

The objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio of Shariah Compliant listed equities.

NITIEF
NIT - ISLAMIC EQUITY FUND

TRUSTEE REPORT TO THE UNIT HOLDERS

NIT - ISLAMIC EQUITY FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NIT - Islamic Equity Fund (the Fund) are of the opinion that National Investment Trust Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2017 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.

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 26, 2018

NIT - ISLAMIC EQUITY FUND

AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS

INTRODUCTION

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NIT Islamic Equity Fund** ("the Fund") as at 31 December 2017 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

OTHER MATTER

The figures for the three months period ended 31 December 2017 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem
Dated: 27th February, 2018
Karachi

NIT - ISLAMIC EQUITY FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2017

	Note	31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
Assets			
Bank balances	7	572,793	604,677
Investments	8	3,559,161	4,147,494
Receivable against sale of investments		72,815	-
Dividend and profit receivable		19,623	22,130
Preliminary expenses and floatation costs		2,375	2,877
Security deposits		2,600	2,600
Total assets		4,229,367	4,779,778
Liabilities			
Payable to National Investment Trust Limited - Management Company	9	15,783	16,935
Payable to Central Depository Company of Pakistan Limited - Trustee	10	485	537
Payable to Securities and Exchange Commission of Pakistan		2,033	4,490
Payable against purchase of investments		24,821	18,937
Payable against redemption of units		1,639	6
Dividend payable		63	46,741
Accrued expenses and other liabilities	11	39,775	41,482
Total liabilities		84,599	129,128
Net assets		4,144,768	4,650,650
Unit holders' fund (as per statement attached)		4,144,768	4,650,650
Contingencies and commitments	12		
		(Number of units)	
Number of units in issue		414,847,293	392,338,717
Net assets value per unit	Rupees	9.99	11.85

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - ISLAMIC EQUITY FUND
CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

Note	Six months period ended		Three months period ended		
	2017	2016	2017	2016	
(Rupees in '000)					
Income					
Dividend income	115,665	104,657	79,795	70,292	
Gain on sale of investments - net	42,046	164,437	39,438	104,504	
Mark-up / return on bank deposits	15,188	16,193	8,786	6,456	
Total income	172,899	285,287	128,019	181,252	
Expenses					
Impairment loss on equity securities classified as 'available for sale'	8.2.1	229,076	50,824	103,368	-
Remuneration of National Investment Trust Limited - Management Company	9.1	42,853	47,267	20,796	23,326
Sindh Sales Tax on remuneration of Management Company	9.2	5,571	6,145	2,704	3,032
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,647	2,869	1,292	1,419
Sindh Sales Tax on remuneration of Trustee	10.1	344	373	168	184
Annual fee - Securities and Exchange Commission of Pakistan		2,033	2,243	986	1,107
Allocation of expenses related to registrar services, accounting, operations and valuation services	9.3	2,158	2,363	1,054	1,166
Custodian charges of Central Depository Company of Pakistan Limited		30	120	10	63
Settlement and bank charges		490	343	490	322
Auditors' remuneration		369	312	168	185
Amortization of preliminary expenses and floatation costs		502	493	252	241
Legal and Professional Charges		-	7	-	-
Shariah advisory fee		331	352	165	204
Charity expense		2,482	2,342	1,974	1,539
Printing and related costs		30	100	16	100
Total expenses		288,916	116,153	133,443	32,888
Net (loss) / income from operating activities		(116,017)	169,134	(5,424)	148,364
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	3.2	-	(8,029)	-	(8,077)
Provision for Sindh Workers' Welfare Fund	11.1	-	-	-	-
Net (loss) / income for the period before taxation		(116,017)	161,105	(5,424)	140,287
Taxation	13	-	-	-	-
Net (loss) / income for the period		(116,017)	161,105	(5,424)	140,287

NIT - ISLAMIC EQUITY FUND
CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

Note	Six months period ended		Three months period ended	
	2017	2016	2017	2016
	(Rupees in '000)			
Allocation of net income for the period after taxation				
Net (loss) for the period	(116,017)		(5,424)	
Income already paid on units redeemed	-		-	
	<u>(116,017)</u>		<u>(5,424)</u>	
Accounting income available for distribution:				
-Relating to capital gains	-		-	
-Excluding capital gains	-		-	
	<u>-</u>		<u>-</u>	

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - ISLAMIC EQUITY FUND
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

	Note	<u>Six months period ended</u>		<u>Three months period ended</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net (loss) / income for the period		(116,017)	161,105	(5,424)	140,287
Other comprehensive income for the period					
Items to be reclassified to income statement in subsequent periods:					
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	8.2	(631,690)	786,508	(163,031)	516,965
Total comprehensive (loss) / income for the period		<u>(747,707)</u>	<u>947,613</u>	<u>(168,455)</u>	<u>657,252</u>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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

**Sd/-
Managing Director**

**Sd/-
Director**

**Sd/-
Director**

**Sd/-
Chief Financial Officer**

NIT - ISLAMIC EQUITY FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

Note	31 December	
	2017	2016
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the period before taxation	(116,017)	161,105
Adjustments		
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	-	8,029
Amortization of preliminary expenses and floatation costs	502	493
Impairment loss on equity securities classified as 'available for sale'	229,076	50,824
	113,561	220,451
(Increase) / decrease in assets		
Investments	(272,433)	369,584
Receivable against sale of investments	(72,815)	(23,193)
Dividend and profit receivable	2,507	(9,050)
	(342,741)	337,341
Increase in liabilities		
Payable to National Investment Trust Limited - Management Company	(1,152)	(165)
Payable to Central Depository Company of Pakistan Limited - Trustee	(52)	4
Payable to Securities and Exchange Commission of Pakistan	(2,457)	(2,428)
Payable against purchase of investments	5,884	(18,122)
Payable against redemption of units	1,633	44,425
Accrued expenses and other liabilities	(1,707)	5,334
	2,149	29,048
Net cash (used in) / generated from operating activities	(227,031)	586,840
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units	454,381	537,142
Payments against redemption of units	(212,556)	(1,552,129)
Dividend paid	(46,678)	(29,559)
Net cash generated from / (used in) financing activities	195,147	(1,044,546)
Net decrease in cash and cash equivalents during the period	(31,884)	(457,706)
Cash and cash equivalents at beginning of the period	604,677	871,334
Cash and cash equivalents at end of the period	572,793	413,628

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - ISLAMIC EQUITY FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** The NIT Islamic Equity Fund (the Fund) was established under a Trust Deed executed between National Investment Trust Limited (NITL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 February 2015 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on 24 February 2015. The Fund is categorized as an Equity Scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (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 Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building I.I. Chundrigar Road, Karachi.
- 1.3** The Fund has received Rs. 1,848 million against Pre-IPO (initial public offer) of the units from various institutions and individuals during the period from 27 April 2015 to 08 May 2015 (both days inclusive) at the initial offer price of Rs. 10 each. In accordance with clause 1.6 and 3.13.1(d) of offering document of the Fund, the management has decided to allocate additional units against the income earned on the investment of the Pre-IPO investors upto the start of IPO i.e. 11 May 2015 to all the investors who participated in Pre-IPO. In addition, the Fund has received Rs. 2,087 million against IPO from various investors during the period from 11 May 2015 to 15 May 2015 (both days inclusive) at Rs. 10 each. The Fund commenced its business activities from 18 May 2015.
- 1.4** The Fund is an open-ended mutual fund and is listed on Pakistan Stock Exchange Limited (PSX). Units are offered for subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.5** The objective of the Fund is to invest in the equity market when there is an opportunity to invest the funds in a gainful manner and such investment is for the benefit of the Fund based on long term perspective to provide the unit holder safe and Halal income on their investment. Under the Trust Deed all conducts and acts of the fund are based on Shariah. The management company has appointed Mufti Zeeshan Ali Aziz as Shariah Advisor to the NIT Islamic Equity Fund to ensure that the activities of the Fund are in compliance with the Principles of Shariah.
- 1.6** PACRA has assigned an asset manager rating of "AM2++" to the Management Company.
- 1.7** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information of the fund for the six months period ended 31 December 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (The NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail. (Refer 4.2.2)

- 2.1.1** This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last financial statements.
- 2.1.2** This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (2)(f) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand of rupees except otherwise stated.

NIT - ISLAMIC EQUITY FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1** The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017 except for the changes in accounting policies as explained in notes 3.2.
- 3.2** Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement.

SECP through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specifies that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed in Statement of movements in reserves or unit holders' fund.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 07 February 2018. Accordingly, corresponding figures have not been restated.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been higher by Rs. 24.984 million. However, the change in accounting policy does not have any impact on NAV per unit.

4 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

4.1 Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on 01 July 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

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

- 4.2.1** During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from 01 July 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after 01 July 2018. The Fund is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the other impact on adoption of the Standards. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.
- 4.2.2** The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 01 January 2018 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. The amendments are not likely to have an impact on the Fund's financial statements except extended disclosures.

NIT - ISLAMIC EQUITY FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

5 USE OF JUDGEMENTS AND ESTIMATES

The preparation of condensed interim financial information requires management to make judgements, estimates and assumption that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2017.

6 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2017.

7 BANK BALANCES

These represent balances with banks in savings accounts carrying mark-up rates ranging from 1.73% to 6.00% per annum (30 June 2017: 2.05% to 6.45% per annum).

8 INVESTMENTS

	31 December 2017 Unaudited	30 June 2017 Audited
	(Rupees in '000)	
Available for sale		
Listed equity securities	8.1	3,559,161
		4,147,494

8.1 Available for sale - listed equity securities

Name of Investee Companies	As at 01 July 2017	Purchases during the period	Bonus shares received during the period	Right shares purchased/subscribed during the period	Sales during the period	As at December 31, 2017	Carrying cost as at December 31, 2017	Market Value / Carrying cost as at December 31, 2017	Market Value as a percentage of net assets	Market Value as a percentage of investment	Percentage of paid-up capital of the investee company held
	------(Numbrerr of Shares)-----					-----Rupees in '000-----		-----%-----			
COMMERCIAL BANKS											
Meezan Bank Limited	760,500	-	-	45,630	-	806,130	34,198	54,091	1.30	1.52	0.10
	760,500	-	-	45,630	-	806,130	34,198	54,091	1.30	-	
TEXTILE COMPOSITE											
Nishat Mills Limited	111,200	43,900	-	-	5,000	150,100	19,216	22,440	0.54	0.63	0.04
	111,200	43,900	-	-	5,000	150,100	19,216	22,440	0.54	0.63	
CEMENT											
Cherat Cement Company Limited	712,200	63,700	-	-	-	775,900	88,886	86,055	2.08	2.42	0.44
D. G. Khan Cement Co. Limited	2,268,900	117,500	-	-	10,000	2,376,400	317,772	317,772	7.67	8.93	0.54
Fauji Cement Company Limited	3,436,500	112,000	-	-	20,000	3,528,500	88,248	88,248	2.13	2.48	0.27
Lucky Cement Limited	603,800	35,000	-	-	-	638,800	406,513	330,522	7.97	9.29	0.20
	7,021,400	328,200	-	-	30,000	7,319,600	901,419	822,597	19.84	23.11	
REFINERY											
National Refinery Limited	-	74,200	-	-	-	74,200	31,971	31,971	0.77	0.90	0.09
	-	74,200	-	-	-	74,200	31,971	31,971	0.77	0.90	
POWER GENERATION & DISTRIBUTION											
Hub Power Company Limited	2,216,100	-	-	-	15,000	2,201,100	228,753	200,300	4.83	5.63	0.19
	2,216,100	-	-	-	15,000	2,201,100	228,753	200,300	4.83	5.63	
OIL & GAS MARKETING COMPANIES											
Pakistan State Oil Co. Limited	462,300	27,000	94,960	-	14,500	569,760	188,224	167,002	4.03	4.69	0.21
Sui Northern Gas Pipelines Limited	65,000	439,400	-	-	35,000	469,400	53,402	44,410	1.07	1.25	0.07
Sui Southern Gas Co. Limited	765,000	568,000	-	-	25,000	1,308,000	48,538	39,881	0.96	1.12	0.15
	1,292,300	1,034,400	94,960	-	74,500	2,347,160	290,164	251,293	6.06	7.06	
OIL & GAS EXPLORATION COMPANIES											
Oil & Gas Development Company	1,708,500	14,100	-	-	170,700	1,551,900	218,528	252,634	6.09	7.10	0.04
Pakistan Oilfields Limited	326,200	20,000	-	-	41,500	304,700	107,178	181,071	4.37	5.09	0.13
Pakistan Petroleum Limited	1,131,600	20,000	-	-	212,500	939,100	139,865	193,370	4.66	5.43	0.05
	3,166,300	54,100	-	-	424,700	2,795,700	465,572	627,075	15.13	17.62	
ENGINEERING											
Crescent Steel And Allied Proudcets Limited	98,800	25,600	-	-	-	124,400	19,191	15,837	0.38	0.44	0.16
International Steels Limited	552,000	138,000	-	-	15,000	675,000	88,420	71,800	1.73	2.02	0.16
Amreli Steel Limited	197,000	-	-	-	96,500	100,500	5,126	9,312	0.22	0.26	0.03
	847,800	163,600	-	-	111,500	899,900	112,737	96,949	2.34	2.72	
AUTOMOBILE ASSEMBLER											
Honda Atlas Cars Limited	116,200	32,000	-	-	-	148,200	72,146	75,939	1.83	2.13	0.10
Indus Motor Company Limited	119,830	-	-	-	1,500	118,330	145,274	198,815	4.80	5.59	0.15

NIT - ISLAMIC EQUITY FUND
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL
INFORMATION (UNAUDITED)
FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

Name of Investee Companies	As at 01 July 2017	Purchases during the period	Bonus shares received during the period	Right shares purchased/ subscribed during the period	Sales during the period	As at December 31, 2017	Carrying cost as at December 31, 2017	Market Value / Carrying cost as at December 31, 2017	Market Value as a percentage of net assets	Market Value as a percentage of investment	Percentage of paid-up capital of the investee company held
	------(Number of Shares)-----				-----Rupees in '000-----			-----%			
Millat Tractors Limited	13,600	3,180	-	-	-	16,780	11,683	19,660	0.47	0.55	0.04
Pak Suzuki Motor Company Limited	177,300	-	-	-	10,000	167,300	74,111	83,277	2.01	2.34	0.20
	426,930	35,180	-	-	11,500	450,610	303,215	377,691	9.11	10.61	
AUTOMOBILE PARTS & ASSEMBLER											
Agriauto Industries Limited.	150,000	-	-	-	-	150,000	38,340	47,703	1.15	1.34	0.52
General Tyre And Rubber Company Of Pakistan Ltd.	-	30,700	-	-	-	30,700	5,682	5,781	0.14	0.16	0.05
Thal Limited	131,200	5,600	-	-	-	136,800	51,474	69,891	1.69	1.96	0.17
	281,200	36,300	-	-	-	317,500	95,496	123,375	2.98	3.47	
CABLE & ELECTRIC GOODS											
Pak Elektron Limited	-	210,000	-	-	-	210,000	10,464	9,973	0.24	0.28	0.04
Pakistan Cables Limited	215,400	-	-	-	-	215,400	47,445	45,986	1.11	1.29	0.76
	215,400	210,000	-	-	-	425,400	57,909	55,959	1.35	1.57	
FERTILIZER											
Dawood Hercules Corporation Limited	48,000	-	-	-	-	48,000	5,825	5,370	0.13	0.15	0.01
Engro Corporation Limited	454,600	104,700	-	-	-	559,300	161,825	153,668	3.71	4.32	0.11
Engro Fertilizer Limited	1,743,000	97,500	-	-	25,000	1,815,500	101,127	122,946	2.97	3.45	0.14
Fatima Fertilizer Company	564,000	55,500	-	-	10,000	609,500	22,800	18,821	0.45	0.53	0.03
Fauji Fertilizer Bin Qasim Limited	534,000	-	-	-	-	534,000	18,978	18,978	0.46	0.53	0.06
Fauji Fertilizer Company Limited.	853,100	75,000	-	-	-	928,100	73,422	73,422	1.77	2.06	0.07
	4,196,700	332,700	-	-	35,000	4,494,400	383,978	393,205	9.49	11.05	
PHARMACEUTICALS											
Abbot Laboratories (Pakistan) Limited	56,100	5,850	-	-	-	61,950	43,809	43,217	1.04	1.21	0.06
Ferozsons Laboratories Limited	28,850	-	-	-	-	28,850	5,880	5,880	0.14	0.17	0.10
Glaxosmithkline (Pak) Limited	312,500	51,400	-	-	-	363,900	75,077	61,092	1.47	1.72	0.11
Glaxosmithkline Consumer Health Care Pak. Ltd.	69,270	-	-	-	24,900	44,370	-	14,389	0.09	0.40	0.05
Searle Pakistan Limited	362,811	30,650	75,092	-	-	468,553	169,044	147,529	3.56	4.15	0.38
	829,531	87,900	75,092	-	24,900	967,623	293,809	272,106	6.30	7.65	
PAPER & BOARD											
Packages Limited	127,450	51,500	-	-	-	178,950	111,258	91,234	2.20	2.56	0.20
	127,450	51,500	-	-	-	178,950	111,258	91,234	2.20	2.56	
LEATHER & TANNERIES											
Bata Pakistan Limited	4,380	180	-	-	-	4,560	11,182	11,182	0.27	0.31	0.06
Service Industries Limited	79,930	740	-	-	-	80,670	73,767	60,503	1.46	1.70	0.67
	84,310	920	-	-	-	85,230	84,949	71,685	1.73	2.01	
FOODS & PERSONAL CARE PRODUCTS											
Engro Foods	235,600	45,000	-	-	-	280,600	22,535	22,535	0.54	0.63	0.04
Mitchell'S Fruit Farms Limited	32,550	-	-	-	-	32,550	8,951	8,951	0.22	0.25	0.41
Shezan International Limited	72,350	-	-	-	-	72,350	35,987	35,705	0.86	1.00	0.91
	340,500	45,000	-	-	-	385,500	67,473	67,191	1.62	1.89	
Grand Total	21,917,621	2,497,900	170,052	45,630	732,100	23,899,103	3,482,118	3,559,161	85.60	98.48	

8.1.1 Investments include shares with market value of Rs. 186.119 million (30 June 2017: Rs 254.583 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

8.1.2 All Shares have a nominal face value of Rs. 10 each except for shares of Agriautos Industries Limited and Thal Limited which have a face value of Rs. 5.

8.2 Net unrealised diminution on re-measurement of investments classified as 'available for sale'

		31 December 2017 Unaudited	31 December 2016
Market value of investments	8.1	3,559,161	4,365,524
Less:			
Cost / carrying value of investments	8.1	3,828,671	3,588,571
Provision for impairment there against	8.2.1	(346,556)	(170,981)
		3,482,115	3,417,590
		77,046	947,934
Less: Net unrealised appreciation at beginning of the period		(708,736)	(161,426)
		(631,690)	786,508

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8.2.1 Provision for impairment against equity securities

	31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
Balance as at 01 July	127,215	64,997
Charge for the period	229,076	129,192
Reversal of impairment of securities sold	(9,735)	(66,974)
Balance as at 31 December	<u>346,556</u>	<u>127,215</u>

8.3 Finance Act 2014 has introduced tax on bonus shares issued by the Companies. Most equity funds including NIT equity funds have challenged the applicability of withholding tax provision on bonus shares before Honorable High Court of Sindh ("the Court") on various legal grounds and have sought relief from the Court. The Court, in its order dated 25 November 2014, has granted interim relief by passing the restraining order whereby the Defendants, (issuers of the Bonus shares) have refrained from deducting and /or transferring 5% withholding tax on bonus shares issued by them.

As an abundant caution, the Fund has made payments which is equivalent to 5% value of the respective bonus shares, determined on the basis of day-end price on the first day of book closure. These payments have been recorded as part of cost of respective investments. Detail is as follows.

	5% (No. of Bonus shares)	Market value as on 31 December 2017 (Rupees in '000)	Payment made to the investee companies
Searle Pakistan Limited*	4,947	1,557	2,485
Searle Pakistan Limited**	5,084	1,601	-
Pakistan State Oil Company Limited***	4,748	1,392	-
		<u>4,550</u>	<u>2,485</u>

* Searle Pakistan Limited has not released the bonus shares and retained the payment due to court order.

** Searle Pakistan Limited has not demanded the payment due to filing of petition by the Fund and have not released the shares due to court order.

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

**9 PAYABLE TO NATIONAL INVESTMENT
TRUST LIMITED - MANAGEMENT COMPANY**

		31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
Management remuneration	9.1	6,892	7,869
Sindh Sales Tax on Management remuneration	9.2	896	1,023
Preliminary expenses and floatation costs		5,000	5,000
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	345	393
Others		2,650	2,650
		<u>15,783</u>	<u>16,935</u>

9.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding two percent of average annual net assets. Accordingly, the Management Company has charged its remuneration at the rate of two percent per annum (30 June 2017: two percent per annum).

9.2 During the period, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on management remuneration.

9.3 Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated November 25, 2015 has revised the Non-

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Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(3)(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it. Accordingly, such expense has been charged.

10	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	31 December 2017	30 June 2017
		Unaudited	Audited
		(Rupees in '000)	
	Trustee remuneration	429	475
	Sindh Sales Tax on Trustee remuneration	10.1 <u>56</u>	<u>62</u>
		<u>485</u>	<u>537</u>

10.1 During the period, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on Trustee remuneration.

11 ACCRUED EXPENSES AND OTHER LIABILITIES

	Provision for Sindh Workers' Welfare Fund	11.1 8,793	8,793
	Federal Excise Duty	11.2 21,295	21,295
	Brokerage	525	706
	Charity	2,131	3,893
	Printing Charges	-	2
	Zakat	776	3,050
	Capital gain tax	1,412	1,574
	Auditors' remuneration	414	418
	Shariah advisory fee	655	375
	Legal and professional charges	-	-
	Withholding tax	194	540
	Payable against bonus shares	3,522	756
	Annual Listing Fee	58	80
		<u>39,775</u>	<u>41,482</u>

11.1 The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

The Mutual Fund Association of Pakistan (MUFAP), after deliberating the position and obtaining advice from the legal counsel, decided that the provision for WWF held for the period from 1 January 2013 to 30 June 2015 should be reversed effective from 12 January 2017. Accordingly, the provision amounted to Rs. 0.131 million has been reversed on 12 January 2017.

Furthermore, 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 31 December 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. 21 May 2015. Accordingly, on 12 January 2017, MUFAP as an abundant caution, has decided to provide for SWWF with effect from 21 May 2015, while the efforts to exclude mutual funds from SWWF continue. The provision made for SWWF on 12 January 2017 is amounted to Rs. 8.170 million. Thereafter 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. 0.0212 (30 June 2017: Rs. 0.0224) per unit.

11.2 The status of Federal Excise Duty (FED) is same as disclosed in annual financial statements for the year ended 30 June 2017.

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Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 21.295 (30 June 2017: Rs. 21.295 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.052 (30 June 2017: Rs. 0.543) per unit.

12 CONTINGENCIES AND COMMITMENTS

There were no other contingencies and commitments as at 31 December 2017.

13 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 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 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

14 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 2.68% per annum. Total expense ratio (excluding government levies) is 2.31% per annum.

15 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

15.1 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 the Fund and directors and officers of the Management Company and the Trustee and unit holders holding 10 percent or more units of the Fund.

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

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

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

15.5 Transactions during the period:

	Unaudited			
	Six months period ended		Three months period ended	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
National Investment Trust Limited -				
Management Company				
Remuneration of the Management Company	42,853	47,267	20,796	23,326
Sindh Sales Tax on management remuneration	5,571	6,145	2,704	3,032
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,158	2,363	1,054	1,166
Central Depository Company of				
Pakistan Limited - Trustee				
Remuneration of the Trustee	2,647	2,869	1,292	1,419
Sindh Sales Tax on remuneration of Trustee	344	373	168	184
Custodian charges	30	120	10	63

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	Unaudited			
	Six months period ended		Three months period ended	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
Directors and key management personnel				
93,219 units issued (2016: 151,001 units)	1,000	1,821	-	1,321
113,711 units redeemed (2016: 10,347 units)	1,080	111	1,008	-
15.6 Amounts outstanding as at period end			31 December	30 June
			2017	2017
			Unaudited	Audited
			(Rupees in '000)	
National Investment Trust Limited - Management Company				
107,515,114 units held (30 June 2017: 107,515,114)			1,074,075	1,274,054
Management remuneration payable			6,892	7,869
Sindh Sales Tax payable			896	1,023
Allocation of expenses related to registrar services, accounting, operation and valuation services			345	393
Preliminary expenses and floatation costs payable			5,000	5,000
Others payable			2,650	2,650
Central Depository Company of Pakistan Limited - Trustee				
Trustee fee payable			429	475
Sindh Sales Tax payable			56	62
Directors and key management personnel				
683,736 units held (30 June 2017: 811,503 units)			6,831	9,616

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurement' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in fair value hierarchy.

		31 December 2017							
		Unaudited				Audited			
		Carrying amount				Fair Value			
		Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----									
On-balance sheet financial instruments									
Financial assets measured at fair value									
	Investments - Listed equity securities	3,559,161	-	-	3,559,161	3,559,161	-	-	3,559,161
Financial assets not measured at fair value									
16.1	Bank balances	-	572,793	-	572,793	-	-	-	-
	Receivable against sale of investments	-	72,815	-	72,815	-	-	-	-
	Dividend and profit receivables	-	19,623	-	19,623	-	-	-	-
	Security deposits	-	2,600	-	2,600	-	-	-	-
		-	667,831	-	667,831	-	-	-	-
Financial liabilities not measured at fair value									
16.1	Payable to National Investment Trust Limited - Management Company	-	-	15,783	15,783	-	-	-	-
	Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	485	485	-	-	-	-
	Payable against purchase of investments	-	-	24,821	24,821	-	-	-	-
	Payable against redemption of units	-	-	1,639	1,639	-	-	-	-
	Accrued expenses and other liabilities	-	-	7,305	7,305	-	-	-	-
	Dividend payable	-	-	63	63	-	-	-	-
		-	-	50,096	50,096	-	-	-	-
		-----				-----			
		----- (Rupees in '000) -----				-----			

		30 June 2017							
		Audited				Audited			
		Carrying value				Fair Value			
		Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----									
On-balance sheet financial instruments									
Financial assets measured at fair value									
	Investments - Listed equity securities	4,147,494	-	-	4,147,494	4,147,494	-	-	4,147,494
Financial assets not measured at fair value									
	Bank balances	-	604,677	-	604,677	-	-	-	-
	Dividend and profit receivables	-	22,130	-	22,130	-	-	-	-
	Security deposits	-	2,600	-	2,600	-	-	-	-
		-	629,407	-	629,407	-	-	-	-
Financial liabilities not measured at fair value									
	Payable to National Investment Trust Limited - Management Company	-	-	16,935	16,935	-	-	-	-
	Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	537	537	-	-	-	-
	Payable against purchase of investments	-	-	18,937	18,937	-	-	-	-
	Payable against redemption of units	-	-	6	6	-	-	-	-
	Accrued expenses and other liabilities	-	-	6,230	6,230	-	-	-	-
	Dividend payable	-	-	46,741	46,741	-	-	-	-
		-	-	89,386	89,386	-	-	-	-
		-----				-----			
		----- (Rupees in '000) -----				-----			

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

17 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 27, 2018 by the Board of Directors of the Management Company.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer