

BAS/C644/22/1012

**Grant Thornton Anjum  
Rahman**

1st & 3rd Floor,  
Modern Motors House,  
Beaumont Road,  
Karachi, Pakistan.

T +92 21 35672951-56

12 October 2022

The Board of Trustees (the Board)  
Mohatta Palace Gallery Trust (the Trust)  
Karachi

**AUDIT OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

Dear Board Members

We are pleased to enclose 3 copies of the draft financial statements of the Trust for the above year, together with our draft audit report thereon, initialed by us only for identification purposes. We shall be pleased to sign and issue our report on the financial statements after:

- i) the Board has approved the financial statements and these have been signed by the persons authorized to do so;
- ii) we have received representation letter duly signed by the Curator and Managing Trustee of the Trust;

iii) We have seen specific approvals of the Board in respect of the following items:

	(Rupees)
- purchase of fixed assets	400,000
- investments made during the year	10,302,310
- provision against income tax refundable	1,770,659
- donations from private sector	4,651,000
- donations from public sector	15,000,000
- transactions with related parties as disclosed in the financial statements; and	

iv) We have received tax confirmation from Hanif Adamjee Shekha & Co.

**2. RESPONSIBILITIES OF MANAGEMENT AND AUDITORS IN RELATION TO THE FINANCIAL STATEMENTS**

The responsibilities of the independent auditors are in a usual examination of the financial statements are explained in the International Standards on Auditing – 200: “Overall Objectives of the Independent auditor and the Conduct of an Audit in Accordance with International Standards on Auditing”. While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for their preparation is primarily that of the Trust’s management. The management’s responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies and safeguarding of the assets of the Trust. The audit of the financial statements does not relieve the management of its responsibilities. Accordingly, our examination of books of account and records should not be relied upon to disclose all the errors or irregularities, which are not material in relation to the financial statements.

**3. REGISTRATION WITH TRUST ACT, 2020 (THE ACT)**

During the previous year, the Act became applicable with effect from 22 September 2020. Section 12 of the Act states that no trust shall be functional unless it is registered under the Act. In this respect, we noted that the Trust has not registered itself under the Act and we were informed by the management that the registration of the Trust is under process and expects that the registration process would be completed shortly. We trust that the Board also concurs with the management’s view in this respect.

**4. OTHER MATTERS**

- a. We have been informed by the management that there are no contingencies and commitments outstanding as at the year end.
- b. We have been informed by the management that there are no transactions with related parties other than those disclosed in the financial statements.
- c. We have been informed by the management that to best of their knowledge there have been no instances of fraud or irregularities during the year that could have a material effect on these financial statements.
- d. We have been informed by the management that there were no subsequent events having an impact on amounts and/or disclosures on these financial statements.

We also take this opportunity to place on record our appreciation for the co-operation extended to us by the management of the Trust during the course of our audit.

Yours truly



## INDEPENDENT AUDITOR'S REPORT

### To the Trustees of Mohatta Palace Gallery Trust Report on the audit of financial statements

T +92 21 35672951-56

#### Opinion

We have audited the financial statements of **Mohatta Palace Gallery Trust** (the Trust), which comprise the statement of financial position as at **31 December 2021** and the related statement of income and expenditure, statement of cash flows 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 2021, and its financial performance for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan and the requirements of the Trust Deed and 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 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 of Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of 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.

#### Responsibility of trustees for the financial statements

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

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

### **Auditors' responsibilities for the audit of 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 is 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 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 judgement and maintain professional scepticism 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 controls;
- 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 opinion is 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 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.

**Other Matter**

The financial statements of the Trust for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements dated 24 May 2021 respectively.

The engagement partner on the audit resulting in this independent auditor's report is Khurram Jameel.



Chartered Accountants  
Karachi

Date: 05 January 2023

UDIN: AR202110093Fj6mYLMCB

**MOHATTA PALACE GALLERY TRUST  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

	Note	2021 ----- Rupees -----	2020 -----
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	3,633,534	4,831,396
Long term investments	6	34,174,525	-
		<b>37,808,059</b>	<b>4,831,396</b>
<b>Current assets</b>			
Short term investments	7	208,066,780	228,242,909
Prepayments and deposits		540,832	540,832
Other receivables	8	4,702,426	5,264,735
Cash and bank balances	9	3,756,551	16,157,262
		<b>217,066,589</b>	<b>250,205,738</b>
<b>TOTAL ASSETS</b>		<b>254,874,648</b>	<b>255,037,134</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued expenses and other liabilities		755,303	2,441,902
<b>NET ASSETS</b>		<b>254,119,345</b>	<b>252,595,232</b>
<b>Represented by:</b>			
Accumulated surplus		<b>254,119,345</b>	<b>252,595,232</b>

The annexed notes from 1 to 16 form an integral part of these financial statements.

ATA

  
Trustee

Mohatta Palace Gallery Trust

  
Trustee

Mohatta Palace Gallery Trust

**MOHATTA PALACE GALLERY TRUST  
STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 ----- Rupees -----	2020 ----- Rupees -----
<b>INCOME</b>			
Donations			
-private sector	10	4,651,000	3,720,000
-public sector	11	15,000,000	22,500,000
		19,651,000	26,220,000
Other income	12	21,344,746	25,681,342
		<b>40,995,746</b>	<b>51,901,342</b>
<b>EXPENDITURE</b>			
Staff salaries and benefits		14,130,299	14,302,294
Director remuneration		3,480,288	3,332,016
Utilities		4,329,740	3,718,993
Printing, postage and stationery		737,255	336,964
Entertainment		411,614	347,015
Insurance		12,020	62,009
Repairs and maintenance		5,610,205	2,733,791
Legal and professional		5,231,000	404,000
Depreciation		1,597,860	1,621,863
Event and function		306,842	2,026,658
Provision for income tax refundable	8	1,770,659	-
Audit fee		250,000	-
Others		1,317,313	1,931,099
		<b>(39,185,095)</b>	<b>(30,816,702)</b>
<b>Surplus for the year before taxation</b>		<b>1,810,651</b>	<b>21,084,640</b>
Taxation	4.7	(286,538)	(1,215,575)
<b>Surplus for the year after taxation</b>		<b>1,524,113</b>	<b>19,869,065</b>

The annexed notes from 1 to 16 form an integral part of these financial statements.

GTA

  
Trustee

Mohatta Palace Gallery Trust

  
Trustee

Mohatta Palace Gallery Trust

**MOHATTA PALACE GALLERY TRUST  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 ----- Rupees -----	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year before taxation		1,810,651	21,084,640
Adjustments for:			
Profit on bank accounts		-	(119,711)
Interest on investments		(19,069,244)	(23,851,293)
Depreciation		1,597,862	1,621,863
Provision for income tax refundable		1,770,659	-
		<u>(15,700,723)</u>	<u>(22,349,141)</u>
Working capital changes:			
Prepayments, deposits and other receivables		(601,164)	(721,443)
Accrued expenses and other liabilities		(757,562)	(2,427,730)
		<u>(1,358,726)</u>	<u>(3,149,173)</u>
Tax paid		(1,215,575)	(800,089)
Net cash used in from operating activities		<u>(16,464,373)</u>	<u>(5,213,763)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(400,000)	(865,523)
Investments made during the year - net		(10,302,310)	(21,456,734)
Profit received on bank accounts		-	433,120
Interest received on investments		18,462,058	22,450,006
Net cash generated from investing activities		<u>7,759,748</u>	<u>560,869</u>
Net decrease in cash and cash equivalents		<u>(8,704,625)</u>	<u>(4,652,894)</u>
Cash and cash equivalents at the beginning of the year		188,690,166	193,343,060
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	13	<u><u>179,985,541</u></u>	<u><u>188,690,166</u></u>

The annexed notes from 1 to 16 form an integral part of these financial statements.

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Trustee

Mohatta Palace Gallery Trust

  
Trustee

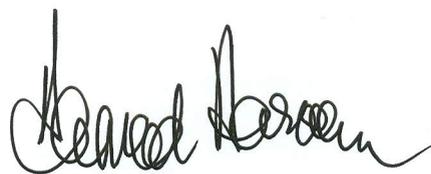
Mohatta Palace Gallery Trust

**MOHATTA PALACE GALLERY TRUST  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Rupees
Balance at 01 January 2020	232,726,167
Surplus for the year	19,869,065
<b>Balance as at 31 December 2020</b>	<u>252,595,232</u>
Surplus for the year	1,524,113
<b>Balance as at 31 December 2021</b>	<u><u>254,119,345</u></u>

The annexed notes from 1 to 16 form an integral part of these financial statements.

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Trustee

Mohatta Palace Gallery Trust



Trustee

Mohatta Palace Gallery Trust

**MOHATTA PALACE GALLERY TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. STATUS AND NATURE OF ACTIVITIES**

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. BASIS OF PREPARATION**

**2.1 Statement of compliance**

The financial statements are prepared in accordance with requirements of International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs), Accounting Standard for Not for Profit Organisations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and the Trust Deed.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention unless otherwise stated.

**2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is the functional and presentation currency of the Trust.

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 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. Significant accounting estimates and judgements are disclosed in relevant notes.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Property and equipment**

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 normal repairs are charged to statement of income and expenditure as and when incurred. Major renewals and improvements are capitalized if the recognition criteria is met. Gains and losses on disposal of assets, if any, are included in statement of income and expenditure currently.

**4.2 Investments**

Investments that are intended to be held till maturity are stated at cost plus profit accrued thereon.

**MOHATTA PALACE GALLERY TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**4.3 Other receivables**

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

**4.4 Cash and cash equivalents**

These are stated at cost and include cash in hand and balance with banks.

**4.5 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.

**4.6 Revenue recognition**

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

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

Revenue received from the sales of tickets and books is recognised in statement of income and expenditure on accrual basis at the date on which the transaction takes place.

**4.7 Taxation**

The Trust qualifies for tax credit under Section 100C of the Income tax Ordinance, 2001 (the Ordinance) as the management believes that the Trust complies with the requirement of Section 100C of the Ordinance due to the following:

- (a) Trust deducts tax from payments made in accordance with the Ordinance;
- (b) Tax deducted is duly reported to the Federal Board of Revenue;
- (c) The Return of total income is regularly filed; and
- (d) The administrative and management expenditure does not exceed 15 percent of the total receipts.

Section 100C(5) of the Ordinance, 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). Accordingly, provision for taxation has been made in accordance with the above referred section.





**MOHATTA PALACE GALLERY TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

		2021	2020
		----- Rupees -----	-----
<b>6. LONG TERM INVESTMENTS - held to maturity</b>	<b>Note</b>		
Pakistan Investment Bonds	6.1	<u>34,174,525</u>	<u>-</u>
6.1. These carry interest rate of 7% per annum and will mature in August 2023.			
<b>7. SHORT TERM INVESTMENTS - held to maturity</b>	<b>Note</b>	2021	2020
		----- Rupees -----	-----
Market Treasury Bills	7.1.	31,837,790	21,456,735
Certificate of Investments	7.2.	176,228,990	172,532,904
Pakistan Investment Bonds		-	34,253,270
		<u>208,066,780</u>	<u>228,242,909</u>
7.1. These carry interest rate ranging from 7.49 - 7.66% (2020: 8.03%) per annum and will mature in May 2022.			
7.2. These carry interest rate ranging from 7.65 - 11.60% (2020: 7.15 - 13.65%) per annum and will mature in June 2022.			
<b>8. OTHER RECEIVABLES</b>		2021	2020
		----- Rupees -----	-----
<b>Considered good</b>			
Accrued interest on investments		4,247,596	3,640,410
Income tax refundable		-	1,489,815
Others		454,830	134,510
		<u>4,702,426</u>	<u>5,264,735</u>
<b>Considered doubtful</b>			
Income tax refundable		1,770,659	-
Less: Provision for impairment		(1,770,659)	-
		-	-
		<u>4,702,426</u>	<u>5,264,735</u>
<b>9. CASH AND BANK BALANCES</b>			
At banks - current accounts		3,004,680	15,400,350
Cash in hand		751,871	756,912
		<u>3,756,551</u>	<u>16,157,262</u>

**MOHATTA PALACE GALLERY TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	----- Rupees -----	
<b>10. DONATIONS FROM PRIVATE SOURCES</b>		
JS Bank Limited	500,000	-
Takaful Insurance Company	1,500,000	-
Hum Tv Network	100,000	-
Unilever Pakistan Foods Limited	2,500,000	-
Hamdard Laboratories Pvt Limited	-	1,500,000
Reckitt Benckiser Limited	-	1,700,000
Martin Dow Limited	-	500,000
Ms. Hasan Askari	-	20,000
Others	51,000	-
	<u>4,651,000</u>	<u>3,720,000</u>
<b>11. DONATIONS FROM PUBLIC SECTOR</b>		
Government of Sindh Planning & Development Department	<u>15,000,000</u>	<u>22,500,000</u>
<b>12. OTHER INCOME</b>		
Profit on bank accounts	-	119,711
Interest on investments	19,069,244	23,851,293
Consideration for tickets of exhibitions and events	752,070	396,000
Consideration for books	1,468,853	1,263,370
Others	54,579	50,968
	<u>21,344,746</u>	<u>25,681,342</u>
<b>13. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	9	3,756,551
Short term investments	7	16,157,262
		<u>176,228,990</u>
		<u>179,985,541</u>
		<u>188,690,166</u>

**MOHATTA PALACE GALLERY TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**14. RELATED PARTY TRANSACTIONS**

The related parties of the Trust comprise of associated companies, directors and key management personnel of the Trust. Details of the transactions with related parties are disclosed in the relevant notes.

<b>Name of Related Party</b>	<b>Relationship</b>
Sohail Rajput	Key management peronnel (Trustee)
Arshad Mehmood	Key management peronnel (Trustee)
Abdul Azeem	Key management peronnel (Trustee)
Abdul Rahim Soomro	Key management peronnel (Trustee)
Hameed Haroom	Key management peronnel (Trustee)
Shaukat Tarin	Key management peronnel (Trustee)
Sherry Rehman	Key management peronnel (Trustee)
Abdul Hamid Akhund	Key management peronnel (Trustee)
Towfiq Chinoy	Key management peronnel (Trustee)
Muhammad Daud Khan	Key management peronnel (Trustee)
Jehangir Siddiqui	Key management peronnel (Trustee)
Makhdoom Ali Khan	Key management peronnel (Trustee)
Nusrat Jamil	Key management peronnel (Trustee)
Akram Dost Baloch	Key management peronnel (Trustee)
Ms. Nasreen Askari	Key management peronnel (Director)
Government of Sindh	Common directorship (Associated Company)
Dawn Media Group	Common directorship (Associated Company)
Silk Bank Limited	Common directorship (Associated Company)
Endowment Fund Trust	Common directorship (Associated Company)
Yaqin Steels Limited	Common directorship (Associated Company)
Comprehensive Health and Education Forum (CHEF) International	Common directorship (Associated Company)
JS Bank Limited	Significantly influenced by a Related Party
Latitude	Common directorship (Associated Company)
University of Balochistan	Common directorship (Associated Company)

**MOHATTA PALACE GALLERY TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**15. NUMBER OF EMPLOYEES**

	2021	2020
Average number of employees during the year	<u>33</u>	<u>33</u>
Number of employees as at year end	<u>30</u>	<u>31</u>

**16. GENERAL**

16.1 These financial statements were authorised for issue by the Board of Trustees on 11 NOVEMBER 2022.

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Trustee

Mohatta Palace Gallery Trust



Trustee

Mohatta Palace Gallery Trust