



**4<sup>th</sup> ANNUAL REPORT  
FOR THE YEAR ENDED  
30<sup>th</sup> JUNE 2008**



**LAHORE GARMENT  
CITY COMPANY**



**A PROJECT OF THE MINISTRY OF TEXTILE INDUSTRY  
GOVERNMENT OF PAKISTAN**

# I N D E X

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## **NOTICE OF ANNUAL GENERAL MEETING:**

All members of Lahore Garment City Company are hereby informed that the Annual General Meeting of the Company shall be held at 11.00 AM on Saturday, the 25<sup>th</sup> October 2008 at 132-P Gulberg II Lahore.

### **Agenda:**

1. To confirm minutes of the last Annual General Meeting held on 29<sup>th</sup> September 2007.
2. To consider and approve annual accounts of the Company for the year ended 30<sup>th</sup> June 2008 along with Directors and Auditors report thereon.
3. To appoint Auditors of the Company for the year ending 30<sup>th</sup> June 2009. The retiring Auditors, M/s Sarwar Awan & Co, Chartered Accountants have shown their willingness for re-appointment.
4. To elect Private Directors and appoint Chairman/CEO in terms of Article 9(3), 11 and 13 of the Company for three years. The retiring Directors are:
  - i. Mr Avais M Hussain
  - ii. Mr Shahzad Azam Khan
  - iii. Mr M.I Khurram
  - iv. Mr Azfar Hussain
  - v. Mr Babar Rafiq
  - vi. Vacant.
5. Any other item with permission of the Chairman.

BY ORDER OF THE BOARD.

LAHORE  
2nd SEPT 2008

RUKHSANA SHAH  
COMPANY SECRETARY

## COMPANY INFORMATION.

<b>Registered office</b>	=	132-P Gulberg II Lahore. Tel No 042-5870657 -9 Fax No. 0092-42-5872087 e.mail: <a href="mailto:info@lgcc.org.pk">info@lgcc.org.pk</a>
<b>Project.</b>	=	Sundar Industrial Estate, Lahore.
<b>Board of Directors</b>	=	Mr Avais M Hussain Chairman Mr Shahzad Azam Khan Director. Mr M.I. Khurram Director Mr Azfar Hassan Director. Mr Babar Rafiq Director Vacant. Secretary, Ministry of Textile Industry. Ex-Officio Dir Secretary Commerce Government of Pakistan “ Secretary Industries Punjab “ Collector Customs Lahore “ CEO/GM SMEDA “
<b>Company Secretary</b>	=	Ms Rukhsana Shah
<b>Chief Accounts Officer</b>	=	Mr Ghulam Rasool
<b>Project Director.</b>	=	Lt Col® Ashfaq-ul-Islam
<b>Auditors</b>	=	M/s Sarwar Awan & Company Chartered Accountants.
<b>Legal Advisor</b>	=	M/s Mujtaba Jamal Law Associates 9 Fane Road, Lahore.

## DIRECTORS REPORT.

Under the Trade policy 2003-04, the Government announced setting up of three Garment Cities in Karachi, Lahore and Faisalabad to develop and construct state of the art manufacturing facilities for garment exporters, both from Pakistan and abroad, on a rental basis. The policy for setting up this infrastructure facility is based on the concept of reducing capital costs of the investors and producing high value-added garments, preferably through joint ventures and designer franchising.

The initial funding for Lahore Garment City Project amounting to Rs 103 M was approved by the EDF Board for purchase of land, establishment of office and operating expenses for three years. The construction cost of project was to be met out of PSDP allocation.

The PC-I for construction cost of the project was approved by Planning Commission in February 2006. In phase I of the project, one unit each of Category A, B and C factory buildings, Administration Block including Auditorium, Display Centre, Testing Laboratory and Training Centre, miscellaneous buildings such as Guest House and Mosque, and external development works are to be completed. The works for construction and external development were awarded in January 2007.

The progress on the project as under:-

Financial:	Rs/M	
	<u>Allocation Of funds.</u>	<u>Release Of funds</u>
F.Y 2006-07	150.00	150.00
F.Y 2007-08	200.00	165.00
F.Y 2008-09	147.64	00

### Physical:

S.No	Item	Targets	Achievements
1.	Category A (Basement + 5 stories)	185,855 sq ft	70%
2.	Category B (Basement + 5 stories)	92,855 "	45.20%
3	Category C (Basement + 5 stories)	47,319 "	45.57%

4.	Admn Block and Auditorium	38,620 “	31.75%
5.	Mosque, security & sub-station, pump room and under ground water tank	4,000 “	8%
6.	Boundary wall	3620 rft	0
7.	Elevators	9 Nos.	Works awarded.
8.	External Development works.		8%

The difficulties being faced at the project are as under:-

**Package # 1,2,3**

The contractor submitted escalation claim, which was refused by the LGCC. The contractor has requested for arbitration proceedings on the issue. The issue could not be resolved till 30<sup>th</sup> June 2008.

**Package # 4**

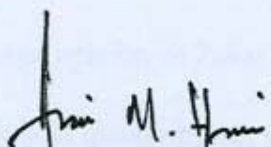
The contractor has requested for escalation on bitumen and other cost elements. The issue could not be resolved till 30<sup>th</sup> June 2008.

**Package # 5(A) – Elevators:**

The work was awarded to M/s Ziafco Engineers at Rs 16.98 M, being lowest bidder. The contractor provided performance guarantee and signed contract agreement. Now the contractor has requested that 80% of the component is imported therefore impact of exchange rate may be given. The issue could not be resolved up to 30<sup>th</sup> June 2008.

**Package # 5(B) – HVAC:**

The work was tendered. The offers received were on the higher side, therefore the tenders were cancelled.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR



# Sarwar Awan & Co.

CHARTERED ACCOUNTANTS

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of LAHORE GARMENT CITY COMPANY as at 30<sup>TH</sup> June, 2008 and the related income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30<sup>th</sup> June, 2008 and of the deficit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.
- (e) Without qualifying our opinion:
  - (i) we draw attention to Note No.12 to the financial statements that during the year, the company has received Rs.125,000,000/- accumulated upto Rs.275,000,000/- as at the balance sheet date from the Government of Pakistan, Finance Division, Corporate Finance Wing as Federal Government's Development Loan on terms and conditions prevailing for advancing of development loans. No accrual of interest against this loan, if any, has been made in these financial statements as the terms and conditions are not known to the management. Moreover, the management intends to convert the amounts received as loan to grant and has taken up the matter with the ministry;
  - (ii) we draw attention to Note No.5 to the financial statements, wherein it has been stated that all bank guarantees against mobilization advances have been expired upto and after the balance sheet date and that the contractors have been requested for renewal of these bank guarantees.

Lahore

Dated: 01 SEP 2008



*Sarwar Awan*  
SARWAR AWAN & CO.  
CHARTERED ACCOUNTANTS

Awan House, 23-Jail Road, Lahore-Pakistan.

Tel: (042) 7581259-7586541-7581263, Fax: (042) 7578473, E-mail: naco@lhr.paknet.com.pk

**LAHORE GARMENT CITY COMPANY**  
**BALANCE SHEET**  
**AS AT 30TH JUNE, 2008**

	<u>NOTE</u>	<u>2008</u> (Rupees)	<u>2007</u> (Rupees)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	72,224,503	72,831,943
Capital work in progress	4	244,916,681	98,316,084
		317,141,184	171,148,027
Long term advances	5	26,581,498	36,775,514
Long term deposits	6	381,000	221,000
<b>Current Assets</b>			
Short term investment	7	15,000,000	15,690,000
Short term prepayments	8	416,012	17,405
Interest accrued	9	102,637	538,732
Other receivable		9,275	-
Tax refunds due from the government	10	742,645	475,233
Cash and bank balances	11	433,641	52,441,228
		16,704,210	69,162,598
<b>TOTAL ASSETS</b>		<b>360,807,892</b>	<b>277,307,139</b>
<b>EQUITY AND LIABILITIES</b>			
Export development fund		103,000,000	103,000,000
Accumulated deficit		(20,970,641)	(13,137,474)
		82,029,359	89,862,526
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	12	275,000,000	150,000,000
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	3,778,533	37,444,613
		360,807,892	277,307,139
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>360,807,892</b>	<b>277,307,139</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

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*Amir M. Hani*

CHIEF EXECUTIVE

*Imrul K.*

DIRECTOR

Lahore

Dated: 01 SEP 2008

**LAHORE GARMENT CITY COMPANY  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 30TH JUNE, 2008**

	NOTE	2008 (Rupees)	2007 (Rupees)
<b>INCOME</b>	15	2,043,931	3,966,253
<b>EXPENDITURE</b>			
Administrative and general	16	9,874,039	8,490,495
Other operating expenses	17	-	1,192,255
		9,874,039	9,682,750
		(7,830,108)	(5,716,497)
Financial charges	18	3,059	1,530
Deficit for the year carried to statement of changes in equity		(7,833,167)	(5,718,027)

The annexed notes from 1 to 23 form an integral part of these financial statements.

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Lahore  
Dated: 01 SEP 2008

*A. M. Hani*  
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CHIEF EXECUTIVE

*Amir A. C.*  
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DIRECTOR

**LAHORE GARMENT CITY COMPANY**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE, 2008**

	<b>2008</b>	<b>2007</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Deficit for the year	(7,833,167)	(5,718,027)
Adjustments for non cash and other items:		
- Depreciation	717,060	862,921
- Financial charges	3,059	1,530
- Gain on insurance claim against motorcycle lost	(6,820)	-
	713,299	864,451
Cashflow used in operating activities before working capital changes	(7,119,868)	(4,853,576)
<b>Changes in working capital:</b>		
<b>(Increase)/decrease in current assets</b>		
Short term investment - net	690,000	(67,336)
Short term prepayments	(398,607)	(17,405)
Interest accrued	436,095	(261,232)
Other receivable	(9,275)	-
	718,213	(345,973)
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payables	(33,666,080)	37,405,173
<b>Cash inflow / (outflow) from operations</b>	<b>(40,067,735)</b>	<b>32,205,624</b>
Financial charges paid	(3,059)	(1,530)
Income tax paid	(267,412)	(358,587)
<b>Net cash from/(used in) operating activities</b>	<b>(40,338,206)</b>	<b>31,845,507</b>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
- Property, plant & equipment acquired	(141,300)	(1,057,356)
- Insurance claim received of motorcycle lost	38,500	-
- Capital work in progress	(146,600,597)	(96,382,716)
- Long term advances	10,194,016	(36,775,514)
- Long term deposits	(160,000)	-
<b>Net cash outflow from investing activities</b>	<b>(136,669,381)</b>	<b>(134,215,586)</b>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
Long term financing	125,000,000	150,000,000
<b>Net cash inflow from financing activities</b>	<b>125,000,000</b>	<b>150,000,000</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	(52,007,587)	47,629,921
<b>CASH &amp; CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	52,441,228	4,811,307
<b>CASH &amp; CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>433,641</b>	<b>52,441,228</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

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Lahore  
Dated: 01 SEP 2008

*Azi M. Hani*  
-----  
CHIEF EXECUTIVE

*Munir*  
-----  
DIRECTOR

**LAHORE GARMENT CITY COMPANY**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30TH JUNE, 2008**

Rs. in Lakhs

**THE COMPANY'S AND ITS OPERATIONS**

	Fund (Rs.)	Accumulated Deficit (Rs.)	Total (Rs.)
Balance as at 30th June, 2006	103,000,000	(7,419,447)	95,580,553
Deficit for the year		(5,718,027)	(5,718,027)
Balance as at 30th June, 2007	103,000,000	(13,137,474)	89,862,526
Deficit for the year		(7,833,167)	(7,833,167)
Balance as at 30th June, 2008	103,000,000	(20,970,641)	82,029,359

The annexed notes from 1 to 23 form an integral part of these financial statements.

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Lahore  
 Dated: 01 SEP 2008

*[Handwritten signature: Amir M. Hussain]*  
 CHIEF EXECUTIVE

*[Handwritten signature]*  
 DIRECTOR

LAHORE GARMENT CITY COMPANY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE, 2008

NOTE NO.

**1 - THE COMPANY AND ITS OPERATIONS**  
-----

Lahore Garment City Company was incorporated under the Companies Ordinance, 1984 as the company limited by guarantee without the addition of word "Limited" to its name on 16th September, 2004. The registered office of the company is situated at 132-P, Gulberg-II, Lahore. The Principal object of Lahore Garment City Company is to promote the industrial and development estates in Lahore for garments, made ups and accessories.

**2 - SIGNIFICANT ACCOUNTING POLICIES**  
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**2.1 Statement of Compliance**

These Financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs) issued by the Institute of chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

**2.2 Basis of preparation**

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

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and to exercise judgments in the process of applying the accounting policies that have the most significant effect on the amounts recognized in the financial statements. The estimates and judgments are continually evaluated and are based on historical experience including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates in these financial statements relate to the useful life of the property, plant and equipment and taxation. However, the management believes that the change, if any, in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

There are no key assumptions concerning the future, and other key sources of estimating uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**2.3 Property, Plant, Equipment and depreciation**

Property, plant and equipment except for land and capital work in progress are stated at cost less accumulated depreciation. Depreciation is charged to income on reducing balance method to write off the cost of Property, plant and equipment over their expected useful life.

Depreciation on additions is charged from the month in which the assets are available for use and on deletions up to the month in which assets are deleted.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss, if any, on disposal of property, plant and equipment is included in current year's income.

#### 2.4 Taxation

The income of the company is exempt from tax, as non-profit organization, subject to the approval from Federal Board of Revenue under clause 58(3) Part-I of Second Schedule of the Income Tax Ordinance, 2001.

#### 2.5 Related Party Transaction and Transfer Pricing

Transaction and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

#### 2.6 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

#### 2.7 Financial Instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. The company de-recognizes a financial asset or a portion of financial assets when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial assets. While a financial liability or part of financial liability is de-recognized from the balance sheet when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on recognition and settlement of financial assets and liabilities is included in net surplus or deficit in the period in which it arises.

#### 2.8 Off Setting of Financial Assets and Liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and to settle the liabilities simultaneously.

#### 2.9 Impairment and Un-Collectibility of Assets

An assessment is made at each balance sheet date to determine whether there is evidence that the company's assets including a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of those assets is determined and impairment losses are recognized in the income and expenditure account.

Known bad debts are written off and provision is made against debts considered doubtful.

#### 2.10 Investment - Held to maturity

These are the investment for which the management has intention and ability to hold till maturity. These are initially measured at fair value and subsequently at amortized cost.

#### 2.11 Revenue Recognition

Return of bank deposits is accrued on time basis by reference to the principal outstanding and the applicable rate of return.

*Jr*

NOTE NO.

**3 - PROPERTY, PLANT AND EQUIPMENT - TANGIBLE**  
-----

P A R T I C U L A R S	C O S T			R A T E	D E P R E C I A T I O N			W R I T T E N D O W N V A L U E A S A T 30-06-2008	
	As At 30-06-2007	Additions/ (Deletions)	As At 30-06-2008		As At 30-06-2007	Adjustments	Charge for the Year		As At 30-06-2008
Land - freehold	69,220,850	-	69,220,850	-	-	-	-	69,220,850	
Furniture and fittings	1,228,206	8,200	1,236,406	15%	442,768	-	118,124	560,892	675,514
Vehicles	2,058,500	52,990 (54,000)	2,057,490	20%	634,153	(22,320)	286,712	898,545	1,158,945
Office equipment	781,545	57,510	839,055	15%	140,622	-	98,920	239,542	599,513
Air conditioners	227,600	-	227,600	15%	87,425	-	21,026	108,451	119,149
Computers	1,231,458	22,600	1,254,058	30%	611,248	-	192,278	803,526	450,532
SUB-TOTAL 2008 (Rs.)	74,748,159	141,300 (54,000)	74,835,459		1,916,216	(22,320)	717,060	2,610,956	72,224,503
SUB-TOTAL 2007 (Rs.)	73,690,803	1,057,356	74,748,159		1,053,295	-	862,921	1,916,216	72,831,943

3.1 As per allotment letter received from Punjab Industrial Estates Development and Management Company, the NOC and sale deed of land will be issued in favour of Lahore Garment City Company after completion of project.

NOTE NO.2008  
(Rupees)2007  
(Rupees)4 - CAPITAL WORK IN PROGRESS  
-----

## Building:

- Professional fee	10,854,378	7,606,423
- Civil works	233,915,023	90,574,851
- Others	147,280	134,810
	-----	-----
	244,916,681	98,316,084
	=====	=====

It is stated at cost.

5 - LONG TERM ADVANCES - Secured  
-----

Mobilization advances - considered good - Note 5.1	26,581,498	36,775,514
	=====	=====

5.1 Mobilization advances have been given to M/s Guarantee Engineers and M/s United Engineers & Contractors (Pvt.) Limited (2007: M/s Guarantee Engineers) as per terms and conditions of contracts for construction of Lahore Garment City project at Sundar Industrial Estate, Lahore. These advances are secured against bank guarantees. All bank guarantees have been expired upto and after the balance sheet date and the request for renewal of these bank guarantees has been lodged to the contractors to provide the same at the earliest.

6 - LONG TERM DEPOSITS  
-----

## Security deposit:

- Office	380,000	220,000
- Water bottles	1,000	1,000
	-----	-----
	381,000	221,000
	=====	=====

7 - SHORT TERM INVESTMENT - HELD TO MATURITY  
-----

	15,000,000	15,690,000
	=====	=====

This represents investment in Prompt Profit Certificates for one month with NIB Bank Limited at the profit rate of 9.00% (2007: Term deposit receipts of six months with The Bank of Punjab at the profit rate of 10.65%) per annum.



NOTE NO.

2008  
(Rupees)2007  
(Rupees)8 - SHORT TERM PREPAYMENTS  
-----

Prepaid office rent	400,000	-
Prepaid insurance	16,012	17,405
	-----	-----
	416,012	17,405
	=====	=====

9 - INTEREST ACCRUED  
-----

	102,637	538,732
	=====	=====

It represents interest receivable on short term investment in NIB Bank Limited (2007: The Bank of Punjab).

10 - TAX REFUNDS DUE FROM THE GOVERNMENT  
-----

Advance income tax	742,645	475,233
	=====	=====

11 - CASH AND BANK BALANCES  
-----

Cash in hand	1,842	6,975
Cash at bank:		
- In Current account	21,213	81,984
- In Saving accounts	410,586	52,352,269
	431,799	52,434,253
	-----	-----
	433,641	52,441,228
	=====	=====

12 - LONG TERM FINANCING - UNSECURED  
-----

	275,000,000	150,000,000
	=====	=====

During the year company has recieved Rs.125,000,000/- (2007: Rs.150,000,000/-) as Federal Government Development loan out of total approved budget of Rs.497.64 million for the construction of Lahore Garment City project at Sundar Industrial Estate, Lahore.

**NOTE NO.****2008**  
**(Rupees)****2007**  
**(Rupees)****13 - TRADE AND OTHER PAYABLES**  
-----

Sundry creditors	79,475	-
Payable to contractors	2,610,668	35,514,624
Retention money	136,104	-
Accrued liabilities (Note No.13.1)	223,317	122,799
Income tax deducted at source	728,969	1,807,190
	-----	-----
	3,778,533	37,444,613
	=====	=====

**13.1 - Accrued liabilities**  
-----

Office rent	140,399	-
Utilities	37,280	42,799
Postage	638	-
Auditors' remuneration	45,000	80,000
	-----	-----
	223,317	122,799
	=====	=====

**14 - CONTINGENCIES AND COMMITMENTS**  
-----

Contingencies

	nil	nil
--	-----	-----

**Commitments:**

Capital expenditure contracts of Rs.499.747 million (2007: Rs.367.776 million) for the establishment of Lahore Garment City project at Sundar Industrial Estate, Lahore.

**15 - INCOME**  
-----

Profit on short term investment and bank deposit	1,909,611	3,641,232
Other Income - Note No. 15.1	134,320	325,021
	-----	-----
	2,043,931	3,966,253
	=====	=====

**15.1 Other Income**

- Gain on insurance claim against motorcycle lost	6,820	-
- Discount on auditors' remuneration for last year	35,000	-
- Compensation against mud taken by United Engineers & Contractors (Pvt.) Ltd.	52,500	-
- Tender fee	40,000	325,021
	-----	-----
	134,320	325,021
	=====	=====



**NOTE NO.****2008**  
**(Rupees)****2007**  
**(Rupees)****16 - ADMINISTRATIVE AND GENERAL EXPENSES**  
-----

Staff salaries & benefits	4,925,650	4,348,648
Printing and stationery	88,586	118,921
Office rent	1,551,399	1,470,150
Advertisement	175,550	18,610
Auditors' remuneration	45,000	80,000
Travelling & conveyance	240,729	385,244
Entertainment	96,750	75,153
Legal charges	180,274	151,330
Postage	138,354	151,633
Utilities	340,857	395,564
Newspapers & periodicals	8,264	23,018
Petrol, oil, lubricants & maintenance	295,113	217,357
Insurance	82,753	71,684
Repair & Maintenance	172,382	56,906
Maintenance, management & allied charges of Punjab Industrial Estates	750,621	-
Depreciation	717,060	862,921
Miscellaneous	64,697	63,356
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	9,874,039	8,490,495
	=====	=====

**17 - OTHER OPERATING EXPENSES**  
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Charity and donations	-	425,905
Expenses on ground breaking ceremony - Note 17.1	-	766,350
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	-	1,192,255
	=====	=====

17.1 These expenses were incurred on ground breaking ceremony held on 10th March, 2007 of Lahore Garment City Company project at Sundar Industrial Estate, Lahore.

**18 - FINANCIAL CHARGES**  
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Bank charges	3,059	1,530
	=====	=====



## 19 - FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

Particulars	2008						Total
	Mark-up bearing			Non mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	
<b>Financial assets</b>							
Long term advances	-	-	-	-	26,581,498	26,581,498	26,581,498
Long term deposits	-	-	-	-	381,000	381,000	381,000
Short term investment	15,000,000	-	15,000,000	-	-	-	15,000,000
Interest accrued	-	-	-	102,637	-	102,637	102,637
Other receivables	-	-	-	9,275	-	9,275	9,275
Cash and bank balances	-	-	-	433,641	-	433,641	433,641
	15,000,000	-	15,000,000	545,553	26,962,498	27,508,051	42,508,051
<b>Financial liabilities</b>							
Long term financing	-	-	-	-	275,000,000	275,000,000	275,000,000
Trade and other payables	-	-	-	3,049,564	-	3,049,564	3,049,564
	-	-	-	3,049,564	275,000,000	278,049,564	278,049,564
On-balance sheet gap	15,000,000	-	15,000,000	(2,504,011)	(248,037,502)	(250,541,513)	(235,541,513)

Particulars	2007						Total
	Mark-up bearing			Non mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	
<b>Financial assets</b>							
Long term advances	-	-	-	-	36,775,514	36,775,514	36,775,514
Long term deposits	-	-	-	-	221,000	221,000	221,000
Short term investment	15,690,000	-	15,690,000	-	-	-	15,690,000
Interest accrued	-	-	-	538,732	-	538,732	538,732
Cash and bank balances	-	-	-	52,441,228	-	52,441,228	52,441,228
	15,690,000	-	15,690,000	52,979,960	36,996,514	89,976,474	105,666,474
<b>Financial liabilities</b>							
Long term financing	-	-	-	-	150,000,000	150,000,000	150,000,000
Trade and other payables	-	-	-	35,637,423	-	35,637,423	35,637,423
	-	-	-	35,637,423	150,000,000	185,637,423	185,637,423
On-balance sheet gap	15,690,000	-	15,690,000	17,342,537	(113,003,486)	(95,660,949)	(79,970,949)

**Effective interest rate:**

The effective interest rate is mentioned in the respective note to the financial statements.

**19.1 Concentration of credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. All the financial assets except cash and bank balances are subject to credit risk. The association believes that it is not exposed to major concentration of credit risk.

**19.2 Foreign exchange risk management**

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The association is not materially exposed to foreign currency risk on assets and liabilities.

**19.3 Fair value of the financial instruments**

The carrying values of all the financial instruments reflected in the financial statements approximate to their fair values.

LIST OF MEMBERS**20 - TRANSACTIONS WITH RELATED PARTIES**  
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There is no related party transaction during the year except for the remuneration paid to key management personnel as shown below.

	<u>2008</u> (Rupees)	<u>2007</u> (Rupees)
Remuneration of key management personnel	2,027,594	1,361,857

**21 - REMUNERATION OF DIRECTOR AND CHIEF EXECUTIVE**  
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No fee, remuneration and benefits have been paid to any director/chief executive of the company.

**22 - DATE OF AUTHORIZATION**  
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These financial statements were approved on 01 SEP 2008 by the Board of Directors of the company.

**23 - GENERAL**  
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- (i) Comparative figures have been rearranged, wherever considered necessary, for the purpose of comparison. Major changes made during the year were as follows:
- (a) Advance income tax have been reclassified as tax refunds due from the government Note No.10 for better presentation.
  - (b) The comparative figures of cash at bank in current and saving accounts have been restated as per Note No.11 for better presentaion.
  - (c) Assets and liabilities in Balance sheet have been rearranged in order of liquidity to comply with the requirements of Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs).
  - (d) The presentation of items in Income and expenditure account have been rearranged to comply with the requirements of Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs).
- (ii) Figures in these accounts have been rounded-off to the nearest rupee.

Lahore

Dated: 01 SEP 2008

*Anis M. Hani*  
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CHIEF EXECUTIVE

*(Signature)*  
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DIRECTOR

## LIST OF MEMBERS

1. Secretary, Ministry of Textile Industry. Government of Pakistan Islamabad.
2. Secretary Commerce Government of Pakistan Islamabad.
3. Chief Executive Officer SMEDA Lahore.
4. Collector Customs Lahore Customs House Lahore.
5. Secretary Industries Punjab Government of Punjab Lahore
6. Mr Avais M Hussain Angora Textile Mills (Pvt) Ltd Multan Road, Lahore.
7. Mr Shahzad Azam Khan Azam Knit & Yarn Dyeing. Model Town, Lahore.
8. Mr M.I. Khurram Confort Knitwear (Pvt) Ltd 45-Industrial Estate, Kot Lakhpat Lahore.
9. Azfar Hassan Matrix Sourcing, Jauhar Town, Lahore.
- 10 Mr Babar Rafiq Levis Strauss Pakistan Ltd Prime Height Sant Marry Park Gulberg II Lahore.