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NIT - ISLAMIC INCOME FUND

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the unit holders of NIT - Islamic Income Fund

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NIT - Islamic Income Fund** (the Fund) as at **31 December 2019** and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, and condensed interim cash flow statement and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management Company is responsible for the preparation and presentation of this interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended 31 December 2019 and 31 December 2018 have not been subject to limited scope review by the external auditors as we are only required to review the cumulative figures for the six-month period ended 31 December 2019.

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 statements 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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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

Chartered Accountants

Karachi

Date: 24 February 2020

NIT - ISLAMIC INCOME FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2019

	31 December 2019 (Unaudited)	30 June 2019 (Audited)
ASSETS	-----Rupees in '000-----	
Bank balances	4 508,558	413,317
Investments	5 217,245	210,202
Receivable against subscription of investment	-	23,188
Profit Receivable	8,843	7,595
Security deposits	100	466
Preliminary expenses and floatation costs	6 293	396
Total assets	735,039	655,164
LIABILITIES		
Payable to National Investment Trust Limited - Management Company	1,896	1,730
Payable to Central Depository Company of Pakistan Limited - Trustee	52	98
Payable to Securities and Exchange Commission of Pakistan	7 78	397
Payable against redemption of units	331	-
Accrued expenses and other liabilities	8 3,278	2,154
Dividend payable	1,465	-
Total liabilities	7,100	4,379
NET ASSETS	727,939	650,785
Unit holders' fund (as per statement attached)	727,939	650,785
Contingencies and commitments	9	
	----- Number of units -----	
Number of units in issue	70,379,216	60,851,206
	----- Rupees -----	
Net asset value per unit	10.3431	10.6947

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

For National Investment Trust Limited
(Management Company)


Managing Director


Director


Director


Chief Financial Officer

NIT - ISLAMIC INCOME FUND
CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2019

	Six months period ended		Three months period ended	
	2019	2018	2019	2018
	(Unaudited)			
INCOME	Note ----- Rupees in '000 -----			
Income from commercial papers	4,543	-	2,728	-
Income from sukuks	12,140	3,912	6,019	2,051
Profit on bank deposits	35,765	15,269	17,920	8,410
	52,448	19,181	26,667	10,461
EXPENSES				
Remuneration of National Investment Trust Limited - Management Company	3,704	1,459	1,872	789
Sindh Sales Tax on remuneration to Management Company	481	190	243	103
Remuneration of Central Depository Company of Pakistan Limited - Trustee	294	430	149	215
Sindh Sales tax on Trustee remuneration	38	56	19	28
Annual fee - Securities and Exchange Commission of Pakistan	78	189	39	94
Allocation of expenses related to registrar services, accounting, operation and valuation services	10 392	254	200	126
Amortisation of preliminary expenses and floatation costs	6 103	103	52	52
Auditors' remuneration	184	167	92	84
Legal & professional charges	146	71	61	-
Settlement and bank charges	270	54	208	48
Listing fee	27	-	6	-
Shariah Advisory fee	37	18	19	9
Printing charges	25	-	1	-
Total expenses	5,779	2,991	2,961	1,548
Net income from operating activities	46,669	16,190	23,706	8,913
Provision for Sindh Workers' Welfare Fund	8.1 (934)	(324)	(474)	(178)
Net income for the period before taxation	45,735	15,866	23,232	8,735
Taxation	11 -	-	-	-
Net income for the period	45,735	15,866	23,232	8,735
Allocation of net income for the period after taxation				
Net income for the period	45,735	15,866	23,232	8,735
Income already paid on units redeemed	(10,422)	(1,866)	(8,372)	(1,467)
	35,313	14,000	14,860	7,268
Accounting income available for distribution:				
-Relating to capital gains	-	-	-	-
-Excluding capital gains	35,313	14,000	14,860	7,268
	35,313	14,000	14,860	7,268

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

For National Investment Trust Limited
(Management Company)

Managing Director

Director

Director

Chief Financial Officer

NIT - ISLAMIC INCOME FUND
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2019

	Note	Six months period ended		Three months period ended	
		2019	2018	2019	2018
-----Rupees in '000-----					
Net income for the period after taxation		45,735	15,866	23,232	8,735
Other comprehensive income for the period					
Net unrealised diminution on re-measurement of investments classified as 'fair value through other comprehensive income' (FVOCI)	5.6	(2,255)	(281)	(2,120)	(336)
Total comprehensive income for the period		<u>43,480</u>	<u>15,585</u>	<u>21,112</u>	<u>8,399</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

For National Investment Trust Limited
(Management Company)


Managing Director


Director


Director


Chief Financial Officer

NIT - ISLAMIC INCOME FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

Note	December 31							
	2019			2018				
	Capital value	Undistributed Income	Cumulative change in 'Fair value through other comprehensive income' (FVOCI)	Total	Capital value	Undistributed Income	Cumulative change in 'Fair value through other comprehensive income' (FVOCI)	Total
	Rupees in '000							
Net assets at the beginning of the period	621,498	28,569	718	650,785	530,963	17,994	346	549,303
Issue of 74,742,636 units (2018:30,317,243 units)								
Capital value	731,170			731,170	293,996			293,996
Element of income / (loss)	19,039			19,039	5,210			5,210
Amount received on issuance of units	750,209	-	-	750,209	299,206	-	-	299,206
Issue of 1,387,053 units in lieu of refund of capital	13,593	-	-	13,593				
Redemption of 69,381,611 units (2018:30,895,981 units)								
Capital value	(678,726)	-	-	(678,726)	(305,557)			(305,557)
Element of income / (loss)	(12,715)	(10,422)	-	(23,137)	(2,124)	(1,866)		(3,990)
Amount paid / payable on redemption of units	(691,441)	(10,422)	-	(701,863)	(307,681)	(1,866)		(309,547)
Issue of 2,779,931 units under CIP (2018: 1,694,633 units)	27,243	-	-	27,243	16,771	-	-	16,771
Final distribution for the year ended June 30, 2019: Rs 0.9122 per unit [(Date of Distribution: 5 July 2019)](2018: 0.5810 per unit [(Date of Distribution: 5 July 2018)])	-	(41,915)	-	(41,915)	-	(24,664)	-	(24,664)
Refund of capital	(13,593)	-	-	(13,593)	-	-	-	-
Total comprehensive income / (loss) for the period	-	45,735	(2,255)	43,480	-	15,866	(281)	15,585
Net assets at the end of the period	<u>707,509</u>	<u>21,967</u>	<u>(1,637)</u>	<u>727,939</u>	<u>539,259</u>	<u>7,330</u>	<u>65</u>	<u>546,654</u>
Net assets at the end of the period								
Undistributed income brought forward								
-Realized income		28,569				17,994		
-Unrealized income		-				-		
Accounting income available for distribution		<u>28,569</u>				<u>17,994</u>		
-Relating to capital gains		-				-		
-Excluding capital gains		<u>35,313</u>				<u>14,000</u>		
Final distribution for the year ended June 30, 2019: Rs 0.9122 per unit [(Date of Distribution: 5 July 2019)](2018: 0.5810 per unit [(Date of Distribution: 5 July 2018)])		35,313				14,000		
Undistributed income carried forward		<u>(41,915)</u>				<u>(24,664)</u>		
Undistributed income carried forward		<u>21,967</u>				<u>7,330</u>		
Undistributed income carried forward comprising								
-Realized income		21,967				7,330		
-Unrealized income		-				-		
		<u>21,967</u>				<u>7,330</u>		
Net assets value per unit at beginning of the period				(Rupees) <u>10.6947</u>				(Rupees) <u>10.4679</u>
Net assets value per unit at end of the period				<u>10.3431</u>				<u>10.2006</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

Managing Director

Director

Director

Chief Financial Officer

For National Investment Trust Limited
(Management Company)

NIT - ISLAMIC INCOME FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	31 December	
	2019	2018
	----- (Unaudited) -----	
	----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	45,735	15,866
Decrease / (increase) in assets		
Investments	(9,298)	3,261
Profit receivable	(1,248)	(1,312)
Amortization preliminary and flotation costs	103	103
Advances, deposits, prepayments and other receivables	366	-
Receivable against issuance of units	23,188	(383)
	13,111	1,669
Increase / (decrease) in liabilities		
Payable to National Investment Trust Limited - Management Company	166	42
Payable to Central Depository Company of Pakistan Limited - Trustee	(46)	(12)
Payable to Securities and Exchange Commission of Pakistan	(319)	(255)
Payable against redemption of units	331	(13,364)
Accrued expenses and other liabilities	1,124	(261)
	1,256	(13,850)
Net cash generated from operating activities	60,102	3,685
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units	777,452	315,977
Amount paid on redemption of units	(701,863)	(309,547)
Dividend paid	(40,450)	(24,627)
Net cash generated from / (used in) financing activities	35,139	(18,197)
Net increase / (decrease) in cash and cash equivalents during the period	95,241	(14,512)
Cash and cash equivalents at the beginning of the period	413,317	467,695
Cash and cash equivalents at the end of the period	508,558	453,183

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

For National Investment Trust Limited
(Management Company)

Managing Director

Director

Director

Chief Financial Officer

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, 2019

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.
- 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

- 2.1.1 This condensed interim financial information 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 Companies Act, 2017 along with part and the requirements VIIIA of the repealed Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations). 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 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 have been followed.
- 2.1.2 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 June 30, 2019.
- 2.1.3 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 In compliance with schedule V of the NBFC Regulations, the Directors of the Management Company, hereby declare that these condensed interim financial statements give a true and fair view of the state of the Fund's affairs as at December 31, 2019.

2.3 Functional and presentation currency

These condensed interim financial statements have been presented in Pakistani Rupees which is the functional and presentation currency of the Fund.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES THEREIN

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information and the significant judgements made by the management in applying the accounting policies and key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2019.

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

3.1 The financial risk management objectives and policies are consistent with those disclosed in the annual published financial statements of the Fund for the year ended 30 June 2019.

3.2 New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following standards and amendment to IFRSs which became effective for the current period:

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

IFRS 9 Prepayment Features with Negative Compensation (Amendments)

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

IFRS 16 Leases

IAS 12 Income Taxes: Income tax consequences of payments on financial instruments classified as equity (Amendments)

IAS 19 Plan Amendment, Curtailment or Settlement (Amendments)

IAS 23 Borrowing Costs: Borrowing costs eligible for capitalisation

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The adoption of the above amendments to accounting standards and interpretations did not have any effect on these condensed interim financial statements.

3.3 The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Fund as at and for the year ended June 30, 2019.

4 BANK BALANCES

		31 December 2019	30 June 2019
		(Un-audited)	(Audited)
	Note	-----Rupees-----	
In saving accounts	4.1	<u>508,558</u>	<u>413,317</u>

4.1 These accounts carry return at rates ranging from 2.40% to 14.35% per annum (June 30, 2018: 2.40% to 6.50% per annum). These include a balance of Rs.0.052 million (June 30, 2019: Rs.0.05) held with National Bank of Pakistan, a related party.

30
31 December June
2018 2019
(Un audited) (Audited)

Note —Rupees in '000—

5 INVESTMENTS

At fair value through other comprehensive income

Debt securities:

- Sukuk -listed	5.1	74,291	66,672
- Sukuk -unlisted	5.2	38,919	43,752
- Privately Placed Short term Sukuk-unlisted	5.3	30,270	50,000
- Commercial Paper	5.4	<u>73,765</u>	<u>49,778</u>
		<u>217,245</u>	<u>210,202</u>

Name of the investee company	Number of certificates				Balance as at 31 December 2019		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at 01 July 2019	Purchased during the period	Sold / matured during the period	As at 31 December 2019	Carrying Value	Market value		

5.1 Sukuks -Listed

Dawood Hercules Corporation Limited	250	-	-	250	19,753	19,948	2.74	9.18
Dawood Hercules Corporation Limited	400	-	-	400	36,002	35,882	4.93	16.52
Fatima Fertilizer Company Limited	1,717	-	-	1,717	3,434	3,461	0.48	1.59
Masood Textile Limited	-	15	-	15	15,000	15,000	2.06	6.90
Total - 31 December 2019	2,367	-	-	2,382	74,189	74,291	10.21	34.19

5.2 Sukuks -unlisted

Dubai Islamic Bank Limited	25	-	-	25	25,353	25,025	3.44	11.52
Ghani Gases Limited	285	-	-	285	15,475	13,894	1.91	6.40
Total - 31 December 2019	310	-	-	310	40,828	38,919	5.35	17.92

5.3 Privately Placed Short term Sukuk-unlisted

Hub Power Company Limited	10,000	-	10,000	-	-	-	-	-
Hub Power Company Limited	-	300	-	300	30,000	30,270	4.16	13.93
Total - 31 December 2019	10,000	300	10,000	300	30,000	30,270	4.16	13.93

5.4 Commercial paper

Name of Investee Company	Number of certificate				Balance as at 31 December 2019		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at 1 July 2019	Purchases during the period	Sales / matured during the period	As at 31 December 2019	Carrying value	Market value		
	(Rupees in '000)						(%)	
Hascol Petroleum Limited	50	-	50	-	-	-	-	-
K-Electric Limited	-	50	-	50	48,866	48,866	6.71	22.49
TPL Corporation Limited	-	25	-	25	24,899	24,899	3.42	11.46
Total - 31 December 2019	50	75	50	75	73,765	73,765	10.13	33.95
Total - 30 June 2019	-	50	-	50	49,778	49,778	7.65	23.68

5.4.1 These commercial paper carries effective yield of 15.38% and 15.90% respectively (June 30, 2019: 14.79%) per annum and will mature by February 2020 and January 2020 respectively.

5.5 Significant terms and conditions of sukuku outstanding at the period 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
Listed sukuk							
Fatima Fertilizer Company Limited	1,717	2,000	6-months KIBOR + 1.10%	28 November 2016	5 years	Secured	AA-
Dawood Hercules Corporation Limited	400	90,000	3-months KIBOR + 1.00%	01 March 2018	5 years	Secured	AA
Dawood Hercules Corporation Limited	250	80,000	3-months KIBOR + 1.00%	16 November 2017	5 years	Secured	AA
Masood Textile Limited	15	1,000,000	3-months KIBOR + 2.00%	17 December 2019	5 years	Unsecured	A
Unlisted sukuk							
Dubai Islamic Bank Limited	25	1,000,000	6-months KIBOR + 0.50%	14 July 2017	10 years	Unsecured	A+
Ghani Gases Limited	285	54,167	3-months KIBOR + 1.00%	02 February 2017	6 years	Unsecured	A
Privately Placed Short term Sukuk-unlisted							
Hub Power Company Limited	300	100,000	3-months KIBOR + 1.00%	22 August 2019	4 years	Unsecured	A1+

5.6 Net unrealised diminution on re-measurement of investments classified as 'fair value through other comprehensive income'

	31 December	
	2019	2018
(Unaudited)		
Rupees in '000		
Market value of investments	217,245	90,846
Less: carrying value of investments	(218,782)	(90,781)
	(1,537)	65
Less: net unrealised diminution at the beginning of the period	(718)	(346)
	(2,255)	(281)

6 PRELIMINARY EXPENSES AND FLOTATION COSTS

	Note	30	
		31 December 2019	June 2019
(Un audited) (Audited)			
Rupees in '000			
Preliminary expenses and flotation costs		396	600
Less: amortisation during the period	6.1	(103)	(204)
		293	396

6.1 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.

7 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

SECP, vide SRO no. 685(I)/2019 dated June 2019, revised the rate of annual fee at 0.02% (2018: 0.095%) of net assets on all categories of collective investment schemes which is effective from July 01, 2019.

8	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	31 December 2019	30 June 2019
			(Un audited)	(Audited)
			-----Rupees in '000-----	
	Provision for Sindh Worker's Welfare Fund	8.1	2,720	1,786
	Capital gain tax		193	134
	Auditors' remuneration		200	162
	Listing fee		2	-
	Legal and Professional Charges		145	-
	Printing charges		15	14
	Brokerage		-	14
	Shariah Advisory fee		-	7
	Withholding tax		2	-
	Zakat payable		1	37
			<u>3,278</u>	<u>2,154</u>

8.1 SINDH WORKERS' WELFARE FUND (SWWF)

There is no change in the status of the SWWF as reported in note 14.1 to the annual financial statements of the Fund for the year ended June 30, 2019.

9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 31 December 2019

10 ALLOCATED EXPENSES

Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. However, SECP vide SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

Therefore, the Management Company can now charge actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019. Accordingly, the Management Company has resolved in its board meeting that the allocated expenses will be charged based on the discretion of the Management Company being lower than the actual expense.

11 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.

12 TOTAL EXPENSE RATIO

Total Expense Ratio of the Fund is 1.7% as on December 31, 2019 (December 31, 2018: 1.3%) and this includes 0.39% (December 31, 2018: 0.29%) representing Government Levy, Sindh Workers' Welfare Fund (SWWF) and SECP fee. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations 60(5) for a collective investment scheme categorised as an Income Scheme.

13 TRANSACTIONS WITH CONNECTED PERSONS

- 13.1 Connected persons include National Investment Trust Limited, other collective investment schemes managed by the Management Company and directors and officers of the Management Company and the Trustee.
- 13.2 The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.
- 13.3 Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 13.4 Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Details of the transactions with connected persons are as follows:

	Six months period ended		Three months period ended	
	2019	2018	2019	2018
	(Unaudited)			
	Rupees in '000			
National Investment Trust Limited - Management Company				
Issue of 1,254,432 units under CIP (2018: 753,955 units)	12,293	7,461	-	-
Remuneration of the Management Company	3,704	1,459	1,872	789
Sindh Sales Tax on Management remuneration	481	190	243	103
Allocation of expenses related to registrar services, accounting, operation and valuation services	392	254	200	126
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of the Trustee	294	430	149	215
Sindh Sales Tax on Trustee Remuneration	38	56	19	28
Directors and Key management personnel				
Issue of 145,900 units (2018: 90,404 units)	1,450	900	-	-
Transfer out Nil units (2018: 20,000 units)	-	200	-	-
Issue of 6,693 units under CIP (2018: 650 units)	66	4	-	-
Issue of 642 units under RoC (2018: 431 units)	-	-	-	-

13.5 Amounts outstanding as at period end:

31 December 2019	30 June 2019
(Un audited)	(Audited)

Rupees in '000

National Investment Trust Limited - Management Company		
14,663,936 Units held (30 June 2019: 15,108,573 units)	151,671	169,645
Management remuneration	594	456
Sindh Sales Tax on Management remuneration	77	59
Preliminary expenses & floatation costs	1,018	1,018
Allocation of expenses related to registrar services, accounting, operation and valuation services	62	52
Others	145	145
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	46	87
Sindh Sales Tax on Trustee remuneration	6	11
Directors and Key management personnel		
244,720 Units held (30 June 2019: 91,485 units)	2,531	978

14 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 recognized at fair value, analyzed 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 December 31, 2019 and June 30, 2019, the Fund held the following instruments measured at fair values:

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
December 31, 2019 (Un-audited)				
At fair value through other comprehensive income	-	217,245	-	217,245
June 30, 2019 (Audited)				
At fair value through other comprehensive income	-	210,202	-	210,202

During the period ended December 31, 2019, 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.

15 GENERAL

- 15.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in these condensed interim financial statements during the current period.
- 15.2 Figures of the condensed interim income statement and the condensed interim statement of comprehensive income for the quarters ended December 31, 2019 and December 31, 2018 have not been subjected to limited scope review by the statutory auditors of the Fund.
- 15.3 Figures have been rounded off to the nearest thousand rupees.

16 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 24 Feb 2020 by the Board of Directors of the Management Company.

For National Investment Trust Limited
(Management Company)


Managing Director


Director


Director


Chief Financial Officer