

BAS/C644/23/1102

02 November 2023

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

**AUDIT OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 confirmation from Sivum Law Associates (legal advisor);
- iii) we have received representation letter duly signed by the Curator and Managing Trustee of the Trust; and
- iv) We have seen specific approval of the Board in respect of the following items:

	(Rupees)
- purchase of fixed assets	2,400,000
- investments made during the year	682,405,855
- Investment disposed during the year	685,957,767
- donations received during the year	5,920,200
- transactions with related parties as disclosed in the financial statements	

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

The responsibilities of the independent auditors in a usual examination of the financial statements are explained in the International Standard 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 audit of the financial statements should not be relied upon to disclose all the errors or irregularities, which are not material in relation to the financial statements.

3. During the year ended 31 December 2020, the Trust Act, 2020 (the Act), became applicable. 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

4.1 We have been informed by the management that there are no contingencies and commitments other than those disclosed in the financial statements.

4.2 We have been informed by the management that there are no transactions with related parties other than those disclosed in the financial statements.

4.3 We have been informed by the management that there have been no instances of fraud or irregularities during the year that could have a material effect on these financial statements.

4.4 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 sincerely



**Grant Thornton Anjum
Rahman**

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

T +92 21 35672951-56

INDEPENDENT AUDITOR'S REPORT

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

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 2022** and the related statement of income and expenditure, the 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 2022, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Trust Deed.

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, 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.

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



Chartered Accountants
Karachi
Date: 21 December 2023
UDIN: AR202210093YPXraE91p

**MOHATTA PALACE GALLERY TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Note	2022 ----- Rupees -----	2021 ----- Rupees -----
ASSETS			
Non-current assets			
Property and equipment	5	3,695,872	3,633,534
Long term investments	6	-	34,174,525
		<u>3,695,872</u>	<u>37,808,059</u>
Current assets			
Prepayments and deposits		598,037	540,832
Other receivables	7	6,599,362	4,702,426
Current maturity of long term investments	6	34,174,525	-
Short term investments	8	204,514,867	208,066,780
Cash and bank balances	9	3,021,829	3,756,551
		<u>248,908,620</u>	<u>217,066,589</u>
		<u>252,604,492</u>	<u>254,874,648</u>
LIABILITIES			
Current liabilities			
Accrued expenses and other liabilities		901,782	755,303
NET ASSETS		<u>251,702,710</u>	<u>254,119,345</u>
Represented by:			
Accumulated surplus		<u>251,702,710</u>	<u>254,119,345</u>

CONTINGENCIES

10

The annexed notes from 1 to 15 form an integral part of these financial statements.

92

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 2022**

	Note	2022 ----- Rupees -----	2021
INCOME			
Donations			
- private sector	11	5,920,200	4,651,000
- public sector		-	15,000,000
		<u>5,920,200</u>	<u>19,651,000</u>
Other income	12	<u>33,321,964</u>	<u>21,344,746</u>
		39,242,164	40,995,746
EXPENDITURE			
Salaries and benefits		17,192,397	14,130,299
Director remuneration		3,900,708	3,480,288
Utilities		4,395,726	4,329,740
Printing, postage and stationery		423,119	737,255
Entertainment		524,492	411,614
Insurance		14,815	12,020
Repairs and maintenance		7,202,313	5,610,205
Legal and professional		473,000	5,231,000
Depreciation	5.1	1,382,262	1,597,860
Event and function		3,497,717	306,842
Audit fee		670,000	250,000
Others		1,982,250	3,087,972
		<u>(41,658,799)</u>	<u>(39,185,095)</u>
(Deficit) / surplus for the year before taxation		<u>(2,416,635)</u>	<u>1,810,651</u>
Taxation		-	(286,538)
(Deficit) / surplus for the year after taxation		<u><u>(2,416,635)</u></u>	<u><u>1,524,113</u></u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

92

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 2022

	Accumulated Surplus Rupees
Balance at 01 January 2021	252,595,232
Surplus for the year	1,524,113
Balance as at 31 December 2021	<u>254,119,345</u>
Deficit for the year	(2,416,635)
Balance as at 31 December 2022	<u><u>251,702,710</u></u>

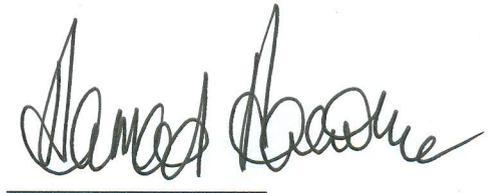
The annexed notes from 1 to 15 form an integral part of these financial statements.

92



Trustee

Mohatta Palace Gallery Trust



Trustee

Mohatta Palace Gallery Trust

**MOHATTA PALACE GALLERY TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit) / surplus for the year before taxation	(2,416,635)	1,810,651
Adjustments for:		
Interest on investments	(29,222,817)	(17,298,585)
Depreciation	1,382,262	1,597,862
Gain on disposal of property and equipment	(944,600)	-
	(28,785,155)	(15,700,723)
Working capital changes:		
Prepayments and deposits	(57,205)	(384,979)
Other receivables	(101,870)	(216,185)
Accrued expenses and other liabilities	(140,059)	(757,562)
	(299,134)	(1,358,726)
Tax paid	(286,538)	(1,215,575)
Net cash used in operating activities	(31,787,462)	(16,464,373)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property and equipment	(2,400,000)	(400,000)
Proceeds from sale of property and equipment	1,900,000	-
Investments matured / (made) during the year - net	3,551,913	(10,302,310)
Interest received on investments	28,283,772	18,462,061
Net cash generated from investing activities	31,335,685	7,759,751
Net decrease in cash and cash equivalents	(451,777)	(8,704,622)
Cash and cash equivalents at the beginning of the year	179,985,541	188,690,166
CASH AND CASH EQUIVALENTS AT END OF YEAR	179,533,763	179,985,541

The annexed notes from 1 to 15 form an integral part of these financial statements.

92



Trustee

Mohatta Palace Gallery Trust



Trustee

Mohatta Palace Gallery Trust

1 STATUS AND NATURE OF ACTIVITIES

The Mohatta Palace, 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 Mohatta Palace Gallery Trust (the Trust), registered on 05 September 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. 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 PREPARATON

2.1 Statement of compliance

These 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 Accounting convention

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

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.

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.

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.

Revenue received from the sales of tickets and books is recognised on accrual basis.

4.7 Taxation

In accordance with sub-section 1 of 100C of Income Tax Ordinance, 2001, the Trust is eligible for 100% tax credit. Accordingly, no provision is required for current / deferred tax in these financial statements.

MOHATTA PALACE GALLERY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5 PROPERTY AND EQUIPMENT

Operating Fixed Assets

Note	2022	2021
5.1	3,695,872	3,633,534

5.1 Operating Fixed Assets

	Cost				Accumulated Depreciation				Written Down Value
	As at 01 January 2022	Additions	Disposal	As at 31 December 2022	As at 01 January 2022	Disposal	Charge for the year	As at 31 December 2022	
	Rupees in '000								
Leasehold Improvements	19,182,438	-	-	19,182,438	-	-	-	19,182,438	-
Motor Vehicles	5,367,011	2,400,000	(5,367,011)	2,400,000	4,411,611	(4,411,611)	480,000	480,000	1,920,000
Furniture & Fixtures	2,728,326	-	-	2,728,326	1,282,704	-	373,321	1,656,025	1,072,301
Office & Electrical Equipment	4,241,488	-	-	4,241,488	3,706,016	-	428,941	4,134,958	106,530
Generators	1,230,000	-	-	1,230,000	1,230,000	-	-	1,230,000	-
Computer Equipment	2,496,360	-	-	2,496,360	2,222,320	-	100,000	2,322,320	174,040
Antiquities	423,000	-	-	423,000	-	-	-	-	423,000
	35,668,623	2,400,000	(5,367,011)	32,701,612	32,035,089	(4,411,611)	1,382,262	29,005,740	3,695,872

5.1.1 Cost of fully depreciated assets amounts to Rs.27,091,209 (2021: Rs. 27,091,209).

MOHATTA PALACE GALLERY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Cost				Rate	2021				
	As at 01 January 2021	Additions	Disposal	As at 31 December 2021		As at 01 January 2021	Accumulated Depreciation Disposal	Charge for the year 2021	As at 31 December 2021	Written Down Value As at 31 December 2021
	----- Rupees in '000 -----									
Leasehold improvements	19,182,438	-	-	19,182,438	33%	19,182,438	-	-	19,182,438	-
Motor Vehicles	5,367,011	-	-	5,367,011	20%	3,716,011	-	695,600	4,411,611	955,400
Furniture & Fixtures	2,728,326	-	-	2,728,326	15%	909,383	-	373,321	1,282,704	1,445,622
Office & Electrical Equipment	4,163,488	78,000	-	4,241,488	15%	3,277,075	-	428,941	3,706,016	535,472
Generators	1,230,000	-	-	1,230,000	0%	1,230,000	-	-	1,230,000	-
Computer Equipment	2,174,360	322,000	-	2,496,360	20%	2,122,320	-	100,000	2,222,320	274,040
Antiquities	423,000	-	-	423,000	-	-	-	-	-	423,000
	<u>35,266,623</u>	<u>400,000</u>	<u>-</u>	<u>35,666,623</u>		<u>30,437,227</u>	<u>-</u>	<u>1,597,862</u>	<u>32,035,089</u>	<u>3,633,534</u>

**MOHATTA PALACE GALLERY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

		2022	2021
		----- Rupees -----	
6	LONG TERM INVESTMENTS - held to maturity		
	Pakistan Investment Bonds	34,174,525	34,174,525
	Less: Current maturity	<u>(34,174,525)</u>	<u>-</u>
		<u>-</u>	<u>34,174,525</u>
6.1	This carries interest rate of 7% per annum and will mature in August 2023		
7	OTHER RECEIVABLES	2022	2021
		----- Rupees -----	
	Accrued Interest on investments	6,042,662	4,247,596
	Others	<u>556,700</u>	<u>454,830</u>
		<u>6,599,362</u>	<u>4,702,426</u>
8	SHORT TERM INVESTMENTS - held to maturity		
	Market Treasury Bills	8.1 28,002,933	31,837,790
	Certificate of Investments	8.2 <u>176,511,934</u>	<u>176,228,990</u>
		<u>204,514,867</u>	<u>208,066,780</u>
8.1	These carry interest rates ranging from 10.15% - 15.97% (2021: 7.49% - 7.66%) per annum and will mature latest by May 2023.		
8.2	These carry interest rates ranging from 15.75% - 17.10% (2021: 7.15% - 13.65%) per annum and will mature latest by March 2023.		
9	CASH AND BANK BALANCES	2022	2021
		----- Rupees -----	
	Cash in hand	758,603	3,004,680
	At banks - current accounts	<u>2,263,226</u>	<u>751,871</u>
10	CONTINGENCIES		
	In prior years, a case was filed in the High Court of Sindh (the Court) against the Government of Sindh claiming that Mohatta Palace should be converted into a Medical Dental College. The Trust was not made a party to the case which is currently pending in the Court. The Trustees, in view of legal advice, believe that there are no merits to this case and expect a favourable outcome in this respect. Accordingly, the Trust will continue to run and manage the operations of Mohatta Palace.		
11	DONATIONS FROM PRIVATE SOURCES	2022	2021
		----- Rupees -----	
	JS Bank Limited	-	500,000
	Takaful Insurance Company	-	1,500,000
	Hum Network Limited	-	100,000
	Unilever Pakistan Limited	-	2,500,000
	ARY Digital Network	300,000	-
	Shell Pakistan Limited	2,200,000	-
	Martin Dow Limited	500,000	-
	Pakistan Rangers Sindh	600,000	-
	Engro Polymer and Chemicals Limited	2,200,000	-
	Others	<u>120,200</u>	<u>51,000</u>
		<u>5,920,200</u>	<u>4,651,000</u>

MOHATTA PALACE GALLERY TRUST
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	----- Rupees -----	
12 OTHER INCOME		
Interest on investments	30,047,996	19,069,244
Consideration for tickets of exhibitions and events	926,700	752,070
Consideration for books	2,116,327	1,468,853
Gain on disposal of property and equipment	944,600	-
Others	111,520	54,579
	<u>34,147,143</u>	<u>21,344,746</u>

13 RELATED PARTY TRANSACTIONS

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

14 NUMBER OF EMPLOYEES

	2022	2021
Average number of employees during the year	<u>33</u>	<u>33</u>
Number of employees as at year end	<u>35</u>	<u>31</u>

15 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Trustees on 24 NOV 2023

92

Trustee

Mohatta Palace Gallery Trust

Trustee

Mohatta Palace Gallery Trust