



**Building a better
working world**

MOHATTA PALACE GALLERY TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk



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Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

AUDITORS' REPORT TO THE TRUSTEES

We have audited the accompanying financial statements of the **Mohatta Palace Gallery Trust** (the Trust) which comprise of the balance sheet as at **31 December 2016**, and the statement of income and expenditure, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The trustees are responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the approved accounting 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion the financial statements present fairly in all material respects, the financial position of the Trust as at 31 December 2016 and of its surplus, changes in net assets and cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman

Date: 19 January 2018

Karachi

MOHATTA PALACE GALLERY TRUST
BALANCE SHEET
AS AT DECEMBER 31, 2016

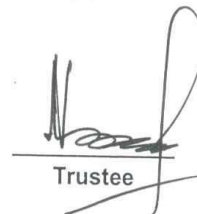
ASSETS	Note	2016 ----- Rupees -----	2015 ----- Rupees -----
Non-current assets			
Tangible fixed assets	4	5,090,249	6,797,152
Investments	5	25,602,324	66,284,097
		30,692,573	73,081,249
Current assets			
Current portion of investments	5	137,775,366	72,946,103
Prepayment and other receivables	6	1,686,391	426,864
Cash and bank balances	7	16,090,899	10,685,496
		155,552,656	84,058,463
TOTAL ASSETS		186,245,229	157,139,712
LIABILITIES			
Current liabilities			
Accrued expenses and other liabilities	8	533,917	407,661
TOTAL LIABILITIES		533,917	407,661
NET ASSETS		185,711,312	156,732,051
Represented by:			
Accumulated surplus		185,711,312	156,732,051

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The annexed notes from 1 to 12 form an integral part of these financial statements.



Trustee



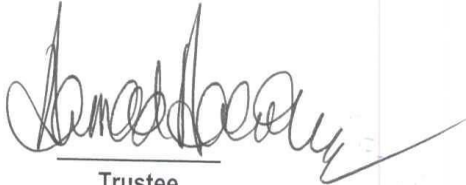
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MOHATTA PALACE GALLERY TRUST
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 ----- Rupees -----	2015 -----
DONATIONS			
Donations from private sources	9	19,230,426	9,865,000
Other donations	10	15,000,000	5,000,000
Other income	11	17,389,660	17,897,223
		51,620,086	32,762,223
EXPENDITURE			
Staff salaries and benefits		11,832,554	9,361,551
Travelling and conveyance		1,200	53,800
Utilities		3,756,189	3,195,548
Printing, postage and stationery		230,846	106,607
Entertainment		157,943	91,013
Insurance		79,919	229,955
Repairs and maintenance		1,405,768	3,238,654
Rent, rates and taxes		8,650	7,626
Legal and professional		164,300	500,000
Depreciation	4	2,386,093	2,541,490
Fumigation expense		24,260	86,400
Event and function		1,803,034	4,911,185
Bank charges		2,000	2,160
Others		788,069	624,909
		(22,640,825)	(24,950,898)
Surplus for the year		28,979,261	7,811,325

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The annexed notes from 1 to 12 form an integral part of these financial statements.



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 Trustee

**MOHATTA PALACE GALLERY TRUST
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Accumulated Surplus	Total
	----- (Rupees) -----	
Balance as at January 01, 2015	148,920,726	148,920,726
Surplus for the year ended December 31, 2015	7,811,325	7,811,325
Balance as at December 31, 2015	<u>156,732,051</u>	<u>156,732,051</u>
Surplus for the year ended December 31, 2016	28,979,261	28,979,261
Balance as at December 31, 2016	<u><u>185,711,312</u></u>	<u><u>185,711,312</u></u>

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The annexed notes from 1 to 12 form an integral part of these financial statements.



Trustee



Trustee

MOHATTA PALACE GALLERY TRUST
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 ----- Rupees -----	2015 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		28,979,261	7,811,325
Adjustments for:			
Profit on PLS savings account		(598,530)	(527,235)
Depreciation	4	2,386,093	2,541,490
Profit on Government Securities		(14,288,580)	(15,303,935)
		16,478,244	(5,478,355)
Changes in working capital			
(Increase) / decrease in current assets			
Prepayment and other receivables		(1,259,527)	(180,687)
Increase / (decrease) in current liabilities			
Accrued expenses and other liabilities		126,256	(1,795,441)
Net cash generated from / (used in) operating activities		15,344,973	(7,454,483)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(679,190)	(1,195,440)
Investments made during the year - net		(24,147,490)	(10,512,049)
Profit received on PLS savings account		598,530	527,235
Profit received on Government Securities		14,288,580	15,303,935
Net cash generated from / investing activities		(9,939,570)	4,123,681
Net increase / (decrease) in cash and cash equivalents		5,405,403	(3,330,802)
Cash and cash equivalents at the beginning of the year		10,685,496	14,016,298
Cash and cash equivalents at the end of the year	7	16,090,899	10,685,496

The annexed notes from 1 to 12 form an integral part of these financial statements.


Trustee


Trustee

MOHATTA PALACE GALLERY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 in conformity with the Accounting and Financial Reporting Standards for Small - Sized Entities issued by the Institute of Chartered Accountants of Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets and provision for doubtful receivables. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

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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 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of fixed assets in the course of their erection, acquisition and installation.

3.5 Revenue recognition - donations

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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3.6 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.

3.7 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.

3.8 Short-term loan

Short-term loan is carried at cost which is the fair value of the consideration to be paid in the future on demand.

3.9 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.

3.10 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.

3.11 Revenue recognition

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.

3.12 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and deposits in banks.

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4. TANGIBLE FIXED ASSETS

Property, plant and equipment

Note	2016	2015
	----- Rupees -----	
4.1	5,090,249	6,797,152

4.1 Operating fixed assets - owned

December 31, 2016	COST		Rate of depreciation / amortisation %	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 -----		----- 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	679,190		21,697,228	2,386,093	24,083,321	5,090,249

December 31, 2015	COST		Rate of depreciation / amortisation %	ACCUMULATED DEPRECIATION		WRITTEN DOWN VALUE	
	As at January 01, 2015	Additions		As at January 01, 2015	Charge for the year	As at December 31, 2015	As at December 31, 2015
	----- Rupees -----			----- Rupees -----		----- Rupees -----	
Leasehold improvements	18,908,309	-	33.3	13,807,362	1,522,873	15,330,235	3,578,074
Motor vehicles	3,600,750	-	20	2,163,530	455,748	2,619,278	981,472
Furniture and fixtures	239,520	-	15	227,043	318	227,361	12,159
Office and electrical equipment	1,381,881	1,017,160	15	1,042,333	247,696	1,290,029	1,109,012
Computer equipment	1,515,480	178,280	20	999,262	191,855	1,191,117	502,643
Generator	1,230,000	-	10	916,208	123,000	1,039,208	190,792
Antiquities	423,000	-	-	-	-	-	423,000
	27,298,940	1,195,440		19,155,738	2,541,490	21,697,228	6,797,152

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	Note	2016 ----- Rupees -----	2015 -----
5. INVESTMENTS			
Held to maturity			
Government securities			
Non-current portion		25,602,324	66,284,097
Current portion		137,775,366	72,946,103
	5.1	<u>163,377,690</u>	<u>139,230,200</u>
5.1 These represent PIBs, which carry profit at the rates ranging from 8.75% to 11.50% (2015: 8.75% to 12.54%) per annum. These securities have a maturity ranging from July 2017 to March 2018.			
6. PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments - insurance		38,795	69,131
Staff loan		16,500	69,500
Security deposit for nestle water		4,000	-
Withholding tax receivable		306,344	225,733
Security deposit for vehicles fuel		62,500	62,500
Profit from Government securities-Receivables		1,021,962	-
Consideration of Books-Receivables		164,590	-
Consideration of Tickets-Receivables		71,700	-
		<u>1,686,391</u>	<u>426,864</u>
7. CASH AND BANK BALANCES			
At banks - PLS savings account	7.1	15,530,380	10,247,904
Cash in hand		560,519	437,592
		<u>16,090,899</u>	<u>10,685,496</u>
7.1 This represents PLS savings account carrying profit at the rate of 3.75% (2015: 3.75%) per annum.			
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued expenses		255,417	207,661
Security deposits		278,500	200,000
		<u>533,917</u>	<u>407,661</u>
		<i>ETM</i>	

	2016	2015
	----- Rupees -----	
9. DONATIONS FROM PRIVATE SOURCES		
Jubilee Life Insurance Company Limited	1,200,000	1,200,000
Unilever Pakistan Limited	1,500,000	900,000
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	2,200,000
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 Steel Limited	50,000	-
Italian Consulate Karachi	200,000	-
Millennium Media	150,000	-
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	900,000
Cardiovascular Foundation	-	600,000
Pakistan Tobacco Company Limited	-	740,000
Nazli Rafat Jamal	-	250,000
Sindh Revenue Board	-	100,000
Nestle Pakistan Limited	-	650,000
Beaconhouse School System	-	900,000
Federal Investigation Agency	-	225,000
Samba Bank Limited	-	700,000
Hold Security Deposit	-	100,000
Excellent Events & Entertainments (Pvt) Limited	-	400,000
Forfeited Deposit	421,500	-
	<u>19,230,426</u>	<u>9,865,000</u>

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

10. OTHER DONATIONS

Attorney General Sindh	-	5,000,000
Government of Sindh Culture Department	15,000,000	-
	<u>15,000,000</u>	<u>5,000,000</u>

11. OTHER INCOME

11.1 Other income includes profit on government securities and on PLS saving account amounting to Rs.14,887,110.

12. GENERAL

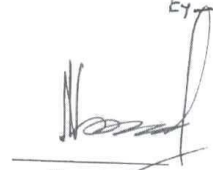
12.1 Amounts have been rounded off to the nearest rupee.

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

19 JAN 2018



Trustee



Trustee