

An Open-end Income Fund primarily investing in Government issued securities; NIT-GBF offers a high degree of security to investors and is an ideal Fund for investors seeking best possible returns with minimum risk.



TRUSTEE REPORT TO THE UNIT HOLDERS

NIT - GOVERNMENT BOND FUND

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

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

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

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

Karachi: February 26, 2018

NIT - GOVERNMENT BOND FUND

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

INTRODUCTION

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

SCOPE OF REVIEW

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

CONCLUSION

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

OTHER MATTER

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

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

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

	Note	31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
Assets			
Bank balances	7	1,582,286	961,804
Investments	8	2,794,565	2,876,774
Profit receivables		35,459	34,187
Security deposit with Central Depository Company of Pakistan Limited		100	100
Total assets		4,412,410	3,872,865
Liabilities			
Payable to National Investment Trust Limited - Management Company	9	3,039	2,682
Payable to Central Depository Company of Pakistan Limited - Trustee	10	391	345
Payable to Securities and Exchange Commission of Pakistan		1,570	3,023
Payable against redemption of units		1,121	35
Accrued expenses and other liabilities	11	41,833	48,652
Dividend payable		2,372	53,360
Total liabilities		50,326	108,097
Net assets		4,362,084	3,764,768
Unit holders' fund (as per statement attached)		4,362,084	3,764,768
Contingencies and Commitments			
	12		
		(Number of units)	
Number of units in issue		427,057,007	377,902,126
		(Rupees)	
Net assets value per unit		10.2143	9.9623

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

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

Note	Six months period ended		Three months period ended		
	2017	2016	2017	2016	
----- (Rupees in '000) -----					
Income					
Income from government securities	65,210	75,388	33,839	33,966	
Profit on bank deposits	26,234	25,408	15,019	10,737	
Mark-up on fixed income securities	35,287	19,427	17,643	12,725	
Gain on sale of investments - net	150	6,305	127	2,235	
Total income	126,881	126,528	66,628	59,663	
Expenses					
Remuneration of National Investment Trust Limited - Management Company	9.1	12,685	25,081	6,624	12,205
Sindh Sales Tax on remuneration of Management Company	9.2	1,649	3,261	861	1,587
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,950	1,884	1,012	921
Sindh Sales Tax on remuneration of Trustee	10.1	253	245	131	120
Annual fee - Securities and Exchange Commission of Pakistan		1,570	1,504	822	732
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	2,104	2,007	1,107	977
Auditors' remuneration		469	438	359	254
Settlement and bank charges		203	216	119	106
Listing fee		35	55	7	55
Printing charges		20	-	16	-
Legal and professional charges		149	-	149	-
Total expenses		21,087	34,691	11,207	16,957
Net income from operating activities		105,794	91,837	55,421	42,706
Element of income and capital gains included in prices of units issued less those in units redeemed - net	3.2	-	1,257	-	1,688
Provision for Sindh Workers' Welfare Fund	11.1	(2,116)	-	(1,108)	-
Net income for the period before taxation		103,678	93,094	54,313	44,394
Taxation	13	-	-	-	-
Net income for the period		103,678	93,094	54,313	44,394

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

Note	Six months period ended		Three months period ended	
	2017	2016	2017	2016

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

Allocation of net income for the period after taxation

Net income for the period	103,678	54,313
Income already paid on units redeemed	(3,357)	(2,875)
	<u>100,321</u>	<u>51,438</u>

Accounting income available for distribution:

-Relating to capital gains	145	120
-Excluding capital gains	<u>100,176</u>	<u>51,318</u>
	<u>100,321</u>	<u>51,438</u>

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

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

Note	Six months period ended		Three months period ended	
	2017	2016	2017	2016
----- (Rupees in '000) -----				
Net income for the period	103,678	93,094	54,313	44,394
Other comprehensive income for the period				
Items to be reclassified to income statement in subsequent periods:				
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	8.3	22	(10,461)	(382)
		(2,619)		
Total comprehensive income for the period	103,700	82,633	53,931	41,775

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - GOVERNMENT BOND FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT
IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

		Six months period ended							
		2017				2016			
Note	Value	Undistributed income	Unrealised appreciation / (diminution) 'available for sale' investments	Total	Value	Undistributed income	Unrealised appreciation / (diminution) 'available for sale' investments	Total	
(Rupees in '000)									
	3,755,001	9,218	549	3,764,768	4,085,447	(2,628)	8,808	4,091,627	
Issue of 100,013,407 units (2016: 63,600,675 units)									
Value	996,362	-	-	996,362					
Element of income	10,766	-	-	10,766					
Total proceeds on issuance of units	1,007,128	-	-	1,007,128	633,015	9,741	-	642,756	
Redemption of 50,858,526 units (2016: 73,039,720 units)									
Value	(506,667)	-	-	(506,667)					
Element of loss	(3,488)	(3,357)	-	(6,845)					
Total payments on redemption of units	(510,155)	(3,357)	-	(513,512)	(727,249)	(8,551)	-	(735,800)	
Element of income and capital gains included in prices of units issued less those in units redeemed - net	3.2	-	-	-	-	(1,257)	-	(1,257)	
Total comprehensive income for the period	-	103,678	22	103,700	-	93,094	(10,461)	82,633	
Net assets at end of the period	4,251,974	109,539	571	4,362,084	3,991,213	90,399	(1,653)	4,079,959	
Undistributed income / (loss) brought forward									
- Realised		9,218				(2,628)			
- Unrealised		-				-			
		9,218				(2,628)			
Accounting income available for distribution:									
Relating to capital gains			145						
Excluding capital gains			100,176						
			100,321				93,094		
Element of (loss) and capital (losses) included in the prices of units issued less those in units redeemed - amount representing (loss) that form part of unit holders' fund - net			-			(67)			
Undistributed income carried forward		109,539				90,399			
Undistributed income carried forward									
-Realised		109,539				90,399			
-Unrealised		-				-			
		109,539				90,399			
				(Rupees)				(Rupees)	
Net assets value per unit at beginning of the period				9.9623				9.9569	
Net assets value per unit at end of the period				10.2143				10.1619	

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

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

	Note	2017 (Rupees in '000)	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		103,678	93,094
Adjustments:			
Element of (income) and capital (gains) included in prices of units issued less those in units redeemed - net		-	(1,257)
		103,678	91,837
Decrease in assets			
Investments		82,231	260,720
Profit receivables		(1,272)	68,332
		80,959	329,052
(Decrease) / increase in liabilities			
Payable to National Investment Trust Limited - Management Company		357	227
Payable to Central Depository Company of Pakistan Limited - Trustee		46	7
Payable to Securities and Exchange Commission of Pakistan		(1,453)	(1,965)
Payable against redemption of units		1,086	12,556
Accrued expenses and other liabilities		(6,819)	(2,227)
		(6,783)	8,598
Net cash generated from operating activities		177,854	429,487
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received on issue of units		1,007,128	642,756
Payments against redemption of units		(513,512)	(735,800)
Distribution paid		(50,988)	(10,202)
Net cash generated / (used in) financing activities		442,628	(103,246)
Net increase in cash and cash equivalents during the period		620,482	326,241
Cash and cash equivalents at beginning of the period		961,804	1,279,554
Cash and cash equivalents at end of the period	7	1,582,286	1,605,795

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - GOVERNMENT BOND FUND

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

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

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The NIT - Government Bond Fund (the Fund) was established under a Trust Deed executed between National Investment Trust Limited (NITL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no.NBFC-II/NITL/ 896/2009 dated 24 September 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on 4 September 2009. The Fund is categorized as an Income Scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters.
- 1.2 The Management Company of the Fund has been classified as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building, I.I. Chundrigar Road, Karachi.
- 1.3 The Fund is an open-ended mutual fund and is listed on on all Stock Exchanges of Pakistan (Subsequent to period end due to demutualization, all stock exchanges are integrated into Pakistan Stock Exchange). The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 Pakistan Credit Rating Agency Limited (PACRA) has assigned "AA(f)" rating to the Fund and has assigned an asset manager rating of "AM2++" to the Management Company.
- 1.5 The objective of the Fund is to generate competitive stream of return with moderate level of risk for its unit holders, by investing primarily in government securities.
- 1.6 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

NIT - GOVERNMENT BOND FUND

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

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

statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement.

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

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

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 3.843 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been lower by Rs. 0.0002.

4 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

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

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on 1 July 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

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

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

4.2.2 The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 1 January 2018 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. The amendments are not likely to have an impact on the Fund's financial statements except extended disclosures.

5 USE OF JUDGEMENTS AND ESTIMATES

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

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

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

6 FINANCIAL RISK MANAGEMENT

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

7 BANK BALANCES

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

8 INVESTMENTS

	31 December 2017	30 June 2017
	Unaudited	Audited
	(Rupees in '000)	
Available for sale		
Government securities:		
- Market Treasury Bills	8.1 1,989,745	2,061,341
- Pakistan Investment Bonds	8.2 804,820	815,433
	2,794,565	2,876,774

8.1 Market Treasury Bills

Issue date	Tenor	Face value				As at 31 December 2017		Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2017	Purchases during the period	Sales / matured during the period	As at 31 December 2017	Carrying cost	Market value		
----- (Rupees in '000) ----- (%) -----									
21 July 2016	12 months	450,000	-	450,000	-	-	-	-	-
19 January 2017	6 Months	250,000	-	250,000	-	-	-	-	-
13 April 2017	03 Months	120,000	-	120,000	-	-	-	-	-
27 April 2017	03 Months	300,000	-	300,000	-	-	-	-	-
11 May 2017	03 Months	950,000	-	950,000	-	-	-	-	-
06 July 2017	03 Months	-	120,000	120,000	-	-	-	-	-
20 July 2017	03 Months	-	1,000,000	1,000,000	-	-	-	-	-
03 August 2017	03 Months	-	950,000	950,000	-	-	-	-	-
17 August 2017	03 Months	-	850,000	850,000	-	-	-	-	-
14 September 2017	03 Months	-	100,000	100,000	-	-	-	-	-
28 September 2017	03 Months	-	600,000	600,000	-	-	-	-	-
12 October 2017	03 Months	-	600,000	600,000	-	-	-	-	-
26 October 2017	03 Months	-	750,000	-	750,000	747,936	747,788	17.14	26.76
09 November 2017	03 Months	-	600,000	-	600,000	596,989	596,846	13.68	21.36
23 November 2017	03 Months	-	650,000	-	650,000	645,264	645,111	14.79	23.08
		2,070,000	6,220,000	6,290,000	2,000,000	1,990,189	1,989,745	45.61	71.20

8.2 Pakistan Investment Bonds

26 March 2015	3years	800,000	-	-	800,000	804,903	804,820	18.45	28.80
		800,000	-	-	800,000	804,903	804,820	18.45	28.80

8.3 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'

	31 December 2017	31 December 2016
	Unaudited	
	(Rupees in '000)	
Market value of investments	2,794,565	2,548,929
Less: Carrying cost of investments	(2,795,092)	(2,550,582)
	(527)	(1,653)
Less: Net unrealised (appreciation) at beginning of the period	(549)	(8,808)
	22	(10,461)

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

9 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY	31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
Management remuneration	9.1 2,288	2,018
Sindh Sales Tax	9.2 298	262
Sales load	76	76
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3 377	326
	3,039	2,682

9.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 1.25 percent per annum of the average net assets of the fund till 5 February 2017 and effective from 6 February 2017, the Management Company has revised its remuneration to the rate of 10% of gross earnings subject to minimum of 0.5% of average annual net assets and maximum of 1.0% of average annual net assets per annum.

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

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 Fund or actual whichever is less" from the mutual funds managed by it. Accordingly, such expense has been charged.

10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
Trustee remuneration	346	305
Sindh Sales Tax on Trustee Remuneration	10.1 45	40
	391	345

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

11 ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for Sindh Workers' Welfare Fund	11.1 11,121	9,005
Federal Excise Duty on management remuneration	11.2 29,849	29,849
Capital gain tax	378	50
Auditors' remuneration	384	433
Legal and professional charges	-	135
Printing charges	-	107
Settlement charges	-	21
Brokerage fee	31	5
Withholding tax	70	7,969
Zakat payable	-	1,078
	41,833	48,652

11.1 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.

NIT - GOVERNMENT BOND FUND

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

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

The Mutual Fund Association of Pakistan (MUFAP), after deliberating the position and obtaining advice from the legal counsel, decided that the provision for SWWF held for the period from 1 January 2013 to 30 June 2015 should be reversed effective from 12 January 2017. Accordingly, the provision amounted to Rs. 39.149 million has been reversed on 12 January 2017.

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

MUFAP has also taken a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. 21 May 2015. Accordingly, on 12 January 2017, MUFAP as an abundant caution, has decided to provide for SWWF with effect from 21 May 2015, while the efforts to exclude mutual funds from SWWF continue. The provision made for SWWF on 12 January 2017 is amounted to Rs. 39.149 million. Thereafter the provision for SWWF is being made on daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.0260 (30 June 2016: Rs. 0.0238).

- 11.2** The status of Federal Excise Duty (FED) is same as disclosed in annual financial statements for the year ended 30 June 2017. Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 31.872 million out of which Rs. 2.023 million have been paid to the management company (30 June 2017: 31.872 million) . Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.0746 (30 June 2017: Rs. 0.0843) per unit.

12 CONTINGENCIES AND COMMITMENTS

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

13 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 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

14 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 1.11% per annum. Total expense ratio (excluding government levies) is 0.84% per annum.

15 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 15.1** 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.
- 15.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 15.3** Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

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

15.5 Transactions during the period	Six months period ended		Three months period ended	
	2017	2016	2017	2016
	Unaudited			
	----- (Rupees in '000) -----			
National Investment Trust Limited				
- Management Company				
Issue of 9,840,292 units (2016: 44,359,115 units)	100,000	450,000	100,000	450,000
Redemption of 9,844,974 units (2016: 7,937,610 units)	100,000	80,000	100,000	80,000
Remuneration of the Management Company	12,685	25,081	6,624	12,205
Sindh Sales Tax on Management remuneration	1,649	3,261	861	1,587
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,104	2,007	1,107	977
Sales load	-	3	-	3
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of the Trustee	1,950	1,884	1,012	921
Sindh Sales Tax on Trustee remuneration	253	245	131	120
Head of MD's Secretariat				
Redemption of 62,241 units (2016: Nil)	635	-	635	-
15.6 Amounts outstanding as at period / year end:			31 December 2017	30 June 2017
			Unaudited	Audited
			(Rupees in '000)	
National Investment Trust Limited - Management Company				
142,396,564 units held (30 June 2017: 142,401,246 units)			1,454,481	1,481,644
Management fee payable			2,288	2,018
Sindh Sales Tax payable			298	262
Sales load payable			76	76
Allocation of expenses related to registrar services, accounting, operation and valuation services			377	326
Central Depository Company of Pakistan Limited - Trustee				
Trustee remuneration payable			346	305
Sindh Sales Tax payable			45	40
Security deposit			100	100
			31 December 2017	30 June 2017
			Unaudited	Audited
			(Rupees in '000)	
National Investment Trust Limited - Employees' Provident Fund				
7,891,236 units held (30 June 2017: 7,891,236 units)			80,603	78,615
National Investment Trust Limited - Employees' Pension Fund				
18,202,130 units held (30 June 2017: 18,202,130 units)			185,922	181,335
National Investment Trust Limited - Employees' Benevolent Fund				
2,602,568 units held (30 June 2017: 2,602,568 units)			26,583	25,928
Bank Al Habib Limited				
48,615,258 units held (30 June 2017: 48,615,258 units)			496,571	484,321
Chief Operating Officer				
1,224,171 units held (30 June 2017: 1,224,171 units)			12,504	12,196

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31 December **30 June**
2017 **2017**
Unaudited **Audited**
(Rupees in '000)

Fund Manager

676 units held (30 June 2017: 676 units) 7 7

Head of MD's Secretariat

Units held: Nil (30 June 2017: 62,241 units) - 620

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

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

31 December 2017							
Unaudited							
Carrying amount				Fair value			
Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
- Market Treasury Bills	1,989,745	-	1,989,745	-	1,989,745	-	1,989,745
- Pakistan Investment Bonds	804,820	-	804,820	-	804,820	-	804,820
	2,794,565	-	2,794,565	-	2,794,565	-	2,794,565
Financial assets not measured at fair value							
16.1 Bank balances	-	1,582,286	-	1,582,286	-	-	-
Profit receivables	-	35,459	-	35,459	-	-	-
Security deposit with Central Depository Company of Pakistan Limited	-	100	-	100	-	-	-
	-	1,617,845	-	1,617,845	-	-	-

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31 December 2017							
Unaudited							
Carrying amount				Fair value			
Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)							
Financial liabilities not measured at fair value							
16.1							
Payable to National Investment Trust Limited - Management Company	-	-	3,039	3,039	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	391	391	-	-	-
Payable against redemption of units	-	-	1,121	1,121	-	-	-
Accrued expenses and other liabilities	-	-	415	415	-	-	-
Dividend payable	-	-	2,372	2,372	-	-	-
	-	-	7,338	7,338	-	-	-

30 June 2017							
Audited							
Carrying amount				Fair Value			
Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
- Market Treasury Bills	2,061,341	-	-	2,061,341	-	2,061,341	-
- Pakistan Investment Bonds	815,433	-	-	815,433	-	815,433	-
	2,876,774	-	-	2,876,774	-	2,876,774	-
Financial assets not measured at fair value							
Bank balances	-	961,804	-	961,804	-	-	-
Profit receivables	-	34,187	-	34,187	-	-	-
Security deposit with Central Depository Company of Pakistan Limited	-	100	-	100	-	-	-
	-	996,091	-	996,091	-	-	-
Financial liabilities not measured at fair value							
Payable to National Investment Trust Limited - Management Company	-	-	2,682	2,682	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	345	345	-	-	-
Payable against redemption of units	-	-	35	35	-	-	-
Accrued expenses and other liabilities	-	-	701	701	-	-	-
Dividend payable	-	-	53,360	53,360	-	-	-
	-	-	57,123	57,123	-	-	-

16.1 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.

17 DATE OF AUTHORISATION FOR ISSUE

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

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer