

NIT - Islamic Income Fund
Condensed Interim Statement of Assets and Liabilities (Unaudited)
As at 31 December 2016

	<i>Note</i>	2016 (Rupees in '000)
Assets		
Bank balances	5	549,864
Advance against subscription of Sukuk investment		35,000
Profit receivable		2,963
Security deposit		100
Preliminary expenses and flotation costs	6	918
Total assets		<u>588,845</u>
Liabilities		
Payable to National Investment Trust Limited - Management Company	7	1,448
Payable to Central Depository Company of Pakistan Limited - Trustee	8	96
Payable to Securities and Exchange Commission of Pakistan	9	135
Payable against redemption of units		6,782
Accrued expenses and other liabilities	10	240
Total liabilities		<u>8,701</u>
Net assets		<u><u>580,144</u></u>
Unit holders' fund (as per statement attached)		<u><u>580,144</u></u>
Contingencies and commitments	11	
		(Number of units)
Number of units in issue	13	<u><u>56,662,878</u></u>
		(Rupees)
Net assets value per unit		<u><u>10.2385</u></u>

The annexed notes 1 to 21 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 period from 04 July 2016 to 31 December 2016

	For the period from	
	04 July 2016 to 31 December 2016	01 October 2016 to 31 December 2016
	(Rupees in '000)	
Income		
Profit on bank deposits	10,548	6,694
Total income	<u>10,548</u>	<u>6,694</u>
Expenses		
Remuneration of National Investment Trust Limited - Management Company	7.1 783	503
Sindh Sales Tax on remuneration of Management Company	7.2 102	66
Remuneration of Central Depository Company of Pakistan Limited - Trustee	8.1 306	194
Sindh Sales Tax on remuneration of Trustee	8.2 40	25
Annual fee - Securities and Exchange Commission of Pakistan	9 135	85
Allocation of expenses related to registrar services, accounting, operation and valuation services	7.3 179	113
Amortisation of preliminary expenses and flotation costs	6.1 100	50
Auditors' remuneration	63	39
Annual listing fee	62	38
Settlement and bank charges	40	14
Shariah Advisory Fee	18	3
Total expenses	<u>1,828</u>	<u>1,130</u>
Net income from operating activities	8,720	5,564
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	4,796	4,242
Net income for the period before taxation	<u>13,516</u>	<u>9,806</u>
Taxation	14 -	-
Net income for the period after taxation	<u><u>13,516</u></u>	<u><u>9,806</u></u>

The annexed notes 1 to 21 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 period from 04 July 2016 to 31 December 2016

	For the period from	
	04 July	01 October
	2016 to 31	2016 to 31
	December 2016	December 2016
	(Rupees in '000)	
Net income for the period	13,516	9,806
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>13,516</u>	<u>9,806</u>

The annexed notes 1 to 21 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 Distribution Statement (Unaudited)
For the period from 04 July 2016 to 31 December 2016

(Rupees in '000)

Net income for the period	13,516
Undistributed income carried forward - realised	13,516

The annexed notes 1 to 21 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 Movement in Unit Holders' Fund (Unaudited)

For the period from 04 July 2016 to 31 December 2016

	<i>Note</i>	(Rupees in '000)
Issue of 74,384,070 units during the period	<i>13</i>	751,248
Redemption of 17,721,192 units during the period	<i>13</i>	(179,824)
		571,424
Element of (income) / loss and (capital gains) / losses included in prices of units issued less those in units redeemed - net		(4,796)
Total comprehensive income for the period		13,516
Net assets at end of the period [Rs. 10.2385 per unit]		580,144

The annexed notes 1 to 21 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 period from 04 July 2016 to 31 December 2016

	<i>Note</i>	(Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation		13,516
Adjustments		
Amortisation of preliminary expenses and flotation costs	6.1	100
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		(4,796)
		<u>8,820</u>
(Increase) in assets		
Advance against subscription of Sukuk investment		(35,000)
Profit receivable		(2,963)
Security deposit		(100)
Preliminary expenses and flotation costs	6	(1,018)
		<u>(39,081)</u>
Increase in liabilities		
Payable to National Investment Trust Limited - Management Company		1,448
Payable to Central Depository Company of Pakistan Limited - Trustee		96
Payable to Securities and Exchange Commission of Pakistan		135
Payable against redemption of units		6,782
Accrued expenses and other liabilities		240
		<u>8,701</u>
Net cash (used in) operating activities		<u>(21,560)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units		751,248
Payments against redemption of units		(179,824)
Net cash generated from financing activities		571,424
Cash and cash equivalents at end of the period	5	<u><u>549,864</u></u>

The annexed notes 1 to 21 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

For the period from 04 July 2016 to 31 December 2016

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 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 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.

2.2 Accounting convention

This condensed interim financial information are prepared under the historical cost convention except for investments which are carried at fair value.

2.3 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.

2.4 Use of estimates and judgements

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, Income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years relates to classification and valuation of investments and impairment thereagainst, if any (note 4.1).

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 ‘Investment Property’ -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund’s financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 ‘Disclosure of Interests in Other Entities’ (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity’s interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – ‘Non-current Assets Held for Sale and Discontinued Operations’. The amendments are not likely to have an impact on Fund’s financial statements.
 - Amendments to IAS 28 ‘Investments in Associates and Joint Ventures’ (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund’s financial statements.
 - IFRIC 22 ‘Foreign Currency Transactions and Advance Consideration’ (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The above amendments are not likely to have an impact on Fund’s financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this condensed interim financial information are set out below.

4.1 Financial assets

4.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Management Company determines the classification of its financial assets at initial recognition.

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

b) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the Financial assets at 'fair value through profit or loss' category.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

4.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.1.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed as incurred in the income statement.

4.1.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are measured at fair value.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Subsequent to initial recognition financial assets classified as 'Loans and receivables' are carried at amortised cost using the effective interest method.

4.1.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. In case of debt instruments classified as available-for-sale, if any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in unit holders fund through comprehensive income is reclassified from unit holders fund through other comprehensive income to income statement. Impairment losses recognised on debt instruments in the income statement are reversed subsequently from income statement to unit holders fund through comprehensive income.

4.1.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Fund has transferred substantially all risks and rewards of ownership.

4.1.7 Offsetting of financial assets and financial liabilities

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

4.2 Cash and cash equivalents

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

4.3 Derivatives

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

4.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.5 Preliminary expenses and flotation costs

Preliminary expenses and flotation costs (formation cost) represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of five years starting from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

4.6 Provisions

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

4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in this condensed interim financial information as the Fund intends to distribute more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.8 Issue and redemption of units

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

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

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

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 period is recognised 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.

4.10 Net Assets Value per unit

The net assets value (NAV) per unit, as disclosed on the Condensed Interim Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

4.11 Earnings per unit (EPU)

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

4.12 Revenue recognition

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

4.13 Proposed distributions

Dividend / distributions are recognised in the period in which such distributions are declared / approved.

5 BANK BALANCES

These accounts carry return at rates ranging from 3.75% to 6.45% per annum.

6 PRELIMINARY EXPENSES AND FLOTATION COSTS

2016
(Rupees in '000)

Preliminary expenses and flotation costs		1,018
Less: amortisation during the period	6.1	<u>(100)</u>
		<u><u>918</u></u>

- 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 NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY

Management remuneration	7.1	212
Sindh Sales Tax on management remuneration	7.2	28
Preliminary expenses and flotation costs		1,018
Allocation of expenses related to registrar services, accounting, operation and valuation services	7.3	50
Others		<u>140</u>
		<u><u>1,448</u></u>

- 7.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 15 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.
- 7.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2016.
- 7.3 Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated November 25, 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.

The expenses represents the allocation of expenses relating to registrar services, accounting, operations and valuation services at 0.1% of average net annual assets of the Fund.

8 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	2016 (Rupees in '000)	
Trustee remuneration	8.1	85
Sindh Sales Tax on Trustee remuneration	8.2	11
		96

- 8.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value (NAV) of the Fund. The remuneration is paid to the Trustee, monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at 31 December 2016 is as follows:

**Amount of funds under management Tariff per annum
(Average NAV)**

Upto Rupees 1 billion	0.17% per annum of NAV
Over Rupees 1 billion and upto Rupees 5 billion	Rupees 1.7 million plus 0.085% per annum of NAV exceeding Rupees 1 billion.
Exceeding Rupees 5 billion	Rupees 5.1 million plus 0.07% per annum of NAV exceeding Rupees 5 billion

- 8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2016.

9 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, 2008, a collective investment scheme categorised as income scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme.

10 ACCRUED EXPENSES AND OTHER LIABILITIES**2016**
(Rupees in '000)

Capital gain tax	112
Auditors' remuneration	63
Listing Fee	62
Shariah Advisory Fee	3
	<u>240</u>

11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 31 December 2016.

12 SINDH WORKERS' WELFARE FUND (SWWF)

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. Accordingly, the provision of Rs. 0.291 million has been made for SWWF on 12 January 2017. This has resulted in a decrease in NAV per unit of Rs. 0.0048 on 12 January 2017. Had this provision been recognized on 31 December 2016, the NAV per unit of the Fund would have been lower by Rs. 0.0048 per unit.

13 NUMBER OF UNITS IN ISSUE**2016**
(Number of units)

Units issued against IPO investment	15,951,800
Units issued during the period	58,432,270
Units redeemed	(17,721,192)
Total units in issue at end of the period	<u>56,662,878</u>

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 2017 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

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

17.5	Transactions during the period	For the period from 04 July 2016 to 31 December 2016 (Rupees in '000)
	National Investment Trust Limited - Management Company	
	Issue of 15,000,000 units	150,000
	Remuneration of the Management Company	783
	Sindh Sales Tax on management remuneration	102
	Allocation of expenses related to registrar services, accounting, operation and valuation services	179
	Central Depository Company of Pakistan Limited - Trustee	
	Remuneration of the Trustee	306
	Sindh Sales Tax on remuneration of Trustee	40
17.6	Amounts outstanding as at period end	2016 (Rupees in '000)
	National Investment Trust Limited - Management Company	
	15,000,000 Units held	153,578
	Management remuneration payable	212
	Sindh Sales Tax payable	28
	Preliminary expenses and flotation costs payable	1,018
	Allocation of expenses related to registrar services, accounting, operation and valuation services	50
	Others	140
	Central Depository Company of Pakistan Limited - Trustee	
	Trustee remuneration payable	85
	Sindh Sales Tax payable	11

18 FINANCIAL RISK MANAGEMENT

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

18.1 Market risk

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

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

18.2 Currency risk

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

18.3 Interest rate risk

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

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

As at 31 December 2016						
Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	
	Upto three months	More than three months and up-to one year	More than one year			
----- Rupees in '000 -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	3.75 - 6.50	549,864	-	-	-	549,864
Advance against subscription of Sukuk investment		-	-	-	35,000	35,000
Profit receivable		-	-	-	2,963	2,963
Security deposit		-	-	-	100	100
		549,864	-	-	38,063	587,927
Financial liabilities						
Payable to National Investment Trust Limited - Management Company		-	-	-	1,448	1,448
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	96	96
Payable against redemption of units		-	-	-	6,782	6,782
Accrued expenses and other liabilities		-	-	-	128	128
		-	-	-	8,454	8,454
On-balance sheet gap		549,864	-	-	29,609	579,473
Off-balance sheet financial instruments						
		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		549,864	-	-	29,609	579,473
Cumulative interest rate sensitivity gap						
		549,864	549,864	549,864		

18.4 Price risk

Price risk is that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at 31 December 2016.

18.5 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in loans and receivables and bank balances. Risks attributable to investments in Market. Bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances as at 31 December 2016.

Name of the bank	Balance as at 30 June 2016 (Rupees in '000)	Rating agency	Published rating	Percentage of total bank balances %
Habib Bank Limited	549,824	JCR-VIS	AAA	100.00
National Bank of Pakistan	5	JCR-VIS	AAA	-
Bank Al-Habib Limited	5	PACRA	AA+	-
Askari Bank Limited	5	PACRA	AA+	-
Habib Metropolitan Bank Limited	5	PACRA	AA+	-
Sindh Bank Limited	5	JCR-VIS	AA	-
Meezan Bank Limited	5	JCR-VIS	AA	-
Dubai Islamic Bank Limited	5	JCR-VIS	A+	-
Bank Islami Pakistan Limited	5	PACRA	A+	-
	<u>549,864</u>			<u>100.00</u>

The maximum exposure to credit risk before any credit enhancement as at 31 December 2016 is the carrying amount of the financial assets.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mostly concentrated in balances held with commercial banks.

18.6 Liquidity risk

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

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation.

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

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

	As at 31 December 2016			Total
	Upto three months	Over three months and upto one year	Over one year	
----- (Rupees in '000) -----				
Financial liabilities				
Payable to National Investment Trust Limited - Management Company	430	-	1,018	1,448
Payable to Central Depository Company of Pakistan Limited - Trustee	96	-	-	96
Payable against redemption of units	6,782	-	-	6,782
Accrued expenses and other liabilities	128	-	-	128
	<u>7,436</u>	<u>-</u>	<u>1,018</u>	<u>8,454</u>
Unitholders' Fund	<u>580,144</u>	<u>-</u>	<u>-</u>	<u>580,144</u>

19 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

In accordance with the risk management policies as stated in note 18, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowings or disposal of investments, where necessary.

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

20 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).

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 Decemeber 2016							
		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 not measured at fair value									
	20.1								
Bank balances		-	549,864	-	549,864	-	-	-	-
Advance against subscription of Sukuk investment		-	35,000	-	35,000	-	-	-	-
Profit receivable		-	2,963	-	2,963	-	-	-	-
Security deposit		-	100	-	100	-	-	-	-
		-	587,927	-	587,927	-	-	-	-
Financial liabilities not measured at fair value									
	20.1								
Payable to National Investment Trust Limited - Management Company		-	-	1,448	1,448	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	96	96	-	-	-	-
Payable against redemption of units		-	-	6,782	6,782	-	-	-	-
Accrued expenses and other liabilities		-	-	128	128	-	-	-	-
		-	-	8,454	8,454	-	-	-	-

20.1 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.

21 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 27, 2017 by the Board of Directors of the Management Company.

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

**Sd/-
Managing Director**

**Sd/-
Director**

**Sd/-
Director**