

**NIT – State
Enterprise Fund**

Condensed Interim Financial
Statements for The Half Year
Ended December 31, 2023

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TRUSTEE REPORT TO THE UNIT HOLDERS

NIT STATE ENTERPRISE 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 State Enterprise 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, 2023 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 management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; 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.

Badiuddin Akber

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, February 27, 2024

DRAFT INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE UNIT HOLDERS' OF NIT – STATE ENTERPRISE FUND

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NIT – State Enterprise Fund** (the Fund) as at **December 31, 2023**, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim statement of cash flow and notes to the condensed interim financial statement for the six months period ended **December 31, 2023** (here-in-after referred to as the 'condensed interim financial statements'). **National Investment Trust Limited** (the Management Company) is responsible for the preparation and presentation of this 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 this condensed interim financial statements 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 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 is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures of the condensed interim income statement and condensed interim statement of comprehensive income, for the quarter ended December 31, 2023 have not been reviewed, as we are required to review only the cumulative figures for the six months' period ended December 31, 2023.

The condensed interim financial statements for the six months' period ended December 31, 2022 and the annual financial statements of the Fund for the year ended June 30, 2023 were audited by another firm of chartered accountants, whose review report dated February 28, 2023 and audit report dated September 30, 2023, expressed an unmodified opinion respectively.

The engagement partner on the review resulting in this independent auditor's review report is Mr. Arif Nazeer.

Chartered Accountants

Place: Karachi

Date:

UDIN:

**NIT - STATE ENTERPRISE FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2023**

	Note	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
------(Rupees in '000)-----			
ASSETS			
Bank balances	4	153,277	80,370
Investments	5	1,656,628	1,058,391
Dividend and profit receivable		7,497	7,491
Total assets		1,817,402	1,146,252
LIABILITIES			
Payable to National Investment Trust Limited - Management Company	6	3,660	2,277
Payable to Central Depository Company of Pakistan Limited - Trustee	7	80	57
Payable to Securities and Exchange Commission of Pakistan	8	144	244
Accrued expenses and other liabilities	9	63,094	63,040
Total liabilities		66,978	65,618
NET ASSETS		1,750,424	1,080,634
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,750,424	1,080,634
CONTINGENCIES AND COMMITMENTS	10		
-----Number of units-----			
NUMBER OF UNITS IN ISSUE		150,419,650	150,419,650
------(Rupees)-----			
NET ASSET VALUE PER UNIT		11.64	7.18

The annexed notes from 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 INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2023**

Note	Half year ended December 31		Quarter ended December 31	
	2023	2022	2023	2022

INCOME

	2023	2022	2023	2022
Dividend income	44,590	76,634	36,605	50,019
Profit on bank deposits	8,988	9,838	5,273	5,347
Total income	53,578	86,472	41,878	55,366

EXPENSES

Remuneration of National Investment Trust Limited - Management Company	6.2	14,185	12,030	7,855	5,909
Sindh Sales Tax on remuneration of Management Company	6.3	1,844	1,564	1,021	768
Remuneration of Central Depository Company of Pakistan Limited - Trustee		364	332	194	165
Sindh Sales Tax on remuneration of Trustee	7.2	47	43	25	21
Annual fee - Securities and Exchange Commission of Pakistan		673	120	373	59
Allocation of expenses related to registrar services, accounting, operation and valuation services	6.4	1,142	887	568	443
Central Depository Charges		6	3	2	1
Settlement and bank charges		186	116	93	90
Auditors' remuneration		601	614	435	339
Legal and professional charges		43	38	43	-
Total expenses		19,091	15,747	10,609	7,795
Net income for the period before taxation		34,487	70,725	31,269	47,571
Taxation	11	-	-	-	-
Net income for the period after taxation		34,487	70,725	31,269	47,571

Allocation of net income for the period after taxation

Net income for the period	34,487	70,725
Income already paid on units redeemed	-	-
	34,487	70,725

Accounting income available for distribution:

- Relating to capital gains

- Excluding capital gains

-	-
34,487	70,725
34,487	70,725
34,487	70,725

The annexed notes from 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
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2023**

	Note	Half year ended		Quarter ended	
		December 31		December 31	
		2023	2022	2023	2022
------(Rupees in '000)-----					
Net income for the period after taxation		34,487	70,725	31,269	47,571
Other comprehensive income / (loss) for the period					
Items that will not be reclassified to income statement					
Changes in fair value of investments classified as financial assets at 'FVOCI'	5.3	635,303	(14,846)	635,303	17,099
Total comprehensive income for the period		669,790	55,879	666,572	64,670

The annexed notes from 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 MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

Half year ended December 31,								
2023				2022				
Capital value	Undistributed income	Unrealised appreciation / (diminution) 'other comprehensive income' investments	Total	Capital value	Undistributed income	Unrealised appreciation / (diminution) 'other comprehensive income' investments	Total	
(Rupees in '000)								
Net assets at the beginning of the period	677,107	230,536	172,991	1,080,634	677,107	327,061	252,889	1,257,057
Final distribution for the year ended June 30, 2022 (Date: July 05, 2022 @ Rs. 0.64 per unit)	-	-	-	-	-	(96,269)	-	(96,269)
Transfer of gain on disposal of investments classified as 'at fair value through other comprehensive income' to undistributed income		40,271	(40,271)	-		-	-	-
Total comprehensive income / (loss) for the period	-	34,487	635,303	669,790	-	70,725	(14,846)	55,879
Net assets at the end of the period	677,107	305,294	768,023	1,750,424	677,107	301,517	238,043	1,216,667

	(Rupees in '000)	(Rupees in '000)
-Realized income	230,536	327,061
-Unrealized income	-	-
Undistributed income brought forward-realized	230,536	327,061
Accounting income available for distribution		
-Relating to capital gains	-	-
-Excluding capital gains	34,487	70,725
	34,487	70,725
Transfer of gain on disposal of investments classified as 'at fair value through other comprehensive income' to undistributed income	40,271	-
Final distribution for the year ended June 30, 2022 (Date: July 05, 2022 @ Rs. 0.64 per unit)	-	(96,269)
Undistributed income carried forward - realized	305,294	301,517
Undistributed income carried forward comprising		
- Realized income	305,294	301,517
- Unrealized income	-	-
	305,294	301,517
	(Rupees)	(Rupees)
Net assets value per unit at beginning of the period	7.18	8.36
Net assets value per unit at end of the period	11.64	8.09

The annexed notes from 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 HALF YEAR ENDED DECEMBER 31, 2023


Note	December 31	
	2023	2022
------(Rupees in '000)-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	34,487	70,725
Decrease / (increase) in assets		
Investments - net	37,066	-
Dividend and profit receivable	(6)	155
	37,060	155
Increase / (decrease) in liabilities		
Payable to National Investment Trust Limited - Management Company	1,383	(34)
Payable to Central Depository Company of Pakistan Limited - Trustee	23	-
Payable to Securities and Exchange Commission of Pakistan	(100)	(152)
Accrued expenses and other liabilities	54	34
	1,360	(152)
Net cash generated from operating activities	72,907	70,728
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution paid	-	(96,268)
Net cash (used in) / generated from financing activities	-	(96,268)
Net decrease in cash and cash equivalents during the period	72,907	(25,540)
Cash and cash equivalents at the beginning of the period	80,370	177,461
Cash and cash equivalents at the end of the period	4 153,277	151,921

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

NIT - STATE ENTERPRISE FUND
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2023

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NIT - State Enterprise Fund (the Fund) was established under a Trust Deed executed on September 17, 2009 between National Investment Trust Limited (the Management Company), and the Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. NBFC-II/NITL/1026/2009 dated November 20, 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The constitutive document of the Fund is yet to be amended by the Management Company to categorise the Fund in accordance with the requirements of Circular 7 of 2009 dated March 6, 2009.
- 1.2 During the year ended, June 30, 2021, the Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on November 18, 2021, the above-mentioned Trust Deed has been registered under the Sindh Trust Act.
- 1.3 The Management Company of the Fund has been licensed to act as an asset management company under 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).
- 1.4 The Fund is an open-ended mutual fund. Upto June 30, 2015, ninety percent of the units of the Fund were held by Management Company on behalf of the Government of Pakistan (GoP) in a fiduciary capacity. The title of 90 percent of the units were 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.
- 1.5 The Management Company has been reaffirmed quality rating of "AM1" with 'stable outlook' by VIS Credit Rating Company Limited (VIS) on December 28, 2023 (December 2022: AM1) whereas, Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of "AM1" with 'stable outlook' on May 24, 2023 (May 2022: AM1).
- 1.6 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, 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
- 1.7 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

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan 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; and
- The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations) and the requirements of the Trust Deed.

2.1.1 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended June 30, 2023.

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).

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

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, 2023.

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, 2023. 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, 2023.

3.2 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, 2023. 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.

3.3 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 accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2023. However, these are not expected to have any significant impact on the Fund's operations, and therefore, have not been detailed in these condensed interim financial statements.

	Note	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
4 BANK BALANCES			
Balances with banks in:			
Current account		61	57
Saving accounts	4.1	153,216	80,313
		<u>153,277</u>	<u>80,370</u>

4.1 The balances in saving accounts carry profit rates ranging from 20.5% to 23.75% per annum (June 30, 2023: 5.50% to 21.00% per annum).

December 31, 2023
(Unaudited)
June 30, 2023
(Audited)
----- (Rupees in '000) -----

5 INVESTMENTS

At fair value through other comprehensive income

Equity securities - listed

5.1 1,656,628 1,058,391
1,656,628 1,058,391

5.1 Listed equity securities- At fair value through other comprehensive income

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, 2023	Purchased during the period	Bonus shares received during the period	Sold during the period	As at December 31, 2023	Carrying value / cost as at December 31, 2023	Market value as at December 31, 2023	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid-up capital of the investee company held	Number of Shares		(Rupees in '000)		%	
COMMERCIAL BANKS																
National Bank of Pakistan Limited	4,456,578	-	-	-	4,456,578	138,474	143,101	8.18	8.64	0.21						
						<u>138,474</u>	<u>143,101</u>	<u>8.18</u>	<u>8.64</u>							
ELECTRICITY																
Kot Addu Power Company Limited	526,284	-	-	-	526,284	19,880	14,962	0.85	0.90	0.06						
						<u>19,880</u>	<u>14,962</u>	<u>0.85</u>	<u>0.90</u>							
OIL & GAS MARKETING COMPANIES																
Pakistan State Oil Company Limited	742,282	50,000	-	250,000	792,282	68,781	140,004	8.00	8.45	0.17						
Sui Northern Gas Pipelines Limited	5,323,067	950,000	-	400,000	6,023,067	130,505	442,816	25.30	26.73	0.95						
Sui Southern Gas Company Limited	12,017,700	-	-	-	11,617,700	142,940	131,629	7.52	7.95	1.32						
						<u>342,226</u>	<u>714,449</u>	<u>40.82</u>	<u>43.13</u>							
OIL & GAS EXPLORATION COMPANIES																
Oil & Gas Development Company Limited	6,254,772	-	-	475,000	5,779,772	307,356	649,935	37.13	39.23	0.13						
Pakistan Petroleum Limited	1,201,332	-	-	150,000	1,051,332	68,745	120,935	6.91	7.30	0.04						
						<u>376,101</u>	<u>770,870</u>	<u>44.04</u>	<u>46.53</u>							
TECHNOLOGY & COMMUNICATION																
Pakistan Telecommunication Company	1,083,103	-	-	-	1,083,103	11,925	13,246	0.76	0.80	0.03						
						<u>11,925</u>	<u>13,246</u>	<u>0.76</u>	<u>0.80</u>							
Total as at December 31, 2023						<u>888,605</u>	<u>1,656,628</u>									
Total as at June 30, 2023						<u>885,400</u>	<u>1,058,391</u>									

5.2 Investments include securities with market value aggregating to Rs 401.57 million (June 30, 2023: Rs 272.96 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.

5.3 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'fair value through other comprehensive income'

	December 31,	
	2023	2022
	----- (Unaudited) -----	
	----- (Rupees in '000) -----	
Market value of investments	1,656,628	1,123,443
Less: Carrying value of investments	<u>888,605</u>	<u>885,400</u>
	<u>768,023</u>	<u>238,043</u>
Add: Changes in fair value of investments disposed of during the period	<u>24,405</u>	-
Less: Net unrealised appreciation in fair value of investments at the beginning of the period	<u>172,991</u>	<u>252,889</u>
Amount of unrealised diminution pertaining to disposed of securities	<u>15,866</u>	-
	<u>157,125</u>	<u>252,889</u>
Net unrealised appreciation / (diminution) during the period	<u>635,303</u>	<u>(14,846)</u>

5.4 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance, 2001 as a result of which companies were liable to withhold five percent of the bonus shares to be issued. The shares so withheld were only to be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitutional petition had been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should also not be applicable on bonus shares received by CISs. A stay order had been granted by the Honourable High Court of Sindh in favour of CISs.

On June 27, 2018, the Supreme Court of Pakistan passed a judgement whereby the suits which were already pending or to be filed in future could only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to continue. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically. The CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019 and on July 15, 2019, the Honourable High Court of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund since July 1, 2018 were not withheld by the investee companies.

As at December 31, 2023, the following bonus shares of the Fund were withheld by certain companies at the time of declaration of the bonus shares. The Fund has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the CISs. Details of bonus shares are as follows:

Name of investee company	December 31, 2023 (Unaudited)		June 30, 2023 (Audited)	
	Number of bonus shares	Market value	Number of bonus shares	Market value
		(Rupees in '000)		(Rupees in '000)
Pakistan State Oil Company Limited*	4,679	827	4,679	519
Pakistan State Oil Company Limited**	2,059	364	2,059	229

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

** These represent shares further accumulated due to bonus announced and the Fund is not required to record any liability against the same.

6	PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
	- MANAGEMENT COMPANY	----- (Rupees in '000) -----	
	On account of:		
	- Management remuneration	6.2	3,063
	- Sindh Sales Tax	6.3	399
	- Allocation of expenses related to registrar services, accounting, operation and valuation services	6.4	198
		<u>3,660</u>	<u>2,277</u>

6.2 The Management Company has charged its remuneration at the rate of 2% (June 30, 2023: 2%) of the average net assets of the Fund during the period. The remuneration is payable to the Management Company monthly in arrears.

6.3 During the period, Sindh sales tax at the rate of 13% (June 30, 2023: 13%) was charged on the management remuneration.

- 6.4 In accordance with Regulation 60(3)(S) 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).

Accordingly, the Management Company, based on its own discretion, while keeping in view the overall return and the total expense ratio limit of the fund as defined under the NBFC Regulations, 2008, has charged its fees.

		December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
------(Rupees in '000)-----			
7	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
	Trustee remuneration payable	7.1	71
	Sindh Sales Tax payable on remuneration of the Trustee	7.2	9
		<u>80</u>	<u>57</u>

- 7.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under provisions of the Trust Deed as per the tariff specified therein, based on the average daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at December 31, 2023 is as follows:

Net assets	Tariff per annum
Up to Rs. 1,000 million	0.2% p.a. of Net Asset Value.
Over Rs. 1,000 million	Rs. 2.0 million plus 0.10% p.a. of NAV exceeding Rs. 1,000 million

The Trustee has agreed to receive remuneration at the rate of 30% of the applicable tariff. Accordingly, the Management Company has charged and paid the Trustee's remuneration on the same basis. The remuneration is paid to the Trustee monthly in arrears.

- 7.2 During the period, Sindh sales tax at the rate of 13% (June 30, 2023: 13%) was charged on the Trustee remuneration.

8 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay fee to the Securities and Exchange Commission of Pakistan (SECP). The Commission vide S.R.O 592(1)/2023 dated, May 17, 2023 has revised the rate of fee at 0.095% of average net assets, payable monthly to the Commission (June 30, 2023: 0.02%).

		December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
------(Rupees in '000)-----			
9	ACCRUED EXPENSES & OTHER LIABILITIES		
	Provision for federal excise duty	9.1	60,746
	Auditors' remuneration payable	601	660
	Brokerage	114	-
	Payable against bonus shares	1,633	1,634
		<u>63,094</u>	<u>63,040</u>

- 9.1 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 Honourable Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

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.

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 Honourable Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and sales load 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. 60.75 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. 13.03 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 as at December 31, 2023 would have been higher by Rs. 0.49 (June 30, 2023: Rs. 0.49).

10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2023 and June 30, 2023.

11 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 accumulated losses and 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 Fund for the year ending June 30, 2024 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.

12 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at December 31, 2023 is 2.69% which includes 0.36% representing government levies on the Fund such as provision for sales taxes, federal excise duties, annual fee to the SECP etc. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Equity Scheme.

13 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 13.1** 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.
- 13.2** 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 as duly approved by the Board of Directors.
- 13.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations.

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

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

	Half year ended December 31,		Quarter ended December 31,	
	2023	2022	2023	2022
	------(Unaudited)-----			
	------(Rupees in '000)-----			
Transactions during the period				
National Investment Trust Limited - Management Company				
Remuneration of the Management Company	14,185	12,030	7,855	5,909
Sindh sales tax on management remuneration	1,844	1,564	1,021	768
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,142	887	568	443
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of the Trustee	364	332	194	165
Sindh sales tax on Trustee remuneration	47	43	25	21
Custodian charges	6	3	2	1
			December 2023 (Unaudited)	June 30, 2023 (Audited)
			------(Rupees in '000)-----	

Amounts outstanding as at period / year end

National Investment Trust Limited - Management Company

Investment held by the Management Company in the Fund - 15,041,965 (June 30, 2023: 15,041,965) units held	175,088	108,064
Management remuneration payable	3,063	1,870
Sindh sales tax payable	399	244
Payable against allocation of expenses related to registrar services, accounting, operation and valuation services payable	198	163

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	71	52
Sindh sales tax on Trustee remuneration payable	9	7

14 FAIR VALUE MEASUREMENT

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 their 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 tradeable 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 concerned 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).

As at December 31, 2023 and June 30, 2023, the Fund held the following financial instruments measured at fair value:

ASSETS	Note	As at December 31, 2023 (Unaudited)			
		Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----					
Financial assets at fair value through other comprehensive income					
Investments					
Listed equity securities	5.1	1,656,628	-	-	1,656,628
		<u>1,656,628</u>	<u>-</u>	<u>-</u>	<u>1,656,628</u>

ASSETS		As at June 30, 2023 (Audited)			
		Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----					
Financial assets at fair value through other comprehensive income					
Investments					
Listed equity securities	5.1	1,058,391	-	-	1,058,391
		<u>1,058,391</u>	<u>-</u>	<u>-</u>	<u>1,058,391</u>

15 GENERAL

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

16 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 23 FEB 2024 by the Board of Directors of the Management Company.

For National Investment Trust Limited
(Management Company)


Managing Director


Director


Director