

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

**NITIEF**  
NIT - ISLAMIC EQUITY FUND

## CORPORATE INFORMATION

### **FUND NAME**

NIT - Islamic Equity Fund

### **NAME OF AUDITORS**

A.F. Ferguson & Co. Chartered Accountants

### **LIST OF BANKERS**

Askari Bank Limited

Bank Al Falah Limited

Bank Al Habib Limited

Bank Islami Pakistan Limited

Habib Bank Limited

MCB Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Sindh Bank Limited

United Bank Limited

Dubai Islamic Bank

Soneri Bank Limited

# NIT - ISLAMIC EQUITY FUND

## FUND MANAGER REPORT

### 2019-2020

#### NIT Islamic Equity Fund (NIT IEF) Objective

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

#### Profile of Investment Manager

National Investment Trust Ltd. (NITL) is the first and among the largest Asset Management Company of Pakistan, formed in 1962. With approximately Rs. 76 billion assets as of June 30, 2020 the total number of Funds under the management of NITL is 12, including 4 equity Funds, 2 fixed Income Funds, Money market Fund, Islamic Income Fund, Asset Allocation Fund, Exchange Traded Fund, Conventional Pension Fund and Islamic Pension Fund. During the fiscal year 2019-20 NITL launched NIT Pakistan Gateway Exchange Traded Fund which is the first exchange traded Fund in the history of Pakistan's capital market. During the period NIT-Asset Allocation Fund was also launched and added to the tally of NIT's family of Funds. NIT has established a strong national distribution network which comprises of 24 branches and 03 sale counters including an Investor Facilitation Centre and customer Call Centre at Karachi and various Authorized Bank branches all across Pakistan as its distributors. NITL has also launched an online application allowing its customers to interact with it for a range of services. The Board of Directors of NITL consists of representatives of leading financial institutions, prominent industrialists and nominee of Govt. of Pakistan. The Company has been assigned an Asset Manager rating of "AM2+ +" by PACRA, which demonstrates that the Asset Manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors. All Investment decisions are taken by the Investment Committee of NITL.

#### Fund Information - NIT IEF

• Launch date	18 <sup>th</sup> May 2015	• Minimum Investment:	Rs. 5,000
• Type	Open Ended - Shariah Compliant Equity Scheme	• Management Fee:	2.00%
• Fund Manager	Wasim Akram	• Front End Load:	0.00% - 3.00%
• Fund Size as on June 30, 2020	Rs. 2.96 billion	• Back End Load:	0.00%
• Par Value	Rs. 10	• Auditors:	A.F. Ferguson & Co. Chartered Accountants
• NAV/unit	Rs. 7.40	• Trustee:	Central Depository Company of Pakistan Ltd.
• Pricing Mechanism	Forward Pricing	• Risk Profile	High
• Benchmark	KMI-30 Index	• Asset Manager Rating	AM2+ + (PACRA)

#### Fund Performance Analysis

	2019-20	2018-19
Opening Net Assets (Rs. in billion)	3.05	4.13
Opening NAV /unit (Rs.) (Ex Div)	7.39	9.91
Ending Net Assets (Rs. in billion)	2.96	3.05
Ending NAV/unit (Rs.)	7.40	7.39
Cash Distribution / unit (Rs.) (Interim)	0.14	0.19
Total Return (%)	2.78%	-25.43%
Maximum Funds under management during the year (Rs. in billion)	3.73	4.31

# NIT - ISLAMIC EQUITY FUND

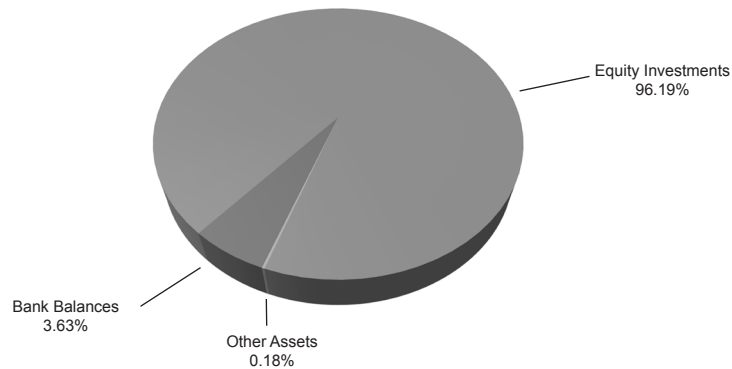
## FUND MANAGER REPORT

### 2019-2020

#### Asset Allocation

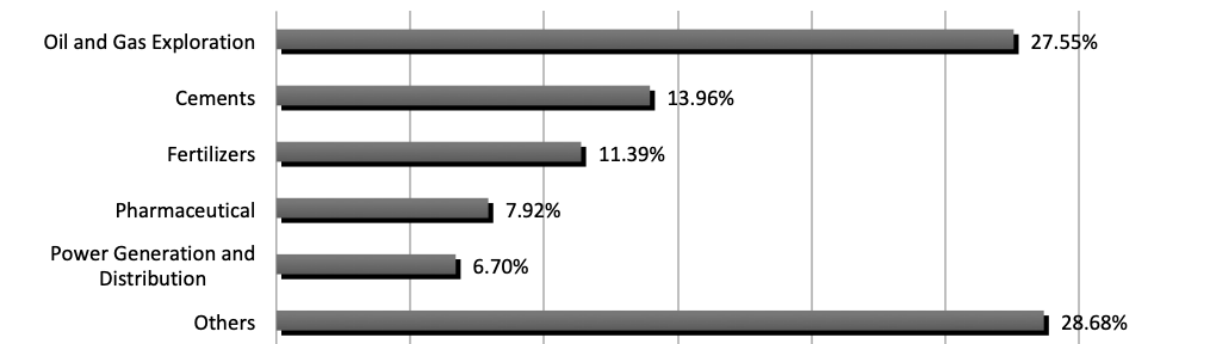
The Fund follows a dynamic asset allocation policy determined by market conditions. As on 30th June 2020, the Fund was invested to the extent of 96% in Equities whereas the remaining exposure was in cash and others. Following a dynamic allocation policy, equity exposure of the Fund varied continuously throughout the year with the aim of taking maximum advantage of investment opportunities available in the market. The asset allocation position of the Fund as on 30-06-2020 is depicted in the chart below:

**JUNE 2020**



#### Sector Wise Breakdown of Equity Portfolio

Sector-wise breakdown of Fund's Equity portfolio as % of total assets as on 30-06-2020 is given below:



Oil and Gas Exploration remained the largest sector in terms of exposure in NIT-IEF. This is followed by Cements and Fertilizers. The fund also has substantial investments in Pharmaceutical and Power Generation sectors. During the year, the fund focused towards investment in sectors that offer attractive valuations with good dividend potential.

#### Top Ten Holdings

Top ten holdings of the Fund's portfolio as % of total assets as on June 30th 2020 are as follows:

# NIT - ISLAMIC EQUITY FUND

## FUND MANAGER REPORT

### 2019-2020

Lucky Cement Limited.	Engro Corporation Limited.
Oil & Gas Development Company Ltd.	Pakistan Oilfields Limited.
Hub Power Company Limited.	Meezan Bank Limited.
Pakistan Petroleum Limited.	The Searle Company Ltd.
Mari Petroleum Company Ltd.	Engro Fertilizers Limited.

#### Categorization of Unit Holders By Size - (JUNE 2020)

Category	NIT-IEF Unit Holders	% of Holding
Institutional Investors	68	62.75%
Individual	3,532	37.25%
<b>TOTAL</b>	<b>3,600</b>	<b>100%</b>

#### Stock Market & Fund Performance Review

Despite Covid-related challenges, the Pakistan Stock Exchange managed to close the fiscal year 2019-20 in positive zone, with the benchmark KSE-100 index registering a gain of 1.53%. Although the GDP growth in FY20 has been negative, it is significant given the fact that at the start of the fiscal year 2019-20, Pakistan's macro-economic situation was in a troubled phase mainly due to a late entry in IMF Program. Later half of the fiscal year was severely affected by the COVID-19 pandemic that brought economic activity to a stand still having a severe impact on global economics including Pakistan. Nonetheless, the turnaround witnessed from April 2020, following the announcement of government fiscal stimulus, and the gradual opening of the economy, provided some respite to the stock market, helping it close the year in the green zone.

Improving Balance of Payment position, low Interest rates, increasing foreign remittances and gradual recovery from Covid-19 started turning the tide and had helped the benchmark KSE-100Index to post a recovery of 7,193pts in 4Q-FY20. Last quarter saw an overall increase of 5,190pts in the Index. Gradual resumption of business activities following recovery from Covid-19 helped improved in business confidence. Similarly, State Bank of Pakistan followed the pattern of global Central Banks, cutting interest rates in the wake of declining Inflation and have brought the Policy rate from 13.25% to 7%. This has relieved the already stressed Corporate sector off the burdening financial charges at one hand and has also made Equities as the preferred asset class in comparison with fixed income instruments.

The overall activity at the bourse remained lackluster, though average traded volumes increased by 27% to 196mn shares/day in FY20, However, it still remained 10% lower compared to its preceding 5-year average of 219mn shares/day. The average traded value declined by 2% in FY20 to US\$46mn/day, while also remained 51% lower compared to its preceding 5-year average of US\$94mn/day.

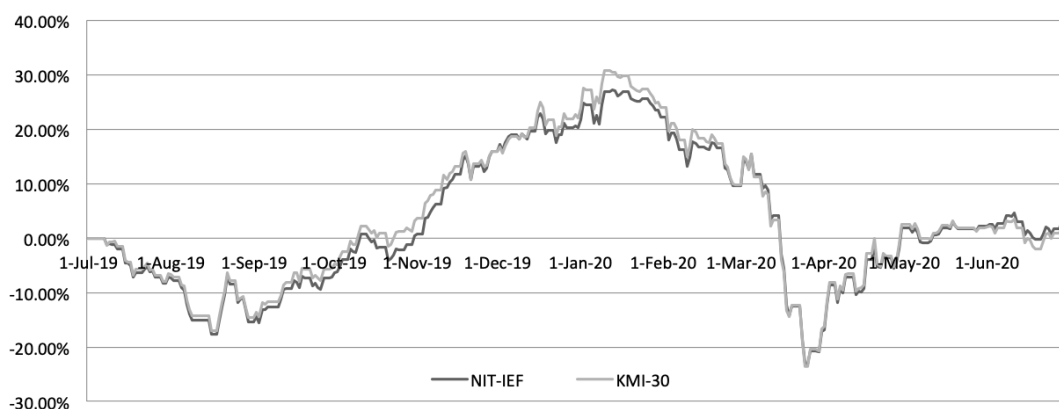
During FY20, foreigners maintained selling stance from yesteryears and took out US\$ 284.8mn on net basis. These outflows have largely been absorbed by Individuals by investing US\$ 213.2mn, followed by Insurance Sector US\$ 127.6mn, Other Organizations US\$ 31.6mn, Companies US\$ 26.8mn and Non-Banking Finance Companies US\$ 4.5mn.

# NIT - ISLAMIC EQUITY FUND

## FUND MANAGER REPORT

### 2019-2020

#### Relative Performance of NAV vs. KMI 30



During the period under review, the KMI-30 index increased by 1.62% whereas the NAV of your Fund increased by 2.78%, resulting in an outperformance of 1.16%.

#### Performance of Fund Since Inception

	FY 2015*	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Since Inception
<b>NIT-IEF (%)</b>	2.70	5.78	18.38	-16.37	-25.43	2.78	-17.83
<b>KMI-30 (%)</b>	1.98	15.53	18.80	-9.59	-23.84	1.62	1.62
<b>Dividend Per Unit (Rs.)</b>	0.00	0.42	0.50	0.00	0.19	0.14	

\*Launched on May 18, 2015.

#### Dividend Declaration for the FY19-20:

The Board declared a cash dividend @ Rs. 0.14 per unit for unit holders of NIT-IEF for the year ending on June 30, 2020 as compared to Rs. 0.19 per unit for the year ended on 30th June 2019.

#### Total Expense Ratio

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 2.86% per annum. Total expense ratio (excluding government levies) is 2.52% per annum.

#### SWWF Disclosure

The Scheme has maintained provisions against Sind Workers' Welfare Fund's liability to the tune of Rs. 11.55 million, if the same were not made the NAV per unit/ year to date return of the Scheme would be higher by Rs. 0.0288/ 0.39%. For details investors are advised to read the latest Financial Statement of the Scheme.

# NIT - ISLAMIC EQUITY FUND

## FUND MANAGER REPORT

### 2019-2020

#### Economic Review

With the unprecedented onset of pandemic Covid-19 taking over the world in FY20, the global economy slid into recession with overall economic growth shrinking this year, Pakistan was no exception, with negative 0.38% GDP growth as compared to 1.9% growth recorded a year earlier. The slowdown was broadly attributed to contractionary economic policies and inflationary pressures in the aftermath of exchange rate depreciation. The second half of the fiscal year 2019- 20 is characterized by the COVID-19 inflicted economic slowdown. The pandemic caused multifaceted problems and its impact on economy is much broader in terms of magnitude, intensity and implications than any other shock in human history.

This will be the first time in 68 years since 1952 that Pakistan experiences negative GDP growth. The negative 0.38% GDP growth is mainly caused by the unprecedented losses faced by manufacturing, transport and trade sectors, as the government tightened containment measures to limit the spread. Agriculture remained somewhat insulated, as most of the important crops had already been harvested before disruptions began to surface.

Agriculture sector fell short of its targeted growth and showed mixed patterns in growth of its components. Its overall growth improved to 2.7 % in 2019-20 from 0.6 % last year. Within agriculture, the crop sector performance which registered average growth of 0.6 % during 2013-18, showed marked improvement as it registered positive growth of 3 %. Important crops depicted 2.9 % growth due to an increase in production of wheat, rice and maize by 2.5 %, 2.9 %, and 6 %, respectively. The cotton crop succumbed to unfavorable weather, low water availability, and pest attacks.

Industrial sector plays a significant role in the economic development of a country. It contributes almost 20 % to GDP and employs 24 % of total employed labor force. However, the industrial sector faced the major brunt of the COVID-19 related shutdown and depicted overall contraction of 2.6 %. The LSM sector witnessed contraction of 7.8 % as against contraction of 2.6 % in FY19. Major decline has been observed in textile, food, beverage & tobacco, coke & petroleum products, pharmaceuticals, chemicals and automobiles.

Services sector has been worst affected by falling tourism revenues, lower mobility in the transport sector (air, rail, ships and road), lockdown inflicted complete cessation of trading activities, closure of education, event management and community services, and major burden on financial sector because of falling interest rates and business financing. Overall services sector remained in negative zone and posted negative growth of 0.6 % as compared to positive growth of 3.8 % last year. However, there were some services which performed well like health services, CSO operations, online digital content and product delivery.

Average headline CPI inflation (national) stood at 10.7 % during 2019-20 as compared to 6.8 % during the same period last year. Main contributors to inflationary pressures were increase in food prices, electricity & gas prices, and impact of exchange rate movements.

The State Bank of Pakistan raised the policy rate by 100 bps to 13.25 % in July 2019 and maintained it at same level till Mar 2020. However, to stimulate economic activities and to support households and businesses, economic growth, and employment levels during challenging times of COVID 19, SBP reduced the policy rate by a cumulative 625 bps reducing the benchmark rate from 13.25% to 7.00% in Jun'20.

Significant improvement in Pakistan's external account continued in FY20, mainly on the back of contraction in imports. While demand for non-energy imports was already subdued, energy imports declined substantially due to COVID-19 related weakness in global oil prices and lower domestic demand. Nonetheless, the lower trade deficit, together with a decent growth in workers' remittances (specifically from the US and the GCC), and a significant reduction in the services deficit, lowered the FY20 current account deficit to US\$ 2.97 billion as compared to US\$ 13.43 billion in FY19.

Though the current account deficit (CAD) improved substantially year on year, however, it experienced reduction in both imports as well as exports. The country's exports which stood at US\$ 27.95 billion, recorded a decline of 7.5% in FY'20 versus FY'19's export figure of US\$ 30.22 billion, however, the import bill contracted by 19.3% over the same period with imports of US\$ 50.7 billion during FY20. The country's balance of trade recorded a deficit of USD 22.75 billion during FY'20, improving by 25.55% over FY'19.

Workers' remittances rose by 6.3 % YoY to US\$ 23.1 billion in FY20. The rise in workers' remittances this year was broad-based, particularly, inflows from the GCC countries and continuous efforts by the Govt. to increase remittances inflows through formal channels. Number of incentive schemes for remitters were introduced which yielded productive results

Foreign exchange inflows via FDI rebounded as the work on CPEC related projects gained traction. As a result, net FDI inflows in FY20 increased to US\$ 2.6 billion, up from 1.3 billion during the same period of FY19. FDI inflows from China witnessed a rebound, specifically in the last quarter of FY20, as the country continued to invest in CPEC projects. In the backdrop of this global investment scenario, the foreign portfolio investment in Pakistan in FY20 also came under strain. The foreign investment that started pouring in the domestic debt market (T-bills and PIBs) continued to gather pace till January 2020. However, with the unfolding of COVID-19 into a pandemic by March 2020, these portfolio inflows witnessed a trend

# **NIT - ISLAMIC EQUITY FUND**

## **FUND MANAGER REPORT**

### 2019-2020

reversal, with outflows of US\$ 241 million, in line with the global trend. Similarly, Pakistan's equity market came under severe pressure, as both local and foreign investors resorted to panic selling. Foreign portfolio investors pulled out US\$ 284.8mn on net basis in FY20 from the equity market.

The country's FX reserves stood at USD 18.9 billion at Jun'20, with flows from multilateral agencies providing support for external payments. The pandemic also caused significant pressure in the FX markets as the exchange rate, depreciated by 8.5% since Dec'19 to close at Rs. 168.05 at June 30, 2020.

Economic landscape in 2020-21 predominantly depends upon how the pandemic unfolds and effectiveness of the government efforts to control locust. Even after the lockdown is completely lifted, the second-round impact of COVID-19 may still affect the growth performance of the country. However, monetary easing and debt relief will also improve fiscal position and external account will improve due to resumption of remittance inflows and better exports performance.

**(Economic data source: Economic Survey of Pakistan, FBS & SBP Website)**

#### **Other Disclosures under NBFC Regulations 2008:**

The Fund Manager hereby makes the following disclosures as required under the NBFC Regulations 2008;

- a. The Management Company or any of its delegates did not receive any soft commission (goods & services) from any of its brokers / dealers by virtue of transactions conducted by the Fund.
- b. There was no unit split undertaken during the year.



## TRUSTEE REPORT

### TRUSTEE REPORT TO THE UNIT HOLDERS

#### **Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of NIT Islamic Equity Fund (the Fund) are of the opinion that National Investment Trust Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Sd/-**

**Badiuddin Akber**  
**Chief Executive Officer**  
**Central Depository Company of Pakistan Limited**

**Karachi, September 28, 2020**

## REPORT OF THE SHARIAH ADVISOR

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

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

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

In light of the above, I hereby certify that:

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

During the year, Rs. 2,892,250/- has been recognized as charity, from the fund as divider purification amount.

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

And Allah Knows Best.

**Sd/-**

**Mufti Zeeshan Abdul Aziz**  
**Shariah Advisor**

**Karachi: August 13<sup>th</sup>, 2020**

# INDEPENDENT AUDITORS' REPORT

## TO THE UNIT HOLDERS OF NIT ISLAMIC EQUITY FUND

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of NIT – Islamic Equity Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S.No.	Key audit matter	How the matter was addressed in our audit
1	<b>Net Asset Value (NAV)</b> (Refer note 6 to the financial statements)	
	<p>The investments constitute the most significant component of the NAV. The investments of the Fund as at June 30, 2020 amounted to Rs 2,909.191 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>• Tested the design and operating effectiveness of the key controls for valuation of investments;</li><li>• Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2020 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and</li><li>• Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.</li></ul>

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

## INDEPENDENT AUDITORS' REPORT

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and

## INDEPENDENT AUDITORS' REPORT

where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Shahbaz Akbar**.

Sd/-

**Chartered Accountants**

**Dated: September 23, 2020**

**Karachi**

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

	Note	2020	2019
		------(Rupees in '000)-----	
<b>Assets</b>			
Balances with banks	5	109,899	180,232
Investments	6	2,909,191	2,922,233
Dividend and profit receivable	7	2,700	3,101
Preliminary expenses and floatation costs	8	-	877
Security deposits	9	2,600	2,600
<b>Total assets</b>		3,024,390	3,109,043
<b>Liabilities</b>			
Payable to National Investment Trust Limited - Management Company	10	15,023	16,821
Payable to Central Depository Company of Pakistan Limited - Trustee	11	364	378
Payable to Securities and Exchange Commission of Pakistan	12	597	3,454
Payable against purchase of investments		8,656	-
Payable against redemption of units		7	-
Accrued expenses and other liabilities	13	37,954	42,437
Dividend payable		305	127
<b>Total liabilities</b>		62,906	63,217
<b>Net assets</b>		<u>2,961,484</u>	<u>3,045,826</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>2,961,484</u>	<u>3,045,826</u>
<b>Contingencies and commitments</b>	14		
		------(Number of units)-----	
<b>Number of units in issue</b>	15	<u>400,185,081</u>	<u>412,041,898</u>
		------(Rupees)-----	
<b>Net asset value per unit</b>		<u>7.40</u>	<u>7.39</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

Sd/-  
Chief Financial Officer

**NIT - ISLAMIC EQUITY FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020	2019
		------(Rupees in '000)-----	
<b>Income</b>			
Dividend income		124,346	174,079
Gain on sale of investments - net		2,382	291
Mark-up / return on bank deposits		15,060	21,465
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.4	3,615	(11,800)
<b>Total income</b>		<b>145,403</b>	<b>184,035</b>
<b>Expenses</b>			
Remuneration of National Investment Trust Limited - Management Company	10.1	59,697	72,779
Sindh sales tax on remuneration of the Management Company	10.2	7,761	9,461
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1	3,985	4,639
Sindh sales tax on remuneration of the Trustee	11.2	518	603
Annual fee for the Securities and Exchange Commission of Pakistan	12	597	3,454
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	3,001	3,641
Selling and marketing expenses	10.4	6,086	3,178
Custodian charges of Central Depository Company of Pakistan Limited		36	79
Securities transaction costs		-	142
Settlement and bank charges		581	548
Auditors' remuneration	16	472	460
Amortisation of preliminary expenses and floatation costs		877	1,000
Shariah advisory fee		540	634
Charity expense		2,892	3,663
Printing charges		146	162
Annual listing fee		28	-
Legal and professional charges		72	125
<b>Total expenses</b>		<b>87,289</b>	<b>104,568</b>
<b>Net income from operating activities</b>		<b>58,114</b>	<b>79,467</b>
Provision for Sindh Workers' Welfare Fund (SWWF)	13.1	(1,162)	(1,589)
<b>Net income for the year before taxation</b>		<b>56,952</b>	<b>77,878</b>

**NIT - ISLAMIC EQUITY FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020	2019
		------(Rupees in '000)-----	
Taxation	17	-	-
<b>Net income for the year after taxation</b>		<u>56,952</u>	<u>77,878</u>
<b>Allocation of net income for the year after taxation</b>			
Net income for the year after taxation		56,952	77,878
Income already paid on units redeemed		(177)	(628)
		<u>56,775</u>	<u>77,250</u>
<b>Accounting income available for distribution</b>			
-Relating to capital gains		5,894	-
-Excluding capital gains		50,881	77,250
		<u>56,775</u>	<u>77,250</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

Sd/-  
Chief Financial Officer



**NIT - ISLAMIC EQUITY FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 ------(Rupees in '000)-----	2019
Net income / (loss) for the year after taxation		56,952	77,878
<b>Other comprehensive income / (loss) for the year</b>			
<b>Items that will not be reclassified to income statement:</b>			
Changes in the fair value of investments classified as 'financial assets at FVOCI'	6.5	54,423	(1,096,828)
<b>Total comprehensive income / (loss) for the year</b>		<u>111,375</u>	<u>(1,018,950)</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Sd/-  
**Managing Director**

Sd/-  
**Director**

Sd/-  
**Director**

Sd/-  
**Chief Financial Officer**

# NIT - ISLAMIC EQUITY FUND

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

### FOR THE YEAR ENDED 30 JUNE 2020

	2020				2019				
	Capital value	Accumulated loss	Unrealised appreciation/(diminution) - investments 'at fair value through other comprehensive income'	Total	Capital value	Accumulated loss	Unrealised appreciation/(diminution) - investments 'available for sale' investments	Unrealised appreciation/(diminution) - investments 'at fair value through other comprehensive income'	Total
	(Rupees in '000)								
<b>Net assets at the beginning of the year</b>	4,124,655	(63,010)	(1,015,819)	3,045,826	4,192,974	(70,949)	11,698	-	4,133,723
Change in accounting policy on adoption of IFRS 9	-	-	-	-	-	-	(11,698)	11,698	-
	4,124,655	(63,010)	(1,015,819)	3,045,826	4,192,974	(70,949)	-	11,698	4,133,723
<b>Issue of 137,177,339 units</b> (2019: 61,830,391 units)									
Capital value	987,677	-	-	987,677	612,434	-	-	-	612,434
Element of income / (loss)	39,355	-	-	39,355	(73,213)	-	-	-	(73,213)
Total proceeds on issuance of units	1,027,032	-	-	1,027,032	539,221	-	-	-	539,221
Issue of 111,054 units in lieu of refund of capital	802	-	-	802	-	-	-	-	-
<b>Redemption of 155,846,971 units</b> (2019: 67,122,471 units)									
Capital value	(1,122,098)	-	-	(1,122,098)	(664,853)	-	-	-	(664,853)
Element of (loss) / income	(71,375)	(177)	-	(71,552)	57,313	(628)	-	-	56,685
Total payments on redemption of units	(1,193,473)	(177)	-	(1,193,650)	(607,540)	(628)	-	-	(608,168)
Total comprehensive (loss) / income for the year	-	56,952	54,423	111,375	-	77,878	-	(1,096,828)	(1,018,950)
Issue of 6,701,761 units under CIP (2019: Nil units)	48,387	-	-	48,387	-	-	-	-	-
Transfer of loss on disposal of investments classified as 'financial assets at fair value through other comprehensive income' to undistributed income	-	(128,600)	128,600	-	-	(69,311)	-	69,311	-
Final distribution for year ended 30 June 2019 (Date: 5 July 2019 @ Re 0.19 per unit)	-	(77,486)	-	(77,486)	-	-	-	-	-
Refund of capital	(802)	-	-	(802)	-	-	-	-	-
<b>Net assets at the end of the year</b>	<b>4,006,601</b>	<b>(212,321)</b>	<b>(832,796)</b>	<b>2,961,484</b>	<b>4,124,655</b>	<b>(63,010)</b>	<b>-</b>	<b>(1,015,819)</b>	<b>3,045,826</b>

	(Rupees in '000)	(Rupees in '000)
<b>Accumulated loss brought forward</b>		
- Realised loss	(51,210)	(70,949)
- Unrealised loss	(11,800)	-
	(63,010)	(70,949)
<b>Accounting income available for distribution:</b>		
Relating to capital gains	5,894	-
Excluding capital gains	50,881	77,250
	56,775	77,250
Transfer of loss on disposal of investments classified as 'financial assets at fair value through other comprehensive income' to undistributed income	(128,600)	(69,311)
Final distribution for year ended 30 June 2019 (Date: 5 July 2019 @ Re 0.19 per unit)	(77,486)	-
Accumulated loss carried forward	(212,321)	(63,010)
Accumulated loss carried forward		
- Realised loss	(215,936)	(51,210)
- Unrealised income / (loss)	3,615	(11,800)
	(212,321)	(63,010)
	(Rupees)	(Rupees)
Net asset value per unit at beginning of the year	7.39	9.91
Net asset value per unit at end of the year	7.40	7.39

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

Sd/-  
Chief Financial Officer

# NIT - ISLAMIC EQUITY FUND

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2020

Note	2020	2019
	------(Rupees in '000)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	56,952	77,878
<b>Adjustments for:</b>		
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(3,615)	11,800
Provision for Sindh Workers' Welfare Fund (SWWF)	1,162	1,589
Amortization of preliminary expenses and floatation costs	877	1,000
	55,376	92,267
<b>Decrease / (increase) in assets</b>		
Investments	71,080	(294,891)
Dividend and profit receivable	401	11,996
Advance against IPO subscription	-	6,350
	71,481	(276,545)
<b>Increase / (decrease) in liabilities</b>		
Payable to National Investment Trust Limited - Management Company	(1,798)	921
Payable to Central Depository Company of Pakistan Limited - Trustee	(14)	(109)
Payable to Securities and Exchange Commission of Pakistan	(2,857)	(668)
Payable against purchase of investments	8,656	(24,867)
Accrued expenses and other liabilities	(5,645)	794
	(1,658)	(23,929)
<b>Net cash generated from / (used in) operating activities</b>	125,199	(208,207)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	1,075,419	539,221
Payments on redemption of units	(1,193,643)	(611,181)
Distribution paid	(77,308)	(61)
<b>Net cash used in financing activities</b>	(195,532)	(72,021)
<b>Net decrease in cash and cash equivalents during the year</b>	(70,333)	(280,228)
Cash and cash equivalents at the beginning of the year	180,232	460,460
<b>Cash and cash equivalents at the end of the year</b>	109,899	180,232

The annexed notes from 1 to 31 form an integral part of these financial statements.

For National Investment Trust Limited  
(Management Company)

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

Sd/-  
Chief Financial Officer

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The NIT Islamic Equity Fund (the Fund) was established under a Trust Deed executed between National Investment Trust Limited as "the Management Company" and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 February 2015 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Trust Deed was executed on 24 February 2015. The Fund is categorized as an Equity Scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP).
- 1.2 The Management Company of the Fund has been classified as a Non-Banking Finance Company (NBFC) under the NBFC Rules, and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building, I.I. Chundrigar Road, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan
- 1.3 The Fund has been categorised as a Shariah compliant (Islamic) equity fund by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009. The Fund is an open-ended mutual fund and is listed on Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The objective of the Fund is to invest in the equity market when there is an opportunity to invest the funds in a gainful manner and such investment is for the benefit of the Fund based on long term perspective to provide the unit holder safe and Halal income on their investment. Under the Trust Deed, all conducts and acts of the Fund are based on Shariah. The Management Company has appointed Mufti Zeeshan Ali Aziz as Shariah Advisor of the NIT Islamic Equity Fund to ensure that the activities of the Fund 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 on 5 November 2019.
- 1.6 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

#### 2 BASIS OF PRESENTATION

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Advisor are accounted for on substance rather than the form prescribed by the aforementioned guidelines. This practice is being followed to comply with the requirements of the accounting and reporting standards as applicable in Pakistan.

#### 3 BASIS OF PREPARATION

##### 3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

#### 3.2 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's accounting period beginning on 1 July 2019. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financials statements.

#### 3.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendment)	1 January 2020
- IAS 8 - 'Accounting policies, change in accounting 'estimates and errors' (amendment)	1 January 2020

3.3.1 These amendments may impact the financial statements of the Fund on adoption. The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

3.3.2 There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after 1 July 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and, therefore, have not been detailed in these financials statements.

#### 3.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements 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 results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 6).

#### 3.5 Accounting convention

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

#### 3.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupee, which is the Fund's functional and presentation currency.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years.

#### 4.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

#### 4.3 Financial assets

##### 4.3.1 Classification and subsequent measurement

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

#### Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the Statement of Assets and Liabilities at fair value, with gains and losses recognised in the Income Statement, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The Fund measures its equity investments at fair value through profit or loss (FVPL), except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal.

The dividend income from equity securities classified under FVOCI and FVPL are to be recognised in the Income Statement. However, any surplus / (deficit) arising as a result of subsequent movement in the fair value of equity securities classified as at FVOCI is to be recognised in other comprehensive income and is not recycled to the Income Statement on derecognition. The gain or loss on disposal of equity investments classified as 'at FVOCI' is transferred to the undistributed income / accumulated loss.

#### 4.3.2 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and at FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The 12 months ECL is recorded for all financial assets in which there is no significant increase in credit risk from the date of initial recognition, whereas a lifetime ECL is recorded for all remaining financial assets.

#### 4.3.3 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

#### 4.3.4 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These 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 recognised in the Income Statement.

#### 4.3.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement except for investment in equity securities classified as 'at FVOCI'.

#### 4.3.6 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 Income Statement.

#### 4.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

#### 4.5 Offsetting of financial assets and financial liabilities

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

#### 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 Net asset value per unit

The Net Asset Value (NAV) per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

#### 4.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the application received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption applications during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

#### 4.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

Element of income represents the difference between Net Asset Value (NAV) per unit on the issuance or redemption date, as the case may be, of units and the NAV per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend NAV of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders' fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

#### 4.11 Revenue recognition

- Gains / losses arising on sale of investments classified as financial assets 'at FVPL' is recognized in the Income Statement on the date when the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as financial assets 'at FVPL' and 'at FVOCI' are recognized in the Income Statement and other comprehensive income respectively, in the period in which these arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on savings accounts with banks is recognised on accrual basis

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

#### 4.12 Expenses

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

#### 4.13 Taxation

##### Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates.

##### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

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 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. Furthermore, for the purpose of determining distribution of at least 90% of the accounting income, 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. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds (Section 4B of the Income Tax Ordinance, 2001).

#### 4.14 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year after taxation of the Fund by the weighted average number of units outstanding during the year.

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

#### 4.15 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income

	Note	2020	2019
------(Rupees in '000)-----			
<b>5 BALANCES WITH BANKS</b>			
In savings accounts	5.1	109,899	180,232
		<u>109,899</u>	<u>180,232</u>
<b>5.1</b>			
The balances in savings accounts of the Fund carry profit rates ranging from 6.50% to 13.00% per annum (2019: 2.40% to 10.25 % per annum)			
<b>6 INVESTMENTS</b>			
<b>Financial assets at fair value through profit or loss</b>			
Listed equity securities	6.1	8,246	24,264



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

	Note	2020	2019
------(Rupees in '000)-----			
<b>Financial assets at fair value through other comprehensive income</b>			
Listed equity securities	6.2	2,900,945	2,897,969
		2,909,191	2,922,233

**6.1 Listed equity securities - financial assets at fair value through profit or loss**

Name of the Investee Company	As at 01 July 2019	Purchased during the year	Right shares purchased/ subscribed during the year	Sold during the year	As at 30 June 2020	Carrying value as at 30 June 2020	Market value as at 30 June 2020	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the Investee Company
<b>Textile composite</b>										
Nishat Mills Limited	-	98,500	-	80,600	17,900	1,671	1,396	0.05	0.05	0.01
						1,671	1,396	0.05	0.05	
<b>Cement</b>										
Pioneer Cement Limited	-	150,000	-	50,000	100,000	2,265	6,304	0.22	0.21	0.04
						2,265	6,304	0.22	0.21	
<b>Power generation &amp; distribution</b>										
The Hub Power Company Limited	-	95,281	-	95,281	-	-	-	-	-	-
	-	95,281	-	95,281	-	-	-	-	-	
<b>Oil &amp; gas marketing companies</b>										
Sui Northern Gas Pipeline Limited	-	60,000	-	50,000	10,000	695	546	0.02	0.02	0.00
						695	546	0.02	0.02	
<b>Total as of 30 June 2020</b>						4,631	8,246			
<b>Total as of 30 June 2019</b>						36,064	24,264			

6.1.1 All shares are fully paid up ordinary shares of Rs 10 each

**6.2 Listed equity securities - financial assets at fair value through other comprehensive income**

Name of the Investee Company	As at 01 July 2019	Purchased during the year	Bonus / Right shares received during the year	Sold during the year	As at 30 June 2020	Carrying cost as at 30 June 2020	Market value as at 30 June 2020	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the Investee Company
<b>Commercial banks</b>										
Meezan Bank Limited	873,272	687,500	-	-	1,560,772	96,016	107,459	3.69	3.63	0.19
BankIslami Pakistan Limited	-	50,000	-	-	50,000	641	378	0.01	0.01	0.00
						96,657	107,837	3.70	3.64	
<b>Textile Composite</b>										
Nishat Mills Limited	355,100	25,000	-	-	380,100	52,557	29,652	1.02	1.00	0.11
						52,557	29,652	1.02	1.00	

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

Name of the Investee Company	As at 01 July 2019	Purchased during the year	Bonus / Right shares received during the year	Sold during the year	As at 30 June 2020	Carrying cost as at 30 June 2020	Market value as at 30 June 2020	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the Investee Company
	------(Numbr of Shares)-----					-----Rupees in '000-----		-----%-----		
<b>Cement</b>										
Cherat Cement Company Limited	485,900	-	48,590	225,000	309,490	32,232	26,978	0.93	0.91	0.16
D. G. Khan Cement Company Limited	1,599,000	210,000	-	800,000	1,009,000	108,338	86,098	2.96	2.91	0.23
Fauji Cement Company Limited	2,603,500	-	-	-	2,603,500	59,490	43,947	1.51	1.48	0.19
Lucky Cement Limited	616,450	92,400	-	148,100	560,750	318,095	258,831	8.90	8.74	0.17
						<u>518,155</u>	<u>415,854</u>	<u>14.29</u>	<u>14.04</u>	
<b>Refinery</b>										
National Refinery Limited	39,200	-	-	39,200	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Power generation &amp; distribution</b>										
The Hub Power Company Limited	2,691,603	255,500	-	152,219	2,794,884	268,745	202,629	6.97	6.84	0.22
						<u>268,745</u>	<u>202,629</u>	<u>6.97</u>	<u>6.84</u>	
<b>Oil &amp; gas marketing companies</b>										
Pakistan State Oil Company Limited	496,212	140,000	99,242	110,000	625,454	135,362	98,922	3.40	3.34	0.13
Sui Northern Gas Pipelines Limited	984,100	65,000	-	-	1,049,100	112,569	57,281	1.97	1.93	0.17
Sui Southern Gas Company Limited	1,764,000	-	-	-	1,764,000	64,717	23,532	0.81	0.79	0.20
						<u>312,648</u>	<u>179,735</u>	<u>6.18</u>	<u>6.06</u>	
<b>Oil &amp; gas exploration companies</b>										
Oil and Gas Development Company Limited	2,650,700	85,000	-	75,000	2,660,700	388,711	290,016	9.97	9.79	0.06
Mari Petroleum Company Limited	108,000	32,500	10,800	1,200	150,100	189,658	185,621	6.38	6.27	0.11
Pakistan Oilfields Limited	462,020	17,500	-	50,000	429,520	188,523	150,603	5.18	5.09	0.15
Pakistan Petroleum Limited	2,087,700	110,000	402,540	215,000	2,385,240	320,986	206,991	7.12	6.99	0.09
						<u>1,087,878</u>	<u>833,231</u>	<u>28.65</u>	<u>28.14</u>	
<b>Engineering</b>										
Crescent Steel and Allied Proudcets Limited	23,300	-	-	23,300	-	-	-	-	-	-
International Industries Limited	119,300	-	11,930	15,000	116,230	27,801	10,662	0.37	0.36	0.09
International Steels Limited	925,100	-	-	210,000	715,100	89,714	36,935	1.27	1.25	0.16
Amreli Steel Limited	100,500	-	-	-	100,500	5,126	3,280	0.11	0.11	0.03
						<u>122,641</u>	<u>50,877</u>	<u>1.75</u>	<u>1.72</u>	
<b>Automobile assembler</b>										
Honda Atlas Cars (Pakistan) Limited	102,900	-	-	20,000	82,900	26,229	16,056	0.55	0.54	0.06
Indus Motor Company Limited	97,870	1,700	-	180	99,390	128,830	98,892	3.40	3.34	0.13
Millat Tractors Limited	33,580	-	4,197	-	37,777	30,338	26,677	0.92	0.90	0.08
Pak Suzuki Motor Company Limited	10,700	-	-	-	10,700	4,740	1,732	0.06	0.06	0.01
						<u>190,137</u>	<u>143,357</u>	<u>4.93</u>	<u>4.84</u>	
<b>Automobile parts &amp; assembler</b>										
Agriauto Industries Limited.	150,000	-	-	-	150,000	38,340	27,300	0.94	0.92	0.52
General Tyre and Rubber Company	190,520	-	38,104	-	228,624	21,271	13,603	0.47	0.46	0.19
Thal Limited	136,800	-	-	15,000	121,800	45,830	39,578	1.36	1.34	0.15
						<u>105,441</u>	<u>80,481</u>	<u>2.77</u>	<u>2.72</u>	
<b>Cable &amp; electric goods</b>										
Pak Elektron Limited	1,426,500	-	-	-	1,426,500	49,676	32,710	1.12	1.10	0.29
Pakistan Cables Limited	256,750	-	-	7,500	249,250	51,897	26,642	0.92	0.90	0.70
						<u>101,573</u>	<u>59,352</u>	<u>2.04</u>	<u>2.00</u>	
<b>Fertilizer</b>										
Dawood Hercules Corporation Limited	48,000	-	-	-	48,000	5,825	6,140	0.21	0.21	0.00
Engro Corporation Limited	605,110	92,500	-	-	697,610	193,185	204,344	7.02	6.90	0.12
Engro Fertilizer Limited	1,507,000	350,000	-	-	1,857,000	111,629	111,940	3.85	3.78	0.14
Fatima Fertilizer Company	609,500	-	-	100,000	509,500	19,059	13,619	0.47	0.46	0.02
Fauji Fertilizer Company Limited.	680,600	-	-	605,000	75,600	6,093	8,315	0.29	0.28	0.01
						<u>335,791</u>	<u>344,358</u>	<u>11.84</u>	<u>11.63</u>	
<b>Pharmaceuticals</b>										
Abbot Laboratories (Pakistan) Limited	61,950	-	-	-	61,950	43,809	41,073	1.41	1.39	0.06

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

Name of the Investee Company	As at 01 July 2019	Purchased during the year	Bonus / Right shares received during the year	Sold during the year	As at 30 June 2020	Carrying cost as at 30 June 2020	Market value as at 30 June 2020	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the Investee Company
	------(Number of Shares)-----					-----Rupees in '000-----		-----%-----		
AGP Limited	100,000	-	-	15,500	84,500	6,760	9,273	0.32	0.31	0.03
Ferozsons Laboratories Limited	103,850	-	-	39,900	63,950	12,453	19,212	0.66	0.65	0.21
Glaxosmithkline Pakistan Limited	388,900	-	-	86,200	302,700	61,692	52,693	1.81	1.78	0.10
Glaxosmithkline Consumer Healthcare	35,370	-	-	-	35,370	-	9,609	0.33	0.32	0.03
The Searle Pakistan Limited	505,160	60,000	-	25,000	540,160	162,023	107,616	3.70	3.63	0.25
						<u>286,737</u>	<u>239,476</u>	<u>8.23</u>	<u>8.08</u>	
<b>Paper &amp; board</b>										
Packages Limited	214,800	10,000	-	35,000	189,800	111,961	65,900	2.27	2.23	0.21
						<u>111,961</u>	<u>65,900</u>	<u>2.27</u>	<u>2.23</u>	
<b>Leather &amp; tanneries</b>										
Bata Pakistan Limited	5,120	-	-	-	5,120	9,728	6,877	0.24	0.23	0.07
Service Industries Limited	104,587	-	26,146	-	130,733	76,125	106,644	3.67	3.60	0.75
						<u>85,853</u>	<u>113,521</u>	<u>3.91</u>	<u>3.83</u>	
<b>Foods &amp; personal care products</b>										
Frieslandcampina Engro Pakistan Limited	100,600	-	-	100,600	-	-	-	-	-	0.00
At-Tahur Limited	458,326	-	45,832	-	504,158	9,625	8,687	0.30	0.29	0.31
Mitchell's Fruit Farms Limited	32,550	-	-	-	32,550	8,626	6,949	0.24	0.23	0.41
Shezan International Limited	85,085	-	-	-	85,085	38,716	19,049	0.65	0.64	0.97
						<u>56,967</u>	<u>34,685</u>	<u>1.19</u>	<u>1.16</u>	
<b>Total as of 30 June 2020</b>						<u><u>3,733,741</u></u>	<u><u>2,900,945</u></u>			
<b>Total as of 30 June 2019</b>						<u><u>3,913,788</u></u>	<u><u>2,897,969</u></u>			

6.2.1 All shares are fully paid up ordinary shares of Rs 10 each except for shares of Agriauto Industries Limited and Thal Limited which have paid up ordinary shares of Rs 5 each.

6.3 Investments include shares with market value of Rs 76.547 million (2019: Rs 152.165 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

6.4 Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss'	Note	2020 ------(Rupees in '000)-----	2019
Market value of investments	6.1	8,246	24,264
Less: Carrying value of investments		(4,631)	(36,064)
		<u>3,615</u>	<u>(11,800)</u>

6.5 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through other comprehensive income'	Note	2020	2019
Market value / carrying value of investments	6.2	2,900,945	2,897,969
Less: Carrying cost of investments		3,733,741	3,913,788
		<u>(832,796)</u>	<u>(1,015,819)</u>
Add: Changes in fair value of investments disposed of during the year		46,416	(60,068)

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
------(Rupees in '000)-----			
Less: Net unrealised (diminution) / appreciation in the fair value of investments at the beginning of the year		(1,015,819)	11,698
Amount pertaining to disposed of securities		175,016	9,243
		(840,803)	20,941
		<u>54,423</u>	<u>(1,096,828)</u>

**6.6** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance, 2001 as a result of which companies were liable to withhold five percent of the bonus shares to be issued. The shares so withheld were only to be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitutional petition had been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should also not be applicable on bonus shares received by CISs. A stay order had been granted by the Honourable High Court of Sindh in favour of CISs.

On 27 June 2018, the Supreme Court of Pakistan passed a judgement whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically. The CISs have filed a fresh constitutional petition via CP 4653 dated 11 July 2019 and on 15 July 2019, the Honourable High Court of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from 1 July 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund since 1 July 2018 were not withheld by the investee companies.

As an abundant caution, IEF has made payments which is equivalent to 5% value of the respective bonus shares, determined on the basis of day-end price on the first day of book closure. These payments have been recorded as part of cost of respective investments. As at 30 June 2020, the following bonus shares of the Fund were withheld by certain companies at the time of declaration of the bonus shares.

Name of Investee Company	2020			2019		
	Number of bonus shares	Market value	Payment made to the investee company	Number of bonus shares	Market value	Payment made to the investee company
------(Rupees in '000)-----						
The Searle Company Limited*	4,947	986	2,485	4,947	725	2,485
The Searle Company Limited**	1,329	265	-	1,329	195	-
Pakistan State Oil Company Limited**	4,748	751	-	4,748	805	-
The Searle Company Limited**	3,755	748	-	3,755	550	-
		<u>2,750</u>	<u>2,485</u>		<u>2,275</u>	<u>2,485</u>

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

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

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

		2020	2019
		------(Rupees in '000)-----	
<b>7</b>	<b>DIVIDEND AND PROFIT RECEIVABLE</b>		
	Dividend receivable	2,017	2,068
	Profit receivable on savings accounts	683	1,033
		<u>2,700</u>	<u>3,101</u>
<b>8</b>	<b>PRELIMINARY EXPENSES AND FLOTATION COSTS</b>		
	Balances at the beginning of the year	877	1,877
	Less: amortisation during the year	(877)	(1,000)
	Balance at end of the year	<u>-</u>	<u>877</u>
<b>8.1</b>	Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operations of the Fund and have been restricted to Rs 5 million as per the requirement of the Trust Deed.		
<b>8.2</b>	These expenses are being amortised over a period of five years commencing from 18 May 2015 in accordance with the requirement of clause 14.3.1 of the Trust Deed of the Fund.		
<b>9</b>	<b>SECURITY DEPOSITS</b>	<b>Note</b>	
			------(Rupees in '000)-----
	Security deposits with:		
	-Central Depository Company of Pakistan Limited - Trustee		100
	-National Clearing Company of Pakistan Limited		2,500
			<u>2,600</u>
<b>10</b>	<b>PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - MANAGEMENT COMPANY</b>		
	Management remuneration	10.1	4,844
	Sindh sales tax on management remuneration	10.2	630
	Payable against preliminary expenses and flotation costs		5,000
	Payable against allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	252
	Payable against selling and marketing expense	10.4	1,647
	Others		2,650
			<u>15,023</u>
			<u>16,821</u>

**10.1** The Management Company has charged its remuneration at the rate of 2% (2019: 2%) per annum of the average net assets of the Fund during the year ended 30 June 2020. The remuneration is payable to the Management Company monthly in arrears.

**10.2** During the year, an amount of Rs 7.761 million (2019: Rs 9.461 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 7.791 million (2019: Rs 9.710 million) has been paid to the Management Company which acts as a collecting agent.

**10.3** In accordance with Regulation 60(3)(s) of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

Until 19 June 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expenses to the Fund. However, the SECP vide its SRO 639 dated 20 June 2019 removed the maximum cap of 0.1%.

The Management Company, based on its own discretion, has currently fixed a maximum capping of 0.1% percent of the average annual net assets of the scheme for allocation of such expenses to the Fund.

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

**10.4** The SECP allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from 1 January 2017 till 31 December 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the Fund or actual expenses whichever is

During the current year, the SECP through its circular 11 dated 5 July 2019 has revised the conditions for charging of selling and marketing expenses to the Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the Management Company is required to set a maximum limit for charging of such expenses to the Fund and the same should be approved by the Board as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised

Accordingly, the Management Company has charged such expenses to the Fund during the year subject to the limit approved by the Board of Directors.

	Note	2020	2019
------(Rupees in '000)-----			
<b>11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee remuneration payable	11.1	322	335
Sindh sales tax payable on Trustee remuneration	11.2	42	43
		364	378

**11.1** The Trustee is entitled to a monthly remuneration in arrears 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 of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2020 is as follows:

Net assets	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.2% p.a. of net assets, whichever is higher
Over Rs 1,000 million	Rs 2.0 million plus 0.1% p.a. of net assets exceeding Rs 1,000 million

**11.2** During the year, an amount of Rs 0.518 million (2019: Rs 0.603 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 0.519 million (2019: Rs 0.616 million) was paid to the Trustee which acts as a collecting agent.

#### **12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

Effective from 1 July 2019, the SECP vide SRO No. 685(I)/2019 dated 28 June 2019 has revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Previously, the rate of annual fee applicable to the Fund was 0.095%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

	Note	2020	2019
------(Rupees in '000)-----			
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Sindh Workers' Welfare Fund	13.1	11,544	10,382
Provision for federal excise duty	13.2	21,295	21,295
Auditors' remuneration payable		374	413
Charity payable		835	6,741
Zakat payable		19	49
Capital gain tax payable		231	5
Shariah advisory fee payable		19	14
Brokerage fee payable		115	16
Payable against bonus shares		3,522	3,522
		37,954	42,437

**13.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21

May 2015 to 30 June 2020, the net asset value per unit of the Fund as at 30 June 2019 would have been higher by Re. 0.03 (2019: Re 0.03).

- 13.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from 13 June 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on 4 September 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

With effect from 1 July 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended 30 June 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from 1 July 2016. However, as a matter of abundant caution the provision for FED made till 30 June 2016 amounting to Rs 21.295 million has been retained in these financial statements as the matter is pending before the Honorable Supreme Court of Pakistan. Had the provision for FED not been recorded in the financial statements of the Fund, the net asset value per unit of the Fund as at 30 June 2020 would have been higher by Re 0.0532 (2019: Re 0.0517).

#### 14 CONTINGENCIES AND COMMITMENTS

There were no other contingencies and commitments outstanding as at 30 June 2020 and 30 June 2019.

<b>15 NUMBER OF UNITS IN ISSUE</b>	<b>2020</b>	<b>2019</b>
	<b>(Number of units)</b>	
Total units in issue at beginning of the year	412,041,898	417,333,978
Add: Units issued during the year	143,990,154	61,830,391
Less: Units redeemed	<u>(155,846,971)</u>	<u>(67,122,471)</u>
Total units in issue at end of the year	<u>400,185,081</u>	<u>412,041,898</u>

<b>16 AUDITORS' REMUNERATION</b>	<b>2020</b>	<b>2019</b>
	<b>----- (Rupees in '000) -----</b>	
Annual audit fee	273	260
Fee for half yearly review	131	125
Out of pocket expenses including government levy	<u>68</u>	<u>75</u>
	<u>472</u>	<u>460</u>

#### 17 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 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, the Fund is required to distribute not less than 90% of its accounting

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended 30 June 2020 to the unit holders in the manner as explained above subsequent to the year ended 30 June 2020, therefore, no provision for taxation has been made in these financial statements during the year.

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. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on Funds as per Section 4B of the Income Tax Ordinance 2001.

#### 18 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Dividend payable	Total
(Rupees in '000)				
Opening balance as at 1 July 2019	-	-	127	127
Receivable against issuance of units	(1,075,419)	-	-	(1,075,419)
Payable against redemption of units	-	1,193,650	-	1,193,650
Payable against dividends	-	-	77,486	77,486
	(1,075,419)	1,193,650	77,486	195,717
Amount received on issuance of units	1,075,419	-	-	1,075,419
Amount paid on redemption of units	-	(1,193,643)	-	(1,193,643)
Dividend paid	-	-	(77,308)	(77,308)
	1,075,419	(1,193,643)	(77,308)	(195,532)
Closing balance as at 30 June 2020	-	7	305	312

#### 19 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at 30 June 2020 is 2.86% which includes 0.34% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP etc. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Equity Scheme.

#### 20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

20.1 Connected persons include National Investment Trust Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, 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, directors and their close family members and key management personnel of the Management Company.

20.2 Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

20.3 Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations

20.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.

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

#### 20.6 Transactions during the year

	2020	2019
(Rupees in '000)		
<b>National Investment Trust Limited - Management Company</b>		
Issue of 2,404,943 units under CIP (2019: Nil units)	17,364	-
Remuneration of the Management Company	59,697	72,779
Sindh sales tax on management remuneration	7,761	9,461



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	2020	2019
	----- (Rupees in '000) -----	
Allocation of expenses related to registrar services, accounting, operation and valuation services	3,001	3,641
Selling and marketing expense	6,086	3,178
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	3,985	4,639
Sindh sales tax payable on remuneration of Trustee	518	603
Custodian charges	36	79
<b>Directors and key management personnel</b>		
165,847 units issued (2019: 254,459 units)	1,203	2,208
Issue of 7,732 units under CIP (2019: Nil)	56	-
Additional units: 8 units as refund of capital (2019: Nil)	-	-
Redemption of Nil units (2019: 175,534 units)	-	1,500
<b>20.7 Amounts outstanding as at year end</b>		
<b>National Investment Trust Limited - Management Company</b>		
109,920,057 units held (2019: 107,515,114 units)	813,408	794,537
Management remuneration payable	4,844	5,080
Sindh sales tax payable on management remuneration	630	660
Payable against preliminary expenses and floatation costs payable	5,000	5,000
Payable against allocation of expenses related to registrar services, accounting, operation and valuation services	252	253
Payable against selling and marketing expense	1,647	3,178
Other payables	2,650	2,650
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration payable	322	335
Sindh sales tax payable on remuneration to Trustee	42	43
<b>Directors and key management personnel</b>		
519,594 units held (2019: 346,007 units)	3845	2,557

**21 FINANCIAL INSTRUMENTS BY CATEGORY**

2020			
At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Total
----- (Rupees in '000) -----			
Balances with banks	109,899	-	109,899
Investments	-	8,246	2,909,191
Dividend and profit receivable	2,700	-	2,700
Security deposits	2,600	-	2,600
115,199	8,246	2,909,945	3,024,390

2020		
At fair value through profit or loss	Amortised cost	Total
----- (Rupees in '000) -----		

<b>Financial liabilities</b>		
Payable to National Investment Trust Limited - Management Company	-	15,023
Payable to Central Depository Company of Pakistan Limited - Trustee	-	364

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	2020		
	At fair value through profit or loss	Amortised cost	Total
	----- (Rupees in '000) -----		
Payable against purchase of investments	-	8,656	8,656
Payable against redemption of units	-	7	7
Accrued expenses and other liabilities	-	1,343	1,343
Dividend payable	-	305	305
	-	25,698	25,698

	2019			Total
	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	
	----- (Rupees in '000) -----			
<b>Financial assets</b>				
Balances with banks				
Investments	180,232	-	-	180,232
Advance against IPO subscription	-	24,264	2,897,969	2,922,233
Dividend and profit receivable	3,101	-	-	3,101
Security deposits	2,600	-	-	2,600
	185,933	24,264	2,897,969	3,108,166

	2019		
	At fair value through profit or loss	Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Financial liabilities</b>			
Payable to National Investment Trust Limited - Management Company	-	16,821	16,821
Payable to Central Depository Company of Pakistan Limited - Trustee	-	378	378
Accrued expenses and other liabilities	-	7,184	7,184
Dividend payable	-	127	127
	-	24,510	24,510

**22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The risk management policy of the Fund aims to maximise the return attributable to the unit holders and seeks to minimise potential adverse effects on the Fund's financial performance. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund, the NBFC Regulations and the directives issued by the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds and are explained below:

**22.1 Market risk**

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

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal risk management policies and investment guidelines established by the Investment Committee and the regulations laid down by the

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

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

#### 22.1.1 Currency risk

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

#### 22.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits. The profit rate profile of the Fund's profit bearing financial instruments as at 30 June 2020 is as follows:

	2020	2019
	----- Rupees in '000 -----	
<b>Variable rate instruments (financial assets)</b>		
Balances with banks	109,899	180,232
	<u>109,899</u>	<u>180,232</u>

#### a) Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in profit rates on the last repricing date would have increased / decreased the net income / loss for the year and the net assets of the Fund by Rs 0.109 million (2019: Rs 0.180 million). The analysis assumes that all other variables remain constant.

#### b) Sensitivity analysis for fixed rate instruments

As at 30 June 2020, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio and the KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit 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 financial instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at 30 June 2020 can be determined as follows:

Effective yield / profit rate (%)	2020				Not exposed / yield to profit rate risk	Total
	Exposed to yield / profit rate risk					
	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

Balances with banks	6.50 - 13.00	109,899	-	-	-	109,899
Investments		-	-	-	2,909,191	2,909,191
Dividend and profit receivable		-	-	-	2,700	2,700
Security deposits		-	-	-	2,600	2,600
		<u>109,899</u>	<u>-</u>	<u>-</u>	<u>2,914,491</u>	<u>3,024,390</u>

##### Financial liabilities

Payable to National Investment Trust Limited - Management Company		-	-	-	15,023	15,023
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	364	364
Payable against purchase of investments		-	-	-	8,656	8,656
Payable against redemption of units					7	7
Accrued expenses and other liabilities					1,343	1,343

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	2020					
	Effective yield / profit rate (%)	Exposed to yield / profit rate risk			Not exposed / yield to profit rate risk	Total
		Upto three months	More than three months and up-to one year	More than one year		
	(Rupees in '000)					
Dividend payable	-	-	-	305	305	
	-	-	-	25,698	25,698	
<b>On-balance sheet gap (a)</b>	109,899	-	-	2,888,793	2,998,692	
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-	
<b>Off-balance sheet gap (b)</b>	-	-	-	-	-	
<b>Total profit rate sensitivity gap (a+b)</b>	109,899	-	-	2,888,793	2,998,692	
<b>Cumulative profit rate sensitivity gap</b>	109,899	109,899	109,899			

	2019					
	Effective yield / profit rate (%)	Exposed to yield / profit rate risk			Not exposed / yield to profit rate risk	Total
		Upto three months	More than three months and up-to one year	More than one year		
	(Rupees in '000)					
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	2.4 - 10.25	180,232	-	-	180,232	
Investments		-	-	2,922,233	2,922,233	
Dividend and profit receivable		-	-	3,101	3,101	
Security deposits		-	-	2,600	2,600	
		180,232	-	2,927,934	3,108,166	
<b>Financial liabilities</b>						
Payable to National Investment Trust Limited - Management Company		-	-	16,821	16,821	
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	378	378	
Accrued expenses and other liabilities		-	-	7,184	7,184	
Dividend payable		-	-	127	127	
		-	-	24,510	24,510	
<b>On-balance sheet gap (a)</b>		180,232	-	2,903,424	3,083,656	
<b>Off-balance sheet financial instruments</b>		-	-	-	-	
<b>Off-balance sheet gap (b)</b>		-	-	-	-	
<b>Total profit rate sensitivity gap (a+b)</b>		180,232	-	2,903,424	3,083,656	
<b>Cumulative profit rate sensitivity gap</b>		180,232	180,232	180,232		

**22.1.3 Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest 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 has exposure to equity price risk arising from the Fund's investment in equity securities classified as 'at fair value through profit or loss'. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Trust Deed. The NBFC Regulations also limit investment in individual equity securities to not more than 15% of the net assets and issued capital of the investee company and sector exposure upto 40% of the net assets.

# NIT - ISLAMIC EQUITY FUND

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In case of 1% increase / decrease in KSE 100 index on 30 June 2020, with all other variables held constant, the net income / loss and other comprehensive income / loss of the Fund, with all other variables held constant, would increase / decrease by Rs 0.082 million (2019: 0.242 million) and Rs 29.009 million (2019: Rs 28.979 million) and the net assets of the Fund would increase / decrease by Rs 29.091 million (2019: Rs 29.222 million) as a result of gains / losses on equity securities classified as 'financial assets at fair value through profit or loss' and 'financial assets at fair value through other comprehensive income'.

The analysis is based on the assumption that equity index has increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

At 30 June 2020 the fair value of equity securities exposed to price risk is disclosed in note 6.1.

#### 22.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

The table below analyses the Fund's maximum exposure to credit risk:

	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
------(Rupees in '000)-----				
Balances with banks	109,899	109,899	180,232	180,232
Investments	2,909,191	-	2,922,233	-
Dividend and profit receivable	2,700	2,700	3,101	3,101
Security deposits	2,600	2,600	2,600	2,600
	<u>3,024,390</u>	<u>115,199</u>	<u>3,108,166</u>	<u>185,933</u>

The difference in the balance as per the statement of assets and liabilities and maximum exposure to credit risk is due to the fact that investments in equity securities of Rs 2,909.191 million (2019: Rs 2,922.233 million) are not exposed to credit risk.

#### 22.2.1 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks and profit accrued thereon and dividends receivable on equity securities. Credit risk on dividend receivable is minimal due to statutory protection. The credit rating profile of balances with banks is as follows:

Name of bank	Balance as at 30 June 2020 (Rupees in '000)	Rating agency	Published rating	Percentage of total bank balances (%)
United Bank Limited	7,794	JCR-VIS	AAA	7.09
Habib Bank Limited	1,833	JCR-VIS	AAA	1.67
National Bank of Pakistan	8	PACRA	AAA	0.01
MCB Bank Limited	18	PACRA	AAA	0.02

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Name of bank	Balance as at 30 June 2020 (Rupees in '000)	Rating agency	Published rating	Percentage of total bank balances (%)
Bank Alfalah Limited	7	PACRA	AA+	0.01
Bank AL Habib Limited	84,709	PACRA	AA+	77.08
Askari Bank Limited	15	PACRA	AA+	0.01
Meezan Bank Limited	824	JCR-VIS	AA+	0.75
Dubai Islamic Bank Pakistan Limited	377	JCR-VIS	AA	0.34
Soneri Bank Limited	74	PACRA	AA-	0.07
Sindh Bank Limited	13	JCR-VIS	A+	0.01
Bank Islami Pakistan Limited	14,227	PACRA	A+	12.95
	<u>109,899</u>			<u>100.00</u>

Name of bank	Balance as at 30 June 2019 (Rupees in '000)	Rating agency	Published rating	Percentage of total bank balances (%)
United Bank Limited	20	JCR-VIS	AAA	0.01
Habib Bank Limited	2,027	JCR-VIS	AAA	1.12
National Bank of Pakistan	8	JCR	AAA	0.00
MCB Bank Limited	17	PACRA	AAA	0.01
Bank Alfalah Limited	225	PACRA	AA+	0.13
Bank AL Habib Limited	82,520	PACRA	AA+	45.79
Askari Bank Limited	14	PACRA	AA+	0.01
Meezan Bank Limited	342	JCR	AA+	0.19
Dubai Islamic Bank Pakistan Limited	90,866	JCR-VIS	AA	50.42
Soneri Bank Limited	53	PACRA	AA-	0.03
Sindh Bank Limited	13	JCR-VIS	A+	0.01
Bank Islami Pakistan Limited	4,128	PACRA	A+	2.29
	<u>180,232</u>			<u>100.00</u>

Above ratings are based on available ratings assigned by PACRA and JCR-VIS as of 30 June 2019 and 30 June 2019..

### 22.2.2 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect the 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 mainly held with banks having reasonably high credit rating and in listed equity securities which are not exposed to credit risk.

### 22.3 Liquidity risk

Liquidity risk is the risk 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 the daily settlement of equity securities and to daily cash redemptions, if any. 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 damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's investments in listed securities are considered readily realisable, as they are listed on the Pakistan Stock Exchange.

The Fund can 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 required to be obtained by the Fund during the current year.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

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The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including balances with banks have been included in the maturity grouping of one month.

2020						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- (Rupees in '000) -----						
<b>Financial assets</b>						
Balances with banks	109,899	-	-	-	-	109,899
Investments	-	-	-	-	2,909,191	2,909,191
Dividend and profit receivable	2,700	-	-	-	-	2,700
Security deposits	-	-	-	-	2,600	2,600
	112,599	-	-	-	2,911,791	3,024,390
<b>Financial liabilities</b>						
Payable to National Investment Trust Limited - Management Company	15,023	-	-	-	-	15,023
Payable to the Central Depository Company of Pakistan Limited - Trustee	364	-	-	-	-	364
Payable against purchase of investments	8,656	-	-	-	-	8,656
Payable against redemption of units	7	-	-	-	-	7
Accrued expenses and other liabilities	1,343	-	-	-	-	1,343
Dividend payable	305	-	-	-	-	305
	25,698	-	-	-	-	25,698
<b>Net assets / (liabilities)</b>	<b>86,901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,911,791</b>	<b>2,998,692</b>

2019						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- (Rupees in '000) -----						
<b>Financial assets</b>						
Balances with banks	180,232	-	-	-	-	180,232
Investments	-	-	-	-	2,922,233	2,922,233
Dividend and profit receivable	3,101	-	-	-	-	3,101
Security deposits	-	-	-	-	2,600	2,600
	183,333	-	-	-	2,924,833	3,108,166
<b>Financial liabilities</b>						
Payable to National Investment Trust Limited - Management Company	16,821	-	-	-	-	16,821
Payable to the Central Depository Company of Pakistan Limited - Trustee	378	-	-	-	-	378
Accrued expenses and other liabilities	7,184	-	-	-	-	7,184
Dividend payable	127	-	-	-	-	127
	24,510	-	-	-	-	24,510
<b>Net assets / (liabilities)</b>	<b>158,823</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,924,833</b>	<b>3,083,656</b>

# NIT - ISLAMIC EQUITY FUND

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#### 23 FAIR VALUE MEASUREMENT

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. Consequently, differences can arise between carrying values and the fair value estimates.

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.

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 liabilities is considered not to be significantly different from the respective book values.

#### Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at 30 June 2020 the Fund held the following financial instruments measured at fair values:

2020				
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
<b>Financial assets 'at fair value through profit or loss'</b>				
Investment in:				
Listed equity securities	8,246	-	-	8,246
<b>Financial assets 'at fair value through other comprehensive income'</b>				
Investment in:				
Listed equity securities	2,900,945	-	-	2,900,945
	2,909,191	-	-	2,909,191
-----				
2019				
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
<b>Financial assets 'at fair value through profit or loss'</b>				
Investment in:				
Listed equity securities	24,264	-	-	24,264
<b>Financial assets 'at fair value through other comprehensive income'</b>				
Investment in:				
Listed equity securities	2,897,969	-	-	2,897,969
	2,922,233	-	-	2,922,233

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



# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

#### 24 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

#### 25 TRANSACTIONS WITH TOP TEN BROKERS / DEALERS

##### List of top ten brokers by percentage of commission paid for the year ended 30 June 2020:

Particulars	Percentage (%)
JS Global Capital Limited	9.78
AKD Securities Limited	9.03
Arif Habib Limited	8.21
BMA Capital Management Limited	3.96
Taurus Securities Limited	3.91
Al-Habib Capital Markets (Private) Limited	3.70
Spectrum Securities (Private) Limited	3.61
EFG Hermes Pakistan Limited	3.36
Topline Securities (Private) Limited	3.27
BIPL Securities Limited	3.06

##### List of top ten brokers by percentage of commission paid for the year ended 30 June 2019:

Particulars	Percentage (%)
AKD Securities Limited	8.75
Arif Habib Limited	7.63
JS Global Capital Limited	7.52
BMA Capital Management Limited	5.95
Habib Metro Financial Services Limited	3.58
Next Capital Limited	3.48
Lakhani Securities (Private) Limited	3.22
EFG Hermes Pakistan Limited	3.19
Elixir Securities Pakistan (Private) Limited	3.01
Concordia Securities (Private) Limited	2.98

# NIT - ISLAMIC EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

#### 26 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

2019				
S. No.	Name	Designation	Qualifications	Experience (years)
1	Mr. Adnan Afridi	Managing Director	Economics & Corporate Law from Harvard University & Harvard Law School	25
2	Mr. Manzoor Ahmed	Chief Operating Officer	MBA, DAIBP & CFA Level-III	31
3	Mr. Aamir Amin	Head of Finance	FCA, CISA	22
4	Mr. Syed Raza Abbas Jaffry	Head of Equities & Trading	MBA (Finance)	23
5	Mr. Wasim Akram*	Fund Manager	MBA (Finance)	18
6	Mr. Ali Kamal	Head of Research	MBA, CFA Level-II	12
7	Mr. Attique ur Rehman Sheikh	Manager - Risk Management	MBA	13
8	Mr. Faisal Aslam	Head of Compliance	MBA (Finance), BBA (Hons), CIMA-ADIMA (UK)	15

\* Mr. Wasim Akram is also managing NIT Equity Market Opportunity Fund, NIT Pension Fund, NIT Islamic Pension Fund and NIT - Pakistan Gateway Exchange Traded Fund

#### 27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 342th, 343th, 344th, 345th and 346st Board meetings were held on July 05, 2019, September 25, 2019, October 19, 2019, February 24, 2020, April 29, 2020 respectively. Information in respect of attendance by the Directors in the meetings is given below:

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

#### 28 PATTERN OF UNIT HOLDING

Category	2020		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total (%)
Individuals	3,531	1,101,223	37.18
Associated companies / directors	1	7	0.00
Insurance companies	1	164,561	5.56
Banks / development financial institutions	4	341,861	11.54
Non-Banking financial institutions	1	813,440	27.47
Retirements funds	36	439,895	14.85
Others	26	100,497	3.39
	<b>3,600</b>	<b>2,961,484</b>	<b>100</b>

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

Category	2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total --- (%) ---
Individuals	3,619	1,053,330	34.58
Associated companies / directors	1	7	0.00
Insurance companies	1	160,162	5.26
Banks / development financial institutions	4	450,862	14.80
Non-Banking financial institutions	1	794,537	26.09
Retirements funds	42	490,508	16.10
Public limited companies	1	1	0.00
Others	25	96,419	3.17
	<u>3,694</u>	<u>3,045,826</u>	<u>100</u>

**29 SUBSEQUENT EVENT - NON ADJUSTING**

The Board of Directors in its meeting held on 07 July 2020 has approved a final distribution of Re 0.14 per unit (for full year). The aggregate cash distribution is Rs 55.969 million, and additional 7,811 units will be issued in lieu of refund of capital amounting to Rs 0.057 million. These units will be issued at zero value based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP.

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

**30 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 11, 2020 by the Board of Directors of the Management Company.

**31 GENERAL**

**31.1 Rounding off**

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

**31.2 Impact of COVID-19**

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- Maximum limit for application of discretionary discount as per the Annexure-I, Chapter 3 of Circular 33 of 2012 has been enhanced;
- The time period for classification of a debt security to non-performing category has been extended from 15 days to 180 days as per the requirements of Annexure-II of Circular 33 of 2012;
- Time period to ensure compliance with minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

# **NIT - ISLAMIC EQUITY FUND**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2020**

#### **31.3 Operational risk management**

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network (“VPN”) connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

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

**Sd/-  
Managing Director**

**Sd/-  
Director**

**Sd/-  
Director**

**Sd/-  
Chief Financial Officer**

# NIT - ISLAMIC EQUITY FUND

## PERFORMANCE TABLE

### LAST 3 YEARS

		JUNE 20	JUNE 19	JUNE 18
Total Net Asset Value Ex-Dividend	(Rs. In 000's)	2,905,458	2,967,538	4,133,723
Net Asset Value per Unit Ex-dividend	(Rs./unit)	7.26	7.20	9.91
Last Issue Price per Unit *	(Rs./unit)	7.40	7.39	9.91
Last Repurchase Price per Unit *	(Rs./unit)	7.40	7.39	9.91
Highest Issue Price During the year	(Rs./unit)	9.16	10.21	11.80
Lowest Issue Price During the year	(Rs./unit)	5.53	7.13	9.39
Highest Repurchase Price During the year	(Rs./unit)	9.16	10.21	11.80
Lowest Repurchase Price During the year	(Rs./unit)	5.53	7.13	9.39
Total Return of the Fund	%	2.78	(25.43)	(16.37)
Capital Growth	%	0.84	(27.35)	(16.37)
Income Distribution	%	1.94	1.92	-
Distribution per Unit (Interim)	(Rs./unit)	0.14	0.19	-
Distribution Date		7-Jul-20	5-Jul-19	-
KMI 30 Index Return	%	1.62	(23.84)	(9.59)
Average Annual Return				
One Year	%	2.78	(25.43)	(16.37)
Two Years	%	(11.33)	(20.90)	1.01
Three Years	%	(13.01)	(7.81)	2.60

Note: All investments in Mutual Funds and securities are subject to Market Risks. Our target return/dividend range can not be guaranteed. NIT's unit price is neither guaranteed nor administered/managed. It is based on Net Asset Value (NAV) and the NAV of NIT units may go up or down depending upon the factors and forces affecting the stock market. Past performance is not indicative of future returns.

\* These are cum-dividend prices of 30th June.

## PROXY VOTED BY CIS

### Summary of Actual Proxy voted by CIS

#### NIT-Islamic Equity Fund (NIT-IEF):

	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Numbers</b>	13	13	-	-
<b>Percentage</b>		100%	-	-

The proxy voting policy of the NIT is available on the website of the National Investment Trust Limited and detailed information regarding actual proxies voted by NIT in respect of NIT-IEF is also available without charge, upon request, to all unit holders.

During the period =13= General Meetings were attended. The other meetings which were not participated, were either due to nominal holdings or routine matters etc.