

CORPORATE INFORMATION

FUND NAME

NIT - State Enterprise Fund

NAME OF AUDITORS

KPMG Taseer Hadi & Co. Chartered Accountants

LIST OF BANKERS

Allied Bank Limited

Bank Al Habib Limited

NIB Bank Limited

Standard Chartered Bank (Pakistan) Limited

Sindh Bank Limited

Summit Bank Limited (Formerly Arif Habib Bank Limited)

United Bank Limited

Soneri Bank Limited

NIT - STATE ENTERPRISE FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT SEPTEMBER 30, 2013

	Note	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
-----Rupees in '000-----			
ASSETS			
Bank balances		1,420,729	633,012
Investments	3	15,260,602	17,305,621
Dividend and profit receivable		130,371	49,743
Unamortised formation costs		57	107
Total assets		16,811,759	17,988,483
LIABILITIES			
Payable to National Investment Trust Limited - Management Company		33,735	36,359
Payable to Central Depository Company of Pakistan Limited - Trustee		954	498
Payable to Securities and Exchange Commission of Pakistan		4,350	19,288
Payable against purchase of investments		2,078	1,510
Formation costs payable to management company		1,000	1,000
Accrued expenses and other liabilities		272,590	240,815
Total liabilities		314,707	299,470
NET ASSETS		<u>16,497,052</u>	<u>17,689,013</u>
Unit holders' fund (as per statement attached)		<u>16,497,052</u>	<u>17,689,013</u>
Contingencies and Commitments	4		
-----Number of units-----			
Number of units in issue		<u>138,496,800</u>	<u>148,278,003</u>
-----Rupees-----			
Net asset value per unit		<u>119.12</u>	<u>119.30</u>

The annexed notes 1 to 12 form an integral part of these financial statements.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - STATE ENTERPRISE FUND

CONDENSED INTERIM INCOME STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Note	-----September 30-----	
	2013	2012
	-----Unaudited-----	
	-----Rupees in '000-----	
INCOME		
Dividend income	142,339	242,827
Capital gains	1,330,744	673,703
Income from government securities	20,820	51,613
Profit on bank deposits	32,827	23,412
Total income	1,526,730	991,555
EXPENSES		
Remuneration of National Investment Trust Limited - Management Company	91,599	81,008
Sindh Sales tax on Management Company's remuneration	17,470	12,961
FED on Management Company's remuneration	17,586	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,449	1,704
Annual fee - Securities and Exchange Commission of Pakistan	4,350	5,150
Custodian charges of Central Depository Company of Pakistan Limited	96	15
Settlement and bank charges	125	127
Amortisation of formation costs	50	50
Auditors' remuneration	51	32
Printing and stationery expenses	25	25
Legal & professional charges	75	-
Total expenses	132,876	101,072
Net income from operating activities	1,393,854	890,483
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	5 (17,806)	(341,610)
Provision for Workers' Welfare Fund	6 (27,521)	(10,978)
Net income for the period before taxation	1,348,527	537,895
Taxation	7 -	-
Net income for the period after taxation	1,348,527	537,895
-----Rupees-----		
Earnings per unit - basic and diluted	8 9.25	4.35

The annexed notes 1 to 12 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - STATE ENTERPRISE FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Note	-----September 30-----	
		2013	2012
		-----Unaudited-----	
		-----Rupees in '000-----	
Net income for the period after taxation		1,348,527	537,895
Other comprehensive income for the period			
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	3.4	(331,608)	1,545,952
Total comprehensive income for the period		<u>1,016,919</u>	<u>2,083,847</u>

The annexed notes 1 to 12 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - STATE ENTERPRISE FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Note	-----September 30-----	
	2013	2012
	-----Unaudited-----	
	-----Rupees in '000-----	
Undistributed income brought forward comprising:		
Realised income	1,513,371	1,639,381
Unrealised income	-	-
Final distribution through issue of bonus units for the year ended June 30, 2013: Rs 6.46 per unit (2012: 4.65 per unit)	(957,876)	(1,084,376)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(147,294)	-
Net income for the period after taxation	1,348,527	537,895
Undistributed income carried forward	<u>1,756,728</u>	<u>1,092,900</u>
Undistributed income comprising:		
Realised income	1,756,728	1,092,900
Unrealised income	-	-
	<u>1,756,728</u>	<u>1,092,900</u>

The annexed notes 1 to 12 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - STATE ENTERPRISE FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT
IN UNIT HOLDERS' FUND
FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	-----September 30-----	
	2013	2012
	-----Unaudited-----	
	-----Rupees in '000-----	
Net assets at the beginning of the period	17,689,013	20,829,519
Issue of Nil units (2012: 5,623,032 units)	-	500,000
Redemption of 18,270,000 units (2012: 24,350,440 units)	(2,226,687)	(2,222,002)
	(2,226,687)	(1,722,002)
Issue of 8,488,797 bonus units (2012: 12,807,087 units)	957,876	1,084,376
	<u>16,420,202</u>	<u>20,191,893</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	17,806	341,610
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale' - Note 3.4	(331,608)	1,545,952
Capital gains	1,330,744	673,703
Other net income / (loss) for the period	17,783	(135,808)
Final distribution through issue of bonus units for the year ended June 30, 2013: Rs 6.46 per unit (2012: Rs 4.65 per unit)	(957,876)	(1,084,376)
	390,651	(546,481)
Net assets at the end of the period	<u><u>16,497,052</u></u>	<u><u>21,532,974</u></u>

The annexed notes 1 to 12 form an integral part of these financial statements.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - STATE ENTERPRISE FUND

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Note	-----September 30-----	
	2013	2012
	-----Unaudited-----	
	-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the period before taxation	1,348,527	537,895
Adjustments:		
Dividend income	(142,339)	(242,827)
Profit on bank deposits	(32,827)	(23,412)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	17,806	341,610
Amortisation of formation cost	50	50
Remuneration of National Investment Trust Limited - Management Company	91,599	81,008
Sindh Sales tax on Management Company's remuneration	17,470	12,961
	1,300,286	707,285
Decrease / (increase) in assets		
Investments	1,713,412	638,496
	1,713,412	638,496
Increase / (decrease) in liabilities		
Payable to Central Depository Company of Pakistan Limited - Trustee	456	28
Payable to Securities and Exchange Commission of Pakistan	(14,938)	(17,327)
Payable to NCCPL	568	(12,916)
Accrued expenses and other liabilities	31,775	10,692
	17,861	(19,523)
Remuneration paid to National Investment Trust Limited - Management Company inclusive of sales tax	(111,693)	(92,828)
Profit received on bank deposits	30,756	31,678
Dividends received	63,832	82,886
Net cash generated from / (used in) operating activities	3,014,454	1,347,994
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts / (payments) made against issue / redemption of units - net	(2,226,687)	(1,722,002)
Net cash used in financing activities	(2,226,687)	(1,722,002)
Net decrease in cash and cash equivalents during the period	787,767	(374,008)
Cash and cash equivalents at the beginning of the period	633,012	1,087,449
Cash and cash equivalents at the end of the period	1,420,779	713,441

The annexed notes 1 to 12 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

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 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. The units of the Fund were initially issued at Rs 50 per unit.
- 1.2 The Management Company of the Fund has been classified as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building I. I. Chundrigar Road, Karachi.
- 1.3 The Fund is an open-ended mutual fund. Currently, all units of the Fund are owned by NITL.
- 1.4 Pakistan Credit Rating Agency Limited (PACRA) has assigned a "2-star" rating to the Fund based on the performance during the twelve months ended June 30, 2012 and "3-star" long-term rating based on the performance during the thirty six months ended June 30, 2012.

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, 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

2 BASIS OF PRESENTATION

2.1 Statement of compliance

- 2.1.1 This condensed interim financial information is being submitted to the unit holders as required under regulation 38(g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 2.1.2 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".
- 2.1.3 These condensed interim financial statements have been prepared using the same accounting policies which were applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2013.

3 INVESTMENTS

Available for sale

	Note	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
-----Rupees in '000-----			
Listed equity securities	3.1	14,244,978	15,328,709
Government securities	3.2	1,015,624	1,976,912
		15,260,602	17,305,621

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

3.1 Listed equity securities- available for sale

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, 2013	Purchases during the year	Bonus shares issued during the year	Sales during the year	As at September 30, 2013	Carrying value as at September 30, 2013	Market value as at September 30, 2013	Market value as a percentage of net assets	Market value as a percentage of investments	Percentage of paid-up capital of the investee company held
Oil and Gas										
Oil & Gas Development Co.	23,055,872			1,681,800	21,374,072	1,055,883	5,023,334	30.45	32.92	0.50
Pakistan Petroleum Ltd.	12,931,233	187,100	2,207,346	2,205,900	13,119,779	1,036,471	2,500,630	15.16	16.39	0.80
Pakistan State Oil Co. Ltd.	6,788,687	100,000		1,322,200	5,566,487	687,867	1,458,976	8.84	9.56	2.25
	42,775,792	287,100	2,207,346	5,209,900	40,060,338	2,780,221	8,982,940	54.45	58.86	
Fixed Line Telecommunication										
Pakistan Telecommunication Company	25,733,603	350,000		7,119,000	18,964,603	205,788	496,114	3.01	3.25	0.50
	25,733,603	350,000	-	7,119,000	18,964,603	205,788	496,114	3.01	3.25	
Electricity										
Kot Addu Power Company Ltd.	12,991,784	376,000	-	1,125,000	12,242,784	462,459	780,845	4.73	5.12	1.39
	12,991,784	376,000	-	1,125,000	12,242,784	462,459	780,845	4.73	5.12	
Gas, Water and Multiutilities										
Sui Northern Gas Pipelines Ltd.	25,745,067			2,175,500	23,569,567	339,555	486,004	2.95	3.18	3.72
Sui Southern Gas Co. Ltd.	58,476,700			7,581,500	50,895,200	626,240	1,252,531	7.59	8.21	5.78
	84,221,767	-	-	9,757,000	74,464,767	965,795	1,738,535	10.54	11.39	
Banks										
National Bank of Pakistan	51,334,078	600,000		6,356,000	45,578,078	1,399,882	2,246,543	13.62	14.72	2.41
	51,334,078	600,000	-	6,356,000	45,578,078	1,399,882	2,246,543	13.62	14.72	
	217,057,024	1,613,100	2,207,346	29,566,900	191,310,570	5,814,145	14,244,978	86.35	93.34	

3.2 Government Securities - Market Treasury Bills

Issue date	Tenor	Face value				Balance as at September 30, 2013		Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2012	Purchases during the year	Sales / matured during the year	As at June 30, 2013	Book value	Market value		
-----Rupees in '000-----									
Market Treasury Bills									
April 18, 2013	03 Months	500,000	-	500,000	-	-	-	-	-
May 2, 2013	03 Months	1,110,000	-	1,110,000	-	-	-	-	-
June 13, 2013	03 Months	250,000	-	250,000	-	-	-	-	-
July 12, 2012	03 Months		250,000	-	250,000	249,881	249,806	1.51%	1.64%
August 7, 2012	03 Months		577,000	300,000	277,000	274,991	274,871	1.67%	1.80%
September 19, 2011	03 Months	-	500,000	-	500,000	490,983	490,948	2.98%	3.22%
July 26, 2013	12 Months	130,000	-	130,000	-	-	-	-	-
		1,990,000	1,327,000	2,290,000	1,027,000	1,015,854	1,015,624	6.16%	6.66%

3.3 Investments include securities with market value aggregating to Rs 1,425.180 million (June 30, 2013: Rs.1,404.580 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.

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	-----September 30-----	
	2013	2012
	-----Unaudited-----	
	-----Rupees in '000-----	
3.4 Unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale' - net		
Market value of investments		
Less: Carrying value of investments - net of impairment	15,260,602	20,842,251
	6,830,000	11,765,651
Less: Unrealised appreciation in fair value of investments at the beginning of year - net	8,430,602	9,076,600
	8,762,210	7,530,648
	(331,608)	1,545,952

4 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at September 30, 2013 (June 30, 2013: Nil).

5 ELEMENT OF INCOME / (LOSS) AND CAPITAL GAINS / (LOSSES) INCLUDED IN PRICES OF UNITS ISSUED LESS THOSE IN UNITS REDEEMED

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

During the period ended September 30, 2013, the Fund has revised the methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year / period is recognised in condensed income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the period on available for sale securities is included in condensed distribution statement. Previously, the entire element was recognised in the income statement based on cumulative values of undistributed income and unrealised gains / (losses) on available for sale securities present in the net asset value of units.

The revised methodology would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund and Net income from the operating activities.

6 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended June 30, 2012, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 267.899 million (including Rs 27.521 million for the current period) in these financial statements. Had the same not been made the net asset value per unit of the Fund would have been higher by Rs 1.93 per unit.

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

7 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Board of Directors of the Management Company has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

	-----September 30----- 2013	2012
	-----Unaudited-----	
	-----Rupees in '000-----	
8 EARNINGS PER UNIT - BASIC AND DILUTED		
Net income for the year after taxation	1,348,527	537,895
	-----Number of units in '000s-----	
Weighted average number of units outstanding during the year	145,734	123,619
	-----Rupees-----	
Earnings per unit	9.25	4.35

9 TRANSACTIONS WITH CONNECTED PERSONS

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

	-----September 30----- 2013	2012
	-----Unaudited-----	
	-----Rupees in '000-----	
Transactions during the period		
National Investment Trust Limited - Management Company		
Issue of Nil units (2012: 5,632,032 units)	-	500,000
Issue of 8,488,797 bonus units (2012: 12,807,087 units)	957,876	1,084,376
Redemption of 18,270,000 units (2012: 24,350,440 units)	2,226,687	2,222,002
Remuneration of Management Company for the period	91,599	81,008
Sindh Sales Tax on Management Company's remuneration	17,470	12,961
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	1,449	1,704
Custodian charges	96	15
	September 30,	June 30,
	2013	2013
	(Unaudited)	(Audited)
	-----Rupees in '000-----	
Amounts outstanding as at period end		
National Investment Trust Limited - Management Company		
Investment held by the Sponsor in the Fund	16,497,052	17,689,013
Units held 138,496,800 (June 30, 2013: 148,278,003 units)		
Management fee payable	33,735	36,359
Formation cost payable	1,000	1,000
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	954	496
Custodian charges payable	40	2
National Bank of Pakistan		
Shares held 45,578,078 (June 30, 2013: 51,334,078 shares)	2,246,543	2,110,857

10 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements.

NIT - STATE ENTERPRISE FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

11 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 10, 2013 by the Board of Directors of the Management Company.

12 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

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

**Sd/-
Managing Director**

**Sd/-
Director**

**Sd/-
Director**