

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

	<i>Note</i>	<b>31 December 2016 Unaudited (Rupees in '000)</b>	30 June 2016 Audited
<b>Assets</b>			
Bank balances	6	2,570,197	1,994,036
Investments	7	1,193,927	1,846,425
Receivable against Margin Trading System	8	184,756	286,760
Profit receivables		20,287	52,190
Advance against redemption of Term Finance Certificate		-	19,964
Advance against subscription of Term Finance Certificate	9	75,000	-
Security deposits		350	350
<b>Total assets</b>		<u>4,044,517</u>	<u>4,199,725</u>
<b>Liabilities</b>			
Payable to National Investment Trust Limited - Management Company	10	5,989	5,615
Payable to Central Depository Company of Pakistan Limited - Trustee	11	401	391
Payable to Securities and Exchange Commission of Pakistan		1,544	2,902
Payable against redemption of units		5,411	521
Payable against Margin Trading System		107,313	1,608
Accrued expenses and other liabilities	12	53,428	52,836
Dividend payable		2,231	8,211
<b>Total liabilities</b>		<u>176,317</u>	<u>72,084</u>
<b>Net assets</b>		<u>3,868,200</u>	<u>4,127,641</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>3,868,200</u>	<u>4,127,641</u>
<b>Contingencies and commitments</b>	13		
		<b>(Number of units)</b>	
<b>Number of units in issue</b>		<u>367,333,534</u>	<u>400,846,468</u>
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<u>10.5305</u>	<u>10.2973</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

**NIT - Income 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		56,704	94,532	27,316	40,548
Income from term finance certificates		15,913	10,847	24,658	5,408
Income from certificates of investment		3,176	2,969	7,786	811
Income from letters of placement		1,156	-	587	-
Income from margin trading		8,823	-	414	-
Profit on bank deposits		44,745	36,365	2,582	24,400
Amortisation of premium on term finance certificates - net		(183)	(209)	(778)	(6,110)
Gain on sale of investments - net		5,564	59,994	979	11,711
<b>Total income</b>		<b>135,898</b>	<b>204,498</b>	<b>63,544</b>	<b>76,768</b>
<b>Expenses</b>					
Remuneration of National Investment Trust Limited - Management Company	10.1	25,746	23,377	12,539	11,575
Sindh Sales Tax on remuneration of Management Company	10.2	3,347	3,796	1,630	1,879
Federal Excise Duty on remuneration of Management Company	12.2	-	3,740	-	1,856
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,180	2,016	1,067	1,001
Sindh Sales Tax on remuneration of Trustee	11.1	283	282	138	140
Annual fee - Securities and Exchange Commission of Pakistan		1,544	1,397	752	691
Custodian charges of Central Depository Company of Pakistan		193	7	87	4
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	2,060	339	1,004	339
Laga and levy charges		1,234	-	389	-
Settlement and bank charges		116	215	116	215
Securities transaction costs		135	186	60	97
Auditors' remuneration		432	384	248	211
Annual listing fee		64	122	64	7
Printing charges		-	50	-	25
Other expenses		-	232	-	232
<b>Total expenses</b>		<b>37,334</b>	<b>36,143</b>	<b>18,094</b>	<b>18,272</b>
<b>Net income from operating activities</b>		<b>98,564</b>	<b>168,355</b>	<b>45,450</b>	<b>58,496</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(6,489)	10,163	(6,864)	9,414
Provision for Workers' Welfare Fund	12.1	-	-	-	-
<b>Net income for the period before taxation</b>		<b>92,075</b>	<b>178,518</b>	<b>38,586</b>	<b>67,910</b>
Taxation	14	-	-	-	-
<b>Net income for the period</b>		<b>92,075</b>	<b>178,518</b>	<b>38,586</b>	<b>67,910</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**

## NIT - Income 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		92,075	178,518	38,586	67,910
<b>Other comprehensive income for the period</b>					
<i>Items to be reclassified to income statement in subsequent periods:</i>					
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	7.6	(6,855)	(58,469)	1,369	(12,640)
<b>Total comprehensive income for the period</b>		<b>85,220</b>	<b>120,049</b>	<b>39,955</b>	<b>55,270</b>

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

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

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

	<b>2016</b>	2015
	<b>(Rupees in '000)</b>	
<b>Undistributed income brought forward - realised</b>	<b>84,559</b>	55,273
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>768</b>	(3,202)
Net income for the period	<b>92,075</b>	178,518
<b>Undistributed income carried forward - realised</b>	<b><u>177,402</u></b>	<u>230,589</u>

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

Sd/-  
**Managing Director**

Sd/-  
**Director**

Sd/-  
**Director**

## NIT - Income Fund

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

For the six months period ended 31 December 2016

	<i>Note</i>	<b>2016</b> <b>(Rupees in '000)</b>	2015
<b>Net assets at beginning of the period</b> [Rs. 10.2973 per unit (2015: Rs. 10.4448 per unit)]		<b>4,127,641</b>	3,672,991
Issue of 44,647,852 units (2015: 77,190,942 units)		<b>463,953</b>	824,578
Redemption of 78,160,786 units (2015: 55,767,358 units)		<b>(815,103)</b>	(593,831)
		<b>(351,150)</b>	230,747
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net			
- amount representing loss / (income) transferred to condensed interim income statement		<b>6,489</b>	(10,163)
- amount representing (income) / loss transferred to condensed interim distribution statement		<b>(768)</b>	3,202
Net unrealised diminution on re-measurement of investments classified as 'available for sale'			
Gain on sale of investments - net	7.6	<b>(6,855)</b>	(58,469)
Other net income for the period		<b>5,564</b>	59,994
		<b>86,511</b>	118,524
<b>Total comprehensive income for the period</b>		<b>85,220</b>	120,049
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>768</b>	(3,202)
<b>Net assets at end of the period</b> [Rs. 10.5305 per unit (2015: Rs. 10.7580 per unit)]		<b><u>3,868,200</u></b>	<b><u>4,013,624</u></b>

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

**Sd/-  
Managing Director**

**Sd/-  
Director**

**Sd/-  
Director**

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

	<i>Note</i>	<b>2016</b>	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(Rupees in '000)</b>	
Net income for the period before taxation		<b>92,075</b>	178,518
<b>Adjustments:</b>			
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		<b>6,489</b>	(10,163)
		<b>98,564</b>	168,355
<b>Decrease in assets</b>			
Investments		<b>645,643</b>	475,239
Receivable against Margin Trading System		<b>102,004</b>	-
Profit receivables		<b>31,903</b>	8,484
Advance against subscription of Habib Bank Limited Term Finance Certificate		<b>(55,036)</b>	(100,000)
		<b>724,514</b>	383,723
<b>Increase / (decrease) in liabilities</b>			
Payable to National Investment Trust Limited - Management Company		<b>374</b>	301
Payable to Central Depository Company of Pakistan Limited - Trustee		<b>10</b>	46
Payable to Securities and Exchange Commission of Pakistan		<b>(1,358)</b>	(1,380)
Payable against redemption of units		<b>4,890</b>	(1,231)
Payable against Margin Trading System		<b>105,705</b>	-
Accrued expenses and other liabilities		<b>592</b>	(32,988)
		<b>110,213</b>	(35,252)
<b>Net cash generated from operating activities</b>		<b>933,291</b>	516,826
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount received on issue of units		<b>463,953</b>	824,578
Payments against redemption of units		<b>(815,103)</b>	(593,831)
Distribution paid		<b>(5,980)</b>	(119,950)
<b>Net cash (used in) / generated from financing activities</b>		<b>(357,130)</b>	110,797
<b>Net increase in cash and cash equivalents during the period</b>		<b>576,161</b>	627,623
Cash and cash equivalents at beginning of the period		<b>1,994,036</b>	1,330,951
<b>Cash and cash equivalents at end of the period</b>	6	<b>2,570,197</b>	1,958,574

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**

## NIT - Income Fund

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

For the six months period ended 31 December 2016

#### **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 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 annual 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.

## 4 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 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 6.50% per annum (30 June 2016: 2.00% to 7.50% per annum).

## 7 INVESTMENTS

		<b>31 December 2016</b>	30 June 2016
		<b>Unaudited</b>	Audited
		<b>(Rupees in '000)</b>	
<b>Available for sale</b>			
Government securities:			
-	Market Treasury Bills	7.1 <b>633,576</b>	331,955
-	Pakistan Investment Bonds	7.2 <b>206,114</b>	1,135,002
	Term finance certificates - listed	7.3 <b>113,292</b>	119,545
	Term finance certificates - unlisted	7.4 <b>240,945</b>	259,923
		<b>1,193,927</b>	<b>1,846,425</b>



7.1 Market Treasury Bills

Issue date	Tenor	Face value			As at 31 December 2016		Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at 01 July 2016	Purchases during the period	Sales / matured during the period	As at 31 December 2016	Carrying value			Market value
----- (Rupees in '000) -----								----- (%) -----	
20 August 2015	6 Months	145,000	-	145,000	-	-	-	-	
03 September 2015	6 Months	190,000	-	190,000	-	-	-	-	
03 March 2016	6 Months	-	200,000	-	200,000	198,152	198,030	5.12	
11 July 2016	12 Months	-	400,000	400,000	-	-	-	-	
21 July 2016	6 Months	-	450,000	-	450,000	436,429	435,546	11.26	
21 July 2016	12 Months	-	650,000	650,000	-	-	-	-	
24 November 2016	12 months	-	800,000	800,000	-	-	-	-	
		<b>335,000</b>	<b>2,500,000</b>	<b>2,185,000</b>	<b>650,000</b>	<b>634,581</b>	<b>633,576</b>	<b>16.38</b>	<b>559.25</b>

7.2 Pakistan Investment Bonds

18 July 2013	03 years	500,000	-	500,000	-	-	-	-	-
26 March 2015	05 years	150,000	-	150,000	-	-	-	-	-
26 March 2015	03 years	400,000	200,000	400,000	200,000	206,223	206,114	5.33	181.93
21 April 2016	03 years	50,000	-	50,000	-	-	-	-	-
		<b>1,100,000</b>	<b>200,000</b>	<b>1,100,000</b>	<b>200,000</b>	<b>206,223</b>	<b>206,114</b>	<b>5.33</b>	<b>181.93</b>
<b>Total</b>		<b>1,435,000</b>	<b>2,700,000</b>	<b>3,285,000</b>	<b>850,000</b>	<b>840,804</b>	<b>839,690</b>	<b>21.71</b>	<b>741.18</b>

7.3 Term finance certificates - listed

All certificates have a face value of Rs. 5,000 each.

Name of the investee company	Number of certificates			As at 31 December 2016		Market value as a percentage of net assets	Market value as a percentage of total investments	
	As at 01 July 2016	Purchases during the period	Disposals during the period	As at 31 December 2016	Carrying value			Market value
----- (Rupees in '000) -----								----- (%) -----
<b>Commercial banks</b>								
Summit Bank Limited	20,000	-	-	20,000	99,770	12,576	0.33	1.05
Faysal Bank Limited	5,000	-	-	5,000	12,611	100,716	2.60	8.44
	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>112,381</b>	<b>113,292</b>	<b>2.93</b>	<b>9.49</b>

7.4 Term finance certificates - unlisted

All certificates have a face value of Rs. 5,000 each.

Bank Al-Falah Limited (Fixed)	7,000	-	-	7,000	23,300	24,556	0.63	2.06
Bank Al-Falah Limited (Floating)	5,250	-	-	5,250	17,510	17,638	0.46	1.48
Standard Chartered Bank Limited (Floating)	6,400	-	-	6,400	32,114	32,128	0.83	2.69
Habib Bank Limited	1,000	-	-	1,000	99,980	100,230	2.59	8.39
Bank Al-Habib Limited (5th issue)	13,125	-	-	13,125	65,612	66,393	1.72	5.56
	<b>32,775</b>	<b>-</b>	<b>-</b>	<b>32,775</b>	<b>238,516</b>	<b>240,945</b>	<b>6.23</b>	<b>20.18</b>

7.5 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	4,989	6-months KIBOR + 3.25%	27 October 2011	7 years	Unsecured	A-
Faysal Bank Limited	5,000	2,495	6-months KIBOR + 2.25%	27 December 2010	7 years	Unsecured	AA-
<b>Unlisted term finance certificates</b>							
Bank Al-Falah Limited (Fixed)	7,000	3,325	15.00%	02 December 2009	8 years	Unsecured	AA-
Bank Al-Falah Limited (Floating)	5,250	3,325	6-months KIBOR + 2.50%	02 December 2009	8 years	Unsecured	AA-
Bank Al-Habib Limited (5th issue)	13,125	4,999	6-months KIBOR + 0.75%	17 March 2016	10 years	Unsecured	AA
Standard Chartered Bank Limited (Floating)	6,400	5,000	6-months KIBOR + 0.75%	29 June 2012	10 years	Unsecured	AAA
Habib Bank Limited	1,000	99,980	6-months KIBOR + 0.50%	19 February 2016	10 years	Unsecured	AAA

<b>7.6</b>	<b>Net unrealised diminution on re-measurement of investments classified as 'available for sale'</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
		<b>Unaudited</b>	
		<b>(Rupees in '000)</b>	
	Market value of investments	<b>1,193,927</b>	1,931,707
	Less: Carrying value of investments	<b>(1,191,701)</b>	(1,921,481)
		<b>2,226</b>	10,226
	Less: Net unrealised appreciation at beginning of the period	<b>(9,081)</b>	(68,695)
		<b>(6,855)</b>	(58,469)
<b>8</b>	<b>RECEIVABLE AGAINST MARGIN TRADING SYSTEM</b>		
	This carries average profit rate of 9.67% (30 June 2016: 9.93%) and are matured at the option of financee subject to maximum period of 60 days.		
<b>9</b>	<b>ADVANCE AGAINST SUBSCRIPTION OF FATIMA FERTILIZER COMPANY LIMITED - IJARAH SUKUK</b>		
	This represents the amount made against subscription of Ijara sukkuk of Fatima Fertilizer Company Limited. Subsequent to the period end an amount of Rs. 56.610 million has been refunded.		
<b>10</b>	<b>PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY</b>	<b>31 December 2016</b>	<b>30 June 2016</b>
		<b>Unaudited</b>	<b>Audited</b>
		<b>(Rupees in '000)</b>	
	Management remuneration	<i>10.1</i> <b>4,167</b>	4,029
	Sindh Sales Tax	<i>10.2</i> <b>542</b>	654
	Sales load	<b>946</b>	609
	Allocation of expenses related to registrar services, accounting, operation and valuation services	<i>10.3</i> <b>334</b>	323
		<b>5,989</b>	5,615
<b>10.1</b>	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.		
<b>10.2</b>	The Sindh Provincial Government has 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%).		
<b>10.3</b>	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.		
<b>11</b>	<b>PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		
	Trustee remuneration	<b>355</b>	343
	Sindh Sales Tax on trustee remuneration	<i>11.1</i> <b>46</b>	48
		<b>401</b>	391

11.1 The Sindh Provincial Government has 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%).

12 ACCRUED EXPENSES AND OTHER LIABILITIES		31 December	30 June
		2016	2016
		Unaudited	Audited
		(Rupees in '000)	
Provision for Workers' Welfare Fund	12.1	28,973	28,973
Federal Excise Duty	12.2	20,799	20,799
Auditors' remuneration		406	471
Printing charges		7	25
Brokerage		115	138
Settlement charges		-	4
Zakat		-	579
Capital gains tax		1,854	56
Legal and professional charges		426	711
Withholding tax		334	874
Laga and Levy payable		494	190
Others		20	16
		<u>53,428</u>	<u>52,836</u>

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. This has resulted in an increase in NAV per unit of Rs. 0.0795 on 12 January 2017. Had this reversal been recognised on 31 December 2016, the NAV per unit of the Fund would have been higher by Rs. 0.0789 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. 5.352 million. This has resulted in a decrease in NAV per unit of Rs. 0.0150 on 12 January 2017. Had this provision been recognised on 31 December 2016, the NAV per unit of the Fund would have been lower by Rs. 0.0146 per unit.

**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.

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 inter alia 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 effect 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 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. 22.379 million out of which Rs. 1.580 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. 0.0609 per unit (30 June 2016: Rs. 0.0558 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.

### **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 2016.

### **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 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.

### **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 2016 is 1.81% which include 0.25% representing government levy, 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:

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	----- (Unaudited) -----			
	----- (Rupees in '000) -----			
<b>National Investment Trust Limited - Management Company</b>				
Issue of 19,162,225 units (2015: 55,433,464 units)	200,000	595,000	200,000	595,000
43,103,259 Units redeemed (2015: 28,063,873 units)	450,000	300,000	450,000	-
Sales load	1	120	1	83
Remuneration of the Management Company	25,746	23,377	12,539	11,575
Sindh Sales Tax on remuneration to Management Company	3,347	3,796	1,630	1,879
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,060	339	1,004	339
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration of the Trustee	2,180	2,016	1,067	1,001
Sindh Sales Tax on remuneration to Trustee	283	282	138	140
Custodian charges	193	7	87	4

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

	<b>31 December</b>		<b>30 June</b>	
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	<b>Unaudited</b>		<b>Audited</b>	
	<b>(Rupees in '000)</b>			
<b>National Investment Trust Limited - Management Company</b>				
146,234,490 units held (30 June 2016: 170,175,524 units)		1,539,920		1,752,348
Management fee payable		4,167		4,029
Sindh Sales Tax		542		654
Sales load payable		921		609
Allocation of expenses related to registrar services, accounting, operation and valuation services		334		323
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Trustee remuneration payable		355		343
Sindh Sales Tax		46		48
Security deposit		100		100
<b>National Investment Trust Limited - Employees Provident Fund</b>				
6,796,423 units held (30 June 2016: 6,796,423 units)		71,570		69,985
<b>National Investment Trust Limited - Employees Pension Fund</b>				
20,733,534 units held (30 June 2016: 20,733,534 units)		218,334		213,500
<b>Chief Operating Officer</b>				
1,286,165 units held (30 June 2016: 1,286,165 units)		13,544		13,244
<b>Fund Manager</b>				
529 units held (30 June 2016: 529 units)		6		5
<b>Head of MD's Secretariat and Personnel</b>				
35,229 units held (30 June 2016: 35,229 units)		371		363

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 regu 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.

		31 December 2016						
		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	633,576	-	633,576	-	633,576	-	633,576	
- Pakistan Investment Bonds	206,114	-	206,114	-	206,114	-	206,114	
- Term Finance Certificates - listed	113,292	-	113,292	-	113,292	-	113,292	
- Term Finance Certificates - unlisted	240,945	-	240,945	-	240,945	-	240,945	
	<b>1,193,927</b>	<b>-</b>	<b>1,193,927</b>	<b>-</b>	<b>1,193,927</b>	<b>-</b>	<b>1,193,927</b>	
<b>Financial assets not measured at fair value</b>								
	17.1							
Bank balances	-	2,570,197	2,570,197	-	-	-	-	
Receivable against Margin Trading System	-	184,756	184,756	-	-	-	-	
Profit receivables	-	20,287	20,287	-	-	-	-	
Advance against redemption of Term Finance Certificate	-	75,000	75,000	-	-	-	-	
Security deposits	-	350	350	-	-	-	-	
		<b>2,850,590</b>	<b>2,850,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Financial liabilities not measured at fair value</b>								
	17.1							
Payable to National Investment Trust Limited - Management Company	-	5,989	5,989	-	-	-	-	
Payable to Central Depository Company of Pakistan Limited - Trustee	-	401	401	-	-	-	-	
Payable against redemption of units	-	5,411	5,411	-	-	-	-	
Payable against Margin Trading System	-	107,313	107,313	-	-	-	-	
Accrued expenses and other liabilities	-	22,267	22,267	-	-	-	-	
Dividend payable	-	2,231	2,231	-	-	-	-	
		<b>143,612</b>	<b>143,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
		30 June 2016						
		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	331,955	-	331,955	-	331,955	-	331,955	
- Pakistan Investment Bonds	1,135,002	-	1,135,002	-	1,135,002	-	1,135,002	
- Term Finance Certificates - listed	119,545	-	119,545	-	119,545	-	119,545	
- Term Finance Certificates - unlisted	259,923	-	259,923	-	259,923	-	259,923	
	<b>1,846,425</b>	<b>-</b>	<b>1,846,425</b>	<b>-</b>	<b>1,846,425</b>	<b>-</b>	<b>1,846,425</b>	
<b>Financial assets not measured at fair value</b>								
Bank balances	-	1,994,036	1,994,036	-	-	-	-	
Receivable against Margin Trading System	-	286,760	286,760	-	-	-	-	
Profit receivables	-	52,190	52,190	-	-	-	-	
Receivable against Redemption of Bank Al-Habib Limited Term Finance Certificate	-	19,964	19,964	-	-	-	-	
Security deposits	-	350	350	-	-	-	-	
		<b>2,353,300</b>	<b>2,353,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Financial liabilities not measured at fair value</b>								
Payable to National Investment Trust Limited - Management Company	-	5,615	5,615	-	-	-	-	
Payable to Central Depository Company of Pakistan Limited - Trustee	-	391	391	-	-	-	-	
Payable against redemption of units	-	521	521	-	-	-	-	
Accrued expenses and other liabilities	-	23,962	23,962	-	-	-	-	
Dividend payable	-	8,211	8,211	-	-	-	-	
		<b>38,700</b>	<b>38,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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 repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**18 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim 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**