

**THE LAHORE CHAMBER OF  
COMMERCE AND INDUSTRY**

**FOR THE YEAR ENDED JUNE 30, 2022**

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE LAHORE CHAMBER OF COMMERCE AND INDUSTRY REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the annexed financial statements of **THE LAHORE CHAMBER OF COMMERCE AND INDUSTRY** (the Chamber), which comprise the statement of financial position as at June 30, 2022, and statement of income and expenditure, the statement of comprehensive income, the statement of changes in accumulated funds, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Chamber's affairs as at June 30, 2022 and of the surplus, the comprehensive surplus, the changes in accumulated funds and its cash flows for the year then ended.

#### 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 Chamber in accordance with the International Ethics Standards Board for 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.

#### Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Executive Committee for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Chamber'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 management either intends to liquidate the Chamber or to cease operations, or has no realistic alternative but to do so.

Executive Committee is responsible for overseeing the Chamber's financial reporting process.

## **Auditor's Responsibilities for the Audit of the 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 conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism 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 Chamber's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Chamber'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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Chamber to cease to continue as a going concern.



- 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 the Executive Committee 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.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

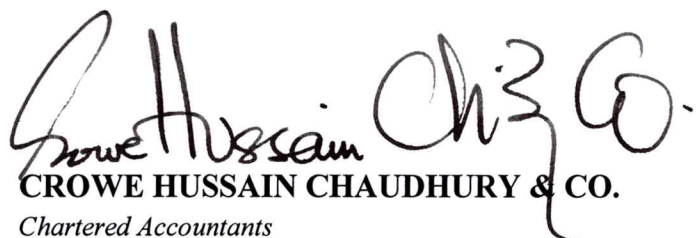
- a) proper books of account have been kept by the Chamber as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Chamber's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Nasir Muneer.

Lahore  
Dated:

UDIN: AR202210169nkATIP1j7

06 SEP 2022

  
**CROWE HUSSAIN CHAUDHURY & CO.**  
*Chartered Accountants*

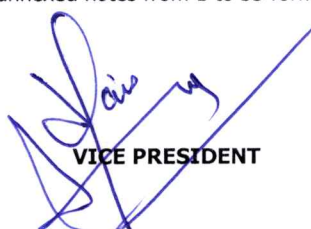


# THE LAHORE CHAMBER OF COMMERCE AND INDUSTRY

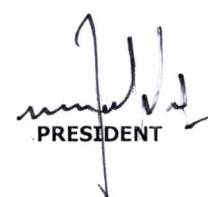
## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	82,853,972	79,923,686
Investment properties	5	9,360,451	10,021,507
Intangible assets	6	173,311	342,335
Long term loans	7	-	-
Long term deposits	8	737,144	542,144
		93,124,878	90,829,672
<b>CURRENT ASSETS</b>			
Stores held for consumption		886,649	1,124,276
Advances, prepayments and other receivables	9	31,708,608	26,574,026
Loans to employees	10	5,000	297,000
Short term investments	11	122,100,000	47,000,000
Due from members	12	1,186,435	1,590,718
Cash and bank balances	13	16,369,854	15,634,364
		172,256,546	92,220,384
		<u>265,381,424</u>	<u>183,050,056</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Surplus and Reserves</b>			
Capital reserve		65,089	65,089
Accumulated surplus		91,157,553	82,542,591
		91,222,642	82,607,680
<b>NON CURRENT LIABILITIES</b>			
Contributions from members for specific funds	14	33,601,835	27,656,835
Long term financing	15	1,435,453	-
Deferred income - Government grant	16	144,013	-
		35,181,301	27,656,835
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	17	7,202,281	7,476,600
Current portion of long term financing	15	2,169,969	-
Current portion of deferred income - Government grant	16	269,016	-
Security deposits	18	38,000,000	31,400,000
Contract liabilities	19	91,336,215	33,908,941
		138,977,481	72,785,541
<b>CONTINGENCIES AND COMMITMENTS</b>			
	20	-	-
		<u>265,381,424</u>	<u>183,050,056</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

  
VICE PRESIDENT

  
SENIOR VICE PRESIDENT

  
PRESIDENT

# THE LAHORE CHAMBER OF COMMERCE AND INDUSTRY

## STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
<b>INCOME</b>			
Income from services to members	21	98,960,108	62,833,596
Members' subscription and research and development fee		73,917,712	59,274,014
Rental income		44,736,188	43,287,928
Return on investments and profit on bank deposits		5,732,661	3,850,588
Advertisement income		12,651,963	10,409,866
Donations in cash		-	2,000,000
Amortization of deferred grant	16	332,167	-
		236,330,799	181,655,992
<b>EXPENDITURE</b>			
<b>Members Related and Research Activities</b>			
Salaries and benefits	22	141,653,840	143,574,537
Administrative expenses	23	46,318,384	38,488,304
Building expenses	24	8,397,712	7,034,189
Seminars and conferences	25	12,227,029	6,451,170
Chamber circular publication expenses		4,083,859	4,036,839
<b>Management Activities</b>			
Salaries and benefits	22	8,848,562	10,385,624
Administrative expenses	23	2,943,423	2,840,112
Building expenses	24	536,024	529,455
Finance cost		410,323	-
		(225,419,156)	(213,340,230)
<b>Surplus / (Deficit) before Taxation</b>		10,911,643	(31,684,238)
Taxation	26	(2,296,681)	(2,467,226)
<b>Net Surplus / (Deficit) for the Year</b>		<u>8,614,962</u>	<u>(34,151,464)</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

  
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PRESIDENT

# THE LAHORE CHAMBER OF COMMERCE AND INDUSTRY

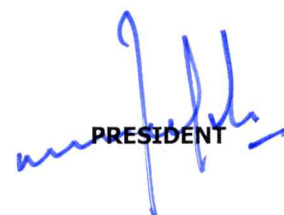
## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2022

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
<b>Net Surplus / (Deficit) for the Year</b>	8,614,962	(34,151,464)
<b>Other Comprehensive Income</b>		
- Items that may be re-classified to income and expenditure	-	-
- Items that will not be re-classified to income and expenditure	-	-
<b>Total Comprehensive Surplus / (Deficit) for the Year</b>	<u>8,614,962</u>	<u>(34,151,464)</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

  
VICE PRESIDENT

  
SENIOR VICE PRESIDENT

  
PRESIDENT

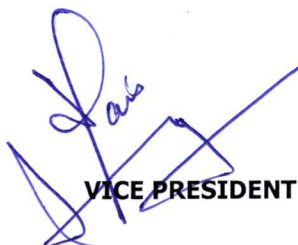


# THE LAHORE CHAMBER OF COMMERCE AND INDUSTRY

## STATEMENT OF CHANGES IN ACCUMULATED FUNDS FOR THE YEAR ENDED JUNE 30, 2022

Particulars	Capital Reserve	Accumulated Surplus	Total
	Rupees	Rupees	Rupees
<b>Balance at June 30, 2020</b>	65,089	116,694,055	116,759,144
Total comprehensive deficit for the year	-	(34,151,464)	(34,151,464)
<b>Balance at June 30, 2021</b>	65,089	82,542,591	82,607,680
Total comprehensive surplus for the year	-	8,614,962	8,614,962
<b>Balance at June 30, 2022</b>	65,089	91,157,553	91,222,642

The annexed notes from 1 to 33 form an integral part of these financial statements.

  
VICE PRESIDENT

  
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PRESIDENT

# THE LAHORE CHAMBER OF COMMERCE AND INDUSTRY

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022

	2022 Rupees	2021 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus / (deficit) before taxation	10,911,643	(31,684,238)
Adjustments for:		
- Depreciation on property and equipment	7,775,587	7,725,612
- Depreciation on investment property	661,056	754,236
- Amortization	169,024	169,024
- Profit on short term investment	(5,732,661)	(3,850,588)
- Loss on disposal of property and equipment	9,076	-
- Finance cost	410,323	-
- Amortization of grant grant	(332,167)	-
	2,960,238	4,798,284
<b>Surplus / (deficit) before Working Capital Changes</b>	13,871,881	(26,885,954)
(Increase) / Decrease in current assets		
- Stores held for consumption	237,627	155,377
- Advances, prepayments and other receivables	7,761,109	(8,988,966)
- Due from members	404,283	704,231
Increase / (Decrease) in current liabilities		
- Creditors, accrued and other liabilities	(274,319)	1,706,477
- Security deposits	6,600,000	(16,850,000)
- Advance receipts from members and others	57,427,274	(17,312,014)
	72,155,974	(40,584,895)
<b>Cash Generated from / (Used in) Operations</b>	86,027,855	(67,470,849)
Income tax paid	(13,249,072)	(3,815,849)
Contributions from members for specific funds - net	5,945,000	14,143,656
Long term deposits	(195,000)	580,800
Finance cost paid	(78,159)	-
	(7,577,231)	10,908,607
<b>Net Cash Generated from / (Used in) Operations</b>	78,450,624	(56,562,242)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipment purchased	(10,714,949)	(7,220,188)
Long term loan to employees	292,000	540,500
Short term investments - net	(75,100,000)	60,000,000
Profit on short term investment	3,789,361	4,376,051
<b>Net Cash (Used in) / Generated from Investing Activities</b>	(81,733,588)	57,696,363
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing obtained	4,822,154	-
Long term financing repaid	(803,700)	-
<b>Net Cash Generated from Financing Activities</b>	4,018,454	-
<b>Net Increase in Cash and Cash Equivalents</b>	735,490	1,134,121
Cash and cash equivalents at the beginning of the year	15,634,364	14,500,243
<b>Cash and Cash Equivalents at the End of the Year</b>	16,369,854	15,634,364

The annexed notes from 1 to 33 form an integral part of these financial statements.

  
VICE PRESIDENT

  
SENIOR VICE PRESIDENT

  
PRESIDENT

# THE LAHORE CHAMBER OF COMMERCE AND INDUSTRY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Note 1

#### Corporate and General Information

The Lahore Chamber of Commerce and Industry (the Chamber) is an "association not for profit with limited liability" incorporated under section 42 of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) as a public company limited by guarantee. The Chamber has been setup with an objective to protect and promote trade, commerce and industry of the country.

The Chamber is domiciled in Pakistan and its registered office is located at- 11- Shahra Aiwana-e-Sanat-o-Tijarat, Lahore.

### Note 2

#### Basis of Preparation

##### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards and the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

##### 2.2 Basis of Measurement

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

##### 2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees which is the Chamber's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

##### 2.4 Key judgements and estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Chamber's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of property and equipment – Note 3.1 and 4
- Useful lives, residual values and depreciation method of investment properties measured at cost – Note 3.2 and 5
- Useful lives, residual values and amortization method of intangible assets – Note 3.3 and 6
- Current income tax expense, provision for current tax and recognition of deferred tax - Note 3.13 and 26
- Estimation of provisions - Note 3.9
- Estimation of contingent liabilities - Note 3.11 and 20

However, the management believes that the change in outcome of estimates would not have a material effect on amounts disclosed in these financial statements.



*Note 2, Basis of Preparation - Continued...*

*Note 2.4, Key judgements and estimates - Continued...*

#### **2.4.1 Property and equipment and intangible assets**

The Chamber reviews the useful lives of property and equipment and its intangible assets on regular basis. Change in estimates of remaining useful life might affect the carrying amounts of respective items of property and equipment and intangible assets with a corresponding effect on the depreciation charge and amortization.

#### **2.4.2 Inventories**

The Chamber records its inventories using lower of cost or net realizable value. Valuation of inventories is reviewed at regular intervals for determination of possible impairment, if any. Any possible impairment may change the future value of inventories.

#### **2.4.3 Investment Property**

The Chamber reviews the useful lives of investment property on regular basis. Change in estimates of remaining useful life might affect the carrying amounts of respective items of investment property with a corresponding effect on the depreciation charge.

### **2.5 Changes in Accounting Standards, Interpretations and Pronouncements**

#### **2.5.1 Standards, interpretations and amendments to approved accounting standards that are effective in the current year**

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations are either not relevant to the Chamber's operations or are not expected to have significant impact on the Chamber's financial statements other than certain additional disclosures.

#### **Effective Date Annual periods beginning on or After**

Interest Rate Benchmark Reform – Phase 2 [Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16]	January 1, 2021
IFRS 16 Leases [Amendments] - COVID 19 rent related concession extended beyond June 30, 2021	April 1, 2021

#### **2.5.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective**

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for companies having accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or to have any significant effect on the Chamber's operations and are, therefore, not detailed in these financial statements, except for the following:

<b>Standard or Interpretation</b>	<b>Effective Date Annual periods beginning on or After</b>
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amendments)	January 1, 2023
IAS 12 Income Taxes [Amendments]	January 1, 2023

The Chamber has assessed that the impact of these amendments is not expected to be significant.

Note 3

**Significant Accounting Policies**

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The Chamber has consistently applied the accounting policies, as set out below, to all periods presented in these financial statements.

**3.1 Property and equipment**

Property and equipment, except freehold land which is stated at cost, are stated at cost less accumulated depreciation and identified impairment loss, if any.

Depreciation on property and equipment except freehold land is charged to the statement of income and expenditure on reducing balance method, so as to write off the historical cost of an asset over its estimated useful life, at the rates given in note 4. Depreciation on additions is charged from the month in which the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Depreciation method and useful lives of assets are reviewed at least at each reporting date and adjusted if impact on depreciation is significant.

Major repairs and modifications to assets are capitalized while day to day maintenance and normal repairs are charged to statement of income and expenditure as and when incurred. Gains or losses on disposal of property and equipment are included in statement of income and expenditure.

**Disposal**

The gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognized as gain / loss on disposal of property and equipment into the statement of income and expenditure.

**3.2 Investment Properties**

**Recognition and Measurement**

Investment property, which is property held to earn rentals and / or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs.

Subsequent to initial recognition, the investment property is measured at cost less accumulated depreciation and identified impairment loss, if any.

Depreciation on investment properties is charged to the statement of income and expenditure on reducing balance method, so as to write off the historical cost of an investment property over its estimated useful life, at the rates given in note 5. Depreciation on additions is charged from the month in which the investment property is available for use while no depreciation is charged in the month in which the investment property is disposed off.

**Rental Income**

Rental income from investment property that is leased to a third party under an operating lease is recognised in the statement of income and expenditure.

**Judgments and Estimates**

Useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis. Further, determining adjustments for any differences in nature, location and condition of the investment property involves significant judgment.

**3.3 Intangible Assets**

**Measurement**

Intangible assets of the Chamber include ERP software and website development. Intangible assets other than goodwill, are measured at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged so as to allocate the cost of assets over their estimated useful lives, using the straight-line method at the rates specified in note 6 to the financial statements. Research and development expenditure is charged to 'administrative expenses' in the statement of income and expenditure, as and when incurred.



*Note 3, Significant Accounting Policies - Continued...*

**3.4 Impairment of non financial assets**

The assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognized in the statement of income and expenditure.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. The Chamber recognizes the reversal immediately in the statement of income and expenditure.

**3.5 Stores held for consumption**

Stores held for consumption are valued at lower of cost and net realizable value. Cost is determined using weighted average basis. Net realizable value signifies the estimated selling price in the ordinary course of business less necessary cost to make the sale.

**3.6 Cash and cash equivalents**

For the purpose of statement of cash flows, cash and cash equivalents include cash in hand, cheques in hand and deposits with bank in current and savings accounts which are free of encumbrances.

**3.7 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**3.7.1 Financial assets**

All financial assets are recognized at the time when the Chamber becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized, as applicable, using trade date accounting or settlement date accounting.

**3.7.1.1 Classification**

Financial assets are classified in either of the three categories: at amortized cost, at fair value through other comprehensive income and at fair value through statement of income and expenditure. Currently, the Chamber classifies its financial assets at amortized cost and fair value through statement of income and expenditure. This classification is based on the Chamber's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

**3.7.1.2 Initial recognition and measurement**

Except for trade receivables, financial assets are initially measured at fair value plus transaction costs that are directly attributable to its acquisition. Trade receivables are initially measured at the transaction price if those do not contain a significant financing component in accordance with IFRS 15.

**3.7.1.3 Subsequent measurement**

Financial assets carried at amortized cost are subsequently measured using the effective interest rate method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of Income and expenditure.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value prevailing at the reporting date. The difference arising is charged to the statement of Income and expenditure.



*Note 3, Significant Accounting Policies - Continued...*

*Note 3.7, Financial instruments - Continued...*

#### **3.7.1.4 Derecognition**

Financial assets are derecognized when:

- The contractual rights to receive cash flows from the assets have expired. The difference between the carrying amount and the consideration received is recognized in statement of Income and expenditure.
- The Chamber has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a 'pass-through' arrangement: and either
  - (a) The Chamber has transferred substantially all the risks and rewards of the asset: or
  - (b) The Chamber has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of assets.

#### **3.7.1.5 Impairment of financial assets**

The Chamber recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Chamber expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Chamber applies a simplified approach in calculating ECLs. Therefore, the Chamber does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

#### **3.7.2 Financial liabilities**

##### **3.7.2.1 Initial recognition and measurement**

Financial liabilities are initially classified at amortized cost. Such liabilities are recognized at the time when the Chamber becomes a party to the contractual provisions of the instrument and include trade and other payables, loans or borrowings and accrued mark up etc.

The Chamber does not reclassify any of its financial liabilities.

##### **3.7.2.2 Subsequent measurement**

The Chamber measures its financial liabilities subsequently at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of income and expenditure. Difference between carrying amount and consideration paid is recognized in the statement of income and expenditure when the liabilities are derecognized.

##### **3.7.2.3 Off-setting of financial assets and financial liabilities**

A financial asset and a financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and the Chamber intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

*Note 3, Significant Accounting Policies - Continued...*

**3.8 Payables**

These amounts represent liabilities for goods and services provided to the Chamber prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**3.9 Provisions**

Provisions are recognized in the statement of financial position when the Chamber has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are not recognized for future operating losses.

**3.10 Foreign currency transactions**

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rate of exchange ruling on the reporting date and exchange differences, if any, are charged in the statement of income and expenditure.

**3.11 Contingent liabilities**

A contingent liability is disclosed when the Chamber has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Chamber.

A contingent liability is also disclosed when the Chamber has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

**3.12 Long term deposits**

These are stated at cost which represents the fair value of consideration given.

**3.13 Income tax**

Income tax on the surplus for the year comprises current and deferred tax. Income tax expense is recognized in the statement of income and expenditure except to the extent that relates to items recognized directly in other statement of comprehensive income, in which case it is recognized in other statement of comprehensive income.

**Current Tax**

The charge for current tax is based on higher of minimum tax based on turnover of the Chamber and alternate corporate tax and for the year determined in accordance with the prevailing laws of taxation. All tax credits and tax rebates are taken into account in calculating this charge. However, in case of taxable loss for the year, income tax expense is recognized on the basis of minimum tax liability on turnover of the Chamber in accordance with the provisions of the income tax law.

**Deferred tax**

Deferred tax is recognized using the reporting date liability method on all temporary differences between the carrying amount of assets, liabilities and their tax bases.

Deferred tax liabilities are recognized for all major taxable temporary differences.



*Note 3, Significant Accounting Policies - Continued...*

*Note 3.13, Income tax - Continued...*

Deferred tax assets are recognized for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.

Carrying amount of the deferred tax asset is reviewed at each reporting date and is recognized only to the extent that it is probable that future taxable profits will be available against which assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilized or the liability is settled, based on the tax rates that have been enacted or have been notified for subsequent enactments at the reporting date.

The Chamber has not recognised any deferred tax as the management believes that tax exemption status under section 2(36) of the Income Tax Ordinance, 2001 shall be restored in near future and therefore, it is not expected that any taxable temporary differences will arise in future.

**Judgement and estimates**

Significant judgement is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain as these matters are being contested at various legal forums. The Chamber recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognised deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

**Off-setting**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**3.14 Post employment benefits**

**Defined contribution plan**

The Chamber operates a provident fund as a defined contribution plan. It is a post-employment benefit plan under which an entity pays fixed contribution of 10% of the basic salary into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of income and expenditure account when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

**3.15 Borrowing costs**

Borrowing costs are charged to the statement of income and expenditure as and when incurred except costs directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.



*Note 3, Significant Accounting Policies - Continued...*

**3.16 Related party transactions**

Transactions in relation to sales, purchases and services with related parties are made at arm's length determined in accordance with the Chamber's policy.

**3.17 Revenue recognition**

**- Revenue**

Revenue from admission, subscription and other receipts collected from members are recognized on accrual basis.

**- Return on short term investment**

Return on short term investment is recognized on accrual basis.

**- Return on saving bank accounts**

Markup on saving bank accounts is recognized on accrual basis.

**3.18 Contract liabilities**

A contract liability is recognised for the Chamber's obligation to transfer goods or services to a customer for which the Chamber has received consideration (or an amount of consideration is due) from a member/customer. If a member/customer pays consideration, or the Chamber has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Chamber transfers a good or service to the member/customer, the Chamber shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

**3.19 Deferred grant**

Government grants are not recognised until there is reasonable assurance that the Chamber will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in statement of income and expenditure on a systematic basis over the periods in which the Chamber recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Chamber should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to statement of income and expenditure on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Chamber with no future related costs are recognised in statement of income and expenditure in the period in which they become receivable. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Note 4

Property and Equipment

Particulars	Land - freehold	Buildings on freehold land - Old Block	Electric Equipments	Furniture and fixtures	Office equipment	Computers and mobiles	Generators	Vehicles	Arms and ammunitions	Total
-----Rupees-----										
<b>Net carrying value basis</b>										
<b>Year Ended June 30, 2022</b>										
Opening net book value	386,946	59,374,615	524,603	5,435,385	5,543,928	4,253,567	2,044,779	2,068,743	291,120	79,923,686
Additions (at cost)	-	-	5,400,272	2,347,294	2,133,893	833,490	-	-	-	10,714,949
Disposals / write-offs	-	-	-	-	-	(9,076)	-	-	-	(9,076)
Depreciation charge	-	(2,968,725)	(644,946)	(632,348)	(1,305,155)	(1,372,593)	(408,960)	(413,748)	(29,112)	(7,775,587)
Closing net book value	386,946	56,405,890	5,279,929	7,150,331	6,372,666	3,705,388	1,635,819	1,654,995	262,008	82,853,972
<b>Gross carrying value basis as at June 30, 2022</b>										
Cost	386,946	90,343,217	7,019,663	17,162,778	32,088,755	22,105,870	9,960,310	4,367,490	743,238	184,178,267
Additions (at cost)	-	-	5,400,272	2,347,294	2,133,893	833,490	-	-	-	10,714,949
Disposals / write-offs	-	-	-	-	-	(29,400)	-	-	-	(29,400)
Accumulated depreciation (disposal)	-	-	-	-	-	20,324	-	-	-	20,324
Accumulated depreciation	-	(33,937,327)	(7,140,006)	(12,359,741)	(27,849,982)	(19,224,896)	(8,324,491)	(2,712,495)	(481,230)	(112,030,168)
Net book value	386,946	56,405,890	5,279,929	7,150,331	6,372,666	3,705,388	1,635,819	1,654,995	262,008	82,853,972
Depreciation rate % per annum		5%	20%	10%	20%	30%	20%	20%	10%	
<b>Net carrying value basis</b>										
<b>Year Ended June 30, 2021</b>										
Opening net book value	386,946	58,897,268	655,751	5,714,188	4,546,160	4,763,415	2,555,979	2,585,931	323,472	80,429,110
Additions (at cost)	-	3,531,189	-	310,293	2,106,956	1,271,750	-	-	-	7,220,188
Disposals / write-offs	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(3,053,842)	(131,148)	(589,096)	(1,109,188)	(1,781,598)	(511,200)	(517,188)	(32,352)	(7,725,612)
Closing net book value	386,946	59,374,615	524,603	5,435,385	5,543,928	4,253,567	2,044,779	2,068,743	291,120	79,923,686
<b>Gross carrying value basis as at June 30, 2021</b>										
Cost	386,946	86,812,028	7,019,663	16,852,485	29,981,799	20,834,120	9,960,310	4,367,490	743,238	176,958,079
Additions (at cost)	-	3,531,189	-	310,293	2,106,956	1,271,750	-	-	-	7,220,188
Disposals / write-offs	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation (disposal)	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	(30,968,602)	(6,495,060)	(11,727,393)	(26,544,827)	(17,852,303)	(7,915,531)	(2,298,747)	(452,118)	(104,254,581)
Net book value	386,946	59,374,615	524,603	5,435,385	5,543,928	4,253,567	2,044,779	2,068,743	291,120	79,923,686
Depreciation rate % per annum		5%	20%	10%	20%	30%	20%	20%	10%	

4.1 Depreciation charge for the year is allocated to administrative expenses.

4.2 Property and equipment includes fully depreciated library books having cost of Rs. 869,828 (2021: Rs. 869,828).

Note 5

Investment Properties

Particulars	Buildings on Freehold Land - Old Block	Buildings on Freehold Land - New Block	Electric Equipment - Old Block	Electric Equipment - New Block	Office Equipment	Total
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-----Rupees-----

Net carrying value basis

Year ended June 30, 2022

Opening net book value	245,359	8,686,902	15,433	875,019	198,794	10,021,507
Additions	-	-	-	-	-	-
Depreciation charge	(12,264)	(434,340)	(3,084)	(175,008)	(36,360)	(661,056)
Closing net book value	233,095	8,252,562	12,349	700,011	162,434	9,360,451

Gross carrying value basis

As at June 30, 2022

Cost	2,006,189	25,665,747	1,086,234	14,857,204	2,532,500	46,147,874
Additions	-	-	-	-	-	-
Accumulated depreciation	(1,773,094)	(17,413,185)	(1,073,885)	(14,157,193)	(2,370,066)	(36,787,423)
Net book value	233,095	8,252,562	12,349	700,011	162,434	9,360,451

Depreciation rate % per annum

5%	5%	20%	20%	20%
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Net carrying value basis

Year ended June 30, 2021

Opening net book value	258,271	9,155,922	19,285	1,093,767	248,498	10,775,743
Additions	-	-	-	-	-	-
Depreciation charge	(12,912)	(469,020)	(3,852)	(218,748)	(49,704)	(754,236)
Closing net book value	245,359	8,686,902	15,433	875,019	198,794	10,021,507

Gross carrying value basis

As at June 30, 2021

Cost	2,006,189	25,665,747	1,086,234	14,857,204	2,532,500	46,147,874
Additions	-	-	-	-	-	-
Accumulated depreciation	(1,760,830)	(16,978,845)	(1,070,801)	(13,982,185)	(2,333,706)	(36,126,367)
Net book value	245,359	8,686,902	15,433	875,019	198,794	10,021,507

Depreciation rate % per annum

5%	5%	20%	20%	20%
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5.1 Amount recognised in statement of income and expenditure

- Depreciation charge for the year is allocated to administrative expenses.
- The rental income in respect of this property amounting to Rs. 44,736,188 is included in rental income.

5.2 The fair value of investment properties was determined by an independent valuer as at June 30, 2020 that amounted to Rs. 123.042 million. The management does not foresee any significant change in the fair value of its investment properties as at the reporting date.

5.3 Investment properties are situated at 11 - Shahra Aiwana-e-Sanat-o-Tijarat, Lahore. This measures to 41,722 Square feet.



Note 6

**Intangible Assets**

Particulars	ERP Software	Website Development	Total
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-----Rupees-----

**Net carrying value basis**

**Year ended June 30, 2022**

Opening net book value	304,835	37,500	342,335
Additions	-	-	-
Amortization charge	(159,024)	(10,000)	(169,024)
Closing net book value	145,811	27,500	173,311

**Gross carrying value basis**

**As at June 30, 2022**

Cost	1,590,297	350,000	1,940,297
Additions	-	-	-
Accumulated amortization	(1,444,486)	(322,500)	(1,766,986)
Net Book value	145,811	27,500	173,311

Amortization rate % per annum	10%	20%
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**Net carrying value basis**

**Year ended June 30, 2021**

Opening net book value	463,859	47,500	511,359
Additions	-	-	-
Amortization charge	(159,024)	(10,000)	(169,024)
Closing net book value	304,835	37,500	342,335

**Gross carrying value basis**

**As at June 30, 2021**

Cost	1,590,297	350,000	1,940,297
Additions	-	-	-
Accumulated amortization	(1,285,462)	(312,500)	(1,597,962)
Net Book value	304,835	37,500	342,335

Amortization rate % per annum	10%	20%
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**6.1** Amortization charge for the year has been allocated to administrative expenses.

**6.2** Intangible assets include fully amortized website development having cost of Rs. 350,000 (2021: Rs. 350,000).

Note 7

**Long Term Loans - Secured**

	Note	2022 Rupees	2021 Rupees
Long term loan to employees		-	727,500
Less: Shown in current portion		-	(396,000)
		<u>-</u>	<u>331,500</u>
Opening balance		-	727,500
Disbursement during the year		-	-
Recovery during the year		-	(526,500)
		<u>-</u>	<u>201,000</u>
Less: Shown in current portion	10	-	(201,000)
		<u>-</u>	<u>-</u>

Note 8

**Long Term Deposits**

	2022 Rupees	2021 Rupees
Deposits with utility companies:		
Water & Power Development Authority (WAPDA)	303,340	303,340
Sui Northern Gas Pipelines Limited (SNGPL)	433,804	238,804
	<u>737,144</u>	<u>542,144</u>

Note 9

**Advances, Prepayments and other Receivables**

	Note	2022 Rupees	2021 Rupees
Advances to employees for expenses		277,902	258,652
Advance against supplies and services		680,931	1,755,543
Income tax deducted at source		71,022,956	57,773,884
Provision for taxation	9.1	(45,352,994)	(43,056,313)
		<u>25,669,962</u>	<u>14,717,571</u>
Prepayments		1,933,756	1,301,932
Rent receivable		864,481	8,202,052
Accrued profit on short term investment		2,281,576	338,276
		<u>31,708,608</u>	<u>26,574,026</u>

**9.1 Provision for taxation**

Opening balance	43,056,313	40,589,087
Provision for current year	2,949,983	3,810,882
Adjustment for prior years	(653,302)	(1,343,656)
Closing balance	<u>45,352,994</u>	<u>43,056,313</u>

Note 10

**Loans to Employees - Secured**

	Note	2022 Rupees	2021 Rupees
Short term loan to employees	10.1	5,000	96,000
Current portion of long term loans	7.1	-	201,000
		<u>5,000</u>	<u>297,000</u>

**10.1** These represents interest free revolving loans which are settled within a year.

Note 11

**Short Term Investments**

			<b>2022</b>	<b>2021</b>
	Maturity Date	Approximate Yield p.a.	Rupees	Rupees
Short term investments at amortised cost				
Term deposit receipts:				
- Dubai Islamic Bank Limited	21-Jul-22	11.25%	35,000,000	35,000,000
- JS Bank Limited	24-Aug-22	13.00%	12,000,000	12,000,000
- Askari Bank Limited	29-Jul-22	11.65%	30,000,000	-
- Sindh Bank Limited	11-Jul-22	11.50%	40,000,000	-
- United Bank Limited	27-Aug-22	11.50%	5,100,000	-
			<u>122,100,000</u>	<u>47,000,000</u>

- 11.1** The Chamber has invested in TDRs of banks that have reasonably good and stable credit ratings. The Chamber believes that it is not exposed to impairment loss related to short term investments therefore no loss has been calculated on these investments.

Note 12

**Due from Members**

	Note	<b>2022</b>	<b>2021</b>
		Rupees	Rupees
Due from members against:			
- Advertisement	12.1	886,435	1,046,835
- Savdex Exhibition 2019 and Export Trophy 2020		843,883	543,883
		<u>1,730,318</u>	<u>1,590,718</u>
Balances written off		(543,883)	-
Closing balance		<u>1,186,435</u>	<u>1,590,718</u>

- 12.1** This represents amounts receivable from members against advertisements in the Chamber Newsletter.

Note 13

**Cash and Bank Balances**

	Note	<b>2022</b>	<b>2021</b>
		Rupees	Rupees
Cash in hand		643,904	761,405
Bank balances:			
- Current account - Local currency		8,367,377	976,806
- Current account - Foreign currency		4,711	4,711
- Savings accounts - Local currency	13.2	7,353,862	13,891,442
		<u>16,369,854</u>	<u>15,634,364</u>

- 13.1** The above figures of cash and bank balances reconcile to the amount of cash and cash equivalents shown in the statement of cash flows.

- 13.2** The yield on these deposit ranges from 8% to 10% per annum. (2021: 4% to 6% per annum)



Note 14

**Contributions from Members for Specific Funds**

Description	LCCI Corporate Social Responsibility (CSR) Fund	LCCI Achievement Award Fund	Natural Calamity Fund	International Trade Development Fund	Others	Total
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-----Rupees-----

**Year ended June 30, 2022**

Opening balance	10,742,664	8,100,000	7,352,246	-	1,461,925	27,656,835
Donations received from members	8,978,150	2,450,000	4,892,800	7,719,206	3,452,431	27,492,587
Donations made / funds utilized	(10,565,053)	(7,927,750)	-	(695,000)	(2,359,784)	(21,547,587)
<b>Closing balance</b>	<b>9,155,761</b>	<b>2,622,250</b>	<b>12,245,046</b>	<b>7,024,206</b>	<b>2,554,572</b>	<b>33,601,835</b>

**Year ended June 30, 2021**

Opening balance	6,930,928	-	5,993,596	-	588,655	13,513,179
Donations received from members	9,387,301	8,100,000	7,879,250	-	12,973,588	38,340,139
Donations made / funds utilized	(5,575,565)	-	(6,520,600)	-	(12,100,318)	(24,196,483)
<b>Closing balance</b>	<b>10,742,664</b>	<b>8,100,000</b>	<b>7,352,246</b>	<b>-</b>	<b>1,461,925</b>	<b>27,656,835</b>

**14.1 Donations for Charitable Institutions**

Amounts exceeding 10% of total donation:

	Note	2022 Rupees	2021 Rupees
- Daachi Foundation		3,138,960	-
- Others		10,480,877	24,196,483
		<u>13,619,837</u>	<u>24,196,483</u>

**14.2 Funds Utilized from LCCI Achievement Award Fund**

- Expenses incurred on LCCI Achievement Award 2021	13.2.1	1,781,884	-
- Refunds made to members	13.2.2	1,500,000	-
- Donation to Government College University		1,000,000	-
- Surplus fund transferred to the income		3,645,866	-
		<u>7,927,750</u>	<u>-</u>

**14.2.1 Breakup of expenses incurred on LCCI Achievement Award 2021**

- Trophies and gold medals for award	238,000	-
- Hall charges - Aiwan-e-Sadar	900,000	-
- Gifts for guests and benevolence to staff of President House	305,000	-
- Branding and printings	15,750	-
- Travelling charges	54,590	-
- Entertainment expense	268,544	-
	<u>1,781,884</u>	<u>-</u>

**14.2.2** This represents refunds made to those member of the Chamber who did not participate in the LCCI Achievement Award.

Note 15

**Long Term Financing**

		<b>2022</b>	<b>2021</b>
		Rupees	Rupees
United Bank Limited	15.1	4,350,621	-
Deferred income - Government grant		(745,199)	-
Less: Current portion		(2,169,969)	-
		<u>1,435,453</u>	<u>-</u>

- 15.1** This represents finance facility obtained by the Chamber from United Bank Limited (UBL), under SBP finance for Renewable Energy Scheme, in order to finance the installation of solar system. The loan carries markup @ 4% per annum. The tenor of the loan is three years with no grace period and is re-payable in 12 quarterly installments commencing from December 31, 2021. The facility is secured by way of first hypothecation charge on solar system for Rs. 5,357,949.

Note 16

**Deferred Income - Government Grant**

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Deferred income - Government grant	745,196	-
Less: Amortisation during the year	(332,167)	-
Less: current portion of deferred income	(269,016)	-
	<u>144,013</u>	<u>-</u>

- 16.1** The Chamber has recorded deferred income for government grants in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" for the treatment of loan received under SBP Refinance for Renewal Energy Scheme that offers a lessor market rate of interest. The standard treats any benefit of a Government loan at a below-market rate of interest as a government grant. The loan is initially recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The Chamber is treating it as per income approach thus grant's benefit shall be recognized in income and expenditure on a systematic basis over the periods in which the Chamber recognizes the related expense.

Note 17

**Creditors, Accrued and Other Liabilities**

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Trade creditors (Unsecured - interest free)	2,871,671	2,051,800
Payable against salaries and other employee benefits	750,101	459,905
Accrued liabilities	3,482,873	4,896,785
Withholding tax payable	97,636	68,110
	<u>7,202,281</u>	<u>7,476,600</u>

Note 18

**Security Deposits**

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Security deposits - visa recommendation	<u>38,000,000</u>	<u>31,400,000</u>

- 18.1** The security deposits received from members are partially kept in separate bank account and partially invested in term deposit receipts.

Note 19

**Contract Liabilities**

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Advance receipts from members for:		
- Annual subscription	37,796,225	18,019,077
- Research and development fee	13,969,174	8,311,699
- Card charges from members	8,865,677	3,967,900
- Advertisement	1,725,863	1,288,700
- LCCI Achievement Award	-	24,000
- Specific seminars and trainings	2,939,427	415,299
- Business delegations	1,413,974	203,970
	66,710,340	32,230,645
Rent received in advance	24,625,875	1,678,296
	<u>91,336,215</u>	<u>33,908,941</u>

Note 20

**Contingencies and Commitments**

**Contingencies**

- 20.1** Income tax assessment orders for the assessment years 1994-95, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02 and 2002-03 resulted in tax demand amounting to Rs. 67.828 million raised by the Income Tax Department. The appeal filed by the Chamber before ITAT against the order passed by Commissioner of Income Tax (Appeals), on February 28, 2008 has been settled in favor of the Chamber. However, the Department has filed an appeal on September 08, 2008 against the decision of the ITAT in the Lahore High Court against case reference number 500 to 507 and 511 to 518 of 2008. The management does not foresee any adverse order against the Chamber and therefore has not incorporated any provision against this based on the opinion of the tax advisor.
- 20.2** Income Tax Department raised a demand amounting to Rs. 12.949 million in consequence of proceedings under section 124/122 (5A) of the Income Tax Ordinance, 2001 for the Tax Year 2011 on June 30, 2019. The Chamber filed appeal against the order on July 17, 2019 which was dismissed by the Commissioner Inland Revenue (Appeals-VI), by its order No 21/AVI dated January 21, 2020. Further appeal against the order has been filed on March 03, 2020, before Appellate Tribunal Inland Revenue (ATIR), Lahore. The matter is now pending for review before ATIR, Lahore. The management does not foresee any adverse order against the Chamber and therefore has not incorporated any provision against this, based on the opinion of the tax advisor.
- 20.3** Income Tax Department raised a demand amounting to Rs. 5.528 million in consequence of proceedings under section 161 and 205 of the Income Tax Ordinance, 2001 for the Tax Year 2012 on January 30, 2014. The matter was pending for appellate review before the ATIR. The ATIR by order dated September 08, 2021 remanded the case back to the Officer Inland Revenue (OIR) for decision afresh. the case is now pending before the Officer Inland Revenue (OIR). The management does not foresee any adverse order against the Chamber and therefore has not incorporated any provision against this based on the opinion of the tax advisor.
- 20.4** Income Tax Department has withdrawn the approval granted under Section 2 (36) of the Income Tax Ordinance, 2001, by order issued on September 19, 2018. The management had filed appeal on December 18, 2018 against the said order before the Chief Commissioner Inland Revenue. The Chief Commissioner Inland Revenue by order dated February 23, 2021 set aside the order dated September 19, 2018 and remanded the subject matter back to the Commissioner Inland Revenue (Legal). The subject matter is now pending before the CIR (Legal). The management does not foresee any adverse order against the Chamber and therefore has not incorporated any provision against this based on the opinion of the tax advisor.
- 20.5** Income Tax Department raised the demand of Rs. 30.605 million in consequence of proceedings under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2013 by order dated January 30, 2019. The Chamber has filed appeal against the order before the Commissioner Inland Revenue (Appeals) on February 21, 2019. The CIR (Appeals) by order dated May 03, 2019 remanded back the case to OIR. The Chamber filed the 2nd appeal before appellate Inland Revenue on June 03, 2019 which is still pending for Appellate review before ATIR, Lahore. The management does not foresee any adverse order against the Chamber and therefore has not incorporated any provision based on the opinion of the tax advisor.



*Note 20, Contingencies - Continued...*

- 20.6** The Income Tax Department issued notice under section 122(5A) of the Income Tax Ordinance, 2001 to amend assessment of tax liability for the tax year 2015. The Chamber filed the reply to this notice but the OIR passed the order against the Chamber on June 29, 2021. The Chamber filed appeal against the said order on July 26, 2021 before the Commissioner Inland Revenue (Appeals) which was remanded back on February 21, 2022 to the OIR. The Chamber filed the 2nd appeal against the order on 01 April, 2022. the case is still pending before OIR. The expected liability is uncertain therefore the Chamber has not incorporated any provision based on the opinion of the tax advisor.
- 20.7** The Income Tax Department issued notices under section 122(5A) and 122(9) of the Income Tax Ordinance, 2001 to amend assessment of tax liability for the tax year 2016 in which Commissioner Income Tax contested the claim of the Chamber that income from property would be exempted. The Chamber filed replies to these notices but OIR has passed the order against the chamber on June 25, 2022 for tax year 2016. The chamber filed appeal against order before Commissioner Inland Revenue (Appeals) on July 22, 2022 and subject matter is now pending for further proceedings. The expected liability is uncertain therefore the Chamber has not incorporated any provision based on the opinion of the tax advisor.
- 20.8** The Income Tax Department issued notices under section 122(5A) and 122(9) of the Income Tax Ordinance, 2001 to amend assessment of tax liability for the tax years 2017 and 2018 in which Commissioner Income Tax contested the claim of the Chamber that income from property would be exempt. The Chamber has filed replies to these notices and the case is still pending before OIR. the case is still pending before OIR. The expected liability is uncertain therefore the Chamber has not incorporated any provision based on the opinion of the tax advisor.
- 20.9** The management believes that tax exemption status under section 2(36) of the Income Tax Ordinance 2001 shall be restored in near future as disclosed in note 20.4, and, therefore, the Chamber has not recognised / recorded deferred tax liability (net) amounting Rs. 12,504,159 (2021: Rs. 12,686,531).

**Commitments**

- 20.10** There are no material commitments outstanding as at the reporting date (2021: Nil).

**Note 21**

**Income from Services to Members**

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Visa and related fee	35,114,800	11,803,500
Certificate of origin fee	24,639,700	22,757,900
Income from transfer forms and attestations	9,856,760	6,782,050
Trade delegation - service charges	125,805	15,000
Chamber's publications	6,243,250	7,293,000
Members' ID card fees	5,326,243	3,343,054
Seminars, conferences and exhibitions	16,799,970	8,373,174
Income from mediation center	410,000	65,118
Others	443,580	2,400,800
	<u>98,960,108</u>	<u>62,833,596</u>

**Note 22**

**Salaries and Benefits**

	<b>2022</b>			<b>2021</b>		
	<b>Management Activities</b>	<b>Members Related and Research Activities</b>	<b>Total</b>	<b>Management Activities</b>	<b>Members Related and Research Activities</b>	<b>Total</b>
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Salaries	8,405,716	132,932,101	141,337,817	9,829,064	135,589,254	145,418,318
Provident fund	442,846	6,417,539	6,860,385	556,560	6,025,859	6,582,419
Leave encashment	-	1,226,353	1,226,353	-	1,959,424	1,959,424
Hajj expenses	-	1,077,847	1,077,847	-	-	-
	<u>8,848,562</u>	<u>141,653,840</u>	<u>150,502,402</u>	<u>10,385,624</u>	<u>143,574,537</u>	<u>153,960,161</u>

Note 23

**Administrative Expenses**

	2022			2021		
	Management Activities	Members Related and Research Activities	Total	Management Activities	Members Related and Research Activities	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Communication expenses	282,483	4,425,562	4,708,045	261,231	3,470,634	3,731,865
Travelling and conveyance	49,840	780,820	830,660	28,741	381,843	410,584
Vehicle fuel charges and maintenance	42,374	663,860	706,234	28,515	378,838	407,353
Vehicle insurance	5,076	79,524	84,600	5,922	78,678	84,600
Repairs and maintenance	56,209	880,602	936,811	62,748	833,656	896,404
Printings and stationery	624,136	9,778,134	10,402,270	641,424	8,521,782	9,163,206
Utility charges	702,728	11,009,410	11,712,138	626,601	8,324,848	8,951,449
Papers and periodicals	18,756	293,844	312,600	24,442	324,725	349,167
Advertisement	150,207	2,353,248	2,503,455	66,803	887,522	954,325
Election expenses	-	-	-	184,584	2,452,330	2,636,914
Legal and professional charges	211,378	3,311,595	3,522,973	40,788	541,897	582,685
Statutory audit fee	14,175	222,069	236,244	15,750	209,250	225,000
Bank charges	2,218	34,743	36,961	694	9,224	9,918
Crockery and other utensils	23,073	361,471	384,544	14,930	198,350	213,280
COVID -19 hygiene cleaning - Miscellaneous	211,798	3,318,163	3,529,961	231,517	3,075,864	3,307,381
Depreciation on property and equipment	466,535	7,309,052	7,775,587	540,793	7,184,819	7,725,612
Depreciation on investment properties	39,663	621,393	661,056	52,797	701,439	754,236
Amortization of intangible assets	10,141	158,883	169,024	11,832	157,192	169,024
Annual subscriptions (23.2)	-	204,761	204,761	-	755,413	755,413
Balances written off	32,633	511,250	543,883	-	-	-
	<u>2,943,423</u>	<u>46,318,384</u>	<u>49,261,807</u>	<u>2,840,112</u>	<u>38,488,304</u>	<u>41,328,416</u>

**23.1** Expenses have been apportioned between the Management and members related to research activities on the basis of number of personnel serving these functions.

**23.2 Annual Subscriptions**

	2022	2021
	Rupees	Rupees
Federation of Pakistan Chambers of Commerce and Industry	60,000	67,500
Employers' Federation	15,761	23,913
PEMRA annual fee	90,000	556,000
Others	39,000	108,000
	<u>204,761</u>	<u>755,413</u>

Note 24

**Building Expenses**

	2022			2021		
	Management Activities	Members Related and Research Activities	Total	Management Activities	Members Related and Research Activities	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Repairs and maintenance:						
- Building	197,738	3,097,890	3,295,628	75,342	1,000,978	1,076,320
- A.C plant and escalators	116,805	1,829,943	1,946,748	130,078	1,728,182	1,858,260
Property tax	139,845	2,190,899	2,330,744	147,205	1,955,722	2,102,927
Electric goods	-	-	-	9,998	132,827	142,825
Janitorial services	3,839	60,151	63,990	56,983	757,058	814,041
Gardening and plantation	28,448	445,687	474,135	27,820	369,610	397,430
Electric installation and maintenance	28,130	440,709	468,839	54,599	725,386	779,985
Building insurance	21,219	332,433	353,652	27,430	364,426	391,856
	<u>536,024</u>	<u>8,397,712</u>	<u>8,933,736</u>	<u>529,455</u>	<u>7,034,189</u>	<u>7,563,644</u>

**24.1** Building expenses are apportioned on the basis of approximate floor space occupied by the Management and Research departments.

Note 25

**Seminars and Conferences**

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Photographs	186,580	205,918
Seminars, conferences and workshops	12,040,449	6,245,252
	<u>12,227,029</u>	<u>6,451,170</u>

Note 26

**Taxation**

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Current year	2,949,983	3,810,882
Prior year adjustments	(653,302)	(1,343,656)
	<u>2,296,681</u>	<u>2,467,226</u>

Note 27

**Remuneration of Key Management Personnel**

Aggregate amounts charged in these financial statements for the year as remuneration and benefits to the executives of the Chamber are as follows:

	<b>Executives</b>	
	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Managerial remuneration	11,685,887	13,533,268
House rent allowance	4,674,355	4,903,305
Utilities	1,168,589	1,225,847
Conveyance allowance	1,041,144	1,129,007
Bonus	3,022,310	3,074,894
Provident fund	1,168,589	1,219,298
	<u>22,760,874</u>	<u>25,085,619</u>
Number of persons	<u>7</u>	<u>10</u>

**27.1** An executive is defined as an employee, other than the President, Senior Vice President and Vice President, whose basic salary exceeds Rs. 1,200,000 in a financial year.

**27.2** The Chamber provides the Secretary an officially maintained vehicle.

**27.3** The Chamber does not provide any remuneration and benefits to the Executive Committee Members / President, Senior Vice President and Vice President of the Chamber.

Note 28

**Transactions with Related Parties**

Related parties comprise Executive Committee Members / companies in which Executive Committee Members are directors and their close relatives and retirement benefits fund. There is no transaction with related parties except remuneration of key management personnel as disclosed in note 27 to these financial statements and the following contribution made by the Chamber:

<b>Related party</b>	<b>Relationship</b>	<b>Nature of transaction</b>	<b>2022</b>	<b>2021</b>
			Rupees	Rupees
Lahore Chamber of Commerce and Industry Employees' Provident Fund	Other Related party	Contribution made to provident fund	6,860,385	6,582,419



Note 29

**Financial Risk Management**

**29.1 Financial risk factors**

The Chamber's activities expose it to various financial risks (including currency risk and interest rate risk), market risk, credit risk and liquidity risk which are not significant. The Chamber's overall risk management practice focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the management of the Chamber. The management provides principles and guidelines by Executive Committee for overall risk management, as well as policies covering specific areas. All treasury related transactions are carried out within the parameters of these guidelines.

**(a) Market risk**

**(i) Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at the reporting date, the Chamber is exposed to this risk due to the extent of presence of a foreign currency account that does not have significant funds in it.

**(ii) Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate profile of the Chamber's interest bearing financial instruments as at the reporting date is as follows:

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
<b>Financial assets</b>		
<b>Fixed rate instruments</b>		
Short term investments	122,100,000	47,000,000
<b>Floating rate instruments</b>		
Bank balances - saving accounts	7,353,862	13,891,442
	<u>129,453,862</u>	<u>60,891,442</u>
<b>Financial liabilities</b>		
<b>Fixed rate instruments</b>		
Long term financing	3,605,422	-

**Cash flow sensitivity analysis for variable rate instruments**

As at June 30, 2022, if interest rates had been 1% higher / lower with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 1.258 million (2021: Rs. 0.609 million), mainly as a result of interest exposure on its financial assets / liabilities.

**(b) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises from deposits with banks, investments, loans and advances and other receivables.

**(i) Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Long term deposits	737,144	542,144
Accrued profit on short term investments	2,281,576	338,276
Rent receivable	864,481	8,202,052
Loans to employees	5,000	297,000
Short term investments	122,100,000	47,000,000
Due from members	1,186,435	1,590,718
Bank balances	15,725,950	14,872,959
	<u>142,900,586</u>	<u>72,843,149</u>

Note 29, Financial risk management - Continued...

Note 29.1, Financial risk factors - Continued...

The credit risk on liquid funds in bank accounts is limited because the counter parties are banks with reasonably high credit ratings. The Chamber believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties.

The credit quality of balances with bank that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

	Rating		Rating Agency	2022	2021
	Short term	Long term			
				Rupees	Rupees
Bank balances					
Habib Bank Limited	A-1+	AAA	JCR-VIS	114,276	1,400
AL Baraka Bank Limited	A-1	A+	JCR-VIS	501,138	1,894,347
Meezan Bank Limited	A-1+	AAA	JCR-VIS	43,988	17,848
Dubai Islamic Bank Limited	A-1+	AA	JCR-VIS	2,255,950	392,404
United Bank Limited	A-1+	AAA	JCR-VIS	12,459,456	12,070,614
Askari Bank Limited	A-1+	AA+	PACRA	24,695	-
MCB Bank Limited	A-1+	AAA	PACRA	326,446	496,347
				15,725,949	14,872,960
Short term investments					
Dubai Islamic Bank Limited	A-1+	AA	JCR-VIS	35,000,000	35,000,000
Askari Bank Limited	A-1+	AA+	PACRA	30,000,000	-
Sindh Bank Limited	A-1	A+	JCR-VIS	40,000,000	-
United Bank Limited	A-1+	AAA	JCR-VIS	5,100,000	-
JS Bank Limited	A-1+	AA-	JCR-VIS	12,000,000	12,000,000
				122,100,000	47,000,000

(c) **Liquidity Risk**

Liquidity risk is the risk that the Chamber will encounter difficulty in meeting obligations associated with financial liabilities. The Chamber manages liquidity by maintaining sufficient cash and funds. Following are the contractual maturities of financial liabilities as at the reporting date:

**Contractual maturities of financial liabilities as at June 30, 2022**

	Carrying Amount	Within 1 year	Within 2-5 years	Above 5 years
		.....Rupees.....		
Security deposits	38,000,000	38,000,000	-	-
Creditors, accrued and other liabilities	7,104,645	7,104,645	-	-
Long term financing	4,350,621	2,169,969	2,180,652	-
	<u>49,455,266</u>	<u>47,274,614</u>	<u>2,180,652</u>	<u>-</u>

**Contractual maturities of financial liabilities as at June 30, 2021**

	Carrying Amount	Within 1 year	Within 2-5 years	Above 5 years
		.....Rupees.....		
Security deposits	31,400,000	31,400,000	-	-
Creditors, accrued and other liabilities	7,408,490	7,408,490	-	-
	<u>38,808,490</u>	<u>38,808,490</u>	<u>-</u>	<u>-</u>

**29.2 Fair values of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate of their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Note 29 Financial risk management - Continued...

Note 29.1, Financial risk factors - Continued...

**29.3 Financial instruments by categories**

**Financial asset at amortized cost**

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Long term deposits	737,144	542,144
Accrued profit on short term investment	2,281,576	338,276
Rent receivable	864,481	8,202,052
Loans to employees	5,000	297,000
Short term investment	122,100,000	47,000,000
Due from members	1,186,435	1,590,718
Cash and bank balances	16,369,854	15,634,364
	<u>143,544,490</u>	<u>73,604,554</u>

**Financial liabilities at amortized cost**

Long term financing	4,350,621	-
Creditors, accrued and other liabilities	7,104,645	7,408,490
Security deposits	38,000,000	31,400,000
	<u>45,104,645</u>	<u>38,808,490</u>

Note 30

**Number of Employees**

	<b>2022</b>	<b>2021</b>
	Number	Number
Number of employees as at June 30,	139	145
Average number of employees during the year	<u>142</u>	<u>149</u>

Note 31

**Number of Members**

	<b>2022</b>	<b>2021</b>
	Number	Number
Members as at June 30,		
- Corporate members	5,848	4,835
- Associate members	20,751	19,672
	<u>26,599</u>	<u>24,507</u>

Note 32

**Authorization of Financial Statements**

These financial statements have been approved and authorized by the Executive Committee Members for issuance on

106 SEP 2022

Note 33

**General**

Comparatives figures have been re-arranged / reclassified, wherever necessary, to facilitate comparison. No material re-statements / reclassifications have been made in these financial statements.

  
**VICE PRESIDENT**

  
**SENIOR VICE PRESIDENT**

  
**PRESIDENT**