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IHSAN TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, 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 2018, 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 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 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.

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 03 January 2020

Karachi

IHSAN TRUST
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018	2017
		-----Rupees-----	
Non-current asset			
Long-term loans	4	263,880,830	237,987,809
Current assets			
Investments	5	218,828,644	247,041,117
Current portion of long-term loans	4	63,086,400	25,000,000
Short term financing	6	1,024,044	2,621,624
Tax recoverable	7	12,211,911	11,269,719
Receivable from Wasil Foundation	8	3,564,379	3,564,379
Accrued income on investment		2,596,166	640,230
Bank balances	9	8,489,263	22,460,679
		309,800,807	312,597,748
Total assets		<u>573,681,637</u>	<u>550,585,557</u>
Less: Non-current liability			
Deferred contributions	10	492,542,312	466,542,312
Less: Current liability			
Accrued and other liabilities		705,498	158,588
Total assets less liabilities		<u>80,433,827</u>	<u>83,884,657</u>
Represented by:			
Fund account			
Cede contribution		1,000	1,000
Accumulated surplus		80,432,827	83,883,657
		<u>80,433,827</u>	<u>83,884,657</u>

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



Trustee



Trustee

**IHSAN TRUST
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2018**

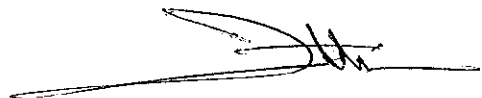
	Note	2018	2017
		-----Rupees-----	
Income			
Unrestricted donations		10,206,199	6,532,414
Capital gain on sale of investments - net		829,255	11,840,423
Profit on savings account		297,035	448,194
Profit on investment		4,966,749	1,568,760
Dividend income		2,781,505	20,828,911
		<u>19,080,743</u>	<u>41,218,702</u>
Expenditure			
Provision against receivable from Wasil Foundation	8	-	1,695,265
Allowance for delays in recoveries of long-term loans		624,025	269,328
Donations	11	14,859,556	474,000
Auditors' remuneration	12	120,000	120,000
Salary expenses		879,750	573,500
Legal and professional charges		60,000	60,000
Other operating expenses	13	371,165	1,431,010
		<u>16,914,496</u>	<u>4,623,103</u>
Other income			
Unrealised loss on revaluation of investments		(5,617,077)	(40,926,571)
Deficit before taxation		<u>(3,450,830)</u>	<u>(4,330,972)</u>
Taxation	14	-	-
Net deficit for the year transferred to 'Fund account'		<u><u>(3,450,830)</u></u>	<u><u>(4,330,972)</u></u>

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



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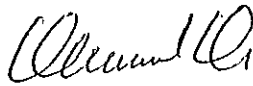


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IHSAN TRUST
STATEMENT OF CHANGES IN ACCUMULATED FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Cede contribution	Surplus transferred from the income and expenditure account	Total
	----- Rupees -----		
Balance as at January 1, 2017	1,000	88,214,629	88,215,629
Deficit for the year	-	(4,330,972)	(4,330,972)
Balance as at December 31, 2017	<u>1,000</u>	<u>83,883,657</u>	<u>83,884,657</u>
Deficit for the year	-	(3,450,830)	(3,450,830)
Balance as at December 31, 2018	<u><u>1,000</u></u>	<u><u>80,432,827</u></u>	<u><u>80,433,827</u></u>

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



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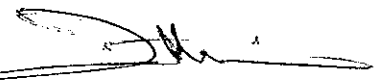
IHSAN TRUST
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	15	(6,479,554)	(1,432,122)
CASH FLOW FROM INVESTING ACTIVITIES			
Investments - net		27,803,737	11,472,106
Dividend received		-	17,041,437
Finance income received		3,307,847	2,687,466
Net cash inflow from investing activities		31,111,584	31,201,009
CASH FLOW FROM FINANCING ACTIVITIES			
Loans advanced during the year - net		(64,603,446)	(63,087,901)
Deferred contributions received during the year		26,000,000	27,000,000
Net cash outflow from financing activities		(38,603,446)	(36,087,901)
Net decrease in cash and cash equivalents		(13,971,416)	(6,319,014)
Cash and cash equivalent at the beginning of the year		22,460,679	28,779,693
Cash and cash equivalents at the end of the year		8,489,263	22,460,679

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



Trustee

Trustee

IHSAN TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

3.3 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 recognised as income when received in the general fund. The expenses incurred against such funds are recognised in the income and expenditure account as and when incurred.

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3.4 Investments

3.4.1 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.

3.4.2 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.

3.5 Long-term loans

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

3.5.1 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.

3.6 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.

3.7 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.

3.8 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.

3.9 Income recognition

- Donations received without any specific conditions are recognised on a receipt basis.
- Donations received withany 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 sukuks 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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3.10 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.

3.11 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	2018	2017
		-----Rupees-----	
Loans at the beginning of the year		262,987,809	200,169,236
Loans disbursed during the year		102,244,660	94,400,425
	4.1	<u>365,232,469</u>	<u>294,569,661</u>
Less: Recovery of loans		<u>(37,641,214)</u>	<u>(31,312,524)</u>
		327,591,255	263,257,137
Less: Current portion of long-term loans		(63,086,400)	(25,000,000)
Less: Provision against long-term loans		<u>(624,025)</u>	<u>(269,328)</u>
		<u>263,880,830</u>	<u>237,987,809</u>

4.1 These represent unsecured loans advanced as Qarz-e-Hasna mainly to various deserving and needy students to finance their tuition expenses. 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

2018	2017		2018	2017
			-----Rupees-----	
-----Number of units-----				
5.1 INVESTMENTS IN MUTUAL FUNDS				
43,397	41,869	Meezan Cash Fund - Related party	2,313,292	2,222,648
184,988	184,988	Meezan Islamic Fund - Related party	13,493,060	13,493,060
23,530	22,705	Meezan Islamic Income Fund - Related party	1,256,816	1,206,969
-	282,534	Meezan Gold Fund - Related party	-	14,824,566
1,031,905	1,031,905	Meezan Asset Allocation Fund - Related party	61,602,826	61,602,826
136,971	136,971	Meezan Energy Fund-Related Party	8,421,394	8,421,394
1,131,996	1,131,996	NBP Islamic Sarmaya Izafa Fund	17,498,455	17,498,455
5,602,602	6,377,802	NBP Islamic Savings Fund	54,554,251	61,683,610
1,665	1,597	MCB Islamic Income Fund	161,162	154,665
99,050	99,050	UBL Ameen Islamic Asset Allocation Fund	11,253,488	11,253,488
2,000,000	2,000,000	Real Estate Investment Trust	22,249,654	22,249,654
			<u>192,804,398</u>	<u>214,611,335</u>
5.2 INVESTMENTS IN SUKUKS				
491	491	FFC Sukuk	1,753,951	2,183,456
500	500	Government of Pakistan Ijarah Sukuk	50,000,000	50,358,954
		Less: Unrealized loss on revaluation of investments	(25,729,705)	(20,112,628)
			<u>218,828,644</u>	<u>247,041,117</u>
6. SHORT TERM FINANCING				
			2018	2017
			----- Rupees -----	
		Tijarah Financing	915,981	1,865,185
		Musawammah Financing	108,063	756,439
			<u>1,024,044</u>	<u>2,621,624</u>

6.1 These carry markup at the rate of 12% per annum.

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 2018 have made a provision of Rs. 1.69 million (2017 : 1.69 Million) on a prudent basis due to losses incurred by Wasil Foundation.

9. BANK BALANCES

Note	2018	2017
	-----Rupees-----	
Savings accounts	8,489,263	22,460,679

9.1 Savings accounts are maintained with Meezan Bank Limited, a related party, and carry rate of return ranging from 2.40% to 4.0% (2017: 2.4% to 3.16%) 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 492.542 million (2017: Rs 466.542 million) received from Meezan Bank Limited, (a related party) and AI - Meezan Investment Management Company Limited (a related party).

11. DONATIONS GIVEN

Name of Institution

Donation Given to Liaquat National Hospital
IBA National Talent Hunt Programe
Fatimid Foundation
Government College Malir Cant
Darul uloom
Gadap Town School
Indus Copy House

	2018	2017
	----- Rupees -----	
	1,015,118	-
	13,694,438	-
	150,000	-
	-	71,500
	-	162,500
	-	150,000
	-	90,000
	<u>14,859,556</u>	<u>474,000</u>

12. AUDITOR'S REMUNERATION

Audit fee
Out of pocket expenses

	100,000	55,500
	20,000	15,000
	<u>120,000</u>	<u>70,500</u>

13. OTHER OPERATING EXPENSES

PCP Registration
Brokerage expense
Irrecoverable advance tax written off
Other

	-	333,500
	-	30,000
	-	873,167
	371,165	194,343
	<u>371,165</u>	<u>1,431,010</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, 2018.

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	2018	2017
		----- Rupees -----	
15. CASH UTILISED IN OPERATIONS			
Deficit before taxation		(3,450,830)	(4,330,972)
Adjustments for:			
Profit on savings account		(297,035)	(448,194)
Profit on investment		(4,966,749)	(1,568,760)
Dividend income		(2,781,505)	(20,828,911)
Capital gain on sale of investments - net		(829,255)	(11,840,423)
Provision against Wasil Foundation		-	1,695,265
Provision against long term loans		624,025	269,328
Unrealised loss on revaluation of investments		5,617,077	40,926,571
Working capital changes	15.1	(2,633,442)	8,204,876
		(395,282)	(5,306,026)
		<u>(6,479,554)</u>	<u>(1,432,122)</u>
15.1 Working capital changes			
(Increase) in current assets			
Tax recoverable		(942,192)	(3,871,434)
Increase in current liabilities			
Accrued and other liabilities		546,910	70,500
		<u>(395,282)</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.			

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16.2 Transactions during the year:	2018	2017
	-----Rupees-----	
Profit on savings account	297,035	448,194
Profit on Certificates of Islamic Investment	-	121,789
Restricted donations	26,000,000	27,000,000
Redemption of 282,534 mutual fund units (2017: 6,069,285 units)	14,824,567	8,358,306
Profit on sale of mutual funds units	593,133	2,311,939
Dividend from mutual funds reinvested into 2,352 units (2017: 507,469 units)	140,490	10,058,057
Purchase of mutual fund units (2017: 4,205,955 units)	-	8,602,826

17. DATE OF AUTHORISATION

These financial statements were authorized for issue on _____ by the trustees of the Trust.

18. GENERAL

18.3 Figures have been rounded off to the nearest rupee.

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

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Trustee



Trustee