

NIT STATE ENTERPRISE FUND
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2018



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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NIT State Enterprise Fund** (the Fund) as at December 31, 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial statements'), for the six months period ended December 31, 2018. The Management Company (National Investment Trust Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures included in the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2018.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements 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 statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matters

The condensed interim financial statements of the Fund for the half year ended December 31, 2017 were reviewed and the financial statements of the Fund for the year ended June 30, 2018 were audited by another firm of Chartered Accountants who had expressed an unmodified conclusion and opinion thereon vide their reports dated February 27, 2018 and September 05, 2018 respectively.

Affergusonto

Chartered Accountants

Engagement Partner: **Shahbaz Akbar**

Dated: February 28, 2019

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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**NIT - STATE ENTERPRISE FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2018**

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
-----Rupees in '000-----			
ASSETS			
Balances with banks	4	113,361	157,963
Investments	5	1,963,957	2,561,794
Dividend and profit receivable		18,506	5,618
Total assets		2,095,824	2,725,375
LIABILITIES			
Payable to National Investment Trust Limited - Management Company	6	4,211	5,294
Payable to Central Depository Company of Pakistan Limited - Trustee	7	88	103
Payable to Securities and Exchange Commission of Pakistan		1,110	2,616
Accrued expenses and other liabilities	8	82,259	80,831
Total liabilities		87,668	88,844
NET ASSETS		2,008,156	2,636,531
Unit holders' Fund (as per statement attached)		2,008,156	2,636,531
Contingencies and commitments	9		
Number of units			
Number of units in issue		150,419,650	150,419,650
(Rupees)			
Net assets value per unit		13.35	17.53

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

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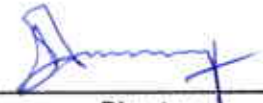
**For National Investment Trust Limited
(Management Company)**



Managing Director



Director




Director


**NIT - STATE ENTERPRISE FUND
CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018**

	Six months period ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
Note ----- Rupees in '000 -----				
INCOME				
Dividend income	41,872	79,774	40,689	78,441
Gain on sale of investments - net	60,809	123,568	43,563	31,894
Profit on bank deposits	2,917	1,044	1,970	249
Total income	105,598	204,386	86,222	110,584
EXPENSES				
Impairment loss on equity securities classified as "available for sale"	5.4	1,516	-	1,516
Remuneration of National Investment Trust Limited - Management Company	6.1	23,400	27,510	11,179
Sindh sales tax on remuneration of Management Company	6.2	3,042	3,576	1,453
Remuneration of Central Depository Company of Pakistan Limited - Trustee		502	564	243
Sindh sales tax on remuneration of Trustee	7.1	65	73	31
Annual fee - Securities and Exchange Commission of Pakistan		1,110	1,305	530
Allocation of expenses related to registrar services, accounting, operation and valuation services	6.3	1,175	1,382	560
Central Depository Changes		8	10	7
Settlement and bank charges		203	201	115
Auditors' remuneration		392	439	237
Legal & professional charges		41	3	41
Total expenses		31,454	35,063	15,912
Net income from operating activities before taxation		74,144	169,323	70,310
Provision for Sindh Workers' Welfare Fund (SWWF)	8.1	(1,483)	(3,386)	(1,483)
Net income for the period before taxation		72,661	165,937	68,827
Taxation	10	-	-	-
Net income for the period after taxation		72,661	165,937	68,827
Allocation of net income for the period after taxation				
Net income for the period		72,661	165,937	68,827
Income already paid on units redeemed		-	-	-
		72,661	165,937	68,827
Accounting income available for distribution:				
-Relating to capital gains		60,809	123,568	43,563
-Excluding capital gains		11,852	42,369	25,264
		72,661	165,937	68,827
		72,661	165,937	68,827

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

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


Managing Director


Director


Director

NIT - STATE ENTERPRISE FUND
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
 FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

	Six months period ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
	Note -----Rupees in '000-----			
Net income for the period after taxation	72,661	165,937	68,827	91,943
Other comprehensive income for the period				
Items to be reclassified to income statement in subsequent periods				
Net unrealised diminution on re-measurement of investments classified as 'available for sale	5.3 (550,616)	(338,007)	(423,065)	(227,665)
Total comprehensive loss for the period	<u>(477,955)</u>	<u>(172,070)</u>	<u>(354,238)</u>	<u>(135,722)</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

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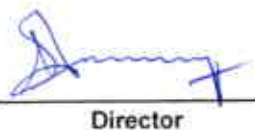
For National Investment Trust Limited
 (Management Company)



 Managing Director



 Director



 Director

**NIT - STATE ENTERPRISE FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018**

Six months period ended December 31,							
2018				2017			
Value	Undistribut ed Income	Unrealised appreciation (diminution) on "Available for Sale" Investments	Total	Value	Undistribut ed Income	Unrealised appreciation (diminution) on "Available for Sale" Investments	Total

Rupees in '000

Net assets at the beginning of the period	(1,732,223)	2,668,939	1,699,815	2,636,531	(1,732,223)	2,473,141	2,025,915	2,766,833
Final distribution for the year ended June 30, 2018: Rs 1.00 per unit [(Date of Distribution: 5 July 2018)] (2017: Nil)		(150,420)	-	(150,420)		-	-	-
Total comprehensive income / (loss) for the period		72,661	(550,616)	(477,955)		165,937	(338,007)	(172,070)
Net assets at the end of the period	<u>(1,732,223)</u>	<u>2,591,180</u>	<u>1,149,199</u>	<u>2,008,156</u>	<u>(1,732,223)</u>	<u>2,639,078</u>	<u>1,687,908</u>	<u>2,594,763</u>

Undistributed income brought forward comprising of:

-Realized income	2,668,939	2,473,141
-Unrealized income	-	-
	2,668,939	2,473,141

Accounting Income available for distribution:

Relating to capital gains	60,809	123,568
Excluding capital gains	11,852	42,369
	72,661	165,937

Final distribution for the year ended June 30, 2018: Rs 1.00 per unit [(Date of Distribution: 5 July 2018)](2017: Nil)

Undistributed Income carried forward - realized	<u>2,591,180</u>	<u>2,639,078</u>
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Undistributed income brought forward comprising

- Realised	2,591,180	2,639,078
- Unrealised	-	-
	<u>2,591,180</u>	<u>2,639,078</u>

		(Rupees)	(Rupees)
Net assets value per unit at beginning of the period		17.53	18.39
Net assets value per unit at end of the period		13.35	17.25

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

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



Managing Director



Director



Director

NIT - STATE ENTERPRISE FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Six months period ended December 31,	
	2018	2017
	-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	72,661	165,937
Decrease / (increase) in assets		
Investments	47,221	74,313
Dividend and profit receivable	(12,888)	(26,008)
Receivable against sale of shares	-	(18,832)
	34,333	29,473
Increase / (decrease) in liabilities		
Payable to National Investment Trust Limited - Management Company	(1,083)	(1,253)
Payable to Central Depository Company of Pakistan Limited - Trustee	(15)	(17)
Payable to Securities and Exchange Commission of Pakistan	(1,506)	(1,398)
Payable against purchase of investments	-	4,897
Accrued expenses and other liabilities	1,428	(372,289)
	(1,176)	(370,060)
Net cash generated from / (used in) from operating activities	105,818	(174,650)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(150,420)	-
Net cash used in financing activities	(150,420)	-
Net decrease in cash and cash equivalents during the period	(44,602)	(174,650)
Cash and cash equivalents at the beginning of the period	157,963	238,497
Cash and cash equivalents at the end of the period	113,361	63,847

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

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For National Investment Trust Limited
(Management Company)



Managing Director



Director



Director

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The NIT - State Enterprise Fund (the Fund) was established under a Trust deed executed between National Investment Trust Limited (NITL) as Management Company and the Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) on October 22, 2008 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on October 24, 2008.
- 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. Chandigarh Road, Karachi.
- 1.3 The Fund is an open-ended mutual fund. Upto March 2015, ninety percent of the units of the Fund were held by the Management Company on behalf of the Government of Pakistan (GoP) in a fiduciary capacity. The title of 90 percent of the units was transferred in the name of GoP in the month of April 2015. Thereafter, 90 percent units are in the name of GoP and the remaining 10 percent units are in the name of the Management Company.
- 1.4 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of "AM2++" to the Management Company.
- 1.5 The core objective of the Fund is to take advantage of market conditions, creating an opportunity for investors to achieve superior returns in the long run by acquiring a selection of equity securities of the Eligible Stocks and write Put Options in favour of foreign investors and / or local investors as may be allowed by the Securities and Exchange Commission of Pakistan (SECP), on the guarantee of the Government of Pakistan. The Eligible Stocks comprise of the following companies:
- National Bank of Pakistan
 - Kot Addu Power Company Limited
 - Pakistan State Oil Company Limited
 - Oil & Gas Development Company Limited
 - Pakistan Petroleum Limited
 - Sui Southern Gas Company Limited
 - Sui Northern Gas Pipelines Limited
 - Pakistan Telecommunication Company Limited
- 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 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
 - 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 the requirements of the Trust Deed.
- 2.1 Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the International Accounting Standard (IAS) 34, Interim Financial Reporting, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

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These condensed interim financial statements do not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Fund for the year ended June 30, 2018.

These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the statutory auditors. In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that these condensed interim financial statements give a true and fair view of the state of affairs of the Fund as at December 31, 2018.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGMENTS AND RISK MANAGEMENT POLICIES

3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018 .

3.2 The preparation of the condensed interim financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. In preparing the condensed interim financial statements, the significant judgements made by management in applying the Fund's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2018. The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2018.

3.3 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current period

There are certain new standards, interpretations and amendments to existing standards that are effective for annual accounting periods beginning on July 1, 2018. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these condensed interim financial statements.

3.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

During the current period the SECP has extended the applicability of IFRS 9: 'Financial Instruments' for periods beginning on or after June 30, 2019. The Management is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and related matters on adoption of this Standard.

There are certain new standards and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on or after January 1, 2019. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these condensed interim financial statements.

4	BALANCES WITH BANKS	Note	December 31,	June 30,
			2018 (Unaudited)	2018 (Audited)
			-----Rupees in '000-----	
	In current accounts		65	72
	In savings accounts	4.1	113,296	157,891
			<u>113,361</u>	<u>157,963</u>

4.1 These represent balances with banks in saving accounts carrying rates ranging from 4.00% to 11.25% per annum (June 30, 2018: 3.75% to 7.35% per annum).

5	INVESTMENTS	Note	December 31,	June 30,
			2018 (Unaudited)	2018 (Audited)
			-----Rupees in '000-----	
	"Available for sale"			
	Equity securities - listed	5.1	1,963,957	2,561,794
			<u>1,963,957</u>	<u>2,561,794</u>

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5.1 Listed equity securities

Shares of listed companies - Fully paid up ordinary shares of Rs 10 each unless otherwise stated

Name of the investee company	As at July 1, 2018	Purchases during the period	Bonus shares received during the period	Sales during the period	As at December 31, 2018	Carrying value as at December 31, 2018	Market value as at December 31, 2018	Market value as a percentage of net assets	Market value as a percentage of investments	Net Assets	Market Value as a percentage of investment	Percentage of paid-up capital of the investee company held
COMMERCIAL BANKS												
National Bank of Pakistan Limited	5,066,578	-	-	535,000	4,531,578	139,457	190,462	9.48	9.70	9.48	9.70	0.21
	<u>5,066,578</u>	-	-	<u>535,000</u>	<u>4,531,578</u>	<u>139,457</u>	<u>190,462</u>	<u>9.48</u>	<u>9.70</u>			
POWER GENERATION AND DISTRIBUTION												
Kot Addu Power Company Limited	623,784	-	-	97,500	526,284	19,880	26,077	1.30	1.33	1.30	1.33	0.06
	<u>623,784</u>	-	-	<u>97,500</u>	<u>526,284</u>	<u>19,880</u>	<u>26,077</u>	<u>1.30</u>	<u>1.33</u>	<u>1.30</u>	<u>1.33</u>	
OIL & GAS MARKETING COMPANIES												
Pakistan State Oil Company Limited	561,426	-	109,285	90,000	580,711	47,190	130,910	6.52	6.66	6.52	6.67	0.15
Sui Northern Gas Pipelines Limited	4,913,067	-	-	-	4,913,067	70,780	378,650	18.84	19.28	18.84	19.28	0.77
Sui Southern Gas Company Limited	11,842,700	-	-	-	11,842,700	145,718	273,566	13.61	13.93	13.61	13.93	1.34
	<u>17,317,193</u>	-	<u>109,285</u>	<u>90,000</u>	<u>17,336,478</u>	<u>263,688</u>	<u>783,126</u>	<u>38.97</u>	<u>39.87</u>			
OIL & GAS EXPLORATION COMPANIES												
Oil & Gas Development Company Limited	6,556,972	-	-	225,000	6,331,972	315,088	810,492	40.33	41.27	40.34	41.27	0.15
Pakistan Petroleum Limited	904,879	-	128,231	75,000	958,110	66,236	143,391	7.14	7.30	7.14	7.30	0.04
	<u>7,461,851</u>	-	<u>128,231</u>	<u>300,000</u>	<u>7,290,082</u>	<u>381,324</u>	<u>953,883</u>	<u>47.47</u>	<u>48.57</u>			
TECHNOLOGY & COMMUNICATION												
Pakistan Telecommunication Company	1,183,103	-	-	100,000	1,083,103	10,409	10,409	0.52	0.53	0.52	0.53	0.03
	<u>1,183,103</u>	-	-	<u>100,000</u>	<u>1,083,103</u>	<u>10,409</u>	<u>10,409</u>	<u>0.52</u>	<u>0.53</u>			
Total as at December 31, 2018	<u>31,652,609</u>	-	<u>237,516</u>	<u>1,122,500</u>	<u>30,767,526</u>	<u>814,758</u>	<u>1,963,957</u>	<u>97.74</u>	<u>100.00</u>			
Total as at June 30, 2018	<u>33,507,938</u>	-	<u>93,571</u>	<u>1,949,000</u>	<u>31,652,509</u>	<u>861,979</u>	<u>2,561,794</u>	<u>97.17</u>	<u>100.00</u>			

5.2 Investments include securities with market value aggregating to Rs 468.06 million (June 30, 2018: Rs.561.60 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

	December 31	
	2018	2017
	(Unaudited)	
	Rupees in '000	
5.3 Net unrealised diminution on re-measurement of investments classified as 'available for sale'		
Market value of Investments	1,963,957	2,557,440
Less:		
Carrying cost of Investments	844,198	897,457
Provision of impairment there against	(29,440)	(27,925)
	5.4	
	814,758	869,532
	1,149,199	1,687,908
Net unrealised appreciation in fair value of investments at the beginning of the period	1,699,815	2,025,915
	(550,616)	(338,007)
5.4 Provision for impairment against equity securities		
Balance as at 1 July	27,925	29,062
Charge for the period	1,516	-
Reversal of impairment of securities sold	(1)	(1,137)
Balance as at 31 December	29,440	27,925

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- 5.5 Finance Act 2014 has introduced tax on bonus shares issued by Companies. Most equity funds including NIT equity funds have challenged the applicability of withholding tax provision on bonus shares before Honorable High Court of Sindh ("the Court") on various legal grounds and have sought relief from the Court. The Court, in its order dated 25 November 2014, has granted interim relief by passing a restraining order whereby the Defendants, (issuers of the Bonus shares) have refrained from deducting and /or transferring 5% withholding tax on bonus shares issued by them.

As an abundant caution, the Fund has made payments which is equivalent to 5% value of the respective bonus shares, determined on the basis of day-end price on the first day of book closure. These payments have been recorded as part of cost of respective investments. Detail is as follows.

	5% (No. of Bonus shares)	Market value as on December 31, 2018	Payment made to the investee companies
			(Rupees in '000)
Pakistan State Oil Company Limited*	4,679	1,055	-

* Pakistan State Oil Company Limited has not demanded the payment due to filing of petition by the Fund and have not released the shares due to court order.

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		-----Rupees in '000-----	
6 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY			
On account of:			
- Management remuneration	6.1	3,564	4,485
- Sindh sales tax	6.2	464	584
- Allocation of expenses related to registrar services, accounting, operation and valuation services	6.3	183	225
		<u>4,211</u>	<u>5,294</u>

- 6.1 The Management Company has charged its remuneration at the rate of 2.0 percent per annum (June 30, 2018: 2.0 percent per annum) of the average net assets for the current period.
- 6.2 During the period, Sindh Sales Tax at the rate of 13% (June 30, 2018: 13%) was charged on the management remuneration.
- 6.3 The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.

	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
	-----Rupees in '000-----	
7 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
Trustee remuneration	78	91
Sindh sales tax	10	12
	<u>88</u>	<u>103</u>

- 7.1 During the period, Sindh sales tax at the rate of 13% (June 30, 2018: 13%) was charged on trustee remuneration.

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	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
	-----Rupees in '000-----	
8 ACCRUED EXPENSES & OTHER LIABILITIES		
Provision for Sindh Workers' Welfare Fund	19,424	17,941
Federal Excise Duty	60,746	60,746
Auditors' remuneration	392	402
Brokerage	-	45
Legal & professional charges	64	64
Payable against bonus shares	1,633	1,633
	<u>82,259</u>	<u>80,831</u>

- 8.1** The status of Sindh workers' welfare fund (SWWF) is the same as that disclosed in the annual financial statements of the Fund for the year ended June 30, 2018. MUFAP has taken a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Based on the advice of the MUFAP on January 12, 2017 that as a matter of abundant caution, the provision for SWWF should be made on a prudent basis with effect from the date of the enactment of SWWF Act (i.e. May 21, 2015), while the efforts to exclude mutual funds from SWWF will remain continue, provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Re. 0.1291 (June 30, 2018: Re. 0.1193).
- 8.2** The status of Federal Excise Duty (FED) is the same as that disclosed in the annual financial statements of the Fund for the year ended June 30, 2018. 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. 60.746 million whereas an amount of Rs. 13.033 million has been paid to the Management Company. Had the provision not been made (and the amount is refunded by the management company), the NAV per unit of the Fund would have been higher by Re. 0.4038 (30 June 2018: Re. 0.4905) per unit.

9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2018 and June 30, 2018.

10 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 available for distribution for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income available for distribution other than capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute the income to be earned by the Fund during the year ending June 30, 2019 to the unit holders in cash in the manner as explained above. Accordingly, no provision for taxation has been made in these condensed interim financial statements.

11 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the period divided by average net asset value for the period) is 2.58 % per annum and the total expense ratio (excluding government levies) is 2.20% per annum which is within the limit of 4% as prescribed under the NBFC regulations.

12 TRANSACTIONS WITH CONNECTED PERSONS

- 12.1** Connected persons include National Investment Trust Limited being the Management Company, the 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 Fund and the directors and officers of the Management Company and the Trustee and unit holders holding 10 percent or more units of the Fund.
- 12.2** Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

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

12.4 Details of the transactions with connected persons are as follows:

	Six months period ended		Three months period ended	
	2018	2017	2018	2017
(Unaudited)				
-----Rupees in '000-----				
National Investment Trust Limited - Management Company				
Management fee expense for the period	23,400	27,510	11,179	13,095
Sindh sales tax on Management Fee	3,042	3,576	1,453	1,702
Dividend paid	15,042		15,042	
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,175	1,382	560	661
Central Depository Company of Pakistan Limited - Trustee				
Trustee remuneration for the period	502	564	243	272
Sindh sales tax on Trustee remuneration of Trustee	65	73	31	35
Central Depository Charges	8	10	7	1

12.5 Amounts outstanding as at period end

	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
-----Rupees in '000-----		
National Investment Trust Limited - Management Company		
Investment held in the Fund [Units held 15,041,965 (June 30, 2018: 15,041,965 units)]	200,810	263,686
Management Fee Payable	3,564	4,485
Sindh sales tax payable	464	584
Allocation of expenses related to registrar services, accounting, operation and valuation services	183	225
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	78	91
Central Depository Charges	10	12

13 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.

Financial assets which are traded in an open market are revalued at the market prices prevailing on the reporting date. Investments of the Fund in equity securities are revalued on the basis of closing quoted market prices available at the stock exchange.

Fair value of investments is determined as follows:

- Fair value of quoted equity securities is determined on the basis of closing market prices on the Pakistan Stock Exchange.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

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14 FAIR VALUE HIERARCHY

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets 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:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2018 and June 30, 2018, the Fund held the following financial instruments measured at fair value:

	(Un-audited)			Total
	As at December 31, 2018			
	Level 1	Level 2	Level 3	
	Rupees in '000			
Investment classified as available for Sale Listed Equity Securities	1,963,957	-	-	1,963,957
	(Audited)			
	As at June 30, 2018			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Investment classified as available for Sale Listed Equity Securities	2,561,794	-	-	2,561,794

15 GENERAL

Figures have been rounded off to the nearest thousand rupees.

16 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 28 Feb 2019 by the Board of Directors of the Management Company.

Signature

For National Investment Trust Limited
(Management Company)

Signature

Managing Director

Signature

Director

Signature

Director