



Lahore Garment City Company



A Project of the Ministry of Textile Industry
Government of Pakistan

**5th ANNUAL REPORT
FOR THE YEAR ENDED
30TH JUNE 2009**



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 Wednesday, the 28th October 2009 at 132-P Gulberg II Lahore.

Agenda:

- 1) To confirm minutes of the last Annual General Meeting held on 25th October 2008.
- 2) To consider and approve annual accounts of the Company for the year ended 30th June 2009 along with Directors and Auditors report thereon.
- 3) To appoint Auditors of the Company for the year ending 30th June 2010. The retiring Auditors, M/s Sarwar Awan & Co, Chartered Accountants have shown their willingness for re-appointment.
- 4) Any other item with permission of the Chairman.

BY ORDER OF THE BOARD.

LAHORE
2ND OCTOBER 2009

COMPANY SECRETARY

COMPANY INFORMATION.

- | | | | | |
|----|------------------------|---|--|---|
| 1. | Registered Office. | = | 132-P Gulberg II, Lahore.
Tel No 042-5870657- 59
Fax No 0092-42-5872087
e.mail:info@lgcc.org.pk | |
| 2. | Project: | = | Sundar Industrial Estate
Lahore. | |
| 3. | Board of Directors. | = | Mr Avais M. Hussain
Mr Shahzad Azam Khan
Mr M.I Khurram
Mr Azfar Hassan
Vacant
Vacant | Chairman
Director
Director
Director
Director
Director. |
| | | | Secretary, Ministry of
Textile Industry. | Ex-Officio |
| | | | Secretary Commerce
Government of Pakistan. | “ |
| | | | Secretary Industries Punjab | “ |
| | | | Collector Customs Lahore | “ |
| | | | CEO SMEDA | “ |
| 4. | Company Secretary | = | Ms Rukhsana Shah | “ |
| 5. | Chief Accounts Officer | = | Mr Ghulam Rasool | “ |
| 6. | Project Engineer | = | Lt Col ® Ashfaq-ul-Islam | “ |
| 7. | Auditors | = | M/s Sarwar Awan & Co
Chartered Accountants. | “ |
| 8. | Legal Advisor: | = | M/s Mujtaba Jamal Law Associates
9-Fane Road, Lahore. | |

DIRECTORS' REPORT TO MEMBERS

Your Directors take pleasure in presenting to you the annual report of the company together with the audited accounts for the year ended June 30, 2009.

FINANCIAL RESULTS

	June 30, 2009 RUPEES	June 30, 2008 RUPEES
INCOME	4,575,624	2,043,931
EXPENDITURE	10,616,413	9,874,039
FINANCE COST	1,640	3,059
DEFICIT FOR THE YEAR	(6,042,429)	(7,833,167)

REVIEW OF OPERATING RESULTS

During the year under review the company has sustained deficit for the year.

REPLY TO QUALIFICATIONS IN AUDITORS REPORT.

- (i) The management has requested the Government of Pakistan to convert the amounts received as loan to grant and has taken up the matter with the ministry. Therefore, no accrual of interest against this loan has been made in these financial statements as the terms and conditions are not known to the management.
- (ii) Income tax exemption will be allowed to the company and in the light of that exemption the company is not liable to account for deferred tax in the financial statements.
- (iii) Due to dispute with the creditor on the point of escalation, therefore they did not directly confirm the balance.

AUDITORS

The existing Auditors Messers Sarwar Awan & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment for the ensuing year.

ACKNOWLEDGEMENT

The directors acknowledge the dedicated services, loyalty and hard work of all the employees of the company and hope this spirit of devotion and dedication will continue.

PHYSICAL PROGRESS ON PROJECT.

The physical progress on the project during the year was as under:-

Activity / Item of Work	Unit	Scope of Work	Cumulative Physical Achievements up to the end of last financial year
1	2	3	4
Category A: Ground + 5 with Basement Area	Sq. ft	185855	Structural work 100% completed
Category B: Ground + 5 with Basement Area	Sq. ft	92855	Structural work upto 3rd floor brick work upto 2nd floor
Category C: Ground + 5 with Basement Area	Sq. ft	47319	Structural work upto 3rd floor brick work upto 2nd floor
Admin Block with Auditorium: Ground	Sq. ft	38620	Structural work upto 1st floor completed
Mosque	Sq. ft	1000	
Security and Staff Area	Sq. ft	2500	foundation work 20%
Substation/ under ground water tank	Sq. ft	500	Underground & structural work of ground floor completed
Boundary Wall	Rft	3620	Structural work completed
Internal Water Supply, Sewerage, Electrification & Gas@30% of Total Building Cost	L/S	One Tab	Cat.A,B.&C water supply and electrical work 2% completed
HVAC for Multi Purpose Hall etc			0
Elevators		9 Nos Lift	Contract awarded
External Development @ 10% of Total Building	L/S	One Tab	Road work upto sub-base & RCC sewerage pipes 50% completed.

Out of total approved cost of Rs 497.64 Million, funds amounting to Rs 462.64 Millions were received upto 30th June 2009.

FUTURE PROSPECTS:

The space of Manufacturing Units with internal and external development services will be rented out to the domestic and foreign Garment Manufacturers at the prevailing market rates.

SIGNIFICANT PLANS AND DECISIONS:

- A Marketing Committee has been set up to formulate a marketing strategy.
- LGCC Finance Committee has been asked to develop a Rent Policy for Lahore Garment City manufacturing units.

Due to increase in cost of steel, cement and other materials, revised PC-I of the Project amounting to Rs 595.103 M was submitted to the Ministry on 8th June 2009, which is in process of scrutiny.

It is expected that now the project will be completed by 31st December 2009 subject to availability of required funds.

Anil M. H...

CHIEF EXECUTIVE OFFICER

Stab...

DIRECTOR.

Dated: 30.9.2009



Sarwar Awan & Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of LAHORE GARMENT CITY COMPANY ("the Company") as at 30th June, 2009 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:

- (i) The company has received Rs.187,640,000/- accumulated upto Rs.462,640,000/- 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 (Note No.12 to the financial statements). 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 has requested the Government of Pakistan to convert the amounts received as loan to grant and has taken up the matter with the ministry. However, the matter has not been concluded upto the balance sheet date;
- (ii) The company does not account for income tax and has applied for exemption to Federal Board of Revenue being non-profit organization as discussed in Note No.2.4 to the financial statements. The matter was not concluded upto the balance sheet date. However, there would be no income tax liability for and upto the current year in view of losses. In the absence of such exemption, the company is also liable to account for deferred tax asset for Rs.6,848,244/- in respect of accelerated tax depreciation as per Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs), which has not been accounted for in these financial statements;
- (iii) Due to non-receipt of direct balance confirmation, the creditor amounting to Rs.6,857,150/- remained unverified.

Except for the matters referred in preceding paragraphs (i) to (iii) and subject to adjustments required thereby:

- (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) except for the matters discussed in preceding paragraphs 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 30th June, 2009 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.



SARWAR AWAN & CO.

CHARTERED ACCOUNTANTS

NAME OF AUDIT ENGAGEMENT PARTNER: NADEEM AHMAD GHAZNAVI

Date: 30 SEP 2009
Lahore

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

Tel: (042) 7581259-7586541-7581263, Fax: (042) 7578473, E-mail: sacocas@wol.net.pk

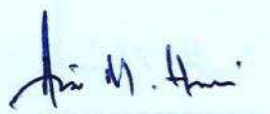
LAHORE GARMENT CITY COMPANY
BALANCE SHEET
AS AT 30TH JUNE, 2009

	NOTE	2009 (Rupees)	2008 (Rupees)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	71,660,108	72,224,503
Capital work in progress	4	281,527,707	244,916,681
		353,187,815	317,141,184
Long term advances	5	19,566,967	26,581,498
Long term deposits	6	161,000	381,000
Current Assets			
Short term investment	7	165,000,000	15,000,000
Short term prepayments	8	49,853	416,012
Interest accrued	9	164,932	102,637
Other receivable		8,883	9,275
Tax refunds due from the government	10	1,202,138	742,645
Cash and bank balances	11	7,603,666	433,641
		174,029,472	16,704,210
TOTAL ASSETS		546,945,254	360,807,892
EQUITY AND LIABILITIES			
Export development fund		103,000,000	103,000,000
Accumulated deficit		(27,013,070)	(20,970,641)
		75,986,930	82,029,359
NON-CURRENT LIABILITIES			
Long term financing	12	462,640,000	275,000,000
CURRENT LIABILITIES			
Trade and other payables	13	8,318,324	3,778,533
		546,945,254	360,807,892
CONTINGENCIES AND COMMITMENTS	14	-	-
TOTAL EQUITY AND LIABILITIES		546,945,254	360,807,892

The annexed notes from 1 to 22 form an integral part of these financial statements.

Lahore
Dated: 26 SEP 2009

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CHIEF EXECUTIVE



DIRECTOR

LAHORE GARMENT CITY COMPANY
 INCOME AND EXPENDITURE ACCOUNT
 FOR THE YEAR ENDED 30TH JUNE, 2009

	NOTE	2009 (Rupees)	2008 (Rupees)
INCOME	15	4,575,624	2,043,931
EXPENDITURE			
Administrative expenses	16	10,616,413	9,874,039
		-----	-----
		(6,040,789)	(7,830,108)
Finance cost	17	1,640	3,059
		-----	-----
Deficit for the year carried to statement of changes in equity		(6,042,429)	(7,833,167)
		-----	-----

The annexed notes from 1 to 22 form an integral part of these financial statements.

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A. M. H.

 CHIEF EXECUTIVE

Abdul Wahid Khan

 DIRECTOR

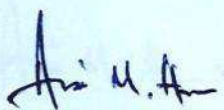
LAHORE GARMENT CITY COMPANY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE, 2009

	2009 (Rupees)	2008 (Rupees)
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Deficit for the year	(6,042,429)	(7,833,167)
Adjustments for non cash and other items:		
- Depreciation	577,795	717,060
- Finance cost	1,640	3,059
- Gain on insurance claim against motorcycle lost	-	(6,820)
	579,435	713,299
Cash flow from operating activities before working capital changes	(5,462,994)	(7,119,868)
Changes in working capital:		
(Increase)/decrease in current assets		
Short term investment - net	(150,000,000)	690,000
Short term prepayments	366,159	(398,607)
Interest accrued	(62,295)	436,095
Other receivable	392	(9,275)
	(149,695,744)	718,213
Increase/(decrease) in current liabilities		
Trade and other payables	4,539,791	(33,666,080)
Cash inflow / (outflow) from operations	(150,618,947)	(40,067,735)
Finance cost paid	(1,640)	(3,059)
Income tax paid	(459,493)	(267,412)
Net cash from/(used in) operating activities	(151,080,080)	(40,338,206)
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
- Property, plant & equipment acquired	(13,400)	(141,300)
- Insurance claim received of motorcycle lost	-	38,500
- Capital work in progress	(36,611,026)	(146,600,597)
- Long term advances	7,014,531	10,194,016
- Long term deposits	220,000	(160,000)
Net cash outflow from investing activities	(29,389,895)	(136,669,381)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Long term financing	187,640,000	125,000,000
Net cash inflow from financing activities	187,640,000	125,000,000
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	7,170,025	(52,007,587)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	433,641	52,441,228
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	7,603,666	433,641

The annexed notes from 1 to 22 form an integral part of these financial statements.

Lahore
Dated: 26 SEP 2009

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CHIEF EXECUTIVE



DIRECTOR

LAHORE GARMENT CITY COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE, 2009

FOR COMPANY AND ITS OPERATIONS

	Fund (Rs.)	Accumulated Deficit (Rs.)	Total (Rs.)
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
Deficit for the year		(6,042,429)	(6,042,429)
Balance as at 30th June, 2009	103,000,000	(27,013,070)	75,986,930

The annexed notes from 1 to 22 form an integral part of these financial statements.

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Lahore
Dated: 26 SEP 2009

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Asim M. Khan

CHIEF EXECUTIVE

Shabir Hussain

DIRECTOR

LAHORE GARMENT CITY COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2009

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

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 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise of cash in hand and at banks and include short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried in the balance sheet at book value which approximates their fair value.

NOTE NO.

2.11 Investments - Held to maturity

These are the investments for which the management has intention and ability to hold till maturity. These are initially measured at cost being the fair value including acquisition charges associated therewith and subsequently at amortized cost using the effective interest method.

Gains or losses are recognised in income and expenditure account when the investments are derecognised or impaired.

2.12 Revenue Recognition

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



NOTE NO.

2008
(Rupees)2009
(Rupees)**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 30-06-2009
	As At 30-06-2008	Additions/ (Deletions)	As At 30-06-2009		As At 30-06-2008	Adjustments	Charge for the Year	
Land - freehold	69,220,850	-	69,220,850	-	-	-	-	69,220,850
Furniture and fittings	1,236,406	-	1,236,406	15%	560,892	-	101,327	662,219
Vehicles	2,057,490	-	2,057,490	20%	898,545	-	231,789	1,130,334
Office equipment	839,055	13,400	852,455	15%	239,542	-	91,647	331,189
Air conditioners	227,600	-	227,600	15%	108,451	-	17,872	126,323
Computers	1,254,058	-	1,254,058	30%	803,526	-	135,160	938,686
SUB-TOTAL 2009 (Rs.)	74,835,459	13,400	74,848,859		2,610,956	-	577,795	3,188,751
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

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.

2009
(Rupees)2008
(Rupees)4 - CAPITAL WORK IN PROGRESS

Building on freehold land:

- Professional fee	14,214,378	10,854,378
- Civil works	267,166,049	233,915,023
- Others	147,280	147,280
	-----	-----
	281,527,707	244,916,681
	=====	=====

It is stated at cost.

5 - LONG TERM ADVANCES - Secured

Mobilization advances - considered good - Note 5.1	19,566,967	26,581,498
	=====	=====

5.1 Mobilization advances have been given to M/s Guarantee Engineers and M/s United Engineers & Contractors (Pvt.) Limited (2008: M/s Guarantee Engineers and M/s United Engineers & Contractors (Pvt.) Limited) 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.

6 - LONG TERM DEPOSITS

Security deposit:

- Office	160,000	380,000
- Water bottles	1,000	1,000
	-----	-----
	161,000	381,000
	=====	=====

7 - SHORT TERM INVESTMENT - HELD TO MATURITY

- JS Bank Limited	7.1	50,000,000	-
- Standard Chartered Bank (Pakistan) Limited	7.2	97,000,000	-
- NIB Bank Limited	7.3	18,000,000	15,000,000
		-----	-----
		165,000,000	15,000,000
		=====	=====

7.1 This represents investment in Term Deposit Receipts for three months with JS Bank Limited at the profit rate of 11.75% per annum (2008: Nil).

7.2 This represents investment in PKR Term Deposit Account for Rs.50,000,000/- for six months at the profit rate of 12.00% per annum and for Rs.47,000,000/- for one month at the profit rate of 11.50% per annum with Standard Chartered Bank Limited (2008: Nil).

7.3 This represents investment in Term deposit for one month with NIB Bank Limited at the profit rate of 10.00% per annum (2008: Prompt profit certificates for one month with NIB Bank Limited at the profit rate of 9.00% per annum).

NOTE NO.

2009
(Rupees)2008
(Rupees)8 - SHORT TERM PREPAYMENTS

Prepaid office rent	-	400,000
Prepaid insurance	49,853	16,012
	-----	-----
	49,853	416,012
	=====	=====

9 - INTEREST ACCRUED

	164,932	102,637
	=====	=====

It represents interest receivable on short term investment in NIB Bank Limited (2008: NIB Bank Limited).

10 - TAX REFUNDS DUE FROM THE GOVERNMENT

Advance income tax	1,202,138	742,645
	=====	=====

11 - CASH AND BANK BALANCES

Cash in hand	9,470	1,842
Cash at bank:		
- In Current account	413,149	21,213
- In Saving accounts	7,181,047	410,586
	7,594,196	431,799
	-----	-----
	7,603,666	433,641
	=====	=====

12 - LONG TERM FINANCING - UNSECURED

	462,640,000	275,000,000
	=====	=====

During the year company has received Rs.187,640,000/- (2008: Rs.125,000,000/-) 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. No accrual of interest against this loan has been made in these financial statements as the terms and conditions are not yet settled. The management has requested the Government of Pakistan to convert the amounts received as loan to grant and has taken up the matter with the ministry.

NOTE NO.

	2009 (Rupees)	2008 (Rupees)
13 - TRADE AND OTHER PAYABLES -----		
Sundry creditors	-	79,475
Payable to contractors	7,935,449	2,610,668
Retention money	136,104	136,104
Accrued liabilities (Note No.13.1)	237,888	223,317
Income tax deducted at source	8,883	728,969
	-----	-----
	8,318,324	3,778,533
	=====	=====
13.1 - Accrued liabilities -----		
Office rent	88,000	140,399
Utilities	27,487	37,280
Postage	-	638
Auditors' remuneration	45,000	45,000
Maintenance, management & allied charges of Punjab Industrial Estates	77,401	-
	-----	-----
	237,888	223,317
	=====	=====
14 - CONTINGENCIES AND COMMITMENTS -----		
Contingencies	nil	nil
	=====	=====
Commitments:		
Capital expenditure contracts of Rs.499.747 million (2008: Rs.499.747 million) for the establishment of Lahore Garment City project at Sundar Industrial Estate, Lahore.		
15 - INCOME -----		
Profit on short term investment and bank deposit	4,575,624	1,909,611
Other Income - Note No. 15.1	-	134,320
	-----	-----
	4,575,624	2,043,931
	=====	=====
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
	-----	-----
	-	134,320
	=====	=====

NOTE NO.

2009
(Rupees)2008
(Rupees)16 - ADMINISTRATIVE EXPENSES

Staff salaries & benefits	6,723,157	4,925,650
Printing and stationery	65,688	88,586
Office rent	968,000	1,551,399
Advertisement	61,071	175,550
Auditors' remuneration	70,000	45,000
Travelling & conveyance	134,103	240,729
Entertainment	96,424	96,750
Legal charges	159,180	180,274
Postage	74,622	138,354
Utilities	276,591	340,857
Newspapers & periodicals	4,509	8,264
Petrol, oil, lubricants & maintenance	235,369	295,113
Insurance	80,281	82,753
Repair & Maintenance	153,589	172,382
Maintenance, management & allied charges of Punjab Industrial Estates	909,788	750,621
Depreciation	577,795	717,060
Miscellaneous	26,246	64,697
	-----	-----
	10,616,413	9,874,039
	=====	=====

16.1 Auditors' remuneration

Audit fee	40,000	40,000
Tax consultancy services	25,000	-
Out of pocket expenses	5,000	5,000
	-----	-----
	70,000	45,000
	=====	=====

17 - FINANCE COST

Bank charges	1,640	3,059
	=====	=====

18 - TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors and key management personnel. There is no related party transaction during the year except for the remuneration paid to key management personnel as shown below:

	2009 (Rupees)	2008 (Rupees)
Remuneration of key management personnel	2,550,209	2,027,594

19 - FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

Particulars	2009						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.)	
Financial assets							
Long term advances	-	-	-	-	19,566,967	19,566,967	19,566,967
Long term deposits	-	-	-	-	161,000	161,000	161,000
Short term investment	165,000,000	-	165,000,000	-	-	-	165,000,000
Interest accrued	-	-	-	164,932	-	164,932	164,932
Other recievables	-	-	-	8,883	-	8,883	8,883
Cash and bank balances	-	-	-	7,603,666	-	7,603,666	7,603,666
	165,000,000	-	165,000,000	7,777,481	19,727,967	27,505,448	192,505,448
Financial liabilities							
Long term financing	-	-	-	-	462,640,000	462,640,000	462,640,000
Trade and other payables	-	-	-	8,309,441	-	8,309,441	8,309,441
	-	-	-	8,309,441	462,640,000	470,949,441	470,949,441
On-balance sheet gap	165,000,000	-	165,000,000	(531,960)	(442,912,033)	(443,443,993)	(278,443,993)

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.)	
Financial assets							
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 recievables	-	-	-	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
Financial liabilities							
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)

Effective interest rate:

The effective interest rates have been 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 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The company is not exposed to any significant interest rate risk except as disclosed in the respective notes.

19.4 Fair value of the financial instruments

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

20 - REMUNERATION OF DIRECTOR AND CHIEF EXECUTIVE

No fee, remuneration and benefits have been paid to any director/chief executive of the company.

21 - DATE OF AUTHORIZATION

These financial statements were approved on 26 SEP 2009 by the Board of Directors of the company.

22 - GENERAL

- (i) Comparative figures have been rearranged, wherever considered necessary, for the purpose of comparison. Major changes made during the year were as follows:
 - (a) Administrative and general expenses have been reclassified as Administrative expenses (Note No.16) for better presentation.
 - (b) Financial charges have been reclassified as Finance cost (Note No.17) for better presentation.
- (ii) Figures in these accounts have been rounded-off to the nearest rupee.

Lahore Dated: 26 SEP 2009

Handwritten signature of Chief Executive, followed by a dashed line and the text "CHIEF EXECUTIVE".

Handwritten signature of Director, followed by a dashed line and the text "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 | Customs House Lahore. |
| 5. | Secretary Industries Punjab | Government of Punjab
Lahore. |
| 6. | Mr Avais Mazhar Hussain | Angora Textile Mills Ltd
Multan Road, Lahore. |
| 7. | Mr Shahzad Azam Khan | Azam Knit & Yarn Dyeing
Model Town, Lahore. |
| 8. | Mr M.I Khurram | Comfort Knitwear (Pvt) Ltd
45-Industrial Estate,
Kot Lakhpat Lahore. |
| 9. | Mr Azfar Hassan | Matrix Sourcing
Jahaur Town, Lahore |