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MOHATTA PALACE GALLERY TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019** 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 2019, 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:

Karachi

MOHATTA PALACE GALLERY TRUST
BALANCE SHEET
AS AT DECEMBER 31, 2019

	Note	2019 ----- Rupees -----	2018 -----
ASSETS			
Non-current assets			
Tangible fixed assets	4	5,587,736	3,993,580
Investments - long-term	5	32,837,193	-
Current assets			
Investments - short-term	5	182,121,719	171,949,090
Prepayment, deposits and other receivables	6	5,412,324	3,632,559
Cash and bank balances	7	11,221,341	39,725,406
		198,755,384	215,307,055
TOTAL ASSETS		237,180,313	219,300,635
LIABILITIES			
Current liabilities			
Accrued expenses and other liabilities	8	3,654,057	1,833,395
Tax payable	14	800,089	1,249,854
TOTAL LIABILITIES		4,454,146	3,083,249
NET ASSETS		232,726,167	216,217,386
Represented by:			
Accumulated surplus		232,726,167	216,217,386

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

Trustee
Mohatta Palace Gallery Trust

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MOHATTA PALACE GALLERY TRUST
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 ----- Rupees -----	2018 ----- Rupees -----
INCOME			
Donations			
Donations from private sources	9	10,600,000	20,600,000
Other donations	10	10,000,000	10,000,000
		20,600,000	30,600,000
Other income	11	27,255,682	18,829,295
		47,855,682	49,429,295
EXPENDITURE			
Staff salaries and benefits		15,258,598	12,824,883
Travelling and conveyance		175,444	262,626
Utilities		4,843,995	4,830,010
Printing, postage and stationery		752,908	263,682
Entertainment		360,344	339,653
Insurance		66,167	55,007
Repairs and maintenance		2,906,894	3,067,440
Rent, rates and taxes		38,866	880
Legal and professional		716,000	233,000
Depreciation	4.1	1,627,845	781,334
Event and function		2,089,063	1,671,047
Bank charges		453,694	2,205
Others		1,256,994	868,655
		(30,546,812)	(25,200,422)
Surplus for the year before taxation		17,308,870	24,228,873
Taxation	14	(800,089)	(1,249,854)
Surplus for the year after taxation		16,508,781	22,979,019

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


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MOHATTA PALACE GALLERY TRUST
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 ----- Rupees -----	2018 ----- Rupees -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		16,508,781	22,979,019
Adjustments for:			
Profit on PLS savings account		(617,848)	(468,501)
Profit from Government securities		(7,785,086)	(12,014,517)
Depreciation	4	1,627,845	781,334
Profit from Certificate of Investments		(16,549,922)	(2,411,773)
Gain on disposal of fixed assets		-	(1,445,000)
		(23,325,011)	(15,558,457)
Changes in working capital			
Decrease / (increase) in current assets			
Prepayment, deposits and other receivables		141,935	(683,854)
Increase in current liabilities			
Accrued expenses and other liabilities		1,820,662	550,170
Tax payable		(449,765)	1,249,854
Net cash (used in) / generated from operating activities		(5,303,398)	8,536,732
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(3,222,000)	(2,218,700)
Proceeds from the disposal of fixed assets		-	1,445,000
Investments made during the year - net		(33,718,661)	30,835,813
Profit received on PLS saving accounts		485,311	287,629
Profit received on Certificate of Investments		15,629,064	-
Profit received on Government Securities		7,798,248	10,148,479
Net cash (used in) / generated from investing activities		(13,028,038)	40,498,221
Net (decrease) / increase in cash and cash equivalents		(18,331,436)	49,034,953
Cash and cash equivalents at the beginning of the year		211,674,496	162,639,543
Cash and cash equivalents at the end of the year	12	193,343,060	211,674,496

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


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MOHATTA PALACE GALLERY TRUST
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Accumulated Surplus	Total
	----- Rupees -----	-----
Balance as at January 01, 2018	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	<u>216,217,386</u>	<u>216,217,386</u>
Surplus for the year ended December 31, 2019	16,508,781	16,508,781
Balance as at December 31, 2019	<u><u>232,726,167</u></u>	<u><u>232,726,167</u></u>

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



Trustee

Mohatta Palace Gallery Trust



Trustee

Mohatta Palace Gallery Trust

MOHATTA PALACE GALLERY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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. The Trust is a Not-for-profit organization under Section 2(36) of Income Tax Ordinance, 2001 and its surplus, if any, is carried forward to subsequent year and is not available for appropriation.

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.

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 Prepayment, deposits and other receivables

Receivables are recognized and carried at cost, which is the fair value of the consideration given less provision for impairment if any.

3.5 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.

3.6 Expenditure

Expenses are recognised on accrual basis.

3.7 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.

3.8 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.

3.9 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.

3.10 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.



	Note	2019 ----- Rupees -----	2018 ----- Rupees -----
5. INVESTMENTS			
Long-term			
Held to maturity			
Government securities	5.1	32,837,193	-
Short-term			
Held to maturity			
Government securities	5.1	20,366,661	94,098,369
Certificate of Investments	5.2	161,755,058	77,850,721
		<u>214,958,912</u>	<u>171,949,090</u>

5.1 Government securities

Particulars (note 5.1.1)	Interest rate %	Face value ----- Rupees -----	2019	2018
			Amortised cost	
Pakistan Investment Bonds	7.25%	35,000,000	32,837,193	-
Market Treasury Bills	13.51%	21,000,000	20,366,661	94,098,369
			<u>53,203,854</u>	<u>94,098,369</u>

5.1.1 Pakistan Investment Bonds have maturity up to July 2021 (2018: Nil) and Market Treasury Bills have maturity upto February 2020 (2018: January 2019).

5.2 These certificates have interest rate ranging from 9% to 14% (2018: 9% to 10.5%) having face value of 167.236 million (2018: 79.658 million) and maturity up to March 2020 (2018: March 2019).

	Note	2019 ----- Rupees -----	2018 ----- Rupees -----
6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES			
Prepaid insurance		50,821	50,822
Deposits			
Security deposit for nestle water		4,000	4,000
Security deposit for vehicles fuel		22,500	62,500
		26,500	66,500
Other receivables			
Withholding tax		1,042,720	1,007,263
Staff loan		150,000	-
Profit receivable from Government securities		1,386,867	1,400,029
Profit receivable from Certificate of Investments		2,268,334	466,009
Profit from saving accounts		313,409	180,872
Consideration of books		19,023	323,484
Consideration of tickets		154,650	137,580
		5,335,003	3,515,237
		<u>5,412,324</u>	<u>3,632,559</u>

7. CASH AND BANK BALANCES

At banks - PLS saving accounts	7.1	10,503,812	39,029,990
Cash in hand		717,529	695,416
		<u>11,221,341</u>	<u>39,725,406</u>

7.1 These represent PLS savings account carrying profit ranging from 4% to 5.62% (2018: 2.95 to 4%) per annum.

	Note	2019 ----- Rupees -----	2018 ----- Rupees -----
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued expenses		282,122	389,335
Security deposits		300,000	650,000
Advance from customers		1,700,000	-
Other liabilities		1,371,935	794,060
		<u>3,654,057</u>	<u>1,833,395</u>
9. DONATIONS FROM PRIVATE SOURCES			
Syed Iftikhar Salahuddin		200,000	-
Candyland		900,000	-
Siraj Institute of Sindh Studies		200,000	-
Martin Dow Limited		500,000	-
Oppo Mobile Technologies		1,900,000	-
Shell Pakistan		1,000,000	-
Medics International		2,000,000	-
Jubilee Life Insurance Company Limited		3,700,000	2,000,000
Endowment Fund Trust		200,000	500,000
Habib Bank Limited		-	3,000,000
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
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
	9.1	<u>10,600,000</u>	<u>20,600,000</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>10,000,000</u>
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11. OTHER INCOME

Profit on PLS saving accounts	617,848	468,501
Profit from Government securities	7,785,086	12,014,517
Profit from Certificate of Investments	16,549,922	2,411,773
Consideration for tickets of exhibitions and events	1,005,570	885,600
Consideration for books	1,224,774	1,529,385
Others	72,482	1,519,519
	<u>27,255,682</u>	<u>18,829,295</u>

11.1 This includes gain on disposal of fully depreciated vehicle amounting to Rs. Nil (2018: Rs 1.445 million).

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	Note	2019 ----- Rupees -----	2018 -----
12. CASH AND CASH EQUIVALENTS			
Cash and bank balances	7	11,221,341	39,725,406
Short term investments		<u>182,121,719</u>	<u>171,949,090</u>
		<u>193,343,060</u>	<u>211,674,496</u>

13. RISK MANAGEMENT

The Trust is exposed to interest rate risk, credit risk and liquidity risk. The Trust's senior management oversee the management of these risks. The management reviews and agrees policies for managing each of these which are summarized below:

13.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. As of date of statement of financial position, the Trust is exposed to such risk mainly in respect of bank balance and investments. Interest rate on such bank balance and investments is disclosed in respective note to the financial statements.

13.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Trust is exposed to credit risk on its bank balances and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Trust's exposure to bad debts is not significant where as bank balance is maintained with banks having good credit ratings.

13.3 Liquidity risk

Liquidity risk is the risk that the Trust may encounter difficulties in raising funds to meet commitments associated with financial instruments. The Trust is not materially effected by the liquidity risk as the Trust's major assets are cash and bank balance and investments.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities. Financial assets mainly consists of bank balances, investments and other receivables. Financial liabilities consist of accounts payable and other liabilities. The fair values of Trust's financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

15. 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).

16. RELATED PARTY TRANSACTIONS

The Trust's related party relationship is only with its key management personnel. Details of transactions with related parties are as under:

Remuneration of Key Management Personnel (Director)	<u>3,110,004</u>	<u>2,829,000</u>
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17. NUMBER OF EMPLOYEES

The total and average number of employees (permanent and contractual) during the year end as at December 31, 2019 and 2020 respectively are as follows:

Average number of employees during the year	<u>31</u>	<u>32</u>
Number of employees as at December 31	<u>32</u>	<u>33</u>

18. GENERAL

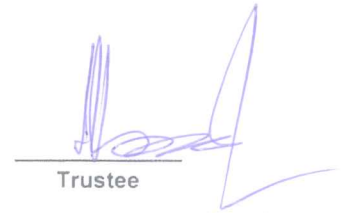
18.1 Amounts have been rounded off to the nearest rupee.

18.2 These financial statements were authorised for issue by the Board of Trustees on _____ 5~



Trustee

Mohatta Palace Gallery Trust



Trustee

Mohatta Palace Gallery Trust