



**Building a better
working world**

**MOHATTA PALACE GALLERY TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Trustees of Mohatta Palace Gallery Trust

Opinion

We have audited the financial statements of **Mohatta Palace Gallery Trust** (the Trust), which comprise the balance sheet as at **31 December 2017** and the related statement of income and expenditure, statement of cash flow and the statement of changes in net assets 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 present fairly, in all material respects, the financial position of the Trust as at 31 December 2017, and its financial performance for the year then ended in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Trust Deed and the Rules of the Trust.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statement in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Trustees for the Financial Statements

Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Trust Deed and the Rules of the Trust, and for such internal control as Trustees 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, 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 Trustees either intend to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

The Trustees are responsible for overseeing the Trust's financial reporting process.

Auditor's 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 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, 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 Trustees;
- Conclude on the appropriateness of Trustees' 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; and
- 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 the Trustees 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: Shaikh Ahmed Salman

Date: 12 November 2018

Date: Karachi

MOHATTA PALACE GALLERY TRUST
BALANCE SHEET
AS AT DECEMBER 31, 2017


	Note	2017 ----- Rupees -----	2016 -----
ASSETS			
Non-current assets			
Tangible fixed assets	4	2,556,216	5,090,249
Investments	5	-	25,602,324
		2,556,216	30,692,573
Current assets			
Current portion of investments	5	173,646,648	137,775,366
Prepayment, deposits and other receivables	6	2,948,705	1,686,391
Cash and bank balances	7	15,370,023	16,090,899
		191,965,376	155,552,656
TOTAL ASSETS		194,521,592	186,245,229
LIABILITIES			
Current liabilities			
Accrued expenses and other liabilities	8	1,283,225	533,917
TOTAL LIABILITIES		1,283,225	533,917
NET ASSETS		193,238,367	185,711,312
Represented by:			
Accumulated surplus		193,238,367	185,711,312

FPM

The annexed notes from 1 to 13 form an integral part of these financial statements.



 Trustee




 Trustee

MOHATTA PALACE GALLERY TRUST
STATEMENT OF INCOME AND EXPENDITURE
AS AT DECEMBER 31, 2017

	Note	2017 ----- Rupees -----	2016 ----- Rupees -----
INCOME			
Donations			
Donations from private sources	9	16,715,000	19,230,426
Other donations	10	5,000,000	15,000,000
		21,715,000	34,230,426
Other income	11	15,669,297	17,389,660
		<u>37,384,297</u>	<u>51,620,086</u>
EXPENDITURE			
Staff salaries and benefits		13,957,624	11,832,554
Travelling and conveyance		222,675	1,200
Utilities		4,033,367	3,756,189
Printing, postage and stationery		328,224	230,846
Entertainment		270,393	157,943
Insurance		50,654	79,919
Repairs and maintenance		2,156,186	1,405,768
Rent, rates and taxes		18,832	8,650
Legal and professional		124,667	164,300
Depreciation	4	4,034,603	2,386,093
Fumigation expense		18,000	24,260
Event and function		3,997,070	1,803,034
Bank charges		6,795	2,000
Others		638,151	788,069
		<u>(29,857,241)</u>	<u>(22,640,825)</u>
Surplus for the year		<u><u>7,527,055</u></u>	<u><u>28,979,262</u></u>

The annexed notes from 1 to 13 form an integral part of these financial statements.


 Trustee


 Trustee


MOHATTA PALACE GALLERY TRUST
STATEMENT OF CHANGES IN NET ASSETS
AS AT DECEMBER 31, 2017

	Accumulated Surplus ----- (Rupees) -----	Total -----
Balance as at January 01, 2016	156,732,051	156,732,051
Surplus for the year ended December 31, 2016	28,979,261	28,979,261
Balance as at December 31, 2016	<u>185,711,312</u>	<u>185,711,312</u>
Surplus for the year ended December 31, 2017	7,527,055	7,527,055
Balance as at December 31, 2017	<u><u>193,238,367</u></u>	<u><u>193,238,367</u></u>

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The annexed notes from 1 to 13 form an integral part of these financial statements.


Trustee


Trustee

MOHATTA PALACE GALLERY TRUST
CASH FLOW STATEMENT
AS AT DECEMBER 31, 2017

	Note	2017 ----- Rupees -----	2016 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		7,527,055	28,979,261
Adjustments for:			
Profit on PLS savings account		(554,588)	(598,530)
Depreciation	4	4,034,603	2,386,093
Profit on Government Securities		(12,211,016)	(14,288,580)
		(1,203,946)	16,478,244
Changes in working capital			
Increase in current assets			
Prepayment and other receivables		(1,262,314)	(1,259,527)
Increase in current liabilities			
Accrued expenses and other liabilities		749,308	126,256
Net cash (used in) / generated from operating activities		<u>(1,716,952)</u>	<u>15,344,973</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,500,569)	(679,190)
Investments made during the year - net		137,000,561	(24,147,490)
Profit received on PLS savings account		554,588	598,530
Profit received on Government Securities		12,211,016	14,288,580
Net cash generated from / (used in) investing activities		<u>148,265,596</u>	<u>(9,939,570)</u>
Net increase in cash and cash equivalents		<u>146,548,644</u>	<u>5,405,403</u>
Cash and cash equivalents at the beginning of the year		16,090,899	10,685,496
Cash and cash equivalents at the end of the year	12	<u><u>162,639,543</u></u>	<u><u>16,090,899</u></u>

The annexed notes from 1 to 13 form an integral part of these financial statements.



Trustee



Trustee

MOHATTA PALACE GALLERY TRUST
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2017

1. STATUS AND NATURE OF ACTIVITIES

The Mohatta Palace, a cultural complex known as the Mohatta Palace Gallery, was purchased by the Government of Pakistan in 1995 and handed over to the Government of Sindh for its restoration and the establishment of a cultural complex and museum through a trust 'Mohatta Palace Gallery Trust' (the Trust), registered on September 05, 1995 with the District Registrar, Karachi. Headed by the Governor, the Trust comprises 15 members including 10 non-official members. Funds for the restoration and acquisition of collections for the Museum are raised by the trustees through private and public grants, donations and other fund raising activities. The possession of 'Mohatta Palace' rests with the trustees of the Trust.

2. STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with requirements of Accounting and Financial Reporting Standards for Small Sized Entities (SSE) issued by the Institute of Chartered Accountants of Pakistan (ICAP), adopted by the Trust.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention and basis of preparation

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given hereunder.

Significant accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, comprehensive income. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are as follows:

	Note
- Classification and valuation of investments	3.2
- Determining the residual values and useful lives of Property, plant & equipment	3.3
- Provisions	3.7
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3.2 Investments

Available-for-sale

These are initially recognised at cost and after initial measurement, these investments are measured at fair value with unrealised gain or loss recognised directly under accumulated surplus until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in accumulated surplus or deficit is taken to the statement of income and expenditure.

Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the straight line basis.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the income and expenditure account.

3.3 Tangible fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on a straight line method. Full year's depreciation is charged on normal additions, while no depreciation is charged on items deleted during the year.

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are included in income and expenditure account currently.

Gains and losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to accumulated surplus.

3.4 Revenue recognition

Donations are recognized where there is reasonable assurance that the donation will be received and all attaching conditions will be complied with.

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Mark-up income on investments is recognised on time proportion basis. Where debt securities are purchased at premium or discount, the same is amortised through the income and expenditure account over the term of investment using the straight line basis.

Capital gains and losses arising on sale of investments is included in the income and expenditure account on the date at which the transaction takes place.

Profit on savings accounts and term deposits receipts is recognised on accrual basis.

3.5 Taxation

The income of trust is either exempt or 100% tax credit is available for the same under income tax rules and regulations as applicable in Pakistan.

3.6 Accrued expenses and other liabilities

Liabilities are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Trust.

3.7 Provisions

A provision is recognised in the balance sheet when the Trust has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.8 Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognised in the income statement. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortisation or depreciation), had no impairment losses been recognised for the asset in prior years. Reversal of impairment loss is restricted to the original cost of the asset.

3.9 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand, deposits in banks and market treasury bills having maturity of three months or less.

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4 TANGIBLE FIXED ASSETS

Property, plant and equipment

Note	2017	2016
	----- Rupees -----	
4.1	2,556,216	5,090,249

4.1 Operating fixed assets - owned

December 31, 2017	COST		Rate of depreciation %	ACCUMULATED DEPRECIATION		WRITTEN DOWN VALUE	
	As at January 01, 2017	Additions		As at January 01, 2017	Charge for the year	As at December 31, 2017	As at December 31, 2017
	----- Rupees -----			----- Rupees -----			
Leasehold improvements	18,908,309	274,129	33.3	16,695,662	2,302,124	18,997,786	184,652
Motor vehicles	3,600,751	-	20	3,075,026	525,725	3,600,751	-
Furniture and fixtures	274,020	81,040	15	232,854	28,642	261,496	93,564
Office and electrical equipment	2,741,131	967,400	15	1,487,779	822,345	2,310,124	1,398,408
Computer equipment	1,996,360	178,000	20	1,429,792	287,976	1,717,768	456,592
Generator	1,230,000	-	10	1,162,208	67,792	1,230,000	-
Antiquities	423,000	-	-	-	-	-	423,000
	29,173,571	1,500,569		24,083,321	4,034,603	28,117,924	2,556,216

December 31, 2016

December 31, 2016	COST		Rate of depreciation %	ACCUMULATED DEPRECIATION		WRITTEN DOWN VALUE	
	As at January 01, 2016	Additions		As at January 01, 2016	Charge for the year	As at December 31, 2016	As at December 31, 2016
	----- Rupees -----			----- Rupees -----			
Leasehold improvements	18,908,309	-	33.3	15,330,235	1,365,427	16,695,662	2,212,647
Motor vehicles	3,600,750	-	20	2,619,278	455,748	3,075,026	525,724
Furniture and fixtures	239,520	34,500	15	227,361	5,493	232,854	41,166
Office and electrical equipment	2,399,041	342,090	15	1,290,029	197,750	1,487,779	1,253,352
Computer equipment	1,693,760	302,600	20	1,191,117	238,675	1,429,792	566,568
Generator	1,230,000	-	10	1,039,208	123,000	1,162,208	67,792
Antiquities	423,000	-	-	-	-	-	423,000
	28,494,380	678,190		21,697,228	2,386,093	24,083,321	5,090,249

5. INVESTMENTS	Note	2017	2016
		----- Rupees -----	
Held to maturity			
Government securities			
Non-current portion		-	25,602,324
Current portion	5.1	<u>173,646,648</u>	<u>137,775,366</u>
		<u>173,646,648</u>	<u>163,377,689</u>

5.1 Current portion

Particulars (note 5.1.1)	Interest rate %	Face value	2017	2016
			Amortised cost ----- (Rupees) -----	
Pakistan Investment Bonds	5.99	25,700,000	26,377,128	52,292,585
Market Treasury Bills	8.75 - 11.50	149,300,000	<u>147,269,520</u>	<u>85,482,781</u>
			<u>173,646,648</u>	<u>137,775,366</u>

5.1.1 These securities have maturity upto March 2018 (2016: March 2018).

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments	39,959	38,795
Deposits		
Security deposit for nestle water	4,000	4,000
Security deposit for vehicles fuel	62,500	62,500
	66,500	66,500
Other receivables		
Withholding tax	964,201	306,344
Staff loan	2,000	16,500
Profit from Government securities	1,211,857	1,021,962
Consideration of books	543,678	164,590
Consideration of tickets	120,510	71,700
	2,842,246	1,581,096
	<u>2,948,705</u>	<u>1,686,391</u>

7. CASH AND BANK BALANCES

At banks - PLS savings account	7.1	14,800,098	15,530,380
Cash in hand		569,925	560,519
		<u>15,370,023</u>	<u>16,090,899</u>

7.1 These represent PLS savings account carrying profit at the rate of 3.75% (2016: 3.75%) per annum.

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	2017	2016
	----- Rupees -----	
8. ACCRUED EXPENSES AND OTHER LIABILITIES		
Accrued expenses	229,225	255,417
Security deposits	200,000	278,500
Other liabilities	854,000	-
	<u>1,283,225</u>	<u>533,917</u>

9. DONATIONS FROM PRIVATE SOURCES

Jubilee Life Insurance Company Limited	2,000,000	1,200,000
Hum Network Limited	2,200,000	-
TML Activation Services (Pvt) Limited	2,200,000	-
Airport Security Force	2,000,000	-
EFU Life Assurance Limited	2,000,000	-
Trade Development Authority of Pakistan	1,400,000	-
Finca Microfinance Bank	1,000,000	-
Korangi Association of Trade and Industry	1,000,000	-
Forfeited Deposit	800,000	421,500
Rotary Club of Karachi	800,000	-
Millennium Media	600,000	150,000
Martin Dow Limited	500,000	-
Ushna Publishing International	200,000	-
Lieutenant General Shahid Baig	15,000	-
Unilever Pakistan Limited	-	1,500,000
Endowment Fund Trust	-	150,000
Standard Chartered Bank Pakistan Limited	-	1,400,000
BBCL Private Limited	-	250,000
T-Factor Event and PR Management	-	1,000,000
Entrepreneur's Organization	-	1,800,000
Women Chamber of Commerce and Industry Karachi	-	700,000
Marine Group of Companies	-	1,200,000
Dawn Media Group	-	1,781,568
Institute of Bankers Pakistan	-	377,358
JS Bank Limited	-	50,000
International Steels Limited	-	50,000
Italian Consulate Karachi	-	200,000
Habib Bank Limited	-	1,800,000
Shell Pakistan Limited	-	800,000
Reckitt Benckiser Pakistan Limited	-	900,000
United Bank Limited	-	2,000,000
Telenor Pakistan (Pvt) Limited	-	1,500,000
	<u>16,715,000</u>	<u>19,230,426</u>

9.1 These represent unrestricted funds received from the above mentioned donors for specific events / functions.

10. OTHER DONATIONS

Government of Sindh Culture Department	<u>5,000,000</u>	<u>15,000,000</u>
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11. OTHER INCOME

11.1 Other income includes profit on government securities and PLS savings accounts amounting to Rs.12.21 million (2016: Rs. 14.29 million) & Rs.0.55 million (2016: Rs. 0.59 million) respectively.

	Note	2017	2016
----- Rupees -----			
12. Cash and cash equivalents			
Cash and bank balances	7	15,370,023	16,090,899
Market Treasury Bills		147,269,520	-
		<u>162,639,543</u>	<u>16,090,899</u>

13. GENERAL

13.1 Amounts have been rounded off to the nearest rupee.

13.2 These financial statements were authorised for issue by the Board of Trustees on

12 NOV 2018


Trustee


Trustee