

**NIT - GOVERNMENT BOND FUND**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2020**

**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE UNIT HOLDERS OF NIT - GOVERNMENT BOND FUND*****Introduction***

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NIT - Government Bond Fund** (the Fund) as at December 31, 2020 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 half year then ended. The Management Company (National Investment Trust Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with the 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, 2020 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2020.

***Scope of Review***

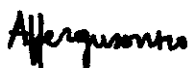
We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible 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 the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

***Emphasis of Matter***

We draw attention to note 1.7 to the condensed interim financial statements which describes the matter relating to distribution made by the Fund. Our conclusion is not qualified in respect of this matter.



Chartered Accountants

Engagement Partner: **Shahbaz Akbar**

Dated: February 25, 2021

Karachi

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NIT - GOVERNMENT BOND FUND  
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT DECEMBER 31, 2020

	Note	December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
-----Rupees in '000-----			
<b>Assets</b>			
Balances with bank	4	1,531,008	923,489
Investments	5	2,129,483	3,385,066
Profit and other receivables		73,294	118,070
Security deposit with Central Depository Company of Pakistan Limited		100	100
<b>Total assets</b>		<b>3,733,885</b>	<b>4,426,725</b>
<b>Liabilities</b>			
Payable to National Investment Trust Limited - Management Company	6	3,198	3,305
Payable to Central Depository Company of Pakistan Limited - Trustee	7	886	703
Payable to the Securities Exchange Commission of Pakistan		387	780
Payable against redemption of units		1,624	7
Accrued expenses and other liabilities	8	67,171	65,017
Dividend payable		4,338	2,338
<b>Total liabilities</b>		<b>77,604</b>	<b>72,150</b>
<b>Net assets</b>		<b>3,656,281</b>	<b>4,354,575</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>3,656,281</b>	<b>4,354,575</b>
<b>Contingencies and commitments</b>	9		
------(Number of units)-----			
<b>Number of units in issue</b>		<b>365,343,504</b>	<b>381,114,231</b>
------(Rupees)-----			
<b>Net asset value per unit</b>		<b>10.0078</b>	<b>11.4259</b>

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

*Alfa*

For National Investment Trust Limited  
(Management Company)

  
Managing Director

  
Director

  
Director

  
Chief Financial Officer


**NIT - GOVERNMENT BOND FUND  
CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)  
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2020**

	Six months period ended December 31		Quarter ended December 31	
	2020	2019	2020	2019
	Note ----- Rupees in '000-----			
<b>Income</b>				
Income from Government securities	121,325	176,561	47,628	92,712
Profit on bank deposits	22,179	54,690	15,460	23,860
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.3 (25,413)	5,193	31,511	(3,002)
(Loss) / gain on sale of investments - net	(21,429)	33,443	(21,067)	28,092
<b>Total income</b>	<b>96,662</b>	<b>269,887</b>	<b>73,532</b>	<b>141,662</b>
<b>Expenses</b>				
Remuneration of National Investment Trust Limited - Management Company	6.1 14,647	16,720	7,385	8,456
Sindh sales tax on remuneration of the Management Company	6.2 1,898	2,174	954	1,100
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,452	1,351	701	701
Sindh sales tax on remuneration of Trustee	7.1 189	176	91	91
Annual fee of the Securities and Exchange Commission of Pakistan	387	360	187	187
Allocation of expenses related to registrar services, accounting, operation and valuation services	6.3 2,016	1,805	934	936
Securities transaction costs	69	396	29	244
Auditors' remuneration	679	467	313	230
Legal and professional charges	915	-	460	-
Settlement and bank charges	35	47	8	27
Annual listing fee	10	40	-	-
Printing charges	29	2	13	2
<b>Total expenses</b>	<b>22,326</b>	<b>23,538</b>	<b>11,075</b>	<b>11,974</b>
<b>Net income from operating activities</b>	<b>74,336</b>	<b>246,349</b>	<b>62,457</b>	<b>129,688</b>
Provision for Sindh Workers' Welfare Fund	8.1 (1,487)	(4,927)	(1,249)	(2,594)
<b>Net income for the period before taxation</b>	<b>72,849</b>	<b>241,422</b>	<b>61,208</b>	<b>127,094</b>
Taxation	10 -	-	-	-
<b>Net income for the period after taxation</b>	<b>72,849</b>	<b>241,422</b>	<b>61,208</b>	<b>127,094</b>
<b>Allocation of net income for the period after taxation</b>				
Net income for the period after taxation	72,849	241,422		
Income already paid on units redeemed	(3,944)	(18,399)		
	<b>68,905</b>	<b>223,023</b>		
<b>Accounting income available for distribution:</b>				
- Relating to capital gains	-	35,692		
- Excluding capital gains	68,905	187,331		
	<b>68,905</b>	<b>223,023</b>		

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

*Alfa*

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

  
Managing Director

  
Director

  
Director

  
Chief Financial Officer


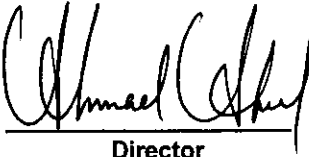
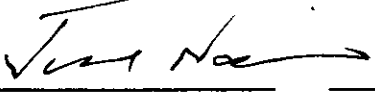

NIT - GOVERNMENT BOND FUND  
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
 FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2020

Note	Six months period ended December 31		Quarter ended December 31	
	2020	2019	2020	2019
-----Rupees in '000-----				
Net income for the period	72,849	241,422	61,208	127,094
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>72,849</u>	<u>241,422</u>	<u>61,208</u>	<u>127,094</u>

The annexed notes from 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	 _____ Chief Financial Officer
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**NIT - GOVERNMENT BOND FUND  
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**


	Six months period ended December 31					
	2020			2019		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	Rupees in '000					
Net assets at the beginning of the period	3,860,563	494,012	4,354,575	3,284,273	255,992	3,540,265
Issue of 126,218,148 units (2019: 79,675,748 units)						
Capital value	1,237,935	-	1,237,935	784,262	-	784,262
Element of income	11,227		11,227	40,553		40,553
Total proceeds on issuance of units	1,249,162	-	1,249,162	824,815	-	824,815
Issue of 7,753,682 units in lieu of refund of capital (2019: 319,76,047)	76,047	-	76,047	3,152	-	3,152
Redemption of 179,972,017 units (2019: 66,714,856 units)						
Capital value	(1,765,148)	-	(1,765,148)	(656,686)	-	(656,686)
Element of loss	(7,106)	(3,944)	(11,050)	(16,869)	(18,399)	(35,268)
Total payments on redemption of units	(1,772,254)	(3,944)	(1,776,198)	(673,555)	(18,399)	(691,954)
Total comprehensive income for the period	-	72,849	72,849	-	241,422	241,422
Issue of 30,229,460 units under CIP (2019: 14,857,361 units)	296,488	-	296,488	146,497	-	146,497
Final distribution for the year ended June 30, 2020 (Date: July 7, 2020 @ Rs. 1.6180 per unit)	-	(540,595)	(540,595)	-	-	-
Final distribution for the year ended June 30, 2019 (Date: July 5, 2019 @ Re 0.8845 per unit)	-	-	-	-	(288,744)	(288,744)
Refund of capital	(76,047)	-	(76,047)	(3,152)	-	(3,152)
<b>Net assets at the end of the period</b>	<b>3,633,959</b>	<b>22,322</b>	<b>3,656,281</b>	<b>3,582,030</b>	<b>190,271</b>	<b>3,772,301</b>

	(Rupees in '000)	(Rupees in '000)
<b>Undistributed income brought forward</b>		
- Realized income	388,391	259,110
- Unrealized income / (loss)	105,621	(3,118)
	494,012	255,992
<b>Accounting income available for distribution</b>		
- Relating to capital gains	-	35,692
- Excluding capital gains	68,905	187,331
	68,905	223,023
Final distribution for the year ended June 30, 2020 (Date: July 7, 2020 @ Rs. 1.6180 per unit)	(540,595)	-
Final distribution for the year ended June 30, 2019 (Date: July 5, 2019 @ Re 0.8845 per unit)	-	(288,744)
Undistributed income carried forward	22,322	190,271
<b>Undistributed income carried forward</b>		
- Realized income	47,735	185,078
- Unrealized (loss) / income	(25,413)	5,193
	22,322	190,271
	<b>(Rupees)</b>	<b>(Rupees)</b>
Net asset value per unit at the beginning of the period	11.4259	10.7277
Net asset value per unit at the end of the period	10.0078	10.5327

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

*Alina*

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

  
Managing Director

  
Director

  
Director

  
Chief Financial Officer

**NIT - GOVERNMENT BOND FUND  
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

	Six months period ended	
	December 31	
Note	2020	2019
	-----Rupees in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	72,849	241,422
<b>Adjustment for:</b>		
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	25,413	(5,193)
Provision for Sindh Workers' Welfare Fund	1,487	4,927
	<u>99,749</u>	<u>241,156</u>
<b>Decrease / (Increase) in assets</b>		
Investments - net	1,030,752	(228,052)
Profit and other receivables	44,776	(28,902)
	<u>1,075,528</u>	<u>(256,954)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to National Investment Trust Limited - Management Company	(107)	(437)
Payable to Central Depository Company of Pakistan Limited - Trustee	183	110
Payable to the Securities Exchange Commission of Pakistan	(393)	(2,467)
Accrued expenses and other liabilities	667	2,337
	<u>350</u>	<u>(457)</u>
<b>Net cash generated from / (used in) operating activities</b>	<u>1,175,627</u>	<u>(16,255)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	1,545,650	971,312
Payments against redemption of units	(1,774,581)	(691,944)
Distribution paid	(538,595)	(287,716)
<b>Net cash used in financing activities</b>	<u>(767,526)</u>	<u>(8,348)</u>
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	<u>408,101</u>	<u>(24,603)</u>
Cash and cash equivalents at the beginning of the period	1,122,907	953,154
<b>Cash and cash equivalents at the end of the period</b>	<u>13</u> <u>1,531,008</u>	<u>928,551</u>

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

*Alfa*

For National Investment Trust Limited  
(Management Company)

  
Managing Director

  
Director

  
Director

  
Chief Financial Officer

**NIT - GOVERNMENT BOND FUND**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

**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 as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. NBFC-II/NITL/896/2009 dated September 24, 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on September 4, 2009. The Fund is categorized as 'Income Scheme' in accordance with the criteria for categorization of open ended collective investment schemes as specified by SECP. The units of the Fund were initially issued at Rs. 10 per unit.
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building, I.I. Chundrigar Road, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-ended mutual fund and is listed on Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The Management Company has been assigned a quality rating of 'AM1' by VIS on December 31, 2020, whereas PACRA has assigned an asset manager rating of 'AM2++' with 'positive outlook' to the Management Company on November 5, 2020.

Furthermore, PACRA has assigned the rating of 'AA(f)' to the Fund on October 16, 2020.

- 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. The performance of the Fund is measured against benchmark given in the offering document.
- 1.6 Title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.
- 1.7 During the period, the Fund has made a distribution of Rs 540.595 million in respect of the year ended June 30, 2020. However, the undistributed income as at the beginning of the current period was Rs 494.012 million. The distribution methodology adopted by the Fund has been made based on the advice of the tax adviser in order to protect the interest of the existing unit holders.

**2 BASIS OF PREPARATION**

**2.1 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 VIII A 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.

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.



2.2 The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. 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 published audited annual financial statements of the Fund for the year ended June 30, 2020.

2.3 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, 2020.

### 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, 2020.

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, 2020. 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, 2020.

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

There are certain amendments to standards that are mandatory for the Fund's accounting period beginning on July 1, 2020. 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

There are certain new standards, interpretations and amendments to the published accounting and reporting standards that are mandatory for the Fund's accounting periods beginning on or after July 1, 2021, but are considered to be not relevant or will not have any significant impact on the Fund's operations and, therefore, have not been detailed in these condensed interim financial statements.

		December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
		-----Rupees in '000-----	
<b>4</b>	<b>BALANCES WITH BANK</b>		
		Note	
	In savings accounts	4.1	
		1,531,008	923,489
		<u>1,531,008</u>	<u>923,489</u>

4.1 The balances in savings accounts carry profit rates ranging from 5.50% to 8.30% per annum (June 30, 2020: 5.40% to 14.50% per annum).

		December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
		-----Rupees in '000-----	
<b>5</b>	<b>INVESTMENTS</b>		
	<b>At fair value through profit or loss</b>		
	Government securities:		
	- Market Treasury Bills	5.1	1,894,348
	- Pakistan Investment Bonds	5.2	1,490,718
		<u>2,129,483</u>	<u>3,385,066</u>

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## 5.1 Market Treasury Bills - at fair value through profit or loss

Issue date	Tenure	Face value				Balance as at December 31, 2020		Market value as a percentage of	
		As at July 1, 2020	Purchased during the period	Sold / matured during the period	As at December 31, 2020	Carrying value	Market value	net assets	total investments
(Rupees in '000)									
23 April 2020	3 Months	200,000	-	200,000	-	-	-	-	-
23 April 2020	6 Months	375,000	-	375,000	-	-	-	-	-
27 February 2020	12 Months	200,000	-	200,000	-	-	-	-	-
26 March 2020	12 Months	375,000	-	375,000	-	-	-	-	-
09 April 2020	12 Months	150,000	-	150,000	-	-	-	-	-
23 April 2020	12 Months	375,000	-	375,000	-	-	-	-	-
07 May 2020	12 Months	300,000	-	300,000	-	-	-	-	-
<b>Total as at December 31, 2020</b>						<b>-</b>	<b>-</b>		
<b>Total as at June 30, 2020</b>						<b>1,876,795</b>	<b>1,894,348</b>		

## 5.2 Pakistan Investment Bonds - at fair value through profit or loss

Issue date	Tenure	Face value				Balance as at December 31, 2020		Market value as a percentage of	
		As at July 1, 2020	Purchased during the period	Sold / matured during the period	As at December 31, 2020	Carrying value	Market value	net assets	total investments
(Rupees in '000)									
October 22, 2020	3 years	-	250,000	-	250,000	248,187	247,675	6.77	11.63
June 18, 2020	3 years	-	50,000	-	50,000	50,157	50,040	1.37	2.35
September 19, 2019	3 years	825,000	500,000	-	1,325,000	1,360,047	1,348,088	36.87	63.31
September 19, 2019	5 years	387,500	200,000	162,500	425,000	442,426	433,462	11.86	20.36
September 19, 2019	10 years	212,500	-	162,500	50,000	54,079	50,218	1.37	2.36
<b>Total as at December 31, 2020</b>						<b>2,154,896</b>	<b>2,129,483</b>		
<b>Total as at June 30, 2020</b>						<b>1,402,650</b>	<b>1,490,718</b>		

## 5.3 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

	Note	December 31	
		2020	2019
		(Unaudited)	
		Rupees in '000	
Market value of investments	5.1 & 5.2	2,129,483	2,789,373
Less: carrying value of investments	5.1 & 5.2	(2,154,896)	(2,784,180)
		<u>(25,413)</u>	<u>5,193</u>
		<b>December 31, 2020</b>	<b>June 30, 2020</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>6 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY</b>	<b>Note</b>	Rupees in '000	
Management remuneration payable	6.1	2,480	2,597
Sindh sales tax payable on management remuneration	6.2	316	338
Payable against allocation of expenses related to registrar services, accounting, operation and valuation services	6.3	402	370
		<u>3,198</u>	<u>3,305</u>

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- 6.1 The Management Company has charged its remuneration at the rate of 10% of the gross earnings of the Fund, calculated on a daily basis, subject to the minimum of 0.5% and maximum of 1% of the average net assets of the Fund. The remuneration is payable to the Management Company monthly in arrears.
- 6.2 During the period, Sindh sales tax at the rate of 13% (June 30, 2020: 13%) was charged on the management remuneration.
- 6.3 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

During the period, the Management Company has charged such expenses to the Fund at the rate of 0.1% (June 30, 2020: 0.1%) of the average net assets of the Fund which has been approved by the board of directors.

7	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
			-----Rupees in '000-----	
	Trustee remuneration payable		784	622
	Sindh sales tax payable on the Trustee remuneration	7.1	102	81
			<u>886</u>	<u>703</u>

- 7.1 During the period, Sindh Sales Tax at the rate of 13% (June 30, 2020: 13%) was charged on the Trustee remuneration.

8	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
			-----Rupees in '000-----	
	Provision for Sindh Workers' Welfare Fund	8.1	32,582	31,095
	Provision for federal excise duty	8.2	29,849	29,849
	Capital gain tax payable		102	1,321
	Auditors' remuneration payable		675	528
	Legal and professional charges payable		2,967	2,082
	Printing charges payable		55	72
	Brokerage expense payable		14	68
	Withholding tax payable		917	-
	Zakat payable		-	2
	Listing fee payable		10	-
			<u>67,171</u>	<u>65,017</u>

- 8.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015).

Had the provision for SWWF not been recorded in the condensed interim financial statements for the period from May 21, 2015 to December 31, 2020, the net asset value per unit of the Fund as at December 31, 2020 would have been higher by Re 0.0892 (June 30, 2020: Re 0.0816).

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- 8.2 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 29.849 million has been retained in these condensed interim financial statements as the matter is pending before the Honourable Supreme Court of Pakistan whereas an amount of Rs. 2.023 million has been paid to the Management Company. Had the provision not been made (and the amount is refunded by the Management Company), the net asset value per unit of the Fund would have been higher by Re 0.0872 (June 30, 2020: Re 0.0836).

## 9 CONTINGENCIES AND COMMITMENTS

- 9.1 NIT - Government Bond Fund had received a show cause notice dated December 23, 2013 whereby the Federal Board of Revenue considers that the tax return filed for the tax year 2011 (deemed assessment order) is erroneous and prejudicial to the interest of revenue since the Fund has not made the required distribution and the Fund was asked to provide the required information. The issue of notice was in line with the various notices issued to several other mutual funds and on the same grounds orders have been passed for the certain mutual funds. The tax department considers that distribution of bonus shares should not be included in the calculation of distribution of 90% of declared profit required to claim exemption from the income tax. The reasons cited for this view are that tax has not been deducted on bonus units and the bonus issue is only exempt from tax where it results in increase in capital.

The tax advisor of the NIT-GBF submitted the basis for considering distribution by way of bonus units for the purpose of tax exemption. However, Additional Commissioner Revenue through the notice no. ACIR/AUDIT RANGE/ ZONE -I/RTO/KHI/2014/331 did not accept the basis and stated that the distribution of profit by the Fund to its unit holders can not include issuance of bonus units. Consequently, the Fund failed to distribute ninety percent of its income for the tax year 2011, therefore falling outside the ambit of clause (99) of Part I of Second Schedule to the Income Tax Ordinance, 2001.

However, the Fund has submitted its reply in respect of above stated notice on the grounds that as clause (99) of Part I of Second Schedule to the Income Tax Ordinance, 2001 which provides for tax exemption in respect of mutual funds does not specifically provides any mode of distribution of profit nor places any restriction on distribution by way of bonus units, whereas under clause (100) which provides for tax exemption for Modarabas has specifically mentioned that distribution by way of bonus shares would not be considered as distribution in calculation of 90% distribution to claim exemption from tax. The Fund has consistently made distributions by way of issue of bonus units and this practice is also consistent with mutual fund industry.

The Finance Act 2014, effective from July 01, 2014, included a specific proviso in clause (99) similar to clause (100) where it has been specified that issue of bonus units would not be considered for calculating 90% distribution required to claim exemption from tax.

Several asset management companies on behalf of the mutual funds have filed a petition in the Sindh High Court against the demands raised in this respect and have obtained a stay order against the payment of tax demand. The Commissioner (Appeals) in case of certain mutual funds has annulled the order passed u/s 122(1) of the Income Tax Ordinance, 2001 and has given decision in favor of the Funds on the same ground. Income tax department has filed appeals before Appellate Tribunal in these cases which are pending.

In view of the above and based on the advice from the tax advisor, it is considered that the decision of the Sindh High Court and Appellate Tribunal would be in favour of the tax payer as the orders passed by the department are incorrect and based on erroneous understanding of the law. Accordingly, no provision has been made in this respect in these condensed interim financial statements.

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9.2 There were no commitments outstanding as at December 31, 2020 and June 30, 2020.

## 10 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 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the Management Company intends to distribute the income earned by the Fund for the year ending June 30, 2021 to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these condensed interim financial statements.

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. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds as per Section 4B of the Income Tax Ordinance, 2001.

## 11 TOTAL EXPENSE RATIO

The annualised total expense ratio (TER) of the Fund based on the current period results is 1.23% which includes 0.2% representing Government levies on the Fund such as provision for Sindh Worker's Welfare Fund, sales tax, federal excise duties, annual fee to the SECP etc. The prescribed limit for the ratio is 2.5% (excluding Government levies) under the NBFC Regulations for a collective investment scheme categorised as an 'equity scheme'.

## 12 TRANSACTIONS WITH CONNECTED PERSONS

12.1 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 entity in which the Management Company, its CISs or their connected persons have material interest, 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 their close family members and key management personnel of the Management Company.

12.2 Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges 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.

12.3 Remuneration to the Management Company of the Fund are determined in accordance with the provisions of the NBFC Regulations.

12.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.

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

12.5.1 Transactions during the period	Six months period ended		Quarter ended	
	December 31		December 31	
	2020	2019	2020	2019
	----- (Unaudited) -----			
	----- Rupees in '000 -----			
<b>National Investment Trust Limited - Management Company</b>				
Issue of units: Nil (2019: 9,506,837 units)	-	100,106	-	-
Issue of 17,660,613 units under CIP (2019: 9,118,339 units)	173,214	89,909	-	-
Additional units: 2,834,432 units as refund of capital (2019: 7,360 units)	-	-	-	-
Redemption of 26,000,000 units (2019: 5,777,898 units)	255,863	60,000	-	-
Remuneration of the Management Company	14,647	16,720	7,385	8,456
Sindh sales tax on Management remuneration	1,898	2,174	954	1,100
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,016	1,805	934	936

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	Six months period ended		Quarter ended	
	December 31		December 31	
	2020	2019	2020	2019
	(Unaudited)			
	-----Rupees in '000-----			
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration of the Trustee	1,452	1,351	701	701
Sindh sales tax on Trustee Remuneration	189	176	91	91
<b>National Investment Trust Limited - Employees Provident Fund</b>				
Issue of 244,967 units under CIP (2019: 125,313 units)	2,403	1,236	-	-
Additional units: 217 units as refund of capital (2019: 137 units)	-	-	-	-
<b>National Investment Trust Limited - Employees Pension Fund</b>				
Issue of 2,323,057 units under CIP (2019: 1,188,679 units)	22,784	11,721	-	-
Additional units: 2,060 units as refund of capital (2019: 861 units)	-	-	-	-
<b>National Investment Trust Limited - Employees Benevolent Fund</b>				
Issue of 280,810 units under CIP (2019: 157,653 units)	2,754	1,554	-	-
Additional units: 273 units as refund of capital (2019: 123 units)	-	-	-	-
<b>Chief Operating Officer</b>				
Issue of 193,300 units under CIP (2019: 97,684 units)	1,896	963	-	-
Additional units: 169 units as refund of capital (2019: 60 units)	-	-	-	-
<b>Fund Manager</b>				
Issue of 107 units under CIP (2019: 54 units)	1	0.5	-	-
<b>Head of Research</b>				
Issue of 46 units under CIP (2019: 6 units)	0.4	0.1	-	-
Additional units: Nil units as refund of capital (2019: 20 units)	-	-	-	-
<b>Amounts outstanding as at period / year end</b>			<b>December 31, 2020 (Unaudited)</b>	<b>June 30, 2020 (Audited)</b>
			-----Rupees in '000-----	
<b>National Investment Trust Limited - Management Company</b>				
137,622,634 units held (June 30, 2020: 143,127,589 units)			1,377,300	1,635,362
Management remuneration payable			2,480	2,597
Sindh sales tax payable on management remuneration			316	338
Payable against allocation of expenses related to registrar services, accounting, operation and valuation services			402	370
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Trustee remuneration payable			784	622
Sindh sales tax payable on Trustee remuneration			102	81
Security deposit			100	100

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	Note	December 31, 2020 (Unaudited) -----Rupees in '000-----	June 30, 2020 (Audited)
<b>National Investment Trust Limited - Employees' Provident Fund</b> 2,367,822 units held (June 30, 2020: 2,122,638 units)		23,697	24,253
<b>National Investment Trust Limited - Employees' Pension Fund</b> 22,454,427 units held (June 30, 2020: 20,129,310 units)		224,719	229,995
<b>National Investment Trust Limited - Employees' Benevolent Fund</b> 2,714,447 units held (June 30, 2020: 2,433,364 units)		27,166	27,803
<b>Bank Al Habib Limited</b> 48,615,258 units held (June 30, 2020: 48,615,258 units)		486,532	555,473
<b>Chief Operating Officer</b> 1,573,004 units held (June 30, 2020: 1,379,535 units)		15,742	15,762
<b>Fund Manager</b> 869 units held (June 30, 2020: 762 units)		9	9
<b>Head of Research</b> 372 units held (June 30, 2020: 326 units)		4	4
<b>13 CASH AND CASH EQUIVALENTS</b>			
Balances with banks	4	1,531,008	923,489
Market Treasury Bills (original maturity of 3 months or less)	5.1	-	199,418
		<u>1,531,008</u>	<u>1,122,907</u>

#### 14 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. Consequently, differences can arise between carrying values and the fair value estimates.

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 tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

##### 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).

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As at December 31, 2020 and June 30, 2020, the Fund held the following financial instruments measured at fair value:

As at December 31, 2020 (Un-audited)			
Level 1	Level 2	Level 3	Total
Rupees in '000			
<b>Financial assets at fair value through profit or loss</b>			
<b>Investments</b>			
Market Treasury Bills	-	-	-
Pakistan Investment Bonds	2,129,483	-	2,129,483
	<u>2,129,483</u>	<u>-</u>	<u>2,129,483</u>
<b>As at June 30, 2020 (Audited)</b>			
Level 1	Level 2	Level 3	Total
Rupees in '000			
<b>Financial assets at fair value through profit or loss</b>			
<b>Investments</b>			
Market Treasury Bills	1,894,348	-	1,894,348
Pakistan Investment Bonds	1,490,718	-	1,490,718
	<u>3,385,066</u>	<u>-</u>	<u>3,385,066</u>

## 15 GENERAL

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

### 15.2 Impact of COVID-19

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts. The Securities and Exchange Commission of Pakistan (SECP) had provided the following relaxation to CISs operating in Pakistan for classification of debt security for a specified period of time commencing from April 9, 2020 and expiring on March 31, 2021.

- The timeline for classification of debt security as non performing has been extended from 15 days to 180 days overdue.

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

## 16 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 23-02-2021 by the Board of Directors of the Management Company.

*Signature*

For National Investment Trust Limited  
(Management Company)

*Signature*  
Managing Director

*Signature*  
Director

*Signature*  
Director

*Signature*  
Chief Financial Officer