

The objective of the Fund is to generate a stable Shariah Compliant income stream, while seeking maximum possible preservation of capital over the medium to long-term period by investing in a diversified portfolio of Shariah Compliant fixed income and money market instruments.



CORPORATE INFORMATION

FUND NAME

NIT - Islamic Income Fund

NAME OF AUDITORS

EY Ford Rhodes, Chartered Accountants

LIST OF BANKERS

Bank Al Habib Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Sindh Bank Limited
Habib Metropolitan Bank Limited
Dubai Islamic Bank Limited
Soneri Bank Limited
Askari Bank Limited
United Bank Limited

NIT - ISLAMIC INCOME FUND

FUND MANAGER REPORT

2019-2020

NIT Islamic Income Fund (NIT IIF) Objective

The objective of the NIT Islamic Income Fund is to generate a stable Shariah compliant income stream, while seeking maximum possible preservation of capital, over the medium to long-term period, by investing in a diversified portfolio of Shariah Compliant fixed income and money market 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 IIF

• Fund Type	Open-End	• Category	Shariah Compliant (Islamic) Income
• Launch Date	July 04, 2016	• Listing	PSX
• Management Fee	7.5% of Gross Earnings, subject to a minimum fee of 0.25% p.a. and maximum fee of 1% p.a. of Average Annual Net Assets	• Front End Load	Nil
• Back End Load	Nil	• Par Value	PKR 10.0000
• Fund Manager	Salman Jawaid	• 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	EY Ford Rhodes
• Registrar	National Investment Trust Ltd.	• Pricing Mechanism	Forward Day Pricing
• Min Subscription	Rs. 1,000 Growth Units		
	Rs. 100,000 Income Units		

Rating

The Pakistan Credit Rating Agency (PACRA) assigned stability rating of "AA- (f)" (Double A minus fund rating) to NIT Islamic Income Fund in April 2020. The fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

NIT - ISLAMIC INCOME FUND

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2019-2020

Fund's Performance at a Glance

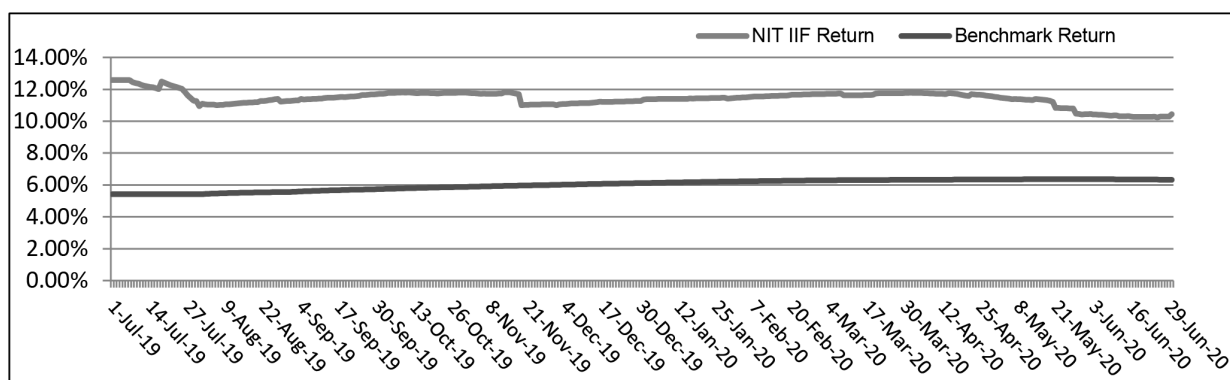
	2019-20	2018-19
Beginning Net Assets (Rs. in Million)	651	549
Beginning NAV Per Unit (Rs.)	10.6947	10.4679
Ending Net Assets (Rs. in Million) (Annual Dividend Adjusted)	990	651
Ending NAV Per Unit (Rs.) (Annual Dividend Adjusted)	10.8069	10.6947
Net Income (Rs. in Million)	90	42
Distribution Per Unit (Rs.)*	1.2481	0.9122
Income Distribution (% of Net Income)	100.00%	100.00%
Annualized Return (%)	10.44%	8.17%
Benchmark Return (%)	6.33%	3.69%
Weighted Average Time to Maturity (Days)	874	296

Benchmark vs. Return

The performance of the scheme is compared against a benchmark based on 6 month average deposit rates of three A rated Islamic Bank or Islamic windows of Conventional Banks as selected by MUFAP.

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 Islamic Income Fund yielded a return of 10.44% p.a. as compared to the benchmark return of 6.33% p.a. The Fund's annualized return since inception was 7.79% while its benchmark return was 3.89% p.a. The Fund size as on June 30, 2020 was Rs. 990 million.

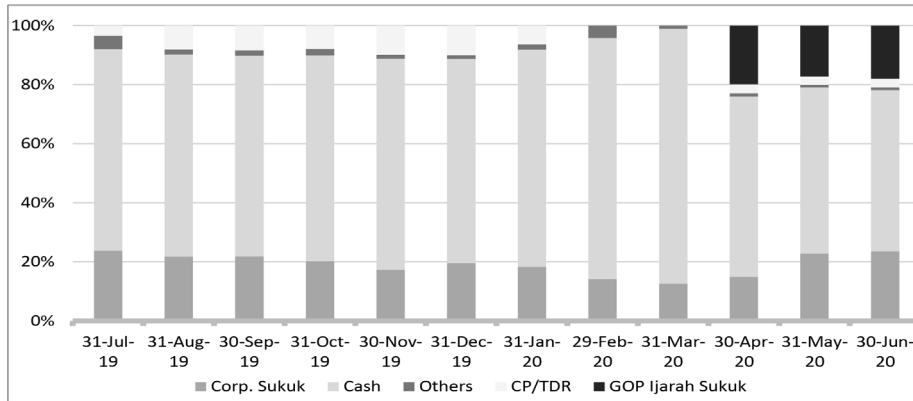
NIT - ISLAMIC INCOME FUND

FUND MANAGER REPORT

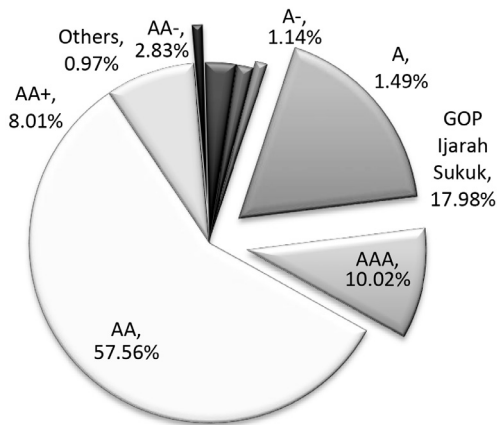
2019-2020

Asset Allocation During FY19

Asset allocation of NIT Islamic Income Fund at the period ended June 30, 2020 had an exposure of about 18% of total assets in GOP Ijarah Sukuk, around 24% in Corporate sukuk, 3% in Commercial Paper, about 55% in cash at bank while the remaining was in the form of other assets. As of June 30, 2020 the weighted average time to maturity of the fund was around 874 days.



Credit quality of the portfolio reveals that the fund is invested around 17.98% in GOP Ijarah Sukuk, 10.02% of its total assets in AAA rated instruments/institutions, 8.01% was invested in AA+, about 57.56% was invested in instrument having rating of AA, 2.83% of total assets was invested in AA-, 1.49% in A and around 1.14% was invested in A- rated securities. The remaining exposure was in un-rated securities (accruals/receivables).



TFC / Sukuk Holdings (% of TA)	% of Total Assets
PAKISTAN ENERGY SUKUK II	10.02%
DAWOOD HERC - SUKUK II	3.27%
HUBCO SUKUK II	3.07%
DUBAI ISLAMIC BANK	2.57%
DAWOOD HERC - SUKUK I	1.77%
MASOOD TEXTILE MILL - SUKUK	1.49%
GHANI CHEMICAL IND. LTD. - SUKUK	1.14%
FATIMA FERTILIZER - SUKUK	0.26%
Total	23.59%

Dividend Declaration by the Fund for FY20

During FY20, the Fund earned a net income of Rs. 90 million. For NIT IIF, NIT declared a per unit interim distribution of Rs. 1.2481 for the period ended 30 June, 2020.

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FUND MANAGER REPORT

2019-2020

Pattern of Unit Holders

Category	(Units in million) NIT-IIF	Percentage of Holding
Institutional Investors	32	34.78%
Individuals	60	65.22%
Total	92	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 1.56% per annum. Total expense ratio (excluding government levies) is 1.20% per annum.

SWWF Disclosure

The Scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 3.62m, If the same were not made the NAV per unit/ current year to date return of the Scheme would be higher by Rs. 0.0396/ 0.41%. 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 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

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2019-2020

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)

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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 Islamic 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

REPORT OF THE SHARIAH ADVISOR

I, the Shariah Advisor of the Islamic Income Fund, am issuing this report in accordance with the rules and regulations. The scope of the report is to express an opinion on the overall Shariah Compliance of the Fund's activities during the year.

In the capacity of Shariah Advisor of the Fund, I have prescribed the criteria and procedures to be followed for ensuring Shariah Compliance in each and every investment activity carried out by the Fund.

However, it is the responsibility of the Management Company of the Fund, to establish and maintain an effective system of internal controls to ensure full compliance with the Shariah guidelines. My responsibility as the Shariah Advisor is to express an opinion, based on my review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company and Investments to comply with the prescribed criteria.

In light of the above, I hereby certify that:

- i. I have reviewed and approved the modes of investments & policies of NIT-IIF in light of the Shariah principles & guidelines.
- ii. All the provisions of the Scheme and investments made on account of NIT-IIF by National Investment Trust Ltd. (NITL) are Shariah compliant and in accordance with the established criteria and given from time to time.
- iii. On the basis of information provided by the management, all operations of NIT-IIF including but not limited, to the investments, profit distribution, for the year ended 30th June 2020, have been in compliance with the Shariah principles.

No amount has been realized as charity, due to no Non-Compliant income received during the year.

May Allah give us strength to work in accordance with the guidelines of Quran & Sunnah and forgive our mistakes.

And Allah Knows Best.

Sd/-

Mufti Zeeshan Abdul Aziz
Shariah Advisor

Karachi: August 13th, 2020

INDEPENDENT AUDITORS' REPORT

TO THE UNIT HOLDERS OF NIT – ISLAMIC INCOME FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of NIT- Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 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 present fairly, in all material respects, the financial position of the Fund as at 30 June 2020, and of its financial performance and its cash flows 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 judgement, 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 are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Existence and valuation of bank balances and investments	
<p>As disclosed in note 6 and 7 to the accompanying financial statements of the Fund for the year ended 30 June 2020, the bank balances and investments (comprised of debt instruments) held by the Fund represent 98.9% of the total assets of the Fund as at the year end.</p> <p>In view of the significance of bank balances and investment in relation to the total assets and the Net Assets Value (NAV) of the Fund, we have considered the existence and valuation of such bank balances and investments as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of bank balances and investments. Our key procedures included the following:</p> <ul style="list-style-type: none">• We obtained independent confirmations for verifying the existence of the bank balances as at 30 June 2020 and reconciled it with the books and records of the Fund.• We tested controls over acquisition, disposals and periodic valuation of investments portfolio.• We performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement and related reconciliations and valuations on such investments in accordance with the accounting policy of the Fund as mentioned in note 5.• We evaluated the appropriateness of the classification of the investments in accordance with the requirements of IFRS 9.• We assessed the Fund's compliance with the requirements of the Regulations in relation to the concentration of investments and exposure limits prescribed in such Regulations and the applicability of disclosures in this regard.

INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and applicable financial reporting standards.

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 auditors' 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditors' 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 judgement 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.

INDEPENDENT AUDITORS' REPORT

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.

We communicate with the Board of Directors 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 the Board of Directors 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 the Board of Directors, 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

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulation, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.

Sd/-

EY Ford Rhodes
Chartered Accountants
Dated: 23 September 2020
Karachi

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

	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
	-----Rupees in '000-----	
ASSETS		
Bank balances	6 543,211	413,317
Investments	7 443,968	210,202
Receivable against subscription of investment	-	23,188
Receivable against redemption of debt securities	1,188	-
Profit receivable	8 9,240	7,595
Security deposits	9 100	466
Preliminary expenses and floatation costs	10 192	396
Total assets	997,899	655,164
LIABILITIES		
Payable to National Investment Trust Limited - Management Company	11 1,866	1,730
Payable to Central Depository Company of Pakistan Limited - Trustee	12 70	98
Payable to Securities and Exchange Commission of Pakistan	13 174	397
Accrued expenses and other liabilities	14 4,759	2,154
Dividend payable	793	-
Total liabilities	7,662	4,379
NET ASSETS	990,237	650,785
Unit holders' fund (as per statement attached)	990,237	650,785
Contingencies and commitments	15	
	----- Number of units -----	
Number of units in issue	16 91,629,716	60,851,206
	-----Rupees-----	
Net asset value per unit	10.8069	10.6947

The annexed notes 1 to 29 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 - ISLAMIC INCOME FUND
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	June 30, 2020	June 30, 2019
		----- Rupees in '000 -----	
INCOME			
Income from commercial papers		8,803	2,674
Income from sukuks		22,802	11,866
Profit on bank deposits		71,945	35,966
		103,550	50,506
EXPENSES			
Remuneration of National Investment Trust Limited - Management Company	11.1	7,401	3,730
Sindh Sales Tax on remuneration to Management Company	11.2	962	485
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12.1	644	900
Sindh Sales tax on remuneration to Trustee	12.2	84	117
Annual fee - Securities and Exchange Commission of Pakistan		174	397
Allocation of expenses related to registrar services, accounting, operation and valuation services	11.3	858	529
Amortisation of preliminary expenses and floatation costs		204	204
Auditors' remuneration	17	295	269
Legal and professional charges		211	160
Settlement and bank charges		414	438
Listing fee		27	216
Shariah advisory fee		111	72
Printing charges		122	83
Mutual fund rating fee		153	137
Total expenses		11,660	7,737
Net income from operating activities		91,890	42,769
Provision for Sindh Workers' Welfare Fund	14.1	(1,838)	(855)
Net income for the year before taxation		90,052	41,914
Taxation	18	-	-
Net income for the year		90,052	41,914
Allocation of net income for the year after taxation			
Net income for the year		90,052	41,914
Income already paid on units redeemed		(23,729)	(6,675)
		66,323	35,239
Accounting income available for distribution:			
- Relating to capital gains		-	-
- Excluding capital gains		66,323	35,239
		66,323	35,239

The annexed notes 1 to 29 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 - ISLAMIC INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	June 30, 2020 ----- Rupees in '000 -----	June 30, 2019 -----
Net income for the year after taxation		90,052	41,914
Other comprehensive income for the year			
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'fair value through other comprehensive income' (FVOCI)	7.8	(6,158)	372
Total comprehensive income for the year		<u><u>83,894</u></u>	<u><u>42,286</u></u>

The annexed notes 1 to 29 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 - ISLAMIC INCOME FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	June 30, 2020	June 30, 2019
Note	-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	90,052	41,914
(Increase) / decrease in assets		
Investments	(239,924)	(115,442)
Profit receivable	(1,645)	(3,653)
Security deposits	366	(366)
Amortisation of preliminary expenses and floatation costs	204	204
Receivable against subscription of investment	23,188	(23,188)
Receivable against redemption of debt securities	(1,188)	-
	(218,999)	(142,445)
(Decrease) / Increase in liabilities		
Payable to National Investment Trust Limited - Management Company	136	255
Payable to Central Depository Company of Pakistan Limited - Trustee	(28)	-
Payable to Securities and Exchange Commission of Pakistan	(223)	(47)
Payable against redemption of units	-	(13,511)
Accrued expenses and other liabilities	2,605	260
	2,490	(13,043)
Net cash used in operating activities	(126,457)	(113,574)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units - including CIP	1,701,152	708,394
Payments on redemption of units	(1,403,679)	(624,534)
Dividend paid	(41,122)	(24,664)
Net cash generated from financing activities	256,351	59,196
Net increase in cash and cash equivalents during the year	129,894	(54,378)
Cash and cash equivalents at the beginning of the year	413,317	467,695
Cash and cash equivalents at the end of the year	543,211	413,317

6

The annexed notes 1 to 29 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 - ISLAMIC 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 The NIT - Islamic Income Fund (the Fund) was established under a Trust Deed executed between National Investment Trust Limited (NITL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/AMCW/NITL/324/ 2016 dated March 01, 2016 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on 14 March 2016. The Fund is categorised as Shariah Compliant Income Scheme as per criteria for categorisation of open end collective investment scheme as specified by SECP and other allied matters.
- 1.2 The Management Company of the Fund has been classified as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building, I. I. Chundrigar Road, Karachi.
- 1.3 The Fund is an open-ended mutual fund and is listed on Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The units of the Fund were initially offered for public subscription at initial price of Rs.10 on July 04, 2016 and received Rs.159.518 million against initial public offer from various investors including Management Company and accordingly the Fund commenced its business activities on
- 1.4 The objective of the Fund is to generate a stable shariah compliant income stream, while seeking maximum possible preservation of capital, over the medium to long term period, by investing in a diversified portfolio of Shariah Compliant fixed income and money market instruments. The Management Company has appointed Mufti Zeeshan Abdul Aziz as Shariah Advisor to the Fund to ensure the activities are in compliance with the principles of Shariah.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned "AA-(f)" rating to the Fund and has assigned an asset manager rating of "AM2++" to the Management Company.
- 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 PRESENTATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984;
- The NBFC rules, the Non-Banking Finance Companies, Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of 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 requirements of the Trust Deed differ from the IFRS Standards, 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 requirements of the Trust Deed have been followed.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain investments which are measured at fair value.

These financial statements are presented in Pakistani Rupee which is the Fund's functional and presentation currency.

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions

NIT - ISLAMIC INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years.

5.1 New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 16 – Leases

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRS 3 – Business Combinations – Previously held interests in a joint operation

IFRS 9 – Financial instruments – Prepayment Features with Negative Compensation (Amendments)

IAS 28 – Long-term Interests in Associates and Joint Ventures (Amendments)

IFRS 11 – Joint Arrangements – Previously held interests in a joint operation

IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity

IAS 23 – Borrowing Costs - Borrowing costs eligible for capitalisation

IAS 19 – Employee Benefits – Plan Amendment, Curtailment or Settlement (Amendments)

IFRS 14 – Regulatory Deferral Accounts

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017 which became effective in the current period.

The adoption of the above standards, amendments and improvements to accounting standards and interpretations did not have any material effect on the financial statements.

5.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
Definition of a Business - Amendments to IFRS 3	January 01, 2020
Interest rate benchmark reform - Amendment to IFRS 9, IAS 39 and IFRS 7	January 01, 2020
Definition of Material – Amendments to IAS 1 and IAS 8	January 01, 2020
Covid-19-Related Rent Concessions – Amendment to IFRS 16	June 01, 2020
Property, Plant and Equipment: Proceeds before Intended Use – - Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Classification of liabilities as current or non-current - Amendment to IAS 1	January 01, 2022

NIT - ISLAMIC INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

	Effective date (annual periods beginning on or after)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 1 - First-time Adoption of International Financial Reporting Standards	July 01, 2009
IFRS 17 – Insurance Contracts	January 01, 2023

5.3 Financial assets

Classification

Debt instruments

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument held for trading purposes is classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a debt instrument that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Fund determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

NIT - ISLAMIC INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

The Fund's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The objectives for the portfolio, in particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessments whether contractual cash flows are solely payments of principal and interest (SPPI)

As a second step of its classification process the Fund assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Fund applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Initial Measurement

Investments are initially measured at their fair value except in the case of financial assets recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

Subsequent Measurement

Debt instruments at amortised cost

After initial measurement, such debt instruments are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective interest rate.

Debt instruments at fair value through profit or loss

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss.

Debt instruments at fair value through other comprehensive income

Financial assets at FVOCI are recorded in the statement of financial position at fair value. Changes in fair value are recorded in other comprehensive income.

NIT - ISLAMIC INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Impairment

IFRS 9 requires an expected credit loss model which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, October 24, 2012 will be followed.

Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial asset expires or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Offsetting of financial assets and 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.

5.4 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.

5.5 Taxation

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of 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. The Fund is also exempt from the provision of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

5.6 Earnings per unit

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

5.7 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on 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.

5.8 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the net asset value representing the investors' right to a residual interest in the Fund assets.

5.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors / Management Company during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges,

Units redeemed are recorded at the redemption price, applicable to units for which the distributors / Management Company receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

NIT - ISLAMIC INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

5.10 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on remeasurement of investments classified as "fair value through OCI" are included in the statement of comprehensive income in the period in which they arise.
- Profit on bank deposits, mark-up / return on debt securities and government securities is recognised using effective yield method.

5.11 Expenses

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

5.12 Distributions

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP), distributions for the year are deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

5.13 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 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.

5.14 Cash and cash equivalents

Cash and cash equivalents comprise of saving accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

6	BANK BALANCES	Note	June 30, 2020	June 30, 2019
			----- Rupees in '000 -----	
	In saving accounts	6.1	<u>543,211</u>	<u>413,317</u>

These accounts carry return at rates ranging from 6.50% to 13.00% per annum (2019: 2.40% to 13.55% per annum).

7 INVESTMENTS

Fair Value through Other Comprehensive Income

Debt securities:

- Sukuks - listed	7.1	167,725	66,672
- Sukuks - unlisted	7.2	37,065	43,752
- Privately placed short term Sukuks - unlisted	7.3	30,643	50,000
- Commercial papers	7.4	29,085	49,778
- Government securities	7.5	179,450	-
		<u>443,968</u>	<u>210,202</u>

NIT - ISLAMIC INCOME FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

7.1 Sukuks - listed

Name of the investee company	Number of certificates				Balance as at June 30, 2020		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying value	Market value		
						Rupees in '000		(%)
Dawood Hercules Corporation Limited	250	-	-	250	17,316	17,673	1.78	3.98
Dawood Hercules Corporation Limited	400	-	-	400	31,999	32,583	3.29	7.34
Fatima Fertilizer Company Limited	1,717	-	-	1,717	2,575	2,591	0.26	0.58
Masood Textile Mills Limited	-	15	-	15	15,000	14,878	1.50	3.35
Pakistan Energy Sukuk II	-	20,000	-	20,000	100,000	100,000	10.10	22.52
Total - June 30, 2020	2,367	20,015	-	22,382	166,890	167,725	16.93	37.77
Total - June 30, 2019	2,117	250	-	2,367	66,481	66,672	10.24	31.72

7.2 Sukuks - unlisted

Dubai Islamic Bank Limited	25	-	-	25	25,339	25,656	2.59	5.78
Ghani Chemical Industries Limited	285	-	-	285	13,094	11,409	1.15	2.57
Total - June 30, 2020	310	-	-	310	38,433	37,065	3.74	8.35
Total - June 30, 2019	310	-	-	310	43,225	43,752	6.72	20.82

7.3 Privately placed short term Sukuk - unlisted

The Hub Power Company Limited	10,000	-	10,000	-	-	-	-	-
The Hub Power Company Limited	-	300	-	300	30,000	30,643	3.09	6.90
Total - June 30, 2020	10,000	300	10,000	300	30,000	30,643	3.09	6.90
Total - June 30, 2019	-	10,000	-	10,000	50,000	50,000	7.68	23.79

7.4 Commercial Papers

Hascol Petroleum Limited	50	-	50	-	-	-	-	-
K-Electric Limited	-	50,000	50,000	-	-	-	-	-
K-Electric Limited - ICP 8	-	30,000	-	30,000	29,085	29,085	2.94	6.55
TPL Corporation Limited	-	25,000	25,000	-	-	-	-	-
Total - June 30, 2020	50	105,000	75,050	30,000	29,085	29,085	2.94	6.55
Total - June 30, 2019	-	50	-	50	49,778	49,778	7.65	23.68

7.5 Government securities

Ijarah Sukuk	-	185,000	-	185,000	185,000	179,450	18.12	40.42
Total - June 30, 2020	-	185,000	-	185,000	185,000	179,450	18.12	40.42

NIT - ISLAMIC INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

7.6 Significant terms and conditions of sukuk outstanding at the year end are as follows:

Name of security	Number of certificates	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Tenor	Secured / Unsecured	Rating
Sukuk - listed							
Fatima Fertilizer Company Limited	1,717	1,500	6-months KIBOR + 1.10%	28 November 2016	5 years	Secured	AA-
Dawood Hercules Corporation Limited	400	80,000	3-months KIBOR + 1.00%	01 March 2018	5 years	Secured	AA
Dawood Hercules Corporation Limited	250	70,000	3-months KIBOR + 1.00%	16 November 2017	5 years	Secured	AA
Pakistan Energy Sukuk II	20,000	5,000	3-months KIBOR - 0.1%	21 May 2020	10 Years	Secured	Un-rated
Masood Textile Mills Limited	15	1,000,000	3-months KIBOR + 2.00%	17 December 2019	5 years	Secured	A
Sukuk - unlisted							
Dubai Islamic Bank Limited	25	1,000,000	6-months KIBOR + 0.50%	14 July 2017	10 years	Unsecured	AA-
Ghani Chemical Industries Limited	285	45,833	3-months KIBOR + 1.00%	02 February 2017	6 years	Unsecured	A-
Privately Placed Short term Sukuk - unlisted							
The Hub Power Company Limited	300	100,000	3-months KIBOR + 1.00%	22 August 2019	4 years	Unsecured	AA+
Government securities							
Ijarah sukuk	185,000	100	6.63%	30 April 2020	5 years	Secured	

7.7 Significant terms and conditions of commercial papers outstanding at the year end are as follows:

Name of security	Number of certificates	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Tenor	Secured / Unsecured	Rating
K-Electric Limited - ICP 8	30	100,000	12.18%	06 April 2020	6 months	Secured	A1+

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

	June 30, 2020	June 30, 2019
	Note	-----Rupees in '000-----
Market value of investments	443,968	210,202
Less: Carrying value of investments	(449,408)	(209,484)
	(5,440)	718
Less: Net unrealised appreciation at the beginning of the year	718	346
	<u>(6,158)</u>	<u>372</u>

8 PROFIT RECEIVABLE

Profit on saving accounts	3,370	4,354
Mark-up on fixed income securities	5,870	3,241
	<u>9,240</u>	<u>7,595</u>

9 SECURITY DEPOSITS

National Clearing Company of Pakistan Limited	-	366
Central Depository Company of Pakistan Limited	100	100
	<u>100</u>	<u>466</u>

10 PRELIMINARY EXPENSES AND FLOTATION COSTS

Preliminary expenses and flotation costs	396	600
Less: Amortisation during the year	10.1 (204)	(204)
	<u>192</u>	<u>396</u>

10.1 Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of the operations of the Fund i.e. July 04, 2016. This cost is restricted to one percent of Pre-IPO capital or Rs. 5 million, whichever is lower, and are being amortised over a period of five years in accordance with the Trust Deed of the Fund.

11 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY

	June 30, 2020	June 30, 2019
	Note	-----Rupees in '000-----
Management remuneration	11.1 550	456
Sindh Sales Tax on management remuneration	11.2 72	59
Preliminary expenses and flotation costs	1,018	1,018

NIT - ISLAMIC INCOME FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	June 30, 2020	June 30, 2019
-----Rupees in '000-----			
Allocation of expenses related to registrar services, accounting, operation and valuation services	11.3	81	52
Others		145	145
		<u>1,866</u>	<u>1,730</u>

11.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on November 25, 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 2 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 7.5 percent (2019: 7.5 percent) of gross earnings subject to a minimum fee of 0.25 percent per annum of average net assets, and a maximum fee of 1 percent per annum of average annual net

11.2 Sindh Sales Tax at the rate of 13% (June 30, 2019: 13%) is charged on the management remuneration.

11.3 In accordance with Regulation 60(3)(s) of the NBFC Regulations, the Management Company is entitled to charge actual fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS). However, the Management Company based on its own discretion has currently fixed a maximum capping of 0.1 percent of the average annual net assets of the Fund for allocation of such expenses to the Fund.

	Note	June 30, 2020	June 30, 2019
-----Rupees in '000-----			
12 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee remuneration	12.1	62	87
Sales tax payable on trustee remuneration	12.2	8	11
		<u>70</u>	<u>98</u>

12.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. During the year, the Trustee has revised its tariff with effect from July 01, 2019 as follows:

Previous Tariff		Revised Tariff (Flat Rate)
Net Assets (Rs.)	Fee	
- up to Rs. 1 billion	Higher of Rs. 700,000 or 0.15% p.a. of net assets	0.075% p.a. of net assets
- Rs. 1 billion to Rs. 10 billion	0.075% p.a. of net assets exceeding Rs. 1 billion	
- over Rs. 10 billion	0.05% p.a. of net assets exceeding Rs. 10 billion	

12.2 Sindh Sales Tax at the rate of 13% (2019: 13%) is charged on trustee remuneration.

13 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

SECP vide S.R.O 685(1)/2019 dated June 28, 2019 has revised rate of annual fee at 0.02% of net assets (2019: 0.075% of average annual net assets) and is applicable on all categories of Collective Investment Schemes, accordingly in the current year, the Fund has charged SECP fee as per the revised rates.

	Note	June 30, 2020	June 30, 2019
-----Rupees in '000-----			
14 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund	14.1	3,624	1,786
Capital gain tax		495	134
Auditors' remuneration		217	162
Legal and professional charges		79	-
Printing charges		30	14
Brokerage		-	14
Shariah advisory fee		10	7
Withholding tax		2	-
Zakat payable		302	37
		<u>4,759</u>	<u>2,154</u>

NIT - ISLAMIC INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

- 14.1** The Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion obtained in August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

MUFAP has also taken a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP as an abundant caution, has decided to provide for SWWF with effect from May 21, 2015 and is being made on daily basis going forward while the efforts to exclude mutual funds from SWWF continue. The provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs.0.0396 (June 30, 2019: Rs.0.0294).

15 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2020 (2019: Nil).

16 NUMBER OF UNITS IN ISSUE

	----- (Number of units) -----	
Total units in issue at beginning of the year	60,851,206	52,474,734
Add: Units issued	163,365,728	67,716,983
Add: Units issued under Cumulative Investment Plan	2,779,931	1,694,633
Less: Units redeemed	<u>(135,367,149)</u>	<u>(61,035,145)</u>
Total units in issue at end of the year	<u>91,629,716</u>	<u>60,851,206</u>

17 AUDITORS' REMUNERATION

	June 30, 2020	June 30, 2019
	-----Rupees in '000-----	
Statutory audit fee	132	125
Half yearly review	79	75
Income certification	50	-
Out of pocket expenses including government levy	<u>34</u>	<u>69</u>
	<u>295</u>	<u>269</u>

18 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2020 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

19 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 1.56% per annum. Total expense ratio (excluding government levies) is 1.20% per annum. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an income

20 TRANSACTIONS WITH CONNECTED PERSONS

- 20.1** 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 person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of Fund and the directors and officers of the Management Company and the Trustee and unit holders holding 10 percent or more units of the Fund.

NIT - ISLAMIC INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

20.2 The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.

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

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

Details of the transactions with connected persons are as follows:	June 30, 2020	June 30, 2019
	-----Rupees in '000-----	
National Investment Trust Limited - Management Company		
Issue of 3,922 units (2019: Nil)	41	-
Issue of 1,254,432 units under CIP (2019: 753,955 units)	12,293	7,461
Additional 723 unit issued as refund of capital (2019: Nil units)	-	-
2,453,747 units redeemed (2019: Nil units)	25,000	-
Remuneration of the Management Company	7,401	3,730
Sindh Sales Tax on Management remuneration	962	485
Allocation of expenses related to registrar services, accounting, operation and valuation services	858	529
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	644	900
Sindh Sales Tax on Trustee Remuneration	84	117
Directors and Key management personnel		
Issue of 145,900 units (2019: 90,404 units)	1,450	900
Transfer out of Nil units (2019: 20,000 units)	-	200
Issue of 6,693 units under CIP (2019: 650 units)	66	6

20.5 Amounts outstanding as at year end:	June 30, 2020	June 30, 2019
	-----Rupees in '000-----	
National Investment Trust Limited - Management Company		
14,667,859 Units held (June 30, 2019: 15,862,528 units)	158,514	169,645
Management remuneration	550	456
Sindh Sales Tax on Management remuneration	72	59
Preliminary expenses and floatation costs	1,018	1,018
Allocation of expenses related to registrar services, accounting, operation and valuation services	81	52
Others	145	145
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	62	87
Sindh Sales Tax on Trustee remuneration	8	11
Director and Key management personnel		
244,720 units held (June 30, 2019: 91,485 units)	2,645	978

21 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

21.1 Market risk

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

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

NIT - ISLAMIC INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

21.1.1 Currency risk

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

21.1.2 Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds KIBOR based interest bearing sukuks exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2019, with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs.2.35 million (2019: Rs.2.1 million).

Yield / 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 instruments is based on settlement date.

As at June 30, 2020						
Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	
	Upto 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						
Bank balances	6.50 - 13.00	543,211	-	-	543,211	
Investments	Note 7	-	29,085	414,883	443,968	
Receivable against redemption of debt securities				1,188	1,188	
Profit receivable		-	-	9,240	9,240	
Security deposits		-	-	100	100	
		543,211	29,085	414,883	10,528	997,707
Financial liabilities						
Payable to National Investment Trust Limited - Management Company		-	-	-	1,794	1,794
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	62	62
Accrued expenses and other liabilities		-	-	-	4,240	4,240
Dividend payable		-	-	-	793	793
		-	-	-	6,889	6,889
On-balance sheet gap		543,211	29,085	414,883	3,639	990,818
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		543,211	29,085	414,883	3,639	990,818
Cumulative interest rate sensitivity gap		543,211	572,296	987,179		

NIT - ISLAMIC INCOME FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

As at June 30, 2019					
Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto 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					
Bank balances	2.4 - 13.55	413,317	-	-	413,317
Investments	Note 7	49,778	50,000	110,424	210,202
Profit receivables		-	-	-	7,595
Security deposits		-	-	-	466
		463,095	50,000	110,424	8,061
					631,580
Financial liabilities					
Payable to National Investment Trust Limited - Management Company		-	-	-	1,671
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	87
Payable against redemption of units		-	-	-	-
Accrued expenses and other liabilities		-	-	-	234
		-	-	-	1,992
					1,992
On-balance sheet gap		463,095	50,000	110,424	6,069
					629,588
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		463,095	50,000	110,424	6,069
					629,588
Cumulative interest rate sensitivity gap		463,095	513,095	623,519	

21.1.3 Price risk

Price risk is 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. The Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at June 30, 2020.

21.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in sukuks, 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 Shariah Compliant 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 June 30, 2020 and June 30, 2019.

2020				
Balance as at June 30, 2020	Rating agency	Published rating	Percentage of total bank balances	
(Rupees in '000)			%	
Bank balances				
Name of the bank				
Bank AL Habib Limited	23,117	PACRA	AA+	4.26
National Bank of Pakistan	152	PACRA	AAA	0.03
Habib Metropolitan Bank	4	PACRA	AA+	0.00

NIT - ISLAMIC INCOME FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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2020			
Balance as at June 30, 2020	Rating agency	Published rating	Percentage of total bank balances
(Rupees in '000)			%
Bank Islami Pakistan Limited	323	PACRA A+	0.06
Sindh Bank Limited	201	VIS A+	0.04
Askari Bank Limited	8	PACRA AA+	0.00
Meezan Bank Limited	8	VIS AA+	0.00
Habib Bank Limited	919	VIS AAA	0.17
Dubai Islamic Bank Limited	518,431	VIS AA	95.44
Soneri Bank Limited	48	PACRA AA-	0.01
	543,211		100.00

2019			
Balance as at June 30, 2019	Rating agency	Published rating	Percentage of total bank balances
(Rupees in '000)			%
Bank Al-Habib Limited	775	PACRA AA+	0.19
National Bank of Pakistan	50	PACRA AAA	0.01
Habib Metropolitan Bank	4	PACRA AA+	0.00
Bank Islami Pakistan Limited	1	PACRA A+	0.00
Sindh Bank Limited	4	JCR-VIS A+	0.00
Askari Bank Limited	6	PACRA AA+	0.00
Meezan Bank Limited	81	JCR-VIS AA+	0.02
Habib Bank Limited	412,371	JCR-VIS AAA	99.77
Dubai Islamic Bank Limited	22	JCR-VIS AA	0.01
United Bank Limited	-	JCR-VIS AAA	-
Soneri Bank Limited	3	PACRA AA-	0.00
	413,317		100.00

2020			
Market value as at 30 June 2020	Rating agency	Published rating	Percentage of total market value
(Rupees in '000)			%
Fatima Fertilizer Company Limited	2,591	PACRA AA-	1.10%
Dawood Hercules Corporation Limited	50,256	PACRA AA	21.35%
Ghani Gases Limited	11,409	PACRA A-	4.85%
Dubai Islamic Bank Pakistan Limited	25,656	VIS AA-	10.90%
Hub Power Company Limited	30,643	PACRA AA+	13.02%
Masood Textile Limited	14,878	VIS A	6.32%
Pakistan Energy Sukuk II	100,000	Un-rated	42.47%
	235,433		100.00%

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FOR THE YEAR ENDED 30 JUNE 2020

2019			
Market value as at 30 June 2019	Rating agency	Published rating	Percentage of total market value

(Rupees in '000)

%

Sukuks

Name of the investee company

Fatima Fertilizer Company Limited	4,326	PACRA	AA-	2.06
Dawood Hercules Corporation Limited	62,346	PACRA	AA	29.66
Ghani Gases Limited	18,285	PACRA	A-	8.70
Dubai Islamic Bank Pakistan Limited	25,468	JCR-VIS	AA	12.11
Hub Power Company Limited	50,000	PACRA	AA+	23.79
Hascol Petroleum Limited	49,778	JCR-VIS	AA	23.68
	<u>210,202</u>			<u>100.00</u>

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

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect 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 mostly concentrated in balances held with commercial banks.

21.3 Liquidity risk

Liquidity risk is 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 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, without incurring unacceptable losses or risking damages to the Fund's reputation.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to ten 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 obtained by the Fund during the current period.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

As at June 30, 2020			
Upto three months	Over three months and upto one year	Over one year	Total

(Rupees in '000)

Financial liabilities

Payable to National Investment Trust Limited - Management Company	1,794	-	-	1,794
Payable to Central Depository Company of Pakistan Limited - Trustee	62	-	-	62
Accrued expenses and other liabilities	638	-	-	638
Dividend payable	793	-	-	793
	<u>3,287</u>	-	-	<u>3,287</u>
Unit holders' Fund	<u>990,237</u>	-	-	<u>990,237</u>

NIT - ISLAMIC INCOME FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

As at June 30, 2019				
Upto three months	Over three months and upto one year	Over one year	Total	
----- (Rupees in '000) -----				
Payable to National Investment Trust Limited - Management Company	1,671	-	-	1,671
Payable to Central Depository Company of Pakistan Limited - Trustee	87	-	-	87
Accrued expenses and other liabilities	234	-	-	234
	<u>1,992</u>	<u>-</u>	<u>-</u>	<u>1,992</u>
Unit holders' Fund	<u>650,785</u>	<u>-</u>	<u>-</u>	<u>650,785</u>

21.4 Financial instruments by category

June 30, 2020			
At fair value through OCI	At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----			
Balances with banks	-	543,211	543,211
Investments	443,968	-	443,968
Profit receivable	-	9,240	9,240
Receivable against redemption of debt securities	-	1,188	1,188
Security deposits	-	100	100
	<u>443,968</u>	<u>553,739</u>	<u>997,707</u>

Assets

Balances with banks
Investments
Profit receivable
Receivable against redemption of debt securities
Security deposits

June 30, 2020			
At fair value through profit or loss	At amortised cost	Total	
----- (Rupees in '000) -----			
Payable to National Investment Trust Limited - Management Company	-	1,794	1,794
Payable to Central Depository Company of Pakistan Limited - Trustee	-	62	62
Payable against redemption of units	-	-	-
Accrued expenses and other liabilities	-	4,240	4,240
Dividend payable	-	793	793
	<u>-</u>	<u>6,889</u>	<u>6,889</u>

Liabilities

Payable to National Investment Trust Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against redemption of units
Accrued expenses and other liabilities
Dividend payable

As at June 30, 2019			
At fair value through OCI	At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----			
Balances with banks	-	413,317	413,317
Investments	210,202	-	210,202
Profit receivable	-	7,595	7,595
Receivable against subscription of investment	-	23,188	23,188
Security deposits	-	466	466
	<u>210,202</u>	<u>444,566</u>	<u>654,768</u>

Assets

Balances with banks
Investments
Profit receivable
Receivable against subscription of investment
Security deposits

NIT - ISLAMIC INCOME FUND
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June 30, 2019		
At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----		
Payable to National Investment Trust Limited - Management Company	-	1,671
Payable to Central Depository Company of Pakistan Limited - Trustee	-	87
Payable against redemption of units	-	-
Accrued expenses and other liabilities	-	234
	-	1,992
	-	1,992

22 UNIT HOLDERS' FUND

The unit holders' fund is represented by redeemable units. These units are entitled to dividends 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 in the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restrictions on the subscription and redemption of units.

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 20, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowings or disposal of investments, where necessary.

As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. The Fund has maintained and complied with the requirements of minimum fund size during the year.

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price).

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 financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

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

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

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

As at June 30, 2020 and June 30, 2019, the Fund held the following instruments measured at fair values:

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
June 30, 2020				
At fair value through OCI	-	443,968	-	443,968
	-	443,968	-	443,968

NIT - ISLAMIC INCOME FUND
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	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
June 30, 2019				
At fair value through OCI	-	210,202	-	210,202
	-	210,202	-	210,202

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

The Fund has not disclosed the fair values of other financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of their fair values.

24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No.	Name	Designation	Qualification	Experience in years
1	Mr. Adnan Afridi	Managing Director	Economics (A,B, Magna Cum Laude, 1992), from Harvard University & Corporate Law (JD, Magna Cum Laude, 1995) from Harvard Law	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	MBA & DAIBP	24
5	Mr. Salman Jawaid	Fund Manager	MBA	11
6	Ali Kamal	Head of Research	MBA	12
7	Mr. Attique ur Rehman Sheikh	Manager -Risk Management	MBA	14
8	Mr. Faisal Aslam	Head of Compliance	MBA (Finance), BBA (Hons), CIMA-ADIMA (UK)	15

25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 342th, 343th, 344th, 345th and 346st Board meetings were held on July 05, 2019, September 25, 2019, October 19, 2019, February 24, 2020, April 29, 2020 respectively.

Information in respect of attendance by the Directors in the meetings is given below:

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

NIT - ISLAMIC INCOME FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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26 PATTERN OF UNIT HOLDING

As at June 30, 2020		
Number of unit holders	Investment amount	Percentage of total investment
	(Rupees in '000)	-- (%) --
Category		
Individuals	728	65.48
NBFCs	1	16.01
Retirement funds	7	14.15
Others	7	4.36
Total	743	100.00

Category

Individuals

NBFCs

Retirement funds

Others

Total

As at June 30, 2019		
Number of unit holders	Investment amount	Percentage of total investment
	(Rupees in '000)	-- (%) --
Category		
Individuals	602	44.46
NBFCs	1	26.07
Retirement funds	5	17.68
Others	6	11.80
Total	614	100.00

Category

Individuals

NBFCs

Retirement funds

Others

Total

27 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on July 07, 2020 has approved a final distribution of Rs.1.2481 per unit (for full year). The aggregate cash distribution is Rs.82.86 million is in addition to refund of capital / element of income by issuing 3,296,207 additional units to eligible unit holders at zero price as per MUFAP guidelines (duly consented upon by SECP).

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

28 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.

29 GENERAL

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

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - ISLAMIC INCOME FUND

PERFORMANCE TABLE

LAST 3 YEARS

		JUNE 20	JUNE 19	JUNE 18
Total Net Asset Value Ex-Dividend	(Rs. In 000's)	875,874	595,277	518,815
Net Asset Value per Unit Ex-Dividend	(Rs. / unit)	9.5588	9.7825	9.8869
Last Issue Price Per Unit *	(Rs. / unit)	10.8069	10.6947	10.4679
Last Repurchase Price Per Unit *	(Rs. / unit)	10.8069	10.6947	10.4679
Highest Issue Price During the Year	(Rs. / unit)	10.8069	10.6821	10.4679
Lowest Issue Price During the Year	(Rs. / unit)	9.8092	9.9005	10.0312
Highest Repurchase Price During the Year	(Rs. / unit)	10.8069	10.6821	10.4679
Lowest Repurchase Price During the Year	(Rs. / unit)	9.8092	9.9005	10.0312
Total Return of the Fund	%	10.44	8.17	4.41
Capital Growth	%	(2.32)	(1.06)	(1.39)
Income Distribution	%	12.76	9.23	5.80
Distribution per Unit	(Rs. / unit)	1.2481	0.9122	0.5810
Distribution Date		7-Jul-20	5-Jul-19	5-Jul-18
Average Annual Return				
One Year	%	10.44	8.17	4.41
Two Years	%	9.31	6.29	4.51
Three Years	%	7.67	5.73	-

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.