

An Open-end Income Fund primarily investing in portfolio of fixed income securities; NIT-IF offers a high degree of security to investors and is an ideal Fund for investors seeking competitive stream of returns with moderate level of risk.



CORPORATE INFORMATION

FUND NAME

NIT - Income Fund

NAME OF AUDITORS

A.F. Ferguson & Co. Chartered Accountants

LIST OF BANKERS

Allied Bank Limited
Bank Al Habib Limited
United Bank Limited
Summit Bank Limited
Soneri Bank Limited
Bank Al Falah Limited
Habib Bank Limited
MCB Bank Limited
Dubai Islamic Bank Limited
JS Bank Limited
MCB Islamic Bank Limited

NIT - INCOME FUND

FUND MANAGER REPORT

2019-2020

NIT Income Fund Objective

The objective of NIT Income Fund (NIT IF) is to generate competitive stream of return with moderate level of risk for its unit holders, by investing primarily in fixed income securities/instruments.

Profile of Investment Manager

National Investment Trust Ltd. (NITL) is the first and among the largest Asset Management Company of Pakistan, formed in 1962. With approximately Rs. 76 billion assets as of June 30, 2020 the total number of Funds under the management of NITL is 12, including 4 equity Funds, 2 fixed Income Funds, Money market Fund, Islamic Income Fund, Asset Allocation Fund, Exchange Traded Fund, Conventional Pension Fund and Islamic Pension Fund. During the fiscal year 2019-20 NITL launched NIT Pakistan Gateway Exchange Traded Fund which is the first exchange traded Fund in the history of Pakistan's capital market. During the period NIT-Asset Allocation Fund was also launched and added to the tally of NIT's family of Funds. NIT has established a strong national distribution network which comprises of 24 branches and 3 sale counters including an Investor Facilitation Centre and customer Call Centre at Karachi and various Authorized Bank branches all across Pakistan as its distributors. NITL has also launched an online application allowing its customers to interact with it for a range of services. The Board of Directors of NITL consists of representatives of leading financial institutions, prominent industrialists and nominee of Govt. of Pakistan. The Company has been assigned an Asset Manager rating of "AM2++" by PACRA, which demonstrates that the Asset Manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors. All Investment decisions are taken by the Investment Committee of NITL.

Fund Information - NIT IF

• Fund Type	Open-End	• Category	Income Fund
• Launch Date	February 19, 2010	• Listing	PSX
• Management Fee	10% of Gross Earnings, subject to 0.50% p.a. minimum and 1.25% p.a. maximum of Average Annual Net Assets	• Front End Load*	1.00%
• Back End Load	Nil	• Par Value	PKR 10.0000
• Fund Manager	Shoab Ahmed Khan	• Risk Profile	Medium
• Stability Rating	AA- (f) (PACRA) (updated on 17-Apr-2020)	• AMC Rating	AM2++ (PACRA) (updated on 05-Nov-2019)
• Trustee	Central Depository Co. (CDC)	• Auditors	A.F. Ferguson & Co.
• Registrar	National Investment Trust Ltd.	• Pricing Mechanism	Forward Day Pricing
• Min Subscription	Rs. 5,000 Growth Units		
	Rs. 100,000 Income Units		

* varies as per policy.

Rating

The Pakistan Credit Rating Agency (PACRA) assigned stability rating of "AA-(f)" (AA minus fund rating) to NIT Income Fund in April 2020. The fund's rating denotes a very strong capacity to maintain relative stability in returns and possesses low exposure to risks. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions.

NIT - INCOME FUND

FUND MANAGER REPORT

2019-2020

Fund's Performance at a Glance

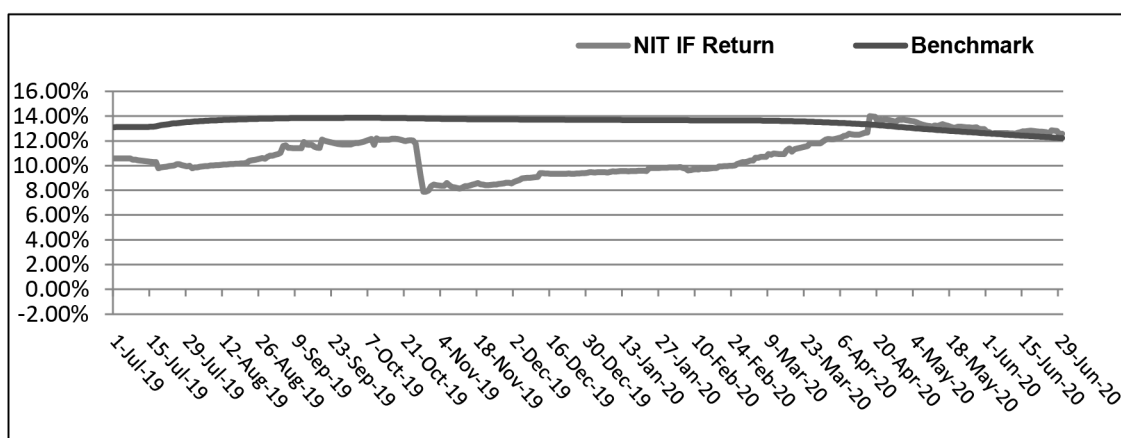
	2019-20	2018-19
Beginning Net Assets (Rs. Million)	4,130	5,574
Beginning NAV Per Unit (Ex-Dividend) (Rs.)	11.0065	10.8371
Ending Net Assets (Rs. Million) (Annual Dividend Adjusted)	3,761	4,130
Ending NAV Per Unit (Rs.) (Annual Dividend Adjusted)	11.3788	11.0065
Net Income (Rs. Million)	456	321
Distribution Per Unit (Rs.)	1.2963	0.9025
Income Distribution (% of Net Income)	100.00%	100.00%
Annualized Return (%)	12.58%	7.25%
Benchmark Return (%)	12.22%	10.21%
Weighted Average Time to Maturity (Year)	1.84	1.15

Benchmark vs. Return

The performance of scheme is compared against average of 6-months KIBOR.

Comparison of Fund's return against benchmark

The graph below depicts the comparison of the Fund's return against its benchmark.



Investment Strategy

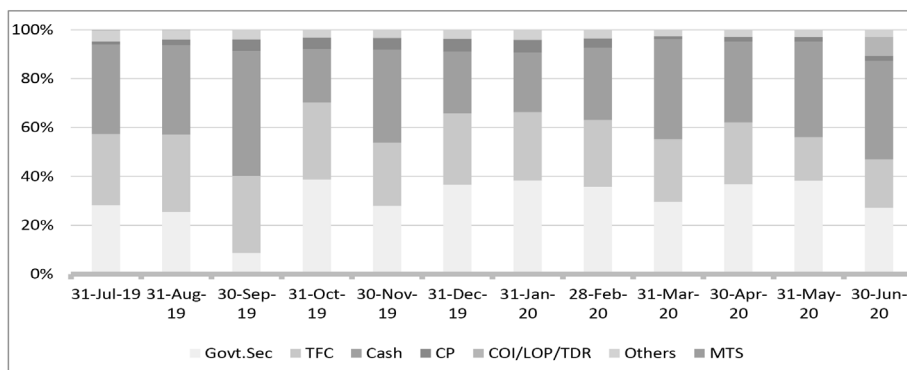
During FY20 NIT Income Fund yielded a return of 12.58% p.a. as compared to the benchmark return of 12.22% p.a. The Fund's annualized return since inception was 14.20% while its benchmark return was 9.69% p.a. The Fund size as on June 30, 2020 was Rs. 3.76 billion.

NIT - INCOME FUND

FUND MANAGER REPORT

2019-2020

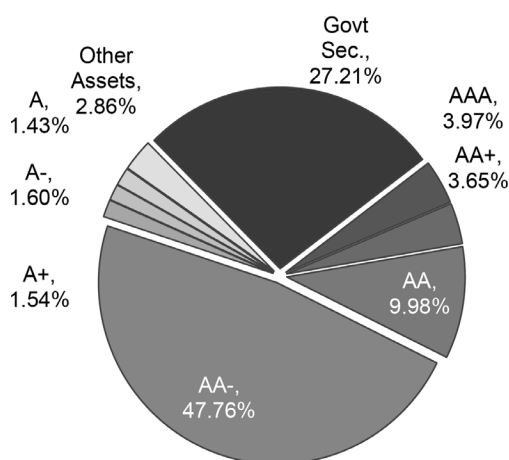
Asset Allocation during FY20



Asset allocation of NIT Income Fund at the period ended June 30, 2020 had about 27.00% of its total assets in Government Securities, about 20% of total assets were invested in corporate bonds, 2% in Commercial Paper, about 8% in COI/LOP and the remaining 43% of total assets were in the form of cash and other assets. As of June 30, 2020 the weighted average time to maturity of the fund was around 1.84 years.

Credit quality of the portfolio reveals that the fund is invested around 2% of its total assets in Government Securities while around 90% was placed in AA- and above rated instruments/institutions and about 2% was invested in instrument having rating of A+ and below. The remaining exposure was in the form of other assets.

The TFCs holding as on 30 June, 2020 is given in the table below



TFC Holding (As of Jun 30, 2020)	% of Total Assets
Habib Bank Ltd.	3.97%
Dawood Hercules - SUKUK II	3.73%
HUBCO Sukuk	3.21%
Bank Al Habib Ltd. VII	3.19%
Bank Al Habib Ltd. V	2.29%
JS Bank Ltd.	1.54%
Masood Textile Sukuk	0.91%
Kashf Foundation	0.52%
Ghani Gases Ltd. Sukuk	0.30%
Fatima Fertilizer-Sukuk	0.15%
Total	19.81%

Dividend Declaration by the Fund for FY20

During FY20, the Fund earned a net income of Rs. 456 million as compared to Rs. 321 million during the FY19. NIT declared a per unit distribution of Rs. 1.2963 for the period ended 30 June, 2020.

NIT - INCOME FUND

FUND MANAGER REPORT

2019-2020

Pattern of Unit Holders

Category	NIT-IF (Units in million)	Percentage of Holding
Institutional Investors	289	88%
Individuals	41	12%
TOTAL	330	100%

Total Expense Ratio

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 1.74% per annum. Total expense ratio (excluding government levies) is 1.33% per annum.

SWWF Disclosure

The Scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 29.09m, If the same were not made the NAV per unit/ current year to date return of the Scheme would be higher by Rs. 0.0880/ 0.87%. For details investors are advised to read the latest financial statement of the scheme.

Money Market Review

In the first monetary policy announced during the fiscal year, the State Bank of Pakistan (SBP) raised interest rates by 100 bps to 13.75% citing inflationary pressures. However with the Covid-19 pandemic the economic impact of the virus changed global economies outlook. Oil prices plummeted to historical lows due to collapse in global demand during the pandemic. Therefore in order to boost economic activities SBP took anticipatory measures and started slashing interest rates while offering concessionary refinancing schemes to support fresh investments and combat the virus and its economic impact. As a result SBP reduced interest rates by a cumulative 625 bps on account of decline in inflation over the period and weak domestic economic activity. Interest rates now stand at 7.00% p.a. Average Consumer Price Index stood at 10.74% for FY20 as compared to 6.80% in FY19 while SBP sees inflation could fall below the announced range of 7% - 9% for next fiscal year. The country's FX reserves stood at about US\$ 19 billion as compared to US\$ 14 billion in the past year.

During FY20, SBP conducted a total of 27 T-bill auctions (two auctions per month and 3 auctions in Jul-19, Dec-19 and Jun-20). Treasury Bills auction cut off held in Jun-20 for the 3M, 6M and 12M tenors reduced to 6.85% p.a., 6.66% p.a. and 6.85% p.a. from 12.74% p.a., 12.70% p.a. and 13.15% p.a. respectively held in June-19. The cut-off yield on the 3 years, 5 years and 10 years PIB closed at 7.82% p.a., 8.21% p.a. and 8.86% p.a. decreasing from the previous year's closing rate of 13.67% p.a., 13.79% p.a. and 13.68% p.a. for the 3 years, 5 years and 10 years bond. Further, at the end of FY20 the 6-month KIBOR decreased by 587bps to 7.21% as compared to last year ending at 13.11%.

Economic Review

With the unprecedented onset of pandemic Covid-19 taking over the world in FY20, the global economy slid into recession with overall economic growth shrinking this year, Pakistan was no exception, with negative 0.38% GDP growth as compared to 1.9% growth recorded a year earlier. The slowdown was broadly attributed to contractionary economic policies and inflationary pressures in the aftermath of exchange rate depreciation. The second half of the fiscal year 2019- 20 is characterized by the COVID-19 inflicted economic slowdown. The pandemic caused multifaceted problems and its impact on economy is much broader in terms of magnitude, intensity and implications than any other shock in human history.

This will be the first time in 68 years since 1952 that Pakistan experiences negative GDP growth. The negative 0.38% GDP growth is mainly caused by the unprecedented losses faced by manufacturing, transport and trade sectors, as the government tightened containment measures to limit the spread. Agriculture remained somewhat insulated, as most of the important crops had already been harvested before disruptions began to surface.

Agriculture sector fell short of its targeted growth and showed mixed patterns in growth of its components. Its overall growth improved to 2.7 % in

NIT - INCOME FUND

FUND MANAGER REPORT

2019-2020

2019-20 from 0.6 % last year. Within agriculture, the crop sector performance which registered average growth of 0.6 % during 2013-18, showed marked improvement as it registered positive growth of 3 %. Important crops depicted 2.9 % growth due to an increase in production of wheat, rice and maize by 2.5 %, 2.9 %, and 6 %, respectively. The cotton crop succumbed to unfavorable weather, low water availability, and pest attacks.

Industrial sector plays a significant role in the economic development of a country. It contributes almost 20 % to GDP and employs 24 % of total employed labor force. However, the industrial sector faced the major brunt of the COVID-19 related shutdown and depicted overall contraction of 2.6 %. The LSM sector witnessed contraction of 7.8 % as against contraction of 2.6 % in FY19. Major decline has been observed in textile, food, beverage & tobacco, coke & petroleum products, pharmaceuticals, chemicals and automobiles.

Services sector has been worst affected by falling tourism revenues, lower mobility in the transport sector (air, rail, ships and road), lockdown inflicted complete cessation of trading activities, closure of education, event management and community services, and major burden on financial sector because of falling interest rates and business financing. Overall services sector remained in negative zone and posted negative growth of 0.6 % as compared to positive growth of 3.8 % last year. However, there were some services which performed well like health services, CSO operations, online digital content and product delivery.

Average headline CPI inflation (national) stood at 10.7 % during 2019-20 as compared to 6.8 % during the same period last year. Main contributors to inflationary pressures were increase in food prices, electricity & gas prices, and impact of exchange rate movements.

The State Bank of Pakistan raised the policy rate by 100 bps to 13.25 % in July 2019 and maintained it at same level till Mar 2020. However, to stimulate economic activities and to support households and businesses, economic growth, and employment levels during challenging times of COVID 19, SBP reduced the policy rate by a cumulative 625 bps reducing the benchmark rate from 13.25% to 7.00% in Jun'20.

Significant improvement in Pakistan's external account continued in FY20, mainly on the back of contraction in imports. While demand for non-energy imports was already subdued, energy imports declined substantially due to COVID-19 related weakness in global oil prices and lower domestic demand. Nonetheless, the lower trade deficit, together with a decent growth in workers' remittances (specifically from the US and the GCC), and a significant reduction in the services deficit, lowered the FY20 current account deficit to US\$ 2.97 billion as compared to US\$ 13.43 billion in FY19.

Though the current account deficit (CAD) improved substantially year on year, however, it experienced reduction in both imports as well as exports. The country's exports which stood at US\$ 27.95 billion, recorded a decline of 7.5% in FY'20 versus FY'19's export figure of US\$ 30.22 billion, however, the import bill contracted by 19.3% over the same period with imports of US\$ 50.7 billion during FY20. The country's balance of trade recorded a deficit of USD 22.75 billion during FY'20, improving by 25.55% over FY'19.

Workers' remittances rose by 6.3 % YoY to US\$ 23.1 billion in FY20. The rise in workers' remittances this year was broad-based, particularly, inflows from the GCC countries and continuous efforts by the Govt. to increase remittances inflows through formal channels. Number of incentive schemes for remitters were introduced which yielded productive results

Foreign exchange inflows via FDI rebounded as the work on CPEC related projects gained traction. As a result, net FDI inflows in FY20 increased to US\$ 2.6 billion, up from 1.3 billion during the same period of FY19. FDI inflows from China witnessed a rebound, specifically in the last quarter of FY20, as the country continued to invest in CPEC projects. In the backdrop of this global investment scenario, the foreign portfolio investment in Pakistan in FY20 also came under strain. The foreign investment that started pouring in the domestic debt market (T-bills and PIBs) continued to gather pace till January 2020. However, with the unfolding of COVID-19 into a pandemic by March 2020, these portfolio inflows witnessed a trend reversal, with outflows of US\$ 241 million, in line with the global trend. Similarly, Pakistan's equity market came under severe pressure, as both local and foreign investors resorted to panic selling. Foreign portfolio investors pulled out US\$ 284.8mn on net basis in FY20 from the equity market.

The country's FX reserves stood at USD 18.9 billion at Jun'20, with flows from multilateral agencies providing support for external payments. The pandemic also caused significant pressure in the FX markets as the exchange rate, depreciated by 8.5% since Dec'19 to close at Rs. 168.05 at June 30, 2020.

Economic landscape in 2020-21 predominantly depends upon how the pandemic unfolds and effectiveness of the government efforts to control locust. Even after the lockdown is completely lifted, the second-round impact of COVID-19 may still affect the growth performance of the country. However, monetary easing and debt relief will also improve fiscal position and external account will improve due to resumption of remittance inflows and better exports performance

(Economic data source: Economic Survey of Pakistan, PBS & SBP Website)

NIT - INCOME FUND

FUND MANAGER REPORT

2019-2020

Other Disclosures under NBFC Regulations 2008:

The Fund Manager hereby makes the following disclosures as required under the NBFC Regulations 2008;

- a. The Management Company or any of its delegates did not receive any soft commission (goods & services) from any of its brokers / dealers by virtue of transactions conducted by the Fund.
- b. There was no unit split undertaken during the year.

TRUSTEE REPORT

TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NIT Income 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 year ended June 30, 2020 in accordance with the provisions of the following:

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

Sd/-

**Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited**

Karachi, September 28, 2020

INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF NIT- INCOME FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of NIT - Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (NAV) (Refer notes 4 and 5 to the financial statements)	
	<p>The investments and balances with banks constitute the most significant component of the NAV. The investments of the Fund as at June 30, 2020 amounted to Rs 2,174.307 million and balances with banks aggregated to Rs 1,534.755 million.</p> <p>The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">• Tested the design and operating effectiveness of the key controls for valuation of investments;• Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2020 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;• Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and• Obtained bank reconciliation statements and tested reconciling items on a sample basis.

INDEPENDENT AUDITOR'S REPORT

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Shahbaz Akbar**.

Sd/-

AF Ferguson & Co.

Chartered Accountants

Date: September 23, 2020

Karachi

NIT - INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Assets			
Balances with banks	4	1,534,755	2,409,365
Investments	5	2,174,307	1,526,986
Advance against subscription of investments	6	-	46,375
Receivable against Margin Trading System (MTS)	7	-	17,901
Profit and other receivable	8	107,746	121,149
Security deposits	9	350	350
Receivable against redemption of sukuks		1,188	-
Receivable against redemption of term finance certificates	10	-	64,252
Total assets		3,818,346	4,186,378
Liabilities			
Payable to National Investment Trust Limited - Management Company	11	3,473	5,020
Payable to Central Depository Company of Pakistan Limited - Trustee	12	277	416
Payable to Securities and Exchange Commission of Pakistan	13	781	3,461
Payable against MTS Investment		-	2,941
Accrued expenses and other liabilities	14	52,601	44,302
Dividend payable	19	502	461
Total liabilities		57,634	56,601
Net assets		3,760,712	4,129,777
Unit holders' fund (as per statement attached)		3,760,712	4,129,777
Contingencies and commitments	15		
		------(Number of units)-----	
Number of units in issue	16	330,500,900	375,211,674
		------(Rupees)-----	
Net asset value per unit		11.3788	11.0065

The annexed notes from 1 to 33 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - INCOME FUND

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE, 2020

	Note	2020	2019
------(Rupees in '000)-----			
Income			
Income from Government securities		176,253	92,886
Income from term finance certificates and sukuks		158,133	119,922
Income from certificates of investment		-	12,335
Income from letters of placement		1,504	12,188
Income from MTS		234	15,917
Profit on bank deposits		164,914	186,932
Gain / (loss) on sale of investments - net		47,287	(4,090)
Amortisation of premium on term finance certificates - net		414	-
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.11	39,855	(5,218)
Other income		303	454
Total income		588,897	431,326
Expenses			
Impairment loss on term finance certificates	10	64,252	35,449
Remuneration of National Investment Trust Limited - Management Company	11.1	42,519	44,313
Sindh sales tax on remuneration of Management Company	11.2	5,527	5,761
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12.1	2,931	4,771
Sindh sales tax on remuneration of Trustee	12.2	381	620
Annual fee of the Securities and Exchange Commission of Pakistan	13	781	3,461
Allocation of expenses related to registrar services, accounting, operation and valuation services	11.3	3,958	4,621
Central depository charges		7	11
Auditors' remuneration	17	680	684
Rating fee		364	327
Annual listing fee		40	35
Laga and levy charges		26	1,736
Settlement and bank charges		173	475
Securities transaction costs		911	695
Printing charges		117	124
Legal and professional charges		416	660
Total expenses		123,083	103,743
Net income from operating activities		465,814	327,583
Provision for Sindh Workers' Welfare Fund (SWWF)	14.1	(9,316)	(6,552)
Net income for the year before taxation		456,498	321,031
Taxation	18	-	-
Net income for the year after taxation		456,498	321,031

NIT - INCOME FUND
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2020

Note	2020	2019
	------(Rupees in '000)-----	
Allocation of net income for the year after taxation		
Net income for the year after taxation	456,498	321,031
Income already paid on units redeemed	(44,240)	(59,782)
	<u>412,258</u>	<u>261,249</u>
Accounting income available for distribution		
- Relating to capital gains	80,899	-
- Excluding capital gains	331,359	261,249
	<u>412,258</u>	<u>261,249</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2020

	Note	2020	2019
		----- (Rupees in '000) -----	
Net income for the year after taxation		456,498	321,031
Other comprehensive income for the year		-	-
Items to be reclassified to income statement			
Total comprehensive income for the year		456,498	321,031

The annexed notes from 1 to 33 form an integral part of these financial statements.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - INCOME FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED 30 JUNE, 2020

	2020			2019			
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Unrealised appreciation/ (diminution) on 'available for sale' investments	Total
	(Rupees in '000)						
Net assets at the beginning of the year	3,792,761	337,016	4,129,777	5,240,956	334,755	(1,824)	5,573,887
Change in accounting policy on adoption of IFRS 9	-	-	-	-	(1,824)	1,824	-
	3,792,761	337,016	4,129,777	5,240,956	332,931	-	5,573,887
Issue of 129,968,614 units (2019: 84,001,501 units)							
Capital value	1,312,745	-	1,312,745	862,065	-	-	862,065
Element of income	133,876	-	133,876	38,788	-	-	38,788
Total proceeds on issuance of units	1,446,621	-	1,446,621	900,853	-	-	900,853
Issue of 1,737,465 units in lieu of refund of capital (2019: 3,736,130 units)	17,582	-	17,582	38,372	-	-	38,372
Redemption of 196,891,871 units (2019: 244,149,337 units)							
Capital value	(1,989,395)	-	(1,989,395)	(2,505,583)	-	-	(2,505,583)
Element of loss	(124,698)	(44,240)	(168,938)	(21,044)	(59,782)	-	(80,826)
Total payments on redemption of units	(2,114,093)	(44,240)	(2,158,333)	(2,526,627)	(59,782)	-	(2,586,409)
Total comprehensive income for the year	-	456,498	456,498	-	321,031	-	321,031
Issue of 20,475,018 units under CIP (2019: 17,290,365 units)	207,195	-	207,195	177,579	-	-	177,579
Final distribution for the year ended 30 June 2019 (Date: 5 July 2019 @ Re. 0.9025 per unit)	-	(321,046)	(321,046)	-	-	-	-
Final distribution for the year ended 30 June 2018 (Date: 5 July 2018 @ Re. 0.5746 per unit)	-	-	-	-	(257,164)	-	(257,164)
Refund of capital	(17,582)	-	(17,582)	(38,372)	-	-	(38,372)
Net assets at the end of the year	3,332,484	428,228	3,760,712	3,792,761	337,016	-	4,129,777

	(Rupees in '000)	(Rupees in '000)
Undistributed income brought forward		
- Realised Income	342,234	334,755
- Unrealised loss	(5,218)	-
	337,016	334,755
Effect of change in accounting policy on adoption of IFRS 9	-	(1,824)
Undistributed income brought forward - restated	337,016	332,931
Accounting income available for distribution:		
Relating to capital gains	80,899	-
Excluding capital gains	331,359	261,249
	412,258	261,249
Final distribution for the year ended 30 June 2019 (Date: 5 July 2019 @ Re. 0.9025 per unit)	(321,046)	-
Final distribution for the year ended June 30, 2018 (Date: 5 July 2018 @ Re. 0.5746 per unit)	-	(257,164)
Undistributed income carried forward	428,228	337,016

NIT - INCOME FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED 30 JUNE, 2020

2020			2019			
Capital value	Undistributed income	Total	Capital value	Undistributed income	Unrealised appreciation/ (diminution) on 'available for sale' investments	Total

(Rupees in '000)

Undistributed income carried forward

- Realised Income
- Unrealised Income

388,373

39,855

428,228

(Rupees)

11.0065

11.3788

342,234

(5,218)

337,016

(Rupees)

10.8371

11.0065

Net asset value per unit at beginning of the year

Net asset value per unit at end of the year

The annexed notes from 1 to 33 form an integral part of these financial statements.

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

**Sd/-
Managing Director**

**Sd/-
Director**

**Sd/-
Director**

**Sd/-
Chief Financial Officer**

NIT - INCOME FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE, 2020

	Note	2020	2019
		------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year before taxation		456,498	321,031
Adjustments for:			
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(39,855)	5,218
Impairment loss on term finance certificates		64,252	35,449
Provision for Sindh Workers' Welfare Fund (SWWF)		9,316	6,552
		<u>33,713</u>	<u>47,219</u>
Decrease / (increase) in assets			
Investments		(452,510)	729,031
Profit and other receivables		13,403	(22,123)
Advance against subscription of investments		46,375	(46,375)
Receivable against Margin Trading System (MTS)		17,901	300,824
Receivable against redemption of term finance certificates		-	(99,701)
Receivable against redemption of sukuk		(1,188)	-
Security deposit		-	3,850
		<u>(376,019)</u>	<u>865,506</u>
Increase / (decrease) in liabilities			
Payable to National Investment Trust Limited - Management Company		(1,547)	357
Payable to Central Depository Company of Pakistan Limited - Trustee		(139)	(102)
Payable to Securities and Exchange Commission of Pakistan		(2,680)	(345)
Payable against MTS Investments		(2,941)	2,941
Accrued expenses and other liabilities		(1,017)	743
		<u>(8,324)</u>	<u>3,594</u>
Net cash generated from operating activities		<u>105,868</u>	<u>1,237,351</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of units		1,653,816	1,078,432
Payments on redemption of units		(2,158,333)	(2,587,461)
Distribution paid		(321,005)	(258,711)
Net cash used in financing activities		<u>(825,522)</u>	<u>(1,767,740)</u>
Net decrease in cash and cash equivalents during the year		<u>(719,654)</u>	<u>(530,389)</u>
Cash and cash equivalents at the beginning of the year		2,554,410	3,084,799
Cash and cash equivalents at the end of the year	22	<u><u>1,834,755</u></u>	<u><u>2,554,410</u></u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NIT - Income Fund (the "Fund") was established under a Trust Deed executed on 17 September 2009 between National Investment Trust Limited (the Management Company), and the 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/1026/2009 dated 20 November 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("the NBFC Rules"). The Fund is categorized as an "Income Scheme" in accordance with the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP).
- 1.2 The Management Company has been licensed by the SECP 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).
- 1.3 The Fund is an open-ended mutual fund and is listed on Pakistan Stock Exchange Limited. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of the Management Company of AM2++ (2019: AM2++) on date 5 November 2019. The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes.

Furthermore, PACRA has maintained the stability rating of "AA(f)" to the Fund (2019: "AA(f)") on 17 April 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 fixed income securities / instruments. The performance of the Fund is measured against benchmark given in the offering
- 1.6 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the 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 Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's accounting period beginning on 1 July 2019. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financials statements.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

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

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting period beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendment)	1 January 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	1 January 2020

These amendments may impact the financial statements of the Fund on adoption. The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after 1 July 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and, therefore, have not been detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'at fair value through profit or loss' which are measured at fair value.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupee, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification and subsequent measurement

Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

- at amortised cost
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVPL) based on the business model of the entity

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognized at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore, the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the Statement of Assets and Liabilities at fair value, with gains and losses recognised in the Income Statement, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the irrevocable option has not been considered.

The dividend income from equity securities classified under FVPL is recognised in the Income Statement.

Since all investments in equity instruments have been designated as FVPL, the subsequent movement in the fair value of equity securities is routed through the Income Statement.

The Fund can only invest in equity securities for the purpose of spread transactions.

3.3.2 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The 12 months ECL is recorded for all financial assets in which there is no significant increase in credit risk from the date of initial recognition, whereas a lifetime ECL is recorded for all remaining financial assets.

3.3.2.1 Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, in accordance with the provisioning policy duly approved by the Board of Directors.

3.3.3 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

3.3.4 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.6 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.7 Net asset value per unit

The Net Asset Value (NAV) per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption applications during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.10 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

Element of income represents the difference between Net Asset Value (NAV) per unit on the issuance or redemption date, as the case may be, of units and the NAV per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend NAV of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders' fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

3.11 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Profit on savings accounts with banks is recognised on time proportion basis using the effective yield method.
- Income on sukuk certificates, term finance certificates, commercial papers and government securities is recognised on time proportion basis using the effective yield except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by SECP for which the profits / income are recorded on receipt basis.

3.12 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.13 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

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 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

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 (Section 4B of the Income Tax Ordinance, 2001).

3.14 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year after taxation of the Fund by the weighted average number of units outstanding during the year.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

Earnings / (loss) per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

3.15 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

4	BALANCES WITH BANKS	Note	2020	2019
		------(Rupees in '000)-----		
	In savings accounts	4.1	1,534,755	2,409,365
			<u>1,534,755</u>	<u>2,409,365</u>

4.1 The balances in saving accounts carry profit rates ranging from 5.40% to 14.50% per annum (2019: 4.00% to 13.60% per annum).

5	INVESTMENTS	Note	2020	2019
		------(Rupees in '000)-----		

Financial assets at fair value through profit or loss

Government securities:

- Market Treasury Bills	5.1	406,971	49,693
- Pakistan Investment Bonds	5.2	632,045	44,417
Term finance certificates - listed	5.3	-	-
Term finance certificates - unlisted	5.4	439,673	735,989
Sukuks - listed	5.5	182,815	183,916
Sukuks - unlisted	5.6	133,983	18,285
Privately placed short term sukuks - unlisted	5.7	-	250,000
Commercial papers	5.9	78,820	244,686
Letters of placement	5.10	300,000	-
		<u>2,174,307</u>	<u>1,526,986</u>

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

Issue date	Tenure	Face value				As at 30 June 2020		Market value as a percentage of	
		As at 1 July 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2020	Carrying value	Market value	net assets	total investments
------(Rupees in '000)-----									
25 April 2019	3 Months	50,000	-	50,000	-	-	-	-	-
23 May 2019	3 Months	-	50,000	50,000	-	-	-	-	-
18 July 2019	3 Months	-	2,500,000	2,500,000	-	-	-	-	-
24 October 2019	6 Months	-	500,000	500,000	-	-	-	-	-
12 August 2019	12 Months	-	300,000	300,000	-	-	-	-	-
29 August 2019	12 Months	-	500,000	500,000	-	-	-	-	-
12 September 2019	12 Months	-	500,000	500,000	-	-	-	-	-
10 October 2019	12 Months	-	500,000	500,000	-	-	-	-	-
24 October 2019	12 Months	-	500,000	500,000	-	-	-	-	-
07 November 2019	12 Months	-	200,000	25,000	175,000	168,093	170,810	4.54	7.86
23 April 2020	12 Months	-	100,000	-	100,000	94,485	94,609	2.52	4.35
07 May 2020	12 Months	-	150,000	-	150,000	141,304	141,552	3.76	6.51
Total as at 30 June 2020		<u>50,000</u>	<u>5,800,000</u>	<u>5,425,000</u>	<u>425,000</u>	<u>403,882</u>	<u>406,971</u>		
Total as at 30 June 2019		<u>1,000,000</u>	<u>7,750,000</u>	<u>8,700,000</u>	<u>50,000</u>	<u>49,754</u>	<u>49,693</u>		

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

5.1.1 These carry purchase yield of 9.36% to 12.50% (2019: 10.68%) per annum. These have maturities upto 06 May 2021.

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

Issue date	Tenure	Face value				As at 30 June 2020		Market value as a percentage of	
		As at 1 July 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2020	Carrying value	Market value	net assets	total investments
----- (Rupees in '000) -----									
12 July 2018	3 Years	50,000	175,000	225,000	-	-	-	-	-
12 July 2018	5 Years	-	125,000	125,000	-	-	-	-	-
19 September 2019	3 Years	-	1,000,000	750,000	250,000	236,757	258,218	6.87	11.88
19 September 2019	5 Years	-	587,500	400,000	187,500	191,625	197,304	5.25	9.07
19 September 2019	10 Years	-	162,500	-	162,500	157,288	176,523	4.69	8.12
Total as at 30 June 2020		50,000	2,050,000	1,500,000	600,000	585,670	632,045		
Total as at 30 June 2019		-	50,000	-	50,000	44,852	44,417		

5.2.1 These carry purchase yield of 7.36% to 8.62% (2019: 5.34%) per annum. These have maturities upto 18 September 2029.

5.3 Term finance certificates - listed - financial assets at fair value through profit or loss

Name of the investee companies	Number of certificates				As at 30 June 2020		Market value as a percentage of	
	As at 1 July 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2020	Carrying value	Market value	net assets	total investments
----- (Rupees in '000) -----								
Summit Bank Limited (refer note 8)	20,000	-	-	20,000	-	-	-	-
Total as at 30 June 2020					-	-		
Total as at 30 June 2019					-	-		

5.4 Term finance certificates - unlisted - financial assets at fair value through profit or loss

Name of the investee companies	Number of certificates				As at 30 June 2020		Market value as a percentage of	
	As at 1 July 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2020	Carrying value	Market value	net assets	total investments
----- (Rupees in '000) -----								
JS Bank Limited	12,000	-	-	12,000	60,117	58,798	1.56	2.70
Bank Alfalah Limited (5th Issue)	52,003	-	52,003	-	-	-	-	-
Habib Bank Limited	1,550	-	-	1,550	152,675	151,472	4.03	6.97
Bank AL Habib Limited (5th Issue)	25,000	-	-	25,000	124,925	121,853	3.24	5.60
Bank AL Habib Limited (7th Issue)	28,125	-	9,000	19,125	94,658	87,601	2.33	4.03
KASHF Foundation	-	20	-	20	20,000	19,949	0.53	0.92
Total as at 30 June 2020					452,375	439,673		
Total as at 30 June 2019					740,584	735,989		

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5.4.1 These carry return at the rates of 8.97% to 16.09% (2019: 6.93% to 14.45%) per annum. These have maturities upto 06 December 2028.

5.5 Sukuks - listed - financial assets at fair value through profit or loss

Name of the investee companies	Number of certificates				As at 30 June 2020		Market value as a percentage of	
	As at 1 July 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2020	Carrying values	Market value	net assets	total investments
					----- (Rupees in '000) -----		----- (%) -----	
Fatima Fertilizer Company Limited	3,678	-	-	3,678	139,745	142,552	3.79	6.56
Dawood Hercules Corporation Limited	1,750	-	-	1,750	5,559	5,549	0.15	0.26
Masood Textile Mills Limited	-	35	-	35	35,000	34,714	0.92	1.60
Total as at 30 June 2020					180,304	182,815		
Total as at 30 June 2019					184,289	183,916		

5.5.1 These carry return at the rates of 8.99% to 15.50% (2019: 8.01% to 14.09%) per annum. These have maturities upto 17 December 2024.

5.6 Sukuks - unlisted - financial assets at fair value through profit or loss

Name of the investee companies	Number of certificates				As at 30 June 2020		Market value as a percentage of	
	As at 1 July 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2020	Carrying value	Market value	net assets	total investments
					----- (Rupees in '000) -----		----- (%) -----	
Ghani Chemical Industries Limited (formerly Gani Gases Limited)	285	-	-	285	13,401	11,409	0.30	0.52
Hub Power Company Limited	-	1,200	-	1,200	120,000	122,574	3.26	5.64
Total as at 30 June 2020					133,401	133,983		
Total as at 30 June 2019					18,039	18,285		

5.6.1 These carry return at the rates of 14.91% (2019: 12.08%) per annum. These have maturity upto 22 August 2023.

5.7 Privately placed short term sukuks - unlisted - financial assets at fair value through profit or loss

Name of the investee companies	Number of certificates				As at 30 June 2020		Market value as a percentage of	
	As at 1 July 2019	Purchased during the year	Sold / Matured during the year	As at 30 June 2020	Carrying value	Market value	net assets	total investments
					----- (Rupees in '000) -----		----- (%) -----	
Hub Power Company Limited	50,000	-	50,000	-	-	-	-	-
Total as at 30 June 2020					-	-		
Total as at 30 June 2019					250,000	250,000		

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5.7.1 These carried return at the rate of 11.75% (2019: 11.75%) per annum.

5.8 Significant terms and conditions of term finance certificates / sukuku outstanding at the year end are as follows:

Name of securities	Number of certificates	Repayment frequency	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date	Rating
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Unsecured

Unlisted term finance certificates

Bank AL Habib Limited (5th issue)	19,125	Semi-annually	4,992	6-months KIBOR + 0.75%	17 March 2016	17 March 2026	AA
Bank AL Habib Limited (7th issue)	25,000	Semi-annually	4,997	6-months KIBOR + 1%	06 December 2018	06 December 2028	AA
Habib Bank Limited	1,550	Semi-annually	99,840	6-months KIBOR + 0.50%	19 February 2016	19 February 2026	AAA
JS Bank Limited	12,000	Semi-annually	4,993	6-months KIBOR + 1.4%	14 December 2016	14 December 2023	A+
KASHF Foundation	20	Quarterly	1,000,000	3 Months Kibor + 2.25%	30 September 2019	30 September 2023	A

Listed sukuku

Fatima Fertilizer Company Limited	3,678	Semi-annually	1,500	6-months KIBOR + 1.10%	28 November 2016	28 November 2021	AA-
Dawood Hercules Corporation Limited	1,750	Quarterly	80,000	3-months KIBOR + 1%	01 March 2018	01 March 2023	AA
Masood Textile Limited	35	Quarterly	1,000,000	3-months KIBOR + 2.00%	17 December 2019	17 December 2024	A

Unlisted sukuku

Ghani Chemical Industries Limited (formerly Gani Gases Limited)	285	Quarterly	45,833	3-months KIBOR + 1%	02 February 2017	02 February 2023	A-
Hub Power Company Limited	1,200	Quarterly	100,000	3-months KIBOR + 1.90%	22 August 2019	22 August 2023	AA+

5.9 Commercial papers - financial assets at fair value through profit or loss

Name of the investee companies	Number of certificates				As at 30 June 2020		Market value as a percentage of	
	As at 1 July 2019	Purchased during the year	Matured during the year	As at 30 June 2020	Carrying value	Market value	net assets	total investments
					----- (Rupees in '000) -----		----- (%) -----	
Hascol Petroleum Limited	1,500,000	-	1,500,000	-	-	-	-	-
Hub Power Company Limited	960,000	-	960,000	-	-	-	-	-
Hub Power Company Limited	-	100,000	100,000	-	-	-	-	-
K-Electric Limited	-	50,000	50,000	-	-	-	-	-
K-Electric Limited	-	30,000	-	30,000	29,085	29,085	0.77	1.34
TPL Corporation Limited	-	50,000	50,000	-	-	-	-	-
TPL Trakker Limited	-	50,000	-	50,000	49,735	49,735	1.32	2.29
Total as at 30 June 2020					78,820	78,820		
Total as at 30 June 2019					244,686	244,686		

5.9.1 These carry purchase yield of 12.02% to 15.42% (2019: 11.90% to 11.93%) per annum. These have maturities upto 3 October 2020.

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5.10 Letters of placement - financial assets at fair value through profit or loss

Name of the investee companies	Number of certificates				As at 30 June 2020		Market value as a percentage of	
	As at 1 July 2019	Purchased during the year	Matured during the year	As at 30 June 2020	Carrying value	Market value	net assets	total investments
					---- (Rupees in '000) ----		----- (%) -----	
Pak Libya Holding Company (Private) Limited	-	300,000	-	300,000	300,000	300,000	7.98	13.80
Total as at 30 June 2020					<u>300,000</u>	<u>300,000</u>		
Total as at 30 June 2019					<u>-</u>	<u>-</u>		

5.10.1 These carry return at the rate of 9.15% (2019: 8.35% to 12.00%) per annum. These have maturity upto 27 July 2020.

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

	2020	2019
	----- (Rupees in '000) -----	
Market value of investments	2,174,307	1,526,986
Less: Carrying value of investments	<u>(2,134,452)</u>	<u>(1,532,204)</u>
	<u>39,855</u>	<u>(5,218)</u>

6 ADVANCE AGAINST SUBSCRIPTION OF INVESTMENTS

During the year ended 30 June 2019, Islamic commercial papers of TPL Corporation Limited, with the maturity value of Rs. 50 million were subscribed by the Fund by paying Rs. 46.375 million on 28 June 2019 as advance payment. The certificates were issued on 15 July 2019 and matured on 11 January 2020.

	Note	2020	2019
		----- (Rupees in '000) -----	
7 RECEIVABLE AGAINST MARGIN TRADING SYSTEM (MTS)			
Receivable against MTS	7.1	<u>-</u>	<u>17,901</u>

7.1 This carried average profit rate of 18.01% (2019: 13.80%) and was matured during the current year.

	Note	2020	2019
		----- (Rupees in '000) -----	
8 PROFIT AND OTHER RECEIVABLE			
Profit receivable on:			
- Savings accounts		8,769	25,134
- Letters of placement		1,504	-
- Pakistan investment bonds		15,989	1,763
- Term finance certificates		17,116	29,767
- Margin trading system		-	117
Advance tax	15.1	<u>64,368</u>	<u>64,368</u>
		<u>107,746</u>	<u>121,149</u>

9 SECURITY DEPOSITS

Security deposits with:			
- Central Depository Company of Pakistan Limited - Trustee		100	100
- National Clearing Company of Pakistan Limited		<u>250</u>	<u>250</u>
		<u>350</u>	<u>350</u>

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10 RECEIVABLE AGAINST REDEMPTION OF TERM FINANCE CERTIFICATES

The Term Finance Certificates (TFCs) of Summit Bank Limited (SBL) had an original maturity on 27 October 2018. The bullet principal amount due on 27 October 2018 amounting to Rs 99.701 million was not received by the Fund. The non payment of final bullet principal amount was on account of deficit in the Capital Adequacy Ratio / Minimum Capital Requirements of SBL due to which the lock-in clause was invoked which states that neither profit nor principal payment shall be made if the capital adequacy ratio falls below the minimum level required. Potential merger of Summit Bank Limited with and into Sindh Bank Limited and subsequent fulfillment of Capital Adequacy Ratio / Minimum Capital Requirements was also in process as the shareholders of both banks had given their approval for agreed swap ratio. Thereafter, an extraordinary general meeting was called on 19 November 2018, wherein it was resolved that the maturity date of these certificates be extended for one year (i.e. upto 27 October 2019) on the existing terms and conditions of the TFC issue subject to compliance with all the applicable laws, rules, regulations and requisite approvals. The carrying amount of investment has been transferred to "Receivable against redemption of term finance certificates" and has been disclosed on the Statement of Assets and Liabilities.

The TFCs were classified as non-performing by the Mutual Funds Association of Pakistan (MUFAP) on 13 November 2018 in accordance with the criteria given in SECP's circulars 33 and 35 dated 24 October 2012 and 26 November 2012 respectively. The Fund along with other TFC holders (thereby forming simple majority of the total TFC holders) had consented to extend the maturity date for one year as stated above. However, no payment was received on 27 October 2019. Accordingly, the Management Company has made full provision against the outstanding amount of Rs 99.701 million as at 30 June 2020. Furthermore, profit on installment due amounting to Rs 4.817 million has also been reversed and no further markup is being accrued.

10.1 Details of non-compliant investments with the investment criteria as specified by the SECP

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held (note 10.2)	Value of investment after provision	Percentage of net assets	Percentage of total investments
				(Rupees in '000)	(%)	
Listed debt security						
Summit Bank Limited	TFC	99,701	99,701	-	-	-
Total as at 30 June 2020		<u>99,701</u>	<u>99,701</u>	<u>-</u>		
Total as at 30 June 2019		<u>99,701</u>	<u>35,449</u>	<u>64,252</u>		

10.1.1 At the time of purchase / investment, the TFCs were in compliance with the investment requirement of the Constitutive Documents and investment restriction parameters laid down in NBFC Regulations and the NBFC Rules. However, subsequently they defaulted or downgraded upon default to non investment grade and became non-compliant with the investment restriction parameters laid down in the NBFC Regulations and the NBFC Rules and with the requirement of Constitutive Documents. Disclosure of the non-compliance is made as required by Circular No. 16 of 2010 dated 7 July 2010 issued by SECP.

10.2 Provision against the receivable balance	Note	2020	2019
(Rupees in '000)			
Opening balance		35,449	-
Charge for the year		64,252	35,449
Reversal of impairment		-	-
Closing balance		<u>99,701</u>	<u>35,449</u>

11 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY

Management remuneration payable	11.1	2,748	4,130
Sindh sales tax payable on management remuneration	11.2	357	537
Payable against allocation of expenses related to registrar services, accounting, operation and valuation services	11.3	368	353
		<u>3,473</u>	<u>5,020</u>

11.1 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.

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11.2 During the year, an amount of Rs 5.527 million (2019: Rs 5.761 million) was charged on account of sales tax on management remuneration levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 5.707 million (2019: Rs 5.655 million) has been paid to the Management Company which acts as a collecting agent.

11.3 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).

Until 19 June 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated 20 June 2019 removed the maximum cap of 0.1%.

The management company based on its own discretion has currently fixed a maximum capping of 0.1% of the average annual net assets of the scheme for allocation of such expenses to the Fund during the year.

12 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
		------(Rupees in '000)-----	
Trustee remuneration payable	12.1	245	368
Sindh sales tax payable on Trustee remuneration	12.2	32	48
		<u>277</u>	<u>416</u>

12.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. Effective from 1 July 2019, the trustee has revised its tariff as under:

Previous tariff		Revised tariff
Net assets (Rs)	Fee	(flat rate)
- up to Rs. 1 billion	Higher of Rs. 600,000 or 0.17% per annum of net assets	0.075% per annum of net assets
- over Rs. 1 billion upto Rs. 5 billion	Rs. 1.7 million plus 0.085% per annum of net assets exceeding Rs. 1 billion	
- over Rs. 5 billion	Rs. 5.1 million plus 0.07% per annum of net assets exceeding Rs. 5 billion	

Accordingly, the Fund has charged Trustee remuneration @ 0.075% per annum during the current year and an amount of Rs 2.931 million has been recorded in the Income Statement.

12.2 During the year, an amount of Rs 0.381 million (2019: Rs 0.620 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 0.397 million (2019: Rs 0.632 million) was paid to the Trustee which acts as a collecting agent.

13 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

Effective from 1 July 2019, the SECP vide SRO No. 685(I)/2019 dated 28 June 2019 has revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Previously, the rate of annual fee applicable to the Fund was 0.075%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

14 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
		------(Rupees in '000)-----	
Provision for Sindh Workers' Welfare Fund	14.1	29,086	19,770
Provision for federal excise duty	14.2	20,799	20,799
Auditors' remuneration payable		528	532
Legal and professional charges payable		1,610	1,194
Printing charges payable		30	25
Brokerage expense payable		86	83
Capital gain tax payable		454	1,892
MTS charges payable		-	4
Withholding tax payable		8	3
		<u>52,601</u>	<u>44,302</u>

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- 14.1** 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

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from 21 May 2015 to 30 June 2020, the net asset value per unit of the Fund as at 30 June 2020 would have been higher by Re 0.0880 (2019: Re 0.0527).

- 14.2** 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 13 June 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 4 September 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.

With effect from 1 July 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 30 June 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.

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 1 July 2016. However, as a matter of abundant caution the provision for FED made till 30 June 2016 amounting to Rs 20.779 million has been retained in these financial statements as the matter is pending before the Honourable Supreme Court of Pakistan whereas an amount of Rs 1.580 million has been paid to the Management Company. Had the provision for FED not been recorded in the financial statements of the Fund (and the amount is refunded by the Management Company), the net asset value per unit of the Fund would have been higher by Re 0.0677 (2019: Re 0.0596) .

15 CONTINGENCIES AND COMMITMENTS

- 15.1** The Fund received a show-cause notice dated 3 January 2018 alleging that the Fund is not eligible to claim income tax exemption under clause (99) contained in Part I of Second Schedule to the Income Tax Ordinance, 2001 as the Fund did not allegedly distribute at least 90% of its income for tax year 2017 to its unit holders by way of dividend. The notice was duly responded by tax advisor of the Fund vide letter dated 10 January 2018. However, the Assistant Commissioner Inland Revenue (ACIR) proceeded with passing an order dated 30 January 2018.

The Fund filed an Appeal with the Commissioner Inland Revenue - Appeals (CIRA) on 21 February 2018 against the ACIR's order, on the contention that the ACIR had erred in construing that the amount of dividend reinvested by the unit holders in units of the Fund under Cumulative Investment Plan is not to be considered while determining whether the Fund distributed at least 90% of its income to unit holders. The CIRA passed an order dated 25 April 2018 upholding the ACIR's action of rejecting the exemption claim.

The impugned tax demand of Rs 64.368 million arising from the order has already been collected by the tax authority by way of attachment of bank account which is treated as advance tax. The Fund filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) on 26 April 2018 against the CIRA's decision. The ATIR has passed an order dated 22 November 2018 whereby, the contention of the Fund has been accepted and the matter has been disposed of. Since the demand has been vacated after the ATIR's order, therefore, no provision is required to be made in these financial statements.

- 15.2** There were no commitments outstanding as at 30 June 2020 and 30 June 2019.

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16 NUMBER OF UNITS IN ISSUE	2020	2019
	(Number of units)	
Total units in issue at beginning of the year	375,211,674	514,333,015
Add: Units issued	131,706,079	87,737,631
Add: Units issued under Cumulative Investment Plan	20,475,018	17,290,365
Less: Units redeemed	(196,891,871)	(244,149,337)
Total units in issue at end of the year	<u>330,500,900</u>	<u>375,211,674</u>

17 AUDITORS' REMUNERATION	2020	2019
	----- (Rupees in '000) -----	
Annual audit fee	402	383
Fee for half yearly review	198	189
Out of pocket expenses and others including government levy	80	112
	<u>680</u>	<u>684</u>

18 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 has distributed the required minimum percentage of income earned by the Fund for the year ended 30 June 2020 to the unit holders in the manner as explained above subsequent to the year ended 30 June 2020, therefore, no provision for taxation has been made in these financial statements during the year.

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.

19 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Dividend payable	Total
	----- (Rupees in '000) -----			
Opening balance as at 1 July 2019	-	-	461	461
Receivable against issuance of units	(1,653,816)	-	-	(1,653,816)
Payable against redemption of units	-	2,158,333	-	2,158,333
Payable against dividends	-	-	321,046	321,046
	(1,653,816)	2,158,333	321,046	825,563
Amount received on issuance of units	1,653,816	-	-	1,653,816
Amount paid on redemption of units	-	(2,158,333)	-	(2,158,333)
Dividend paid	-	-	(321,005)	(321,005)
	1,653,816	(2,158,333)	(321,005)	(825,522)
Closing balance as at 30 June 2020	<u>-</u>	<u>-</u>	<u>502</u>	<u>502</u>

20 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at 30 June 2020 is 1.74% which includes 0.41% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP etc. This

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ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Income Scheme.

21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 21.1** 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 Funds, directors and their close family members and key management personnel of the Management Company.
- 21.2** 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.
- 21.3** Remuneration to the Management Company of the Fund are determined in accordance with the provisions of the NBFC Regulations.
- 21.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 21.5** 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:

	2020	2019
	------(Rupees in '000)-----	
Transactions during the year		
National Investment Trust Limited - Management Company		
Issue of 11,764 units (2019: 4,797,387 units)	124	50,387
Issue of 12,639,772 units under CIP (2019: 7,850,518 units)	127,907	80,628
Additional units: 120,125 units as refund of capital (2019: 485,659 units)	-	-
Redemption of 13,091,257 units (2019: 18,814,420 units)	140,000	200,000
Remuneration of the Management Company	42,519	44,313
Sindh sales tax on management remuneration	5,527	5,761
Allocation of expenses related to registrar services, accounting, operation and valuation services	3,958	4,621
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	2,931	4,771
Sindh sales tax on remuneration of the Trustee	381	620
Central depository charges	7	11
National Investment Trust Limited - Provident Fund		
Issue of 2,404,766 units (2019: Nil)	27,000	-
Issue 121,388 units under CIP (2019: 336,163 units)	1,228	3,353
Additional units: 71 units as refund of capital (2019: Nil)	-	-
Redemption of Nil units (2019: 5,459,878 units)	-	60,073
National Investment Trust Limited - Pension Fund		
Issue 1,379,349 units under CIP (2019: 904,771 units)	13,958	9,292
Additional units: 707 units as refund of capital (2019: Nil)	-	-
Redemption of Nil units (2019: 14,549 units)	-	151
Chief Operating Officer		
Issue 118,709 units under CIP (2019: 73,111 units)	1,201	751
Additional units: 57 units as refund of capital (2019: Nil)	-	-
Fund Manager / Head of Fixed Income		
Issue 42 units under CIP (2019: 26 units)	0.43	0.27

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	Note	2020	2019
		------(Rupees in '000)-----	
Amounts outstanding as at year end			
National Investment Trust Limited - Management Company			
167,762,740 units held (2019: 168,082,336 units)		1,908,939	1,849,998
Management remuneration payable		2,748	4,130
Sindh sales tax payable on management remuneration		357	537
Payable against allocation of expenses related to registrar services, accounting, operation and valuation services		368	353
Central Depository Company of Pakistan Limited - Trustee			
Trustee remuneration payable		245	368
Sindh sales tax payable on Trustee remuneration		32	48
Security deposit		100	100
National Investment Trust Limited - Provident Fund			
4,471,416 units held (2019: 1,945,191 units)		50,879	21,410
National Investment Trust Limited - Pension Fund			
23,482,467 units held (2019: 22,102,411 units)		267,202	243,270
Chief Operating Officer			
1,685,336 units held (2019: 1,566,570 units)		19,177	17,242
Fund Manager / Head of Fixed Income			
597 units held (2019: 555 units)		7	6
22 CASH AND CASH EQUIVALENTS			
Balances with banks	4	1,534,755	2,409,365
Government securities:			
- Market Treasury Bills (original maturity of 3 months or less)	5.1	-	49,693
Commercial papers (original maturity of 3 months or less)	5.9	-	95,351
Letters of placement (original maturity of 3 months or less)	5.10	300,000	-
		<u>1,834,755</u>	<u>2,554,409</u>
23 FINANCIAL INSTRUMENTS BY CATEGORY			
		2020	
		At amortised cost	At fair value through profit or loss
		Total	
		------(Rupees in '000)-----	
Financial assets			
Balances with banks		1,534,755	-
Investments		-	2,174,307
Profit and other receivable		43,378	-
Security deposits		350	-
Receivable against redemption of sukus		1,188	-
		<u>1,579,671</u>	<u>2,174,307</u>
		<u>3,753,978</u>	

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Financial liabilities

Payable to National Investment Trust Limited - Management Company	-	3,473	3,473
Payable to Central Depository Company of Pakistan Limited - Trustee	-	277	277
Accrued expenses and other liabilities	-	2,254	2,254
Dividend payable	-	502	502
	-	6,506	6,506

2020		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		

2019		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		

Financial assets

Balances with banks	2,409,365	-	2,409,365
Investments	-	1,526,986	1,526,986
Advance against subscription of investments	46,375	-	46,375
Receivable against Margin Trading System (MTS)	17,901	-	17,901
Profit and other receivable	56,781	-	56,781
Security deposits	350	-	350
Receivable against redemption of term finance certificates	64,252	-	64,252
	2,595,024	1,526,986	4,122,010

2019		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		

Financial liabilities

Payable to National Investment Trust Limited - Management Company	-	5,020	5,020
Payable to Central Depository Company of Pakistan Limited - Trustee	-	416	416
Payable against MTS investment	-	2,941	2,941
Accrued expenses and other liabilities	-	1,837	1,837
Dividend payable	-	461	461
	-	10,675	10,675

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management policy of the Fund aims to maximise the return attributable to the unit holders and seeks to minimise potential adverse effects on the Fund's financial performance. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund, the NBFC Regulations and the directives issued by the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds and are explained below:

24.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee and regulations laid down by the SECP.

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Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

24.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

24.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits. The interest rate profile of the Fund's interest bearing financial instruments as at 30 June 2020 is as follows:

	2020	2019
	------(Rupees in '000)-----	
Variable rate instruments (financial assets)		
Balances with banks	1,534,755	2,409,365
Term finance certificates	439,673	735,989
Sukuk certificates	316,798	452,201
	<u>2,291,226</u>	<u>3,597,555</u>
Fixed rate instruments (financial assets)		
Market Treasury Bills	406,971	49,693
Pakistan Investment Bonds	632,045	44,417
Commercial papers	78,820	244,686
Letters of placement	300,000	-
	<u>1,417,836</u>	<u>338,796</u>

a) Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates on the last repricing date would have increased / decreased the net income for the year and the net assets of the Fund by Rs 23.034 million (2019: Rs 36.009 million). The analysis assumes that all other variables remain constant.

b) Sensitivity analysis for fixed rate instruments

In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan on 30 June 2020, with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 24.539 million (2019: Rs 0.813 million). In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on 30 June 2020, with all other variables held constant, the net income for the year and net assets would have been higher by Rs. 25.850 million (2019: Rs 0.832 million).

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet financial instruments is based on the settlement date.

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The Fund's interest rate sensitivity related to financial assets and financial liabilities as at 30 June 2020 can be determined as

2020					
Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

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

On balance sheet financial instruments

Financial assets

Balances with banks	5.40 - 14.50	1,534,755	-	-	-	1,534,755
Investments						
- Market Treasury Bills	9.36 - 12.50	-	406,971	-	-	406,971
- Pakistan Investment Bonds	7.36 - 8.62	-	-	632,045	-	632,045
- Term finance certificates	8.97 - 16.09	-	-	439,673	-	439,673
- Sukuk certificates	8.99 - 15.81	-	-	316,798	-	316,798
- Commercial papers	12.02 - 15.42	49,735	29,085	-	-	78,820
- Letters of placement	9.15	300,000	-	-	-	300,000
Profit and other receivable		-	-	-	43,378	43,378
Security deposits		-	-	-	350	350
Receivable against redemption of sukuku		-	-	-	1,188	1,188
		<u>1,884,490</u>	<u>436,056</u>	<u>1,388,516</u>	<u>44,916</u>	<u>3,753,978</u>

Financial liabilities

Payable to National Investment Trust Limited - Management Company	-	-	-	-	3,473	3,473
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	-	277	277
Accrued expenses and other liabilities	-	-	-	-	2,254	2,254
Dividend payable	-	-	-	-	502	502
	-	-	-	-	<u>6,506</u>	<u>6,506</u>

On-balance sheet gap (a)

<u>1,884,490</u>	<u>436,056</u>	<u>1,388,516</u>	<u>38,410</u>	<u>3,747,472</u>
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Off-balance sheet financial instruments

<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Off-balance sheet gap (b)

Total interest rate sensitivity gap (a+b)

<u>1,884,490</u>	<u>436,056</u>	<u>1,388,516</u>	<u>38,410</u>	<u>3,747,472</u>
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Cumulative interest rate sensitivity gap

<u>1,884,490</u>	<u>2,320,546</u>	<u>3,709,062</u>
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NIT - INCOME FUND
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Effective yield / interest rate (%)	2019				Not exposed to yield / interest rate risk	Total
	Exposed to yield / interest rate risk			Up to three months		
	Up to three months	More than three months and up to one year	More than one year			

(Rupees in '000)

On balance sheet financial instruments

Financial assets

Balances with banks	4.00 - 13.60	2,409,365	-	-	-	2,409,365
Investments						
- Market Treasury Bills	10.68	49,693	-	-	-	49,693
- Pakistan Investment Bonds	5.34	-	-	44,417	-	44,417
- Term finance certificates	6.93 - 14.45	-	-	735,989	-	735,989
- Sukuk certificates	8.01 - 14.09	-	250,000	202,201	-	452,201
- Commercial papers	11.90 - 11.93	95,351	149,335	-	-	244,686
Receivable against Margin Trading System	13.80	17,901	-	-	-	17,901
Advance against subscription of investments		-	-	-	46,375	46,375
Profit and other receivables		-	-	-	56,781	56,781
Security deposits		-	-	-	350	350
Receivable against redemption of term finance certificates		-	64,252	-	-	64,252
		<u>2,572,310</u>	<u>463,587</u>	<u>982,607</u>	<u>103,506</u>	<u>4,122,010</u>

Financial liabilities

Payable to National Investment Trust Limited - Management Company	-	-	-	5,020	5,020
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	416	416
Payable against MTS investment	-	-	-	2,941	2,941
Accrued expenses and other liabilities	-	-	-	1,837	1,837
Dividend payable	-	-	-	461	461
	-	-	-	<u>10,675</u>	<u>10,675</u>

On-balance sheet gap (a)

	<u>2,572,310</u>	<u>463,587</u>	<u>982,607</u>	<u>92,831</u>	<u>4,111,335</u>
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Off-balance sheet financial instruments

	-	-	-	-	-
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Off-balance sheet gap (b)

Total interest rate sensitivity gap (a+b)

	<u>2,572,310</u>	<u>463,587</u>	<u>982,607</u>	<u>92,831</u>	<u>4,111,335</u>
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Cumulative interest rate sensitivity gap

	<u>2,572,310</u>	<u>3,035,897</u>	<u>4,018,504</u>		
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24.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at the reporting date, the Fund is not exposed to price risk.

24.2 Credit risk

24.2.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

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The table below analyses the Fund's maximum exposure to credit risk:

	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
	----- (Rupees in '000) -----			
Balances with banks	1,534,755	1,534,755	2,409,365	2,409,365
Investments	2,174,307	1,135,291	1,526,986	1,432,876
Advance against subscription of investments	-	-	46,375	46,375
Receivable against Margin Trading System (MTS)	-	-	17,901	17,901
Profit and other receivables	43,378	43,378	56,781	56,781
Security deposits	350	350	350	350
Receivable against redemption of sukuk	1,188	1,188	-	-
Receivable against redemption of term finance certificates	-	-	64,252	64,252
	<u>3,753,978</u>	<u>2,714,962</u>	<u>4,122,010</u>	<u>4,027,900</u>

The difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in Government securities of Rs 1,039.016 million (2019: Rs 94.110 million) are not exposed to credit risk.

24.2.2 Credit quality of financial assets

The Fund's credit risk is primarily attributable to its investment in term finance certificates, loans and receivables and balances with banks. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency.

The analysis below summarises the credit quality of the Fund's financial assets as at 30 June 2020 and 30 June 2019.

Balances with banks

Name of the bank	2020			
	Balance as at 30 June 2020	Rating agency	Published rating	Percentage of total bank balances
	(Rupees in '000)			
	(%)			
Habib Bank Limited	1,676	JCR-VIS	AAA	0.11
MCB - Islamic Bank Limited	112	PACRA	A	0.01
Bank AL Habib Limited	12,535	PACRA	AA+	0.82
United Bank Limited	29	JCR-VIS	AAA	0.00
Soneri Bank Limited	1,520,133	PACRA	AA-	99.05
JS Bank Limited	20	PACRA	AA-	0.00
MCB Bank Limited	85	PACRA	AAA	0.01
Bank Alfalah Limited	50	PACRA	AA+	0.00
Allied Bank Limited	15	PACRA	AAA	0.00
Dubai Islamic Bank	9	JCR-VIS	AA	0.00
Summit Bank Limited	91	JCR-VIS	Suspended	0.01
	<u>1,534,755</u>			<u>100.00</u>

NIT - INCOME FUND

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Term Finance Certificates / Sukuks

Name of the investee company	2020			
	Market value as at 30 June 2020	Rating agency	Published rating	Percentage of total market value
	(Rupees in '000)			(%)
Bank AL Habib Limited (17 March 2016)	121,853	PACRA	AA	16.11
Bank AL Habib Limited (6 December 2018)	87,601	PACRA	AA	11.58
Habib Bank Limited	151,472	JCR-VIS	AAA	20.02
JS Bank Limited	58,798	PACRA	A+	7.77
KASHF Foundation	19,949	PACRA	A	2.64
Fatima Fertilizer Company Limited	142,552	PACRA	AA-	18.84
Dawood Hercules Corporation Limited	5,549	PACRA	AA	0.73
Masood Textile Limited	34,714	JCR-VIS	A	4.59
Ghani Gases Limited	11,409	PACRA	A-	1.51
The Hub Power Company Limited	122,574	PACRA	AA+	16.20
	<u>756,471</u>			<u>100.00</u>

Commercial Papers

Name of the investee company	2020			
	Market value as at 30 June 2020	Rating agency	Published rating	Percentage of total market value
	(Rupees in '000)			(%)
K-Electric Limited	29,085	PACRA	AA	36.90
TPL Trakker Limited	49,735	PACRA	A-	63.10
	<u>78,820</u>			<u>100.00</u>

Letters of placement

Name of the investee company	2020			
	Market value as at 30 June 2020	Rating agency	Published rating	Percentage of total market value
	(Rupees in '000)			(%)
Pak Libya Holding Company (Private) Limited	300,000	PACRA	AA-	100.00
	<u>300,000</u>			<u>100.00</u>

Balances with banks

Name of the bank	2019			
	Balance as at 30 June 2019	Rating agency	Published rating	Percentage of total bank balances
	(Rupees in '000)			(%)
Habib Bank Limited	948,602	JCR-VIS	AAA	39.37
MCB - Islamic Bank Limited	107	PACRA	A	0.00
Bank AL Habib Limited	12,856	PACRA	AA+	0.53
United Bank Limited	156	JCR-VIS	AAA	0.01
Soneri Bank Limited	1,147,345	PACRA	AA-	47.62
JS Bank Limited	300,175	PACRA	AA-	12.46
Dubai Islamic Bank	9	JCR	AA	0.00
MCB Bank Limited	22	PACRA	AAA	0.00
Bank Alfalah Limited	8	PACRA	AA+	0.00
Summit Bank Limited	85	Suspended	Suspended	0.00
	<u>2,409,365</u>			<u>100.00</u>

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Term Finance Certificates / Sukuks

Name of the investee company	2019			
	Market value as at 30 June 2019 (Rupees in '000)	Rating agency	Published rating	Percentage of total market value (%)
Commercial banks				
Bank AL Habib Limited (17 March 2016)	139,052	PACRA	AA	8.88
Bank AL Habib Limited (6 December 2018)	124,975	PACRA	AA	19.97
Habib Bank Limited	152,372	JCR-VIS	AA+	12.56
Bank Alfalah limited	259,390	JCR-VIS	AA-	13.57
JS Bank Limited	60,200	PACRA	A+	23.16
Fatima Fertilizer Company Limited	9,266	PACRA	AA-	5.36
Dawood Hercules Corporation Limited	174,650	PACRA	AA	1.16
Ghani Gases Limited	18,285	PACRA	A	13.32
The Hub Power Company Limited	250,000	PACRA	AA+	2.02
	<u>1,188,190</u>			<u>100.00</u>

Commercial Papers

Name of the investee company	2019			
	Market value as at 30 June 2019 (Rupees in '000)	Rating agency	Published rating	Percentage of total market value (%)
Commercial banks				
Hascol Petroleum Limited	149,335	PACRA	AA	61.03
The Hub Power Company Limited	95,351	PACRA	AA+	38.97
	<u>244,686</u>			<u>100.00</u>

Above ratings are based on available ratings assigned by PACRA and JCR-VIS as of 30 June 2020 and 30 June 2019.

The maximum exposure to credit risk before any credit enhancement as at 30 June 2020 is the carrying amount of the financial assets.

24.2.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect the groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentrations of credit risk.

24.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions at the option of the unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets either in short term instruments or in investments that are traded in an active market and can be readily disposed of and are considered readily realisable in order to maintain liquidity.

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was required to be obtained by the Fund during the current year.

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In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including balances with banks have been included in the maturity grouping of one month.

2020							
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total	
----- (Rupees in '000) -----							
Financial assets							
Balances with banks	1,534,755	-	-	-	-	1,534,755	
Investments							
- Market Treasury Bills	-	406,971	-	-	-	406,971	
- Pakistan Investment Bonds	-	-	455,522	176,523	-	632,045	
- Term finance certificates	-	-	78,747	360,926	-	439,673	
- Sukuk certificates	-	-	316,798	-	-	316,798	
- Commercial papers	49,735	29,085	-	-	-	78,820	
- Letters of placement	300,000	-	-	-	-	300,000	
Profit and other receivable	43,378	-	-	-	-	43,378	
Security deposits	-	-	-	-	350	350	
Receivable against redemption of sukuk	1,188	-	-	-	-	1,188	
	1,929,056	-	436,056	851,067	537,449	350	3,753,978
Financial liabilities							
Payable to Investment Management Limited - Management Company	3,473	-	-	-	-	3,473	
Payable to the Central Depository Company of Pakistan Limited - Trustee	277	-	-	-	-	277	
Accrued expenses and other liabilities	2,254	-	-	-	-	2,254	
Dividend payable	502	-	-	-	-	502	
	6,506	-	-	-	-	6,506	
Net assets / (liabilities)	1,922,550	-	436,056	851,067	537,449	350	3,747,472
----- (Rupees in '000) -----							
2019							
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total	
----- (Rupees in '000) -----							
Financial assets							
Balances with banks	2,409,365	-	-	-	-	2,409,365	
Investments							
- Market Treasury Bills	49,693	-	-	-	-	49,693	
- Pakistan Investment Bonds	-	-	44,417	-	-	44,417	
- Term finance certificates	-	-	319,591	416,398	-	735,989	
- Sukuk certificates	-	-	250,000	202,201	-	452,201	
- Commercial papers	95,351	149,335	-	-	-	244,686	
Receivable against Margin Trading System	-	-	17,901	-	-	17,901	
Advance against subscription of investments	-	-	-	-	-	-	
Profit and other receivables	56,781	-	-	-	-	56,781	
Security deposits	-	-	-	-	350	350	
Receivable against redemption of term finance certificates	64,252	-	-	-	-	64,252	
	2,675,442	149,335	267,901	566,209	416,398	350	4,075,635

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2020						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

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

Financial liabilities

Payable to Investment Management Limited - Management Company	5,020	-	-	-	-	-	5,020
Payable to the Central Depository Company of Pakistan Limited - Trustee	416	-	-	-	-	-	416
Payable against MTS investment	2,941	-	-	-	-	-	2,941
Accrued expenses and other liabilities	1,837	-	-	-	-	-	1,837
Dividend payable	461	-	-	-	-	-	461
	10,675	-	-	-	-	-	10,675
Net assets / (liabilities)	2,664,767	149,335	267,901	566,209	416,398	350	4,064,960

25 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 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).

As at 30 June 2020, the Fund held the following financial instruments measured at fair values:

2020			
Level 1	Level 2	Level 3	Total

----- Rupees in '000 -----

Financial assets at fair value through profit or loss

Investment in:				
- Market treasury bills	-	406,971	-	406,971
- Pakistan investment bonds	-	632,045	-	632,045
- Term finance certificates - unlisted	-	439,673	-	439,673
- Sukuks - listed	-	182,815	-	182,815
- Sukuks - unlisted	-	133,983	-	133,983
- Commercial papers*	-	78,820	-	78,820
- Letters of placement**	-	300,000	-	300,000
	-	2,174,307	-	2,174,307

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

2019				
Level 1	Level 2	Level 3	Total	
----- Rupees in '000 -----				
Financial assets at fair value through profit or loss				
Investment in:				
- Market treasury bills	-	49,693	-	49,693
- Pakistan investment bonds	-	44,417	-	44,417
- Term finance certificates - unlisted	-	735,989	-	735,989
- Sukuks - listed	-	183,916	-	183,916
- Sukuks - unlisted	-	18,285	-	18,285
- Privately placed short term sukuks - unlisted	-	250,000	-	250,000
- Commercial papers*	-	244,686	-	244,686
-	-	1,526,986	-	1,526,986

* The valuation of commercial papers has been done based on amortisation of commercial paper to its fair value as per the guidelines given in Circular 33 of 2012 since the residual maturity of this investment is less than six months and are placed with counterparties which have high credit rating.

** The carrying value of these securities approximate their fair value since these are short term in nature and are placed with counter parties which have high credit ratings.

During the year ended 30 June 2020, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

26 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. They are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

27 TRANSACTIONS WITH BROKERS / DEALERS

List of brokers by percentage of commission paid during the year ended 30 June 2020:

Particulars	Percentage (%)
Arif Habib Limited	29.79
Icon Management (Private) Limited	20.86
BMA Capital Management Limited	17.03
JS Global Capital Limited	15.33
BIPL Securities Limited	14.75
Summit Capital (Private) Limited	2.24
	<u>100.00</u>

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

List of brokers by percentage of commission paid during the year ended 30 June 2019:

Particulars	Percentage (%)
BIPL Securities Limited	34.22
JS Global Capital Limited	30.43
BMA Capital Management Limited	11.48
Summit Capital (Private) Limited	10.83
EFG Hermes Pakistan Limited	6.30
Arif Habib Limited	4.72
Icon Management (Private) Limited	1.23
Bank Islami Pakistan Limited	0.79
	<u>100.00</u>

28 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

As at 30 June 2020				
S.No	Name	Designation	Qualification	Experience in years
1	Mr. Adnan Afridi	Managing Director	Economics & Corporate Law from Harvard University & Harvard Law School	25
2	Mr. Manzoor Ahmed	Chief Operating Officer	MBA, DAIBP & CFA Level III	31
3	Mr. Aamir Amin	Head of Finance	FCA, CISA	22
4	Mr. Shoaib Ahmed Khan*	Head of Fixed income & Fund Manager	MBA & DAIBP	24
5	Mr. Ali Kamal	Head of Research	MBA, CFA Level-II	12
6	Mr. Attique ur Rehman Sheikh	Manager Risk Management	MBA	14
7	Mr. Faisal Aslam	Head of Compliance	MBA (Finance), BBA (Hons), CIMA - ADIMA (UK)	15

* Mr. Shoaib Ahmed Khan is also the Fund Manager of NIT - Money Market Fund

29 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 342nd, 343rd, 344th, 345th and 346th Board meetings were held on 5 July 2019, 25 September 2019, 30 October 2019, 24 February 2020 and 29 April 2020 respectively. Information in respect of attendance by the directors in the meetings is given below:

S.No	Name of directors	Number of meetings			Meetings not attended
		Held during tenure of directorship	Attended	Leave granted	
1	Mr. Adnan Afridi (Managing Director)	5	5	-	-
2	Mr. Jamal Nasim	5	5	-	-
3	Mian Nusrat-Ud-Din	5	5	-	-
4	Mr. Iqbal Adamjee	5	5	-	-
5	Mr. Khalid Mohsin Shaikh	5	3	2	342nd & 346th meetings
6	Mr. Ahmad Aqeel	5	5	-	-
7	Mr. Saeed Iqbal	5	4	1	342nd meeting
8	Mr. Shakeel Ahmad Mangnejo	1	1	-	-
9	Mr. Amir Mohyuddin	5	5	-	-
10	Mr. Arif Usmani	5	4	1	343rd meeting
11	Mr. Nauman Zafar	1	-	1	344th meeting
12	Mr. Aftab Ahmad Khan	1	1	-	-

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

30 PATTERN OF UNIT HOLDING

	2020		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment (%)
Individuals	1,195	471,787	12.55
Insurance companies	1	111,869	2.97
Banks / Development Financial Institutions	1	198,246	5.27
Non-Banking Financial Company	1	1,908,942	50.76
Retirement funds	26	717,373	19.08
Others	8	352,495	9.37
	<u>1,232</u>	<u>3,760,712</u>	<u>100.00</u>

	2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment (%)
Individuals	1,261	564,440	13.67
Insurance companies	1	108,208	2.62
Banks / Development Financial Institutions	1	191,760	4.64
Non-Banking Financial Company	1	1,849,998	44.80
Retirement funds	31	833,210	20.18
Others	12	582,162	14.10
	<u>1,307</u>	<u>4,129,777</u>	<u>100.00</u>

31 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on 07 July 2020 has approved a final distribution of Rs 1.2963 per unit (for full year). The aggregate cash distribution is Rs 419.965 million, and additional 839,402 units will be issued in lieu of refund of capital amounting to Rs 8.46 million. These units will be issued at zero value based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP.

The financial statements of the Fund for the year ended 30 June 2020 do not include the effect of the final distribution / refund of capital which will be accounted for in the financial statements of the Fund for the year ending 30 June 2021.

32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 11, 2020 by the Board of Directors of the Management Company.

33 GENERAL

33.1 Rounding off

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

33.2 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) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Maximum limit for application of discretionary discount as per the Annexure-I, Chapter 3 of Circular 33 of 2012 has been enhanced;
- c) The time period for classification of a debt security to non-performing category has been extended from 15 days to 180 days as per the requirements of Annexure-II of Circular 33 of 2012;
- d) Time period to ensure compliance with minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- e) Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

33.3 Operational risk management

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.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - INCOME FUND

PERFORMANCE TABLE

LAST 3 YEARS

		JUNE 20	JUNE 19	JUNE 18
Total Net Asset Value Ex-Dividend	(Rs. In 000's)	3,332,284	3,791,148	5,278,351
Net Asset Value per Unit Ex-Dividend	(Rs. / unit)	10.0825	10.1040	10.2625
Last Issue Price Per Unit *	(Rs. / unit)	11.4926	11.1166	10.9455
Last Repurchase Price Per Unit *	(Rs. / unit)	11.3788	11.0065	10.8371
Highest Issue Price During the Year	(Rs. / unit)	11.5057	11.1138	10.9455
Lowest Issue Price During the Year	(Rs. / unit)	10.2285	10.3781	10.4087
Highest Repurchase Price During the Year	(Rs. / unit)	11.3918	11.0038	10.8371
Lowest Repurchase Price During the Year	(Rs. / unit)	10.1272	10.2753	10.3056
Total Return of the Fund	%	12.58	7.25	5.22
Capital Growth	%	(0.25)	(1.54)	(0.36)
Income Distribution	%	12.83	8.79	5.58
Distribution per Unit	(Rs. / unit)	1.2963	0.9025	0.5746
Distribution Date		7-Jul-20	5-Jul-19	5-Jul-18
Average Annual Return				
One Year	%	12.58	7.25	5.22
Two Years	%	9.92	6.24	5.30
Three Years	%	8.35	5.95	5.49

Note: All investments in Mutual Funds and Securities are subject to Market Risk. Our target return/dividend range can not be guaranteed. NIT's unit price is neither guaranteed nor administered/managed. It is based on Net Asset Value (NAV) and the NAV of NIT units may go up or down depending upon the factors and forces affecting the market. Past performance is not indicative of future returns.

* These are cum-dividend prices of 30th June.