189 units)	<b>11,881</b>	11,641
<b>Fund Manager</b> 646 units held (30 June 2016: 646 units)	<b>7</b>	6
<b>Head of MD's Secretariat and Personnel</b> 59,445 units held (30 June 2016: 59,445 units)	<b>604</b>	592

## 15 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.

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.

31 December 2016							
Unaudited							
Carrying amount				Fair value			
Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Investments							
- Market Treasury Bills	2,342,815	-	2,342,815	-	2,342,815	-	2,342,815
- Pakistan Investment Bonds	206,114	-	206,114	-	206,114	-	206,114
	<u>2,548,929</u>	<u>-</u>	<u>2,548,929</u>	<u>-</u>	<u>2,548,929</u>	<u>-</u>	<u>2,548,929</u>
<b>Financial assets not measured at fair value</b>							
	15.1						
Bank balances	-	1,605,795	1,605,795	-	-	-	-
Profit receivables	-	26,015	26,015	-	-	-	-
Security deposit with Central Depository Company of Pakistan Limited	-	100	100	-	-	-	-
		<u>1,631,910</u>	<u>1,631,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>							
	15.1						
Payable to National Investment Trust Limited - Management Company	-	-	5,315	5,315	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	352	352	-	-	-
Payable against redemption of units	-	-	12,687	12,687	-	-	-
Accrued expenses and other liabilities	-	-	31,180	31,180	-	-	-
Dividend payable	-	-	9,453	9,453	-	-	-
		<u>-</u>	<u>58,987</u>	<u>58,987</u>	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2016							
Audited							
Carrying amount				Fair Value			
Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Investments							
- Market Treasury Bills	931,130	-	931,130	-	931,130	-	931,130
- Pakistan Investment Bonds	1,888,980	-	1,888,980	-	1,888,980	-	1,888,980
	<u>2,820,110</u>	<u>-</u>	<u>2,820,110</u>	<u>-</u>	<u>2,820,110</u>	<u>-</u>	<u>2,820,110</u>
<b>Financial assets not measured at fair value</b>							
Bank balances	-	1,279,554	1,279,554	-	-	-	-
Profit receivables	-	94,347	94,347	-	-	-	-
Security deposit with Central Depository Company of Pakistan Limited	-	100	100	-	-	-	-
		<u>1,374,001</u>	<u>1,374,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>							
Payable to National Investment Trust Limited - Management Company	-	-	5,088	5,088	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	345	345	-	-	-
Payable against redemption of units	-	-	131	131	-	-	-
Accrued expenses and other liabilities	-	-	31,196	31,196	-	-	-
Dividend payable	-	-	19,655	19,655	-	-	-
		<u>-</u>	<u>56,415</u>	<u>56,415</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**16 DATE OF AUTHORISATION FOR ISSUE**

This condensed financial information was authorised for issue on February 27, 2017 by the Board of Directors of the Management Company.

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

**Sd/-  
Managing Director**

**Sd/-  
Director**

**Sd/-  
Director**