

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.



TRUSTEE REPORT TO THE UNIT HOLDERS

NIT - ISLAMIC INCOME 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 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 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 INCOME 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 Income 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 INCOME FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)
AS AT DECEMBER 31, 2017

	Note	31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
Assets			
Bank balances	7	668,988	450,853
Investments	8	57,514	8,074
Profit receivable		3,741	2,134
Security deposit		100	100
Preliminary expenses and flotation costs	9	700	803
Total assets		731,043	461,964
Liabilities			
Payable to National Investment Trust Limited - Management Company	10	1,479	5,122
Payable to Central Depository Company of Pakistan Limited - Trustee	11	105	76
Payable to Securities and Exchange Commission of Pakistan		191	379
Payable against redemption of units		10,832	8,376
Accrued expenses and other liabilities	12	4,141	4,373
Dividend payable		313	2,610
Total liabilities		17,061	20,936
Net assets		713,982	441,028
Unit holders' fund (as per statement attached)		713,982	441,028
Contingencies and commitments	13		
		(Number of units)	
Number of units in issue		69,736,615	43,988,959
		(Rupees)	
Net assets value per unit		10.2382	10.0259

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

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

		Six months period ended		Three months period ended	
		2017	4 July 2016 to 31 December 2016	2017	2016
	Note	------(Rupees in '000)-----			
Income					
Income from listed sukuk		518	-	377	-
Profit on bank deposits		13,026	10,548	6,978	6,694
Amortization of premium on sukuks - net		(12)	-	(12)	-
Total income		13,532	10,548	7,343	6,694
Expenses					
Remuneration to National Investment Trust Limited - Management Company	10.1	1,016	783	553	503
Sindh Sales Tax on remuneration of Management Company	10.2	132	102	72	66
Remuneration to Central Depository Company of Pakistan Limited - Trustee		434	306	235	194
Sindh Sales Tax on remuneration of Trustee	11.1	56	40	30	25
Annual fee - Securities and Exchange Commission of Pakistan		191	135	103	85
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	256	179	132	113
Amortisation of preliminary expenses and flotation costs	9.1	103	100	52	50
Auditors' remuneration		169	63	99	39
Annual listing fee		-	62	(39)	38
Settlement and bank charges		101	40	99	14
Shariah Advisory fee		18	18	9	3
Printing charges		17	-	17	-
Legal and professional		71	-	71	-
Total expenses		2,564	1,828	1,433	1,130
Net income from operating activities		10,968	8,720	5,910	5,564
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	3.2	-	4,796	-	4,242
Provision for Sindh Workers' Welfare Fund	12.1	(219)	-	(119)	-
Net income for the period before taxation		10,749	13,516	5,791	9,806
Taxation	14	-	-	-	-
Net income for the period		10,749	13,516	5,791	9,806
Allocation of net income for the period after taxation					
Net income for the period		10,749		5,791	
Income already paid on units redeemed		(1,138)		(651)	
		9,611		5,140	
Accounting income available for distribution:					
-Relating to capital gains		-		-	
-Excluding capital gains		9,611		5,140	
		9,611		5,140	

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

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

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>2017</u>	<u>4 July 2016 to 31 December 2016</u>	<u>2017</u>	<u>2016</u>
Note	----- (Rupees in '000) -----			
Net income for the period	10,749	13,516	5,791	9,806
Other comprehensive loss for the period	8.4 (130)	-	(30)	-
Total comprehensive income for the period	<u>10,619</u>	<u>13,516</u>	<u>5,761</u>	<u>9,806</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

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

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

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

	2017	4 July 2016 to 31 December 2016
Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	10,749	13,516
Adjustments		
Amortisation of preliminary expenses and flotation costs	9	103
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	-	(4,796)
	<u>10,852</u>	<u>8,820</u>
(Increase) in assets		
Investments	(49,570)	-
Advance against subscription of Sukuk investment	-	(35,000)
Profit receivable	(1,607)	(2,963)
Security deposit	-	(100)
Preliminary expenses and flotation costs	-	(1,018)
	<u>(51,177)</u>	<u>(39,081)</u>
(Decrease) / increase in liabilities		
Payable to National Investment Trust Limited - Management Company	(3,643)	1,448
Payable to Central Depository Company of Pakistan Limited - Trustee	29	96
Payable to Securities and Exchange Commission of Pakistan	(188)	135
Payable against redemption of units	2,456	6,782
Accrued expenses and other liabilities	(232)	240
	<u>(1,578)</u>	<u>8,701</u>
Net cash (used in) operating activities	<u>(41,903)</u>	<u>(21,560)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units	562,538	751,248
Payments against redemption of units	(300,203)	(179,824)
Distribution paid	(2,297)	-
Net cash generated from financing activities	<u>260,038</u>	<u>571,424</u>
Net increase in cash and cash equivalents during the period	<u>218,135</u>	<u>549,864</u>
Cash and cash equivalents at beginning of the period	<u>450,853</u>	<u>-</u>
Cash and cash equivalents at end of the period	<u>7</u> <u>668,988</u>	<u>549,864</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - ISLAMIC INCOME 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 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 01 March 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 categorized as Shariah Compliant Income Scheme as per criteria for categorization 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. 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 04 July 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 the same date. Accordingly, these first set of financial statements have been prepaid for the period from 04 July 2016 to 31 December 2016.
- 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 PREPARATION

2.1 Statement of compliance

This condensed interim financial information have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984, the Non Banking Finance Companies Rules, 2003 (the NBFC Rules) , the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations, 2008) and directives issued by the SECP. Wherever, the requirements of the NBFC Rules, the NBFC Regulations, 2008, and the said directives differ with the requirements of these standards, the requirements of the NBFC Rules, the NBFC Regulations, 2008, and the said directives 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.

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 30 June 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

NIT - ISLAMIC INCOME FUND

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

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

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 7 February 2018. Accordingly, corresponding figures have not been restated.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 4.108 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been lower by Rs. 0.0012.

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. Hence, the provision of the Companies Act, 2017 will be applicable for the preparation of financial statements for the reporting periods ending after 31 December 2017. The Companies Act, 2017 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.

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.

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

		31 December 2017 Unaudited	30 June 2017 Audited
		(Rupees in '000)	
9	PRELIMINARY EXPENSES AND FLOTATION COSTS		
	Preliminary expenses and flotation costs	803	1,018
	Less: amortisation during the period	(103)	(215)
		700	803

9.1 Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of the operations of the Fund i.e. 4 July 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.

		31 December 2017	31 December 2016
		(Rupees in '000)	
10	PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY		
	Management remuneration	232	150
	Sindh Sales Tax on management remuneration	30	19
	Preliminary expenses and flotation costs	1,018	1,018
	Allocation of expenses related to registrar services, accounting, operation and valuation services	54	40
	Dividend Payable	-	3,750
	Others	145	145
		1,479	5,122

10.1 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 2 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 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 assets.

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

10.3 Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-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 expenses has been charged.

		31 December 2017	30 June 2017
		(Rupees in '000)	
11	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
	Trustee remuneration	93	67
	Sindh Sales Tax on Trustee remuneration	12	9
		105	76

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

		31 December 2017 Unaudited	30 June 2017 Audited
		(Rupees in '000)	
12	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Provision for Sindh Workers' Welfare Fund	626	407
	Capital gain tax	49	149
	Auditors' remuneration	140	125
	Listing Fee	139	139
	Shariah Advisory Fee	37	22

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

	31 December 2017 Unaudited	30 June 2017 Audited
	(Rupees in '000)	
Zakat	2,184	2,437
Withholding tax	938	1,091
Brokerage	28	-
Printing charges	-	3
	4,141	4,373

- 12.1** 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 31 December 2013. MUFAP reviewed the issue and based on an opinion dated 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. 0.407 million. Thereafter the provision for SWWF is being made on daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.0090 (30 June 2017: Rs. 0.0093).

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 31 December 2017 (30 June 2017: Nil).

14 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.

15 TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, requires that collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the period ended 31 December 2017 is 1.06% which include 0.23% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

16 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 16.1** 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 unit holders holding 10 percent or more units of the Fund.
- 16.2** The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.
- 16.3** Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 16.4** The details of significant transactions carried out by the Fund with connected persons and balances with them at period end are as follows:

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

16.5 Transactions during the period	Six months period ended		Three months period ended	
	2017	4 July 2016 to 31 December 2016	2017	2016
	----- (Unaudited) ----- ----- (Rupees in '000) -----			
National Investment Trust Limited - Management Company				
Issue of Nil units (2016: 15,000,000 units)	-	150,000	-	-
Remuneration to the Management Company	1,016	783	553	503
Sindh Sales Tax on management remuneration	132	102	72	66
Allocation of expenses related to registrar services, accounting, operation and valuation services	256	179	132	113
Central Depository Company of Pakistan Limited - Trustee				
Remuneration to the Trustee	434	306	235	194
Sindh Sales Tax on remuneration of Trustee	56	40	30	25
16.6 Amounts outstanding at end of the period / year:			31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
National Investment Trust Limited - Management Company				
15,108,573 Units held (2016: 15,108,573 units)			154,685	151,477
Management remuneration payable			232	150
Sindh Sales Tax on management remuneration			30	19
Preliminary expenses and flotation costs payable			1,018	1,018
Allocation of expenses related to registrar services, accounting, operation and valuation services			54	40
Dividend payable			-	3,750
Others			145	145
Central Depository Company of Pakistan Limited - Trustee				
Trustee remuneration			93	67
Sindh Sales Tax on trustee remuneration			12	9

17 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).

NIT - ISLAMIC INCOME FUND

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

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

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

31 December 2017							
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							
Investment							
- Sukuks - listed	7,057	-	7,057	-	7,057	-	7,057
- Sukuks - unlisted	50,457	-	50,457	-	50,457	-	50,457
	57,514	-	57,514	-	57,514	-	57,514
Financial assets not measured at fair value							
Bank balances	-	668,988	668,988	-	-	-	-
Profit receivable	-	3,741	3,741	-	-	-	-
Security deposit	-	100	100	-	-	-	-
	-	672,829	672,829	-	-	-	-
Financial liabilities not measured at fair value							
Payable to National Investment Trust Limited - Management Company	-	-	1,479	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	105	-	-	-	-
Payable against redemption of units	-	-	10,832	-	-	-	-
Accrued expenses and other liabilities	-	-	344	-	-	-	-
Dividend payable	-	-	313	-	-	-	-
	-	-	13,073	-	-	-	-
30 June 2017							
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							
Investment	8,074	-	8,074	-	8,074	-	8,074
Financial assets not measured at fair value							
Bank balances	-	450,853	450,853	-	-	-	-
Profit receivable	-	2,134	2,134	-	-	-	-
Security deposit	-	100	100	-	-	-	-
	-	453,087	453,087	-	-	-	-
Financial liabilities not measured at fair value							
Payable to National Investment Trust Limited - Management Company	-	-	5,122	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	76	-	-	-	-
Payable against redemption of units	-	-	8,376	-	-	-	-
Accrued expenses and other liabilities	-	-	289	-	-	-	-
Dividend payable	-	-	2,610	-	-	-	-
	-	-	16,473	-	-	-	-

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

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

18 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were 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**