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IHSAN TRUST

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk



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INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

Opinion

We have audited the accompanying financial statements of **Ihsan Trust** (the Trust), which comprise of the statement of financial position as at **31 December 2017**, and the income and expenditure account, the statement of changes in accumulated fund and the statement of cash flows for the year then ended, and the notes to financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Trust as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting standards for Not for Profit Organization (NPOs) issued by the Institute of Chartered Accountants of Pakistan.

Basis for Opinion

We conducted our audit in accordance with the 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 Trust in accordance with the International Ethics Standard Board for Accountants' Code of Code of Ethics for professional Accountants as adopted by the Institute of the 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the Trustees determine 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, Trustees are responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process

Auditor's Responsibility 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.



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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 Trust'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 Trust'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 Trust's 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 those charged with governance 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.

Other Matter

The financial statements of the trust for the year ended 31 December 2017 were audited by another firm of Chartered Accountants who expressed an unmodified opinion thereon dated 30 November 2017.

The independent partner on the audit of resulting in this independent audit report is Arslan Khalid

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 25 October 2019

Karachi

IHSAN TRUST
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		-----Rupees-----	
Income			
Unrestricted donations		6,532,414	2,771,904
Capital gain on sale of investments - net		11,840,423	14,775,291
Profit on savings account		448,194	1,490,291
Profit on investment		1,568,760	2,639,637
Dividend income		20,828,911	6,955,831
		41,218,702	28,632,954
Expenditure			
Provision against receivable from Wasil Foundation	8	1,695,265	-
Allowance for delays in recoveries of long-term loans		269,328	-
Donations		474,000	1,451,500
Auditors' remuneration	11	120,000	70,500
Salary expenses	12	573,500	233,235
Legal and professional charges		60,000	30,000
Other operating expenses	13	1,431,010	62,582
		4,623,103	1,847,817
Other gains and losses			
Unrealised (Loss) / gain on revaluation of investments		(40,926,571)	14,123,906
(Deficit) / Surplus before taxation		(4,330,972)	40,909,043
Taxation	14	-	-
Net (Deficit) / surplus for the year transferred to 'Fund account'		(4,330,972)	40,909,043

The annexed notes 1 to 18 form an integral part of these financial statements.


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IHSAN TRUST
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		-----Rupees-----	
Income			
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IHSAN TRUST
STATEMENT OF CHANGES IN ACCUMULATED FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Cede contribution	Surplus transferred from the income and expenditure account Rupees	Total
Balance as at January 1, 2016	1,000	47,305,586	47,306,586
Surplus for the year	-	40,909,043	40,909,043
Balance as at December 31, 2016	1,000	88,214,629	88,215,629
Deficit for the year	-	(4,330,972)	(4,330,972)
Balance as at December 31, 2017	1,000	83,883,657	83,884,657

The annexed notes 1 to 18 form an integral part of these financial statements.



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IHSAN TRUST
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

Note	2017	2016
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations	15 (1,432,122)	(2,876,847)
CASH FLOW FROM INVESTING ACTIVITIES		
Investments - net	11,472,106	(29,753,458)
Dividend received	17,041,437	6,955,831
Advance against investment in sukuk	-	(10,000,000)
Finance income received	2,687,466	5,253,235
Net cash inflow / (outflow) from investing activities	31,201,009	(27,544,392)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans advanced during the year	(63,087,901)	(73,078,192)
Deferred contributions received during the year	27,000,000	18,653,490
Net cash outflow on financing activities	(36,087,901)	(54,424,702)
Net decrease in cash and cash equivalents	(6,319,014)	(84,845,941)
Cash and cash equivalent at the beginning of the year	28,779,693	113,625,634
Cash and cash equivalent at the end of the year	22,460,679	28,779,693

The annexed notes 1 to 18 form an integral part of these financial statements.


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IHSAN TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. LEGAL STATUS AND ACTIVITIES

1.1 Ihsan Trust (the Trust), is a charitable trust formed on January 7, 2010 under the provision of Trust Act 1882, for charitable and public welfare purposes. The status of the Trust as a non-profit organization has been approved by the Commissioner of Income Tax, vide letter No. CIR/Legal Division/RTO/KYC/09/2834 dated March 13, 2010. The continuing validity of the Trust's approval under section 2(36) of the Income Tax Ordinance, 2001 read with Rule 214 of the Income Tax Rules, 2002 is subject to the conditions as laid down in Rule 217 of the Income Tax Rules, 2002. The registered office of the Trust is situated at Shop No. 4, Plot No. COM-7/1, Block No. 2, K.D.A. Scheme No. 5, Clifton, Karachi. The charitable and public welfare purposes referred to above shall be as follows:

- (a) The advancement, promotion, encouragement and propagation of education and skill development and for such purposes the Trustees may set up educational institutions, technical training and work centers, make advances (Qarz-e-Hasna), payments or donations and grant scholarships, stipends or otherwise to poor and needy individuals studying in schools and colleges or any educational, vocational, commercial or technical institutions.
- (b) Promotion of Islamic culture amongst Muslims through Islamic education and creation of Islamic awareness through arranging educational courses in order to preach teachings of Islam and for this purpose, granting stipends, scholarships and loans.
- (c) Improvement and betterment of public health and hygiene, immediate medical relief and rehabilitation of the sick and affectees of any natural disaster or calamity, and for that purpose initiation, sponsoring and financing of health schemes, setting up of hospitals, dispensaries etc.
- (d) Establishment and operation of orphanages and organization of social welfare works to help disabled and senior citizens.
- (e) Rural development.
- (f) Arrangement and financing of marriages of poor and needy girls.
- (g) Financial assistance of indebted poor people.
- (h) Aid and technical help for economic uplift of the poor and needy.
- (i) Any other object of general public utility and welfare.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards comprise of Revised Accounting and Financial Reporting Standard for Small-Sized Entities (Revised AFRS for SSEs) and Accounting Standards for Not for Profit Organisations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

3.2 Deferral Method - restricted contributions

Under the deferral method, restricted contributions are accumulated as deferred contributions. Such contributions may be utilised for loans to students and for expenses of one or more future periods. These are recognized as revenue in the same period or periods as the related expenses are recognized.

3.2.1 Unrestricted funds

Funds received for granting general donations or normal operations of the Trust, without any restrictions, are classified as Unrestricted funds. These donations are recognized as income when received in the general fund. The expenses incurred against such funds are recognized in the income and expenditure account as and when incurred.

3.2.2 Restricted funds

Funds received directly as grants or allocated out of Unrestricted funds for specific purposes, are classified as Restricted funds. These donations are recognised as income when received in the restricted fund. The expenses incurred against such funds are recognised in the income and expenditure account as and when incurred.

3.3 Investments

3.3.1 Classification, recognition and measurement

The Trust initially measures its financial assets at fair value. Subsequently these are measured at amortized cost, except for investments in equity instruments / mutual fund. Investments in equity instruments that are quoted in an active market is measured at fair value and investments in equity instruments that do not have active market is measured at cost less impairment, if any. Investment in mutual funds are measured at NAV and accordingly changes in fair value is recognized in income and expenditure account.

3.3.2 Derecognition

Investments are derecognised when the right to receive cash flows from the investments have expired, have been realized or transferred and the Trust has transferred substantially all risks and rewards of ownership.

On disposal, the difference between net disposal proceeds and the carrying amount is recognized as income / expense.

3.4 Long-term loans

Long-term loans are stated at cost. Loans considered irrecoverable are written off. Allowances are made against those loan which are overdue as per the policy of the Trust.

3.4.1 Current portion of long-term loans

Current portion of Long-term loans are stated at cost. Loans considered irrecoverable are written off and provision is made against those considered doubtful.

3.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

3.6 Provisions

Provisions are recognized in the balance sheet when the Trust has a present legal or constructive obligation as a result of past events and it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation of which reliable estimate can be made. Provisions are reviewed periodically and adjusted to reflected the current best estimates.

3.7 Taxation

The Trust is eligible for hundred percent (100%) tax credits on taxes payable by the Trust under clause (a) of sub-section 2 of Section 100C of the Income Tax Ordinance, 2001.

3.8 Income recognition

- Donations received without any specific conditions are recognised on a receipt basis.
- Donations received with any specific conditions are recognised in the same period or periods as the related expenses are recognised.
- Donations received in kind are recognised at fair value.
- Profit on savings account is recognised on an accrual basis.
- Profit on certificate of islamic investments is recognised on an accrual basis.
- Profit on sukuk is recognised on an accrual basis.
- Gain or loss arising on sale of investments is included in the income and expenditure account.

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3.9 Offsetting of assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Trust has a legally enforceable right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense arising from such assets and liabilities are also offset accordingly.

3.10 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Trust's functional and presentation currency.

4. LONG-TERM LOANS	Note	2017	2016
		-----Rupees-----	
Loans at the beginning of the year		200,169,236	127,091,044
Loans disbursed during the year		94,400,425	96,325,022
Less: Recovery of loans	4.1	294,569,661	223,416,066
		(31,312,524)	(23,246,830)
Less: Current portion of long-term loans		263,257,137	200,169,236
Less: Provision against long-term loans		(25,000,000)	(31,536,736)
		(269,328)	-
		<u>237,987,809</u>	<u>168,632,500</u>

4.1 These represent unsecured loans advanced as Qarz-e-Hasna mainly to various students to finance the tuition expenses of deserving and needy students. The Trust has entered into Memorandums of Understanding (MOUs) with educational institutions and students for a period ranging between two to five years.

5. INVESTMENTS

2017	2016		2017	2016
-----Number of units-----			-----Rupees-----	
41,869	66	Meezan Cash Fund - related party	2,222,648	3,302
184,988	387,812	Meezan Islamic Fund - related party	13,493,060	28,000,000
22,705	21,905	Meezan Islamic Income Fund - related party	1,206,969	1,122,854
282,534	282,534	Meezan Gold Fund - related party	14,824,566	14,824,567
1,031,905	537,841	Meezan Asset Allocation Fund - related party	61,602,826	28,000,000
136,971	-	Meezan Energy Fund-Related Party	8,421,394	-
1,131,996	1,050,791	NAFA Islamic Asset Allocation Fund	17,498,455	16,128,669
6,377,802	3,165,329	NAFA Islamic Income Fund	61,683,610	29,982,352
-	1,322,761	NAFA Islamic Stock Fund	-	17,500,000
-	1,433,216	NAFA Islamic Energy Fund	-	17,500,000
1,597	1,528	MCB Islamic Income Fund	154,665	147,672
99,050	92,630	UBL Ameen Islamic Asset Allocation Fund	11,253,488	10,489,294
-	826,207	UBL Al-Ameen Islamic Aggressive Income Fund	-	82,182,828
2,000,000	1,000,000	Real Estate Investment Trust	22,249,654	11,000,000
			214,611,335	256,881,538
Sukuks:				
491	-	FFC Sukuk	2,183,456	-
300,000	-	Government of Pakistan Ijarah Sukuk	50,358,954	-
			267,153,745	256,881,538
		Less: Unrealized (Loss) / Gain on revaluation of investments	(20,112,628)	20,813,943
			<u>247,041,117</u>	<u>277,695,481</u>

6. Short term financing		2017	2016
		----- Rupees -----	
	Tijarah Financing	1,865,185	-
	Musawammah Financing	756,439	-
		<u>2,621,624</u>	<u>-</u>
7.	Tax recoverable		

This balance represents Tax Recoverable amount as a result of order No. 1104/2013-14 issued by (Tax Authority) to Ihsan Trust.

8. RECEIVABLE FROM WASIL FOUNDATION

On January 1, 2016, the Trust provided a financing amounting to Rs. 5 million in form of a Mudarabah, as a Rab ul Maal, to Wasil foundation. The funds were to be utilised by the Foundation to provide Micro-financing in form of Salam transaction to small farmers in Punjab to enable them to finance their agricultural ventures and personal affairs. The said facility was expired in August 2016 as per terms agreed.

The Trust as on 31 December 2017 have made a provision of Rs 1.69 million on a prudent basis due to losses incurred by Wasil Foundation.

9. BANK BALANCES		Note	2017	2016
			----- Rupees -----	
	Savings accounts	9.1	22,460,679	28,779,693

9.1 Savings accounts are maintained with Meezan Bank Limited, a related party, and carry rate of return ranging from 2.40% to 3.16% (2016: 2.4% to 3.53%) per annum.

10. DEFERRED CONTRIBUTIONS

The balance represents donations received by the Trust over the years which was received for the purposes of education. This includes an amount aggregating to Rs 466.542 million (2016: Rs 439.542 million) received from Meezan Bank Limited, (a related party) and AI - Meezan Investment Management Company Limited (a related party).

11. Donations to Other Institution		2017	2016
		----- Rupees -----	
Name of Institution			
	Government College Malir Cant		
	Hira Foundation	71,500	100,000
	Darul uloom	-	1,351,500
	Gadap Town School	162,500	-
	Indus Copy House	150,000	-
		90,000	-
		<u>474,000</u>	<u>1,451,500</u>

12. AUDITORS' REMUNERATION		2017	2016
		----- Rupees -----	
	Audit fee	100,000	55,500
	Out of pocket expenses	20,000	15,000
		<u>120,000</u>	<u>70,500</u>

13. OTHER OPERATING EXPENSES		2017	2016
		----- Rupees -----	
	PCP Registration	333,500	-
	Brokerage expense	30,000	-
	Irrecoverable advance tax written off	873,167	-
	Other	194,343	62,582
		<u>1,431,010</u>	<u>62,582</u>

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6. Short term financing	2017	2016
	----- Rupees -----	
Tijarah Financing	1,865,185	-
Musawammah Financing	756,439	-
	<u>2,621,624</u>	<u>-</u>

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	2017	2016	
		----- Rupees -----	
Name of Institution			
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Hira Foundation	71,500	100,000	
Darul uloom	-	1,351,500	
Gadap Town School	162,500	-	
Indus Copy House	150,000	-	
	90,000	-	
	<u>474,000</u>	<u>1,451,500</u>	

12. AUDITORS' REMUNERATION

	2017	2016	
		----- Rupees -----	
Audit fee	100,000	55,500	
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		----- Rupees -----	
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Other	194,343	62,582	
	<u>1,431,010</u>	<u>62,582</u>	

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14. TAXATION

The income of the Trust is exempt from tax for the tax year 2017 under section 100C of the Income Tax Ordinance, 2001. As per Section 100C, non-profit organisations, trusts or welfare organisations as mentioned in sub section 2 of section 100C shall be allowed a tax credit equal to one hundred percent of the tax payable, including minimum and final tax payable under any of the provisions of the Income Tax Ordinance, 2001, subject to the following conditions, namely:

- (a) return has been filed;
 (b) tax required to be deducted or collected has been deducted or collected and paid; and
 (c) withholding tax statements for the immediately preceding tax year have been filed.

The operations of the Trust fall within the purview of clause (a) of sub-section 2 of Section 100C of the Income Tax Ordinance, 2001 and the Trust intends to comply with the above-mentioned requirements, hence the Trust will be eligible to claim tax credit equal to 100 percent of the tax payable by the Trust and consequently no charge has been recognised in these financial statements for the year ended December 31, 2017.

Tax withheld by different banks and Asset Management Companies as stated in the financial statements as Tax Recoverable will also be claimed by the Trust once the exemption letter is issued.

	Note	2017	2016
		-----Rupees-----	
			(Restated)
15. CASH (UTILISED IN) / GENERATED FROM OPERATIONS			
(Deficit) / Surplus before taxation		(4,330,972)	40,909,043
Adjustments for:			
Profit on savings account		(448,194)	(1,490,291)
Profit on investment		(1,568,760)	(2,639,637)
Dividend income		(20,828,911)	(6,955,831)
Capital gain on sale of investments - net		(11,840,423)	(14,775,291)
Provision against Wasil Foundation		1,695,265	-
Provision against long term loans		269,328	-
Unrealised (loss) / gain on revaluation of investments		40,926,571	(14,123,906)
Working capital changes	15.1	8,204,876	(39,984,956)
		(5,306,026)	(3,800,934)
		<u>(1,432,122)</u>	<u>(2,876,847)</u>
15.1 Working capital changes			
Increase in current assets			
Tax recoverable		(5,264,114)	(3,871,434)
(Decrease) / Increase in current liabilities			
Accrued and other liabilities		(41,912)	70,500
		<u>(5,306,026)</u>	<u>(3,800,934)</u>
16. RELATED PARTY TRANSACTIONS			
16.1 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Trustees, Meezan Bank Limited (MBL), and funds managed by Al-Meezan Investment Management Limited (a subsidiary company of Meezan Bank Limited) are considered to be related parties of the Trust.			
16.2 Transactions during the year:		2017	2016
		-----Rupees-----	
Profit on savings account		448,194	127,636
Profit on Certificates of Islamic Investment		121,789	55,650
Restricted donations		27,000,000	18,297,018
Redemption of 6,069,285 mutual fund units (2016: 3,450,651 units)		8,358,306	158,319,558
Profit on sale of mutual funds units		2,311,939	10,809,252
Dividend from mutual funds reinvested into 507,469 units (2016: 31,389 units)		10,058,057	2,328,223
Purchase of 4,205,955 mutual fund units (2016: 2,528,405 units)		8,602,826	139,643,341

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17. DATE OF AUTHORISATION

These financial statements were authorized for issue on 25 OCT 2019 by the trustees of the Trust.

18. GENERAL

18.1 Figures have been rounded off to the nearest rupee.

18.2 Corresponding figures have been rearranged and reclassified for better presentation, however there are no material reclassifications to report



Trustee



Trustee