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MOHATTA PALACE GALLERY TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

EY Ford Rhodes
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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 2018** 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 2018, 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.



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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: 07 November 2019

Karachi

MOHATTA PALACE GALLERY TRUST
BALANCE SHEET
AS AT DECEMBER 31, 2018

	Note	2018 ----- Rupees -----	2017 -----
ASSETS			
Non-current assets			
Tangible fixed assets	4	3,993,580	2,556,216
Current assets			
Investments	5	171,949,090	173,646,648
Prepayments, deposits and other receivables	6	3,632,559	2,948,705
Cash and bank balances	7	39,725,406	15,370,023
		215,307,055	191,965,376
TOTAL ASSETS		219,300,635	194,521,592
LIABILITIES			
Current liabilities			
Accrued expenses and other liabilities	8	1,833,395	1,283,225
Tax payable	14	1,249,854	-
TOTAL LIABILITIES		3,083,249	1,283,225
NET ASSETS		216,217,386	193,238,367
Represented by:			
Accumulated surplus		216,217,386	193,238,367

The annexed notes from 1 to 14 form an integral part of these financial statements.



 Trustee




 Trustee

MOHATTA PALACE GALLERY TRUST
STATEMENT OF INCOME AND EXPENDITURE
AS AT DECEMBER 31, 2018

	Note	2018 ----- Rupees -----	2017 ----- Rupees -----
INCOME			
Donations			
Donations from private sources	9	20,600,000	16,715,000
Other donations	10	10,000,000	5,000,000
		30,600,000	21,715,000
Other income	11	18,829,295	15,669,297
		49,429,295	37,384,297
EXPENDITURE			
Staff salaries and benefits		12,824,883	13,957,624
Travelling and conveyance		262,626	222,675
Utilities		4,830,010	4,033,367
Printing, postage and stationery		263,682	328,224
Entertainment		339,653	270,393
Insurance		55,007	50,654
Repairs and maintenance		3,067,440	2,156,186
Rent, rates and taxes		880	18,832
Legal and professional		233,000	124,667
Depreciation	4	781,334	4,034,603
Fumigation expense		-	18,000
Event and function		1,671,047	3,997,070
Bank charges		2,205	6,796
Others		868,655	638,151
		(25,200,422)	(29,857,242)
Surplus for the year before taxation		24,228,873	7,527,055
Taxation	14	(1,249,854)	-
Surplus for the year after taxation		22,979,019	7,527,055

The annexed notes from 1 to 14 form an integral part of these financial statements.



 Trustee



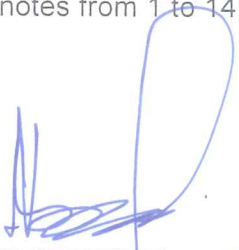
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MOHATTA PALACE GALLERY TRUST
STATEMENT OF CHANGES IN NET ASSETS
AS AT DECEMBER 31, 2018

	Accumulated Surplus	Total
	----- Rupees -----	-----
Balance as at January 01, 2017	185,711,312	185,711,312
Surplus for the year ended December 31, 2017	7,527,055	7,527,055
Balance as at December 31, 2017	193,238,367	193,238,367
Surplus for the year ended December 31, 2018	22,979,019	22,979,019
Balance as at December 31, 2018	216,217,386	216,217,386

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The annexed notes from 1 to 14 form an integral part of these financial statements.



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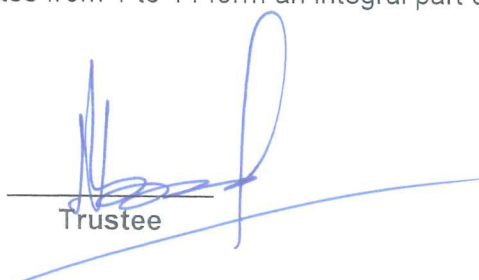


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MOHATTA PALACE GALLERY TRUST
CASH FLOW STATEMENT
AS AT DECEMBER 31, 2018

	Note	2018 ----- Rupees -----	2017 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		22,979,019	7,527,055
Adjustments for:			
Profit on PLS savings account		(468,501)	(554,588)
Profit from Government securities		(12,014,517)	(12,211,016)
Depreciation	4	781,334	4,034,603
Profit from Certificate of Investments		(2,411,773)	-
Gain on disposal of fixed assets		(1,445,000)	-
		(15,558,457)	(1,203,946)
Changes in working capital			
Increase in current assets			
Prepayments, deposits and other receivables		(683,854)	(1,262,314)
Increase in current liabilities			
Accrued expenses and other liabilities		550,170	749,308
Tax payable		1,249,854	-
Net cash generated from / (used in) operating activities		<u>8,536,732</u>	<u>(1,716,952)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(2,218,700)	(1,500,569)
Proceeds from the disposal of fixed assets		1,445,000	-
Investments made during the year - net		30,835,813	137,000,561
Profit received on PLS savings account		287,629	554,588
Profit received on Government Securities		10,148,479	12,211,016
Net cash generated from investing activities		<u>40,498,221</u>	<u>148,265,596</u>
Net increase in cash and cash equivalents		<u>49,034,953</u>	<u>146,548,644</u>
Cash and cash equivalents at the beginning of the year		<u>162,639,543</u>	<u>16,090,899</u>
Cash and cash equivalents at the end of the year	12	<u><u>211,674,496</u></u>	<u><u>162,639,543</u></u>

The annexed notes from 1 to 14 form an integral part of these financial statements.



 Trustee



 Trustee

MOHATTA PALACE GALLERY TRUST
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018

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) and NPO Guidelines 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 and equipment	3.3

3.2 Investments

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.

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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.

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 charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available.

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 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.

3.8 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 investments having maturity of three months or less.

4. TANGIBLE FIXED ASSETS

Property, plant and equipment

Note	2018	2017
	Rupees	Rupees
4.1	3,993,580	2,556,216

4.1 Operating fixed assets - owned

December 31, 2018	COST			Rate of depreciation %	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE As at December 31, 2018
	As at January 01, 2018	Additions	Disposals		As at January 01, 2018	Charge for the year	As at December 31, 2018	
Leasehold improvements	19,182,438	-	-	33.3	18,997,786	91,367	19,089,153	93,285
Motor vehicles	3,600,751	2,179,000	1,711,740	20	3,600,751	435,800	2,324,811	1,743,200
Furniture and fixtures	355,060	24,000	-	15	261,496	21,249	282,745	96,315
Office and electrical equipment	3,708,531	15,700	-	15	2,310,124	56,262	2,366,386	1,357,844
Computer equipment	2,174,360	-	-	20	1,717,768	176,656	1,894,424	279,936
Generator	1,230,000	-	-	10	1,230,000	-	1,230,000	-
Antiquities	423,000	-	-	-	-	-	-	423,000
	30,674,140	2,218,700	1,711,740		28,117,925	781,334	27,187,519	3,993,580

December 31, 2017	COST			Rate of depreciation %	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE As at December 31, 2017
	As at January 01, 2017	Additions	Disposals		As at January 01, 2017	Charge for the year	As at December 31, 2017	
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	28,117,925	2,556,216

5. INVESTMENTS	Note	2018	2017
		----- Rupees -----	
Held to maturity			
Government securities	5.1	94,098,369	173,646,648
Certificate of Investments	5.2	77,850,721	-
		<u>171,949,090</u>	<u>173,646,648</u>

5.1 Government securities

Particulars (note 5.1.1)	Interest rate	Face value	2018	2017
			Amortised cost	
	%		----- Rupees -----	
Pakistan Investment Bonds	-	-	-	26,377,128
Market Treasury Bills	8.74 - 8.80	96,000,000	94,098,369	147,269,520
			<u>94,098,369</u>	<u>173,646,648</u>

5.1.1 These securities have maturity upto January 2019 (2017: March 2018).

5.2 These certificates have interest rate ranging from 9% to 10.5% (2017: Nil) having face value of 79.658 million and maturity upto March 2019 (2017: Nil).

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES	Note	2018	2017
		----- Rupees -----	
Prepayments		50,822	39,959
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		1,007,263	964,201
Staff loan		-	2,000
Profit receivable from Government securities		1,400,029	1,211,857
Profit receivable from Certificate of Investments		466,009	-
Profit from saving accounts		180,872	-
Consideration of books		323,484	543,678
Consideration of tickets		137,580	120,510
		3,515,237	2,842,246
		<u>3,632,559</u>	<u>2,948,705</u>

7. CASH AND BANK BALANCES

At banks - PLS saving accounts	7.1	39,029,990	14,800,098
Cash in hand		695,416	569,925
		<u>39,725,406</u>	<u>15,370,023</u>

7.1 These represent PLS savings account carrying profit ranging from 2.95% to 4% (2017: 3.75%) per annum.

	Note	2018 ----- Rupees -----	2017 ----- Rupees -----
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued expenses		389,335	229,225
Security deposits		650,000	200,000
Other liabilities		794,060	854,000
		<u>1,833,395</u>	<u>1,283,225</u>
9. DONATIONS FROM PRIVATE SOURCES			
Habib Bank Limited		3,000,000	-
Jubilee Life Insurance Company Limited		2,000,000	2,000,000
United Energy Pakistan		2,000,000	-
TPL Direct Insurance Ltd.		1,800,000	-
Daehan Dewan Motor Company Limited		1,800,000	-
Eden Apparels (Private) Limited		1,800,000	-
Jazz-Moblink		1,500,000	-
Philip Morris Pakistan Limited		1,200,000	-
Hamdard Laboratories		1,000,000	-
Elite Estates (Private) Limited		900,000	-
Syntax communications		800,000	-
The Citizens Foundation		800,000	-
Endowment Fund Trust		500,000	-
Maersk Pakistan (Private) Limited		500,000	-
Pakistan Society for the Study of Liver Diseases		500,000	-
FWU-AG Pakistan		400,000	-
Planning & Development Department		100,000	-
Hum Network Limited		-	2,200,000
TML Activation Services (Private) 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
Rotary Club of Karachi		-	800,000
Millennium Media		-	600,000
Martin Dow Limited		-	500,000
Ushna Publishing International		-	200,000
Lieutenant General Shahid Baig		-	15,000
	9.1	<u>20,600,000</u>	<u>16,715,000</u>

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

10. OTHER DONATIONS

Government of Sindh Planning & Development Department	<u>10,000,000</u>	<u>5,000,000</u>
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	Note	2018 ----- Rupees -----	2017 -----
11. OTHER INCOME			
Profit on PLS savings account		468,501	554,588
Profit from Government securities		12,014,517	12,211,017
Profit from Certificate of Investments		2,411,773	-
Consideration for tickets of exhibitions and events		885,600	660,090
Consideration for books		1,529,385	2,181,904
Others	11.1	1,519,519	61,698
		<u>18,829,295</u>	<u>15,669,297</u>

11.1 This includes gain on disposal of fully depreciated vehicle amounting to Rs.1.445 million (2017: Rs.Nil).

12. CASH AND CASH EQUIVALENTS

Cash and bank balances	7	39,725,406	15,370,023
Short term investments		171,949,090	147,269,520
		<u>211,674,496</u>	<u>162,639,543</u>

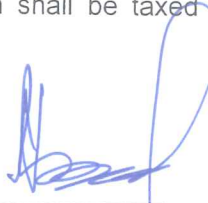
13. GENERAL

13.1 Amounts have been rounded off to the nearest rupee.

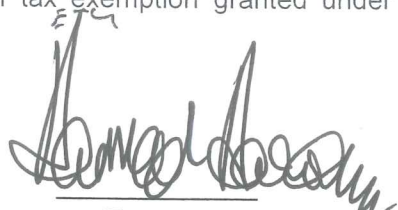
13.2 These financial statements were authorised for issue by the Board of Trustees on 07 NOV 2019.

14. TAXATION

This relates to section 100C(1A) of Income Tax Ordinance, 2001, which requires that surplus funds of non profit organization shall be taxed at a rate of ten percent, regardless of tax exemption granted under Section 100C(1).



Trustee



Trustee