

An Open-end Money Market Fund primarily investing in fixed income securities, issued by the Government of Pakistan (GOP), which are highly liquid and have low credit risk. NIT-GTF is ensuring a high liquidity level of the portfolio, while maintaining a portfolio composition which yields returns in excess of the benchmark.



## CORPORATE INFORMATION

### FUND NAME

NIT - Government Treasury Fund

### NAME OF AUDITORS

KPMG Taseer Hadi & Co. Chartered Accountants

### LIST OF BANKERS

Allied Bank Limited  
Bank Al Falah Limited  
Bank Al Habib Limited  
NIB Bank Limited  
United Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
Habib Metropolitan Bank Limited

## TRUSTEE REPORT

### TRUSTEE REPORT TO THE UNIT HOLDERS

#### Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NIT Government Treasury 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 period from January 22, 2016 to June 30, 2016 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.

Sd/-

**Muhammad Hanif Jakhura**  
**Chief Executive Officer**  
**Central Depository Company of Pakistan Limited**

**Karachi, September 22, 2016**

## AUDITORS' REPORT

### INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NIT Government Treasury Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2016 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unit holders' fund for the period from 09 September 2015 to 30 June 2016 and a summary of significant accounting policies and other explanatory notes.

#### Management's responsibility for the financial statements

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

#### Auditors' responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2016 and of its financial performance, cash flows and transactions for the period from 09 September 2015 to 30 June 2016 in accordance with approved accounting standards as applicable in Pakistan.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Sd/-

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Muhammad Nadeem  
Dated: September 07, 2016  
Karachi

## NIT - GOVERNMENT TREASURY FUND STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)
<b>Assets</b>		
Bank balances	5	354,683
Investments	6	498,683
Profit receivables	7	20,423
Preliminary expenses and floatation costs	8	1,026
<b>Total assets</b>		<b>874,815</b>
<b>Liabilities</b>		
Payable to National Investment Trust Limited - Management Company	9	1,613
Payable to Central Depository Company of Pakistan Limited - Trustee	10	125
Payable to Securities and Exchange Commission of Pakistan	11	290
Accrued expenses and other liabilities	12	1,238
Dividend payable		22
<b>Total liabilities</b>		<b>3,288</b>
<b>Net assets</b>		<b>871,527</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>871,527</b>
<b>Contingencies and commitments</b>		
	13	
<b>(Number of units)</b>		
<b>Number of units in issue</b>	14	<b>86,965,066</b>
<b>(Rupees)</b>		
<b>Net assets value per unit</b>		<b>10.0216</b>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - GOVERNMENT TREASURY FUND**  
**INCOME STATEMENT**  
FOR THE PERIOD FROM SEPTEMBER 09, 2015 TO JUNE 30, 2016

	Note	For the period from 09 September 2015 to 30 June 2016 (Rupees in '000)
<b>Income</b>		
Mark-up on Pakistan Investment Bonds		27,705
Discount income on Market Treasury Bill		2,045
Amortisation of premium on Pakistan Investment Bonds		(11,770)
Profit on bank deposits		6,321
Loss on sale of investments - net		(41)
<b>Total income</b>		<u>24,260</u>
<b>Expenses</b>		
Remuneration of National Investment Trust Limited - Management Company	9.1	1,827
Federal Excise Duty on remuneration of Management Company	12.1	291
Sindh Sales Tax on remuneration of Management Company	9.2	297
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	582
Sindh Sales Tax on remuneration of Trustee	10.2	81
Annual fee - Securities and Exchange Commission of Pakistan	11	290
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	388
Amortisation of preliminary expenses and floatation costs	8.1	99
Auditors' remuneration	15	182
Legal and professional charges		85
Mutual fund rating fee		171
Annual listing fee		450
Settlement and bank charges		86
Printing charges		32
Others		184
<b>Total expenses</b>		<u>5,045</u>
<b>Net income from operating activities</b>		<b>19,215</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		33
<b>Net income before taxation</b>		<u>19,248</u>
Taxation	16	-
<b>Net income for the period</b>		<u><u>19,248</u></u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - GOVERNMENT TREASURY FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE PERIOD FROM SEPTEMBER 09, 2015 TO JUNE 30, 2016

	Note	For the period from 09 September 2015 to 30 June 2016 (Rupees in '000)
Net income for the period		19,248
<b>Other comprehensive income for the period</b>		
<b>Items to be reclassified to income statement in subsequent periods:</b>		
Net unrealised appreciation on re-measurement of investments classified 'as 'available for sale'	6.3	99
<b>Total comprehensive income for the period</b>		<u><u>19,347</u></u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - GOVERNMENT TREASURY FUND**  
**DISTRIBUTION STATEMENT**  
 FOR THE PERIOD FROM SEPTEMBER 09, 2015 TO JUNE 30, 2016

	For the period from 09 September 2015 to 30 June 2016 (Rupees in '000)
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	4
Net income for the period	19,248
Interim distribution for the period ended 30 June 2016: Rs. 0.2 per unit (Date of distribution: 15 June 2016)	
- Cash distribution	(4,966)
- Issue of units under Cumulative Investment Plan	(12,505)
	(17,471)
<b>Undistributed income carried forward - realised</b>	<b>1,781</b>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - GOVERNMENT TREASURY FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**  
 FOR THE PERIOD FROM SEPTEMBER 09, 2015 TO JUNE 30, 2016

	Note	For the period from 09 September 2015 to 30 June 2016 (Rupees in '000)
Issue of 94,982,657 units	14	950,790
Redemption of 9,267,284 units	14	(93,611)
Issue of 1,249,693 units under Cumulative Investment Plan		12,505
		<u>869,684</u>
Element of (income) / loss and capital gains / losses included in prices of units issued less those in units redeemed - net		
- amount representing income transferred to income statement		(33)
- amount representing income transferred to distribution statement		(4)
		(37)
Net unrealised appreciation on re-measurement of investments 'classified as 'available for sale'	6.3	99
Loss on sale of investments - net		(41)
Other net income for the period		19,289
<b>Total comprehensive income for the period</b>		<b>19,347</b>
Interim distribution for the period ended 30 June, 2016: Rs. 0.2 per unit (Date of distribution: 15 June 2016)		
- Cash distribution		(4,966)
- Issue of units under Cumulative Investment Plan		(12,505)
		(17,471)
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		4
<b>Net assets at end of the period</b>		<b>871,527</b>
[Rs. 10.0216 per unit]		

The annexed notes from 1 to 27 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - GOVERNMENT TREASURY FUND**  
**CASH FLOW STATEMENT**  
 FOR THE PERIOD FROM SEPTEMBER 09, 2015 TO JUNE 30, 2016

	For the period from 09 September 2015 to 30 June 2016 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income before taxation	19,248
<b>Adjustments</b>	
Amortisation of preliminary expenses and floatation costs	99
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(33)
	<u>19,314</u>
<b>Increase in assets</b>	
Investments	(498,584)
Profit receivables	(20,423)
Preliminary expenses and floatation costs	(1,125)
	<u>(520,132)</u>
<b>Increase in liabilities</b>	
Payable to National Investment Trust Limited - Management Company	1,613
Payable to Central Depository Company of Pakistan Limited - Trustee	125
Payable to Securities and Exchange Commission of Pakistan	290
Accrued expenses and other liabilities	1,238
	<u>3,266</u>
<b>Net cash used in operating activities</b>	<u>(497,552)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Amount received on issue of units	950,790
Payments against redemption of units	(93,611)
Distribution paid	(4,944)
<b>Net cash generated from financing activities</b>	<u>852,235</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>354,683</u></u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

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

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

**NIT - GOVERNMENT TREASURY FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE PERIOD FROM SEPTEMBER 09, 2015 TO JUNE 30, 2016

**1 LEGAL STATUS AND NATURE OF BUSINESS**

1.1 The NIT - Government Treasury 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. SCD/AMCW/NITL/78/2015 dated 2 September 2015 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on 9 September 2015. The Fund is categorized as Money Market Scheme as per criteria for categorization of open end collective investment scheme as specified by SECP and other allied matters. The units of the Fund were initially issued at Rs. 10 per unit.

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 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. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The units of the Fund were initially offered for public subscription at par from 22 January 2016.

The objective of the Fund is to invest primarily in fixed income securities issued by the Government of Pakistan (GoP), which are highly liquid and have low credit risk.

1.4 This is the first set of financial statements of the Fund prepared from execution of Trust deed i.e. 09 September 2015 to 30 June 2016. The Fund has received Rs. 759 million against IPO from various investors on 22 January 2016 and, accordingly commenced its business activities from 25 January 2015.

1.5 Pakistan Credit Rating Agency Limited (PACRA) 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**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting (IFRS) issued by the International Accounting Standards Board as are notified 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 IFRS, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

**2.2 Accounting convention**

These financial statements are prepared under the historical cost convention except for investments which are carried at fair value.

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to

**NIT - GOVERNMENT TREASURY FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE PERIOD FROM SEPTEMBER 09, 2015 TO JUNE 30, 2016

the Fund's financial statements or where judgment was exercised in application of accounting policies principally related to classification and valuation of investments and impairment there against, if any (note 4.1 and note 6).

**3 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs**

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Fund's financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Fund's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on the Fund's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 July 2016). The new cycle of improvements contain amendments to the following standards:

**NIT - GOVERNMENT TREASURY FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments - Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in the Fund's financial statements.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on the Fund's financial statements.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

**4.1 Financial assets**

**4.1.1 Classification**

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

**a) Loans and receivables**

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

**b) Financial assets at fair value through profit or loss**

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

**c) Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

**4.1.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

**4.1.3 Initial recognition and measurement**

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

**NIT - GOVERNMENT TREASURY FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**4.1.4 Subsequent measurement**

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

**Basis of valuation of government securities**

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

Net gains and losses arising from changes in the fair value of financial assets carried at 'fair value through profit or loss' are taken to the income statement.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the statement of comprehensive income is transferred to the income statement.

Subsequent to initial recognition financial assets classified as 'Loans and receivables' are carried at amortised cost using the effective interest method.

**4.1.5 Impairment of financial assets**

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. In case of debt instruments classified as available-for-sale, if any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in unit holders' fund through comprehensive income is reclassified from unit holders' fund through other comprehensive income to income statement. Impairment losses recognised on debt instruments in the income statement are reversed subsequently from income statement to unit holders' fund through comprehensive income.

**4.1.6 Derecognition**

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

**4.1.7 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**4.2 Cash and cash equivalents**

Cash and cash equivalents comprise of deposits and profit and loss sharing accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

**4.3 Derivatives**

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

**4.4 Financial liabilities**

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

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

**NIT - GOVERNMENT TREASURY FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE PERIOD FROM SEPTEMBER 09, 2015 TO JUNE 30, 2016

**4.5 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs (formation cost) represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of five years starting from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

**4.6 Provisions**

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

**4.7 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the period / year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the period / year, the income distributed through bonus units shall not be taken into account.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

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

**4.8 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received, by the distributors / Management Company during business hours, as of the close of the previous day on which the applications were received. The offer price represents the net assets value per unit as of the close of previous day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

**4.9 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed**

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the period is recognised in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the period on available for sale securities is included in distribution statement.

**4.10 Net assets value per unit**

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



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**4.11 Earnings per unit (EPU)**

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

**4.12 Revenue recognition**

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as available for sale are included in the statement of comprehensive income in the period in which they arise.
- Profit on bank deposits and mark-up income on government securities is recognised using effective yield method.

**4.13 Proposed distributions**

Dividend / distributions are recognised in the financial statements in the period in which such distributions are declared / approved.

**5 BANK BALANCES**

**2016**  
**(Rupees in '000)**

In saving accounts 5.1 354,683

5.1 These accounts carry return at rates ranging from 3.75% to 6.45% per annum.

**6 INVESTMENTS**

**Available for sale**

Government Securities

- Market Treasury Bills

- Pakistan Investment Bonds

6.1 97,687  
6.2 400,996  
498,683

**6.1 Market Treasury Bills**

Issue date	Tenor	Face value			As at 30 June 2016		Market value / carrying value as a percentage of net assets	Market value / carrying value as a percentage of total investments
		Purchases during the period	Sales / matured during the period	As at 30 June 2016	Carrying cost	Market value / carrying value		
		(Rupees in '000)					(%)	
20 August 2015	6 months	150,000	150,000	-	-	-	-	
17 September 2015	6 months	150,000	150,000	-	-	-	-	
29 October 2015	6 months	150,000	150,000	-	-	-	-	
26 May 2016	6 months	100,000	-	100,000	97,688	97,687	11.21	
		<u>550,000</u>	<u>450,000</u>	<u>100,000</u>	<u>97,688</u>	<u>97,687</u>	<u>11.21</u>	
							<u>19.59</u>	

**6.2 Pakistan Investment Bonds**

Issue date	Tenor	Face value			As at 30 June 2016		Market value / carrying value as a percentage of net assets	Market value / carrying value as a percentage of total investments
		Purchases during the period	Sales / matured during the period	As at 30 June 2016	Carrying cost	Market value / carrying value		
		(Rupees in '000)					(%)	
18 July 2013	3 years	1,170,000	770,000	400,000	400,896	400,996	46.01	
							<u>80.41</u>	

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**6.3 Net unrealised appreciations on re-measurement of investments classified as 'available for sale'**

**2016**  
**(Rupees in '000)**

Market value / carrying value of investments 498,683  
Less: Carrying cost of investments (498,584)  
99

**7 PROFIT RECEIVABLES**

Profit on savings accounts 25  
Mark-up on Pakistan Investment Bonds 20,398  
20,423

**8 PRELIMINARY EXPENSES AND FLOATATION COSTS**

**2016**  
**(Rupees in '000)**

Incurred during the period 1,125  
Less: amortisation during the period (99)  
Balance at end of the period 1,026

8.1 These expenses are being amortised over a period of five years commencing from 22 January 2016 in accordance with the requirement of clause 14.3.1 of the Trust Deed of the Fund.

**9 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY**

**2016**  
**(Rupees in '000)**

Management remuneration 9.1 327  
Sindh Sales Tax 9.2 53  
Preliminary expenses and floatation costs 1,125  
Allocation of expenses related to registrar services, accounting, operation and valuation services 9.3 73  
Others 35  
1,613

9.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 15 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 2 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 7.5 percent of gross earnings subject to a cap of 1 percent of Average Annual Net Assets.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 14% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015.

9.3 Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 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 expenses represents the allocation of expenses relating to registrar services, accounting, operations and valuation services at 0.1% of average net annual assets of the Fund.

**10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

**2016**  
**(Rupees in '000)**

Trustee remuneration 10.1 110  
Sindh Sales Tax on trustee remuneration 10.2 15  
125

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**10.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value (NAV) of the Fund. The remuneration is paid to the Trustee, monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2016 is as follows:

Amount of funds under management (Average NAV)	Tariff per annum
Upto Rupees 1 billion	0.15% per annum of NAV
Over Rupees 1 billion and upto Rupees 10 billion	Rupees 1,500,000 plus 0.075% per annum of NAV exceeding Rupees 1 billion.
Exceeding Rupees 10 billion	Rupees 8,250,000 plus 0.06% per annum of NAV exceeding Rupees 10 billion

**10.2** The Sindh Provincial Government levied Sindh Sales Tax at the rate of 14% on the remuneration of the Trustee through Sindh Sales Tax on Services Act 2011, effective from 1 July 2015.

**11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Under the provisions of the NBFC Regulations, 2008, a collective investment scheme categorised as income scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is payable annually in arrears.

**12 ACCRUED EXPENSES AND OTHER LIABILITIES**

	2016 (Rupees in '000)
Federal Excise Duty	12.1 291
Auditors' remuneration	366
Legal and professional charges	85
Printing charges	32
Brokerage	11
Listing fee	450
Withholding Tax	3
	<u>1,238</u>

**12.1** 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. 0.291 million. Had the provision not been made, the Net Assets Value (NAV) per unit of the Fund as at 30 June 2016 would have been higher by Rs. 0.0033 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 were no contingencies and commitments outstanding as at 30 June 2016.

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**14 NUMBER OF UNITS IN ISSUE**

	2016 (Number of units)
Units issued against IPO investment	75,905,000
Units issued during the period	19,077,657
Units issued under Cumulative Investment Plan	1,249,693
Units redeemed	(9,267,284)
Total units in issue at end of the period	<u>86,965,066</u>

For the period from 09 September 2015 to 30 June 2016  
(Rupees in '000)

**15 AUDITORS' REMUNERATION**

Statutory audit fee	125
Other certification	25
Out of pocket expenses including government levy	32
	<u>182</u>

**16 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 period / 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 Board of Directors of the Management Company in their meeting held on 15 June 2016 has distributed more than ninety percent of the Fund's accounting income for the period / year as reduced by capital gains, whether realised or unrealised, to its unit holders during the period / year. Accordingly, no provision has been made in the financial statements for the period ended 30 June 2016.

**17 FINANCIAL INSTRUMENTS BY CATEGORY**

	As at 30 June 2016		
	Loans and receivables	Available for sale	Total
	----- (Rupees in '000) -----		
<b>Assets</b>			
Bank balances	354,683	-	354,683
Investments	-	498,683	498,683
Profit receivables	20,423	-	20,423
	<u>375,106</u>	<u>498,683</u>	<u>873,789</u>

	As at 30 June 2016		
	Liabilities at fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to National Investment Trust Limited - Management Company	-	1,613	1,613
Payable to Central Depository Company of Pakistan Limited - Trustee	-	125	125
Accrued expenses and other liabilities	-	1,235	1,235
Dividend payable	-	22	22
	<u>-</u>	<u>2,995</u>	<u>2,995</u>

**18 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS**

**18.1** 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

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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.

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

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

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

**18.5 Transactions during the period**

**For the period from  
09 September 2015  
to 30 June 2016  
(Rupees in '000)**

<b>National Investment Trust Limited - Management Company</b>	
Issue of 75,000,000 units	750,000
Issue of 1,124,269 CIP units	11,250
Remuneration of the Management Company	1,827
Sindh Sales Tax on management remuneration	297
Allocation of expenses related to registrar services, accounting, operation and valuation services	388
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Remuneration of the Trustee	582
Sindh Sales Tax on remuneration of Trustee	81
<b>Directors and key management personnel</b>	
Issue of 100,000 units	1,000
Issue of 1,799 CIP units	18

**18.6 Amounts outstanding as at period end**

**2016  
(Rupees in '000)**

<b>National Investment Trust Limited - Management Company</b>	
76,124,269 Units held	762,887
Management remuneration payable	327
Sindh Sales Tax payable	53
Preliminary expenses and floatation costs payable	1,125
Allocation of expenses related to registrar services, accounting, operation and valuation services	73
Others	35
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Trustee remuneration payable	110
Sindh Sales Tax payable	15
<b>Directors and key management personnel</b>	
Issue of 101,799 units	1,020

**19 FINANCIAL RISK MANAGEMENT**

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

**19.1 Market risk**

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

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

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**19.2 Currency risk**

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

**19.3 Interest rate risk**

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

**a) Sensitivity analysis for variable rate instruments**

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

**b) Sensitivity analysis for fixed rate instruments**

Fixed rate instruments comprise Market Treasury Bills and Pakistan Investment Bonds and bank balances. Except for Market Treasury Bills and Pakistan Investment Bonds, the Fund's income and net assets are substantially independent of changes in market interest rate.

As at 30 June 2016, the Fund holds Market Treasury Bills and Pakistan Investment Bonds which are classified as 'available for sale', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan on 30 June 2016, with all other variables held constant, the net income for the period and net assets would have been lower by Rs. 0.1767 million. In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on 30 June 2016, with all other variables held constant, the net income for the period and net assets would have been higher by Rs. 0.1763 million.

The composition of the Fund's investment portfolio and rates announced by Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2016 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

Effective yield / interest rate (%)	As at 30 June 2016				Total
	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
	Upto three months	More than three months and up-to one year	More than one year		
----- Rupees in '000-----					

**On-balance sheet financial instruments**

**Financial assets**

Bank balances	3.75 - 6.45	354,683	-	-	-	354,683
Investments	5.94 - 6.15	400,996	97,687	-	-	498,683
Profit receivables		-	-	-	20,423	20,423
		755,679	97,687	-	20,423	873,789

**Financial liabilities**

Payable to National Investment Trust Limited - Management Company	-	-	-	1,613	1,613
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	125	125
Accrued expenses and other liabilities	-	-	-	1,235	1,235
Dividend payable	-	-	-	22	22
	-	-	-	2,995	2,995

**On-balance sheet gap**

	755,679	97,687	-	17,428	870,794
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Effective yield / interest rate (%)	As at 30 June 2016				Total
	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
	Upto three months	More than three months and up-to one year	More than one year		
	----- Rupees in '000-----				
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-
<b>Total interest rate sensitivity gap</b>	<b>755,679</b>	<b>97,687</b>	<b>-</b>	<b>17,428</b>	<b>870,794</b>
<b>Cumulative interest rate sensitivity gap</b>	<b>755,679</b>	<b>853,366</b>	<b>853,366</b>		

**19.4 Price risk**

Price risk is that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at 30 June 2016.

**19.5 Credit risk**

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in loans and receivables and bank balances. Risks attributable to investments in Market.

Treasury Bills and Pakistan Investment Bonds is limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances as at 30 June 2016.

Name of the bank	Balance as at 30 June 2016	Rating agency	Published rating	Percentage of total bank balances
	(Rupees in '000)			%
Habib Bank Limited	5	JCR-VIS	AAA	-
MCB Bank Limited	159	PACRA	AAA	0.05
United Bank Limited	5	JCR-VIS	AAA	-
Allied Bank Limited	58	PACRA	AA+	0.02
Bank Al-Habib Limited	354,442	PACRA	AA+	99.93
Habib Metropolitan Bank Limited	5	PACRA	AA+	-
Bank Alfalah Limited	9	PACRA	AA	-
	<b>354,683</b>			<b>100.00</b>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2016 is the carrying amount of the financial assets.

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mostly concentrated in government sector and deposits held with commercial banks.

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**19.6 Liquidity risk**

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

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was obtained by the Fund during the current period.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

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

As at 30 June 2016				
Upto three months	Over three months and upto one year	Over one year	Total	
----- (Rupees in '000) -----				
<b>Financial liabilities</b>				
Payable to National Investment Trust Limited - Management Company	488	-	1,125	1,613
Payable to Central Depository Company of Pakistan Limited - Trustee	125	-	-	125
Accrued expenses and other liabilities	1,235	-	-	1,235
Dividend payable	22	-	-	22
	<b>1,870</b>	<b>-</b>	<b>1,125</b>	<b>2,995</b>
Unitholders' Fund	<b>871,527</b>	<b>-</b>	<b>-</b>	<b>871,527</b>

**20 UNIT HOLDERS' FUND RISK MANAGEMENT**

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

The Fund has no restrictions on the subscription and redemption of units.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowings or disposal of investments, where necessary.

As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. The Fund has maintained and complied with the requirements of minimum fund size during the period.

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**21 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.

		30 June 16							
		Carrying value			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	97,687	-	-	97,687	-	97,687	-	97,687
-	Pakistan Investment Bonds	400,996	-	-	400,996	-	400,996	-	400,996
		<b>498,683</b>	-	-	<b>498,683</b>	-	<b>498,683</b>	-	<b>498,683</b>
<b>Financial assets not measured at fair value</b>									
21.1	Bank balances	-	354,683	-	354,683	-	-	-	-
	Profit receivables	-	20,423	-	20,423	-	-	-	-
		-	<b>375,106</b>	-	<b>375,106</b>	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
21.1	Payable to National Investment Trust Limited - Management Company	-	-	1,613	1,613	-	-	-	-
	Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	125	125	-	-	-	-
	Payable against redemption of units	-	-	290	290	-	-	-	-
	Accrued expenses and other liabilities	-	-	1,235	1,235	-	-	-	-
	Dividend payable	-	-	22	22	-	-	-	-
		-	-	<b>3,285</b>	<b>3,285</b>	-	-	-	-

21.1 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 - GOVERNMENT TREASURY FUND**  
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**22 TRANSACTIONS WITH BROKERS / DEALERS**

List of brokers by percentage of commission paid for the period ended 30 June 2016:

Particulars	Percentage (%)
Elixir Securities Pakistan Private Limited	43.75
JS Global Capital Limited	32.37
Invest & Finance Securities Limited	12.38
Invest Capital Markets Limited	5.59
Global Securities Pakistan Limited	3.49
KASB Securitas Limited	2.42

**23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

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

S.No	Name	Designation	Qualification	Experience in years
1	Mr. Shahid Ghaffar	Chief Executive Officer / Managing Director	MBA	39
2	Mr. Manzoor Ahmed	Chief Operating Officer / Head of Asset Management	MBA, DAIBP & Candidate for CFA Level III	27
3	Mr. Shahid Anwar	Head of MD's Secretariat and Personnel	MBA & DAIBP	39
4	Mr. S. Zubair Ahmed	Controller of Branches / Company Secretary	M.Phil, MBA, PGD-General Management & PGD-Development Policies	43
5	Mr. Aamir Amin	Head of Finance	CA	19
6	Mr. Shoaib Ahmed Khan*	Fund Manager	MBA & DAIBP	13
7	Mr. M. Imran Rafiq	Head of Research	MBA and CFA	13
8	Mr. Ammar Habib	Manager/In-charge Risk Management	MS and FRM	6
9	Mr. Adamjee Yakoob	Head of Compliance	B.Sc Hons (UK), M.Com, CIA(USA), FCCA(UK), ACA-ICAEW(UK), FCA	16
10	Syed Abbu Jaffry	Head of Treasury	MBA	19

\* Mr. Shoaib Ahmed Khan is also managing NIT - Income Fund and NIT - Government Bond Fund.

**NIT - GOVERNMENT TREASURY FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM SEPTEMBER 09, 2015 TO JUNE 30, 2016**

**24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 317th, 318, 319th, 320th, 321st and 322nd Board meetings were held on 27 July 2015, 30 September 2015, 22 October 2015, 29 February 2016, 27 April 2016 and 15 June 2016. respectively. Information in respect of attendance by the Directors in the meetings is given below:

S.No	Name of Director	Number of meetings			Meetings not attended
		Held during tenor of directorship	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	
2	Mr. Mian Nusrat-ud-Din	6	6	-	
3	Syed Ahmed Iqbal Ashraf	6	3	3	318th, 319th and 321st BOD
4	Mr. Jamal Nasim	6	6	-	
5	Mr. Muhtashim Ahmed Ashai	6	6	-	
6	Mr. Muhammad Hanif Akhai	6	6	-	
7*	Mr. Shahzad F. Lodhi	3	1	2	318th and 319th BOD
8*	Mr. Aman Aziz Siddiqui	-	-	-	
9	Mr. Yameen Kerai	6	6	-	
10	Mr. Iqbal Adamjee	6	5	1	322nd BOD
11*	Mr. Rana Asad Amin	1	-	1	317th BOD
12*	Mr. Raymond Kotwal	5	2	3	318th, 320th and 322nd BOD
13*	Syed Arshad Ali	2	2	-	

\* Mr. Aman Aziz Siddiqui (nominee director of Habib Bank Limited), Mr. Rana Asad Amin (Government Director) and Mr. Shahzad F. Lodhi (nominee director of Pakistan Reinsurance Company Limited) resigned w.e.f 27 July 2015, 30 September 2015 and 29 February 2016 respectively and Mr. Raymond Kotwal and Syed Arshad Ali was appointed in his place w.e.f 27 July 2015 and 29 February 2016 respectively.

**25 PATTERN OF UNIT HOLDING**

Category	As at 30 June 2016		
	Number of unit holders	Investment amount	Percentage of total investment
		(Rupees in '000)	-- (%) --
Individuals	182	55,588	6.38
Associated Companies / Directors	1	1,002	0.11
Banks / Development Financial Institutions	1	50,016	5.74
Non-Banking Financial Institutions	1	762,887	87.54
Others	1	2,034	0.23
	<b>186</b>	<b>871,527</b>	<b>100.00</b>

**26 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 07, 2016 by the Board of Directors of the Management Company.

**27 GENERAL**

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

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

**Sd/-  
Managing Director**

**Sd/-  
Director**

**Sd/-  
Director**