

# Annual Report 2017



First Treet  
Manufacturing Modaraba



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## Company Information

|   |   |  |
|---|---|--|
| <b>BOARD OF DIRECTORS:</b>                        | Dr. Mrs. Niloufer Qasim Mahdi<br>Syed Shahid Ali<br>Syed Sheharyar Ali<br>Mr. Imran Azim<br>Mr. Munir Karim Bana<br>Mr. Saulat Said<br>Muhammad Shafique Anjum<br>Dr. Salman Faridi     | Chairperson<br>Chief Executive Officer<br>Non-Executive Director<br>Non-Executive Director<br>Non-Executive Director<br>Non-Executive Director<br>Non-Executive Director<br>Independent Director |
| <b>AUDIT COMMITTEE:</b>                           | Dr. Salman Faridi<br>Syed Sheharyar Ali<br>Mr. Imran Azim<br>Mr. Munir K. Bana<br>Rana Shakeel Shaukat  | Chairman/Member<br>Member<br>Member<br>Member<br>Secretary   |
| <b>CHIEF ACCOUNTANTS:</b>                         | Mr. Sajjad Haider Khan<br>Mr. Muhammad Zubair   | Modaraba<br>Modaraba Company   |
| <b>Company SECRETARY:</b>                         | Rana Shakeel Shaukat  |  |
| <b>EXTERNAL AUDITORS:</b>                         | Kreston Hyder Bhimji & Co   | Chartered Accountants  |
| <b>EXTERNAL AUDITORS OF<br/>MODARABA Company:</b> | KPMG Taseer Hadi & Co.  | Chartered Accountants  |
| <b>LEGAL ADVISORS:</b>                            | Salim & Baig  | Advocates  |
| <b>CORPORATE ADVISORS:</b>                        | Cornelius, Lane & Mufti – Advocates   |  |
| <b>SHARIAH ADVISOR:</b>                           | Mufti Muhammad Javed Hassan   |  |
| <b>BANKERS:</b>                                   | Allied Bank Limited<br>Habib Metropolitan Bank Ltd<br>Askari Bank Limited<br>MCB Bank Limited<br>National Bank Limited  | Habib Bank Limited<br>Meezan Bank Limited<br>NIB Bank Limited<br>Soneri Bank Limited   |
| <b>REGISTERED OFFICE/<br/>PLACE OF BUSINESS:</b>  | 72-B, Industrial Area, Kot Lakhpat, Lahore.<br>Tel: 042-35830881, 35156567 & 35122296<br>Fax: 042-35114127 & 35215825<br>E-mail: info@treetonline.com<br>Home Page: www.treetonline.com |  |
| <b>SHARES REGISTRAR:</b>                          | Corplink (Private ) Limited<br>Winges Arcade, 1-K, Commercial Model Town, Lahore  |  |
| <b>PACKAGING SOLUTIONS<br/>- CORRUGATION:</b>     | Kacha Tiba Rohi Nala, 22-KM<br>Ferozpur Road, Lahore  |  |
| <b>SOAP PLANT:</b>                                | Ghakkar 80 KM, G.T. Road,<br>Ghakkar Mandi, Gujranwala  |  |
| <b>BATTERY PROJECT:</b>                           | Faisalabad Industrial City, M-3,<br>Motorway Faisalabad   |  |



## Directors' Profile



**Dr. Mrs. Niloufer Qasim Mahdi**  
Chairperson/Director

Dr. Mrs. Niloufer Qasim Mahdi belongs to one of the top industrialist families of Pakistan. She is the daughter of late Syed Wajid Ali. She holds BA (Hons), MA, M.Litt, and D.Phil. degrees from Oxford University.

She owns and is the editor of an independent English-language weekly paper being published from Lahore, namely, "Cutting Edge".

Her portfolio includes:-

- Treet Corporation limited
- Treet Holdings Limited
- First Treet Manufacturing Modaraba
- Global Arts Limited
- Cutting Edge (Pvt.) Limited
- Convener, Gulab Devi Chest Hospital, Kasur
- Chairperson, All Pakistan Music Conference



**Syed Shahid Ali**  
Chief Executive Officer

Holding a Masters degree in economics, a graduate diploma in development economics from Oxford University and a graduate diploma in management sciences from the University of Manchester, Syed Shahid Ali became Chief Executive Officer for the Treet Group in 1995. Apart from holding directorships in various companies, he is also actively involved in social and cultural activities and holds senior positions on several hospitals.

His portfolio includes:-

- Treet Corporation limited
- Packages Limited
- Gulab Devi Chest Hospital
- IGI Insurance Limited
- Treet Power Limited
- First Treet Manufacturing Modaraba
- Global Arts Limited
- Loads Limited
- Multiple Autoparts Industries (Pvt.) Limited
- Multiple Autoparts Industries (Pvt.)
- Specialized Autoparts Industries (Pvt.) Limited
- Treet Holdings Limited
- Gulab Devi Chest Hospital, Kasur



**Syed Sheharyar Ali**  
Non-Executive Director

After returning from Saint Louis University, USA in 2001, Syed Sheharyar Ali became one of the youngest directors of Treet Corporation Limited. Currently at the age of 38 he manages a very diversified portfolio consisting of manufacturing, healthcare, information technology, automobiles, sports and music.

His portfolio includes:-

- Treet Corporation limited
- Treet Power Limited
- First Treet Manufacturing Modaraba
- Global Arts Limited
- Loads Limited
- Multiple Autoparts Industries (Pvt.) Limited
- Specialized Autoparts Industries (Pvt.) Limited
- Specialized Motorcycle (Pvt.) Limited
- Cutting Edge (Pvt.) Limited
- Online Hotel Agents (Pvt.) Limited
- Frag Games (Pvt.) Limited
- Punjab Netball Federation
- All Pakistan Music Conference
- Treet Holdings Limited
- Gulab Devi Chest Hospital, Kasur
- Spell Digital Movies (Pvt.) Limited
- Elite Brands Limited
- RoboArt (Pvt.) Limited

## Directors' Profile



**Dr. Salman Faridi**  
Independent Director

He is graduate from Dow Medical College and trained in UK as a Surgeon. He obtained FRCS in 1983. He is also fellow of Royal Society of Medicine. He has vast medical experience of more than two decades in UK, Middle East & Pakistan. Currently, He is Medical Director at the Liaquat National Hospital, Karachi, a largest hospital in the private healthcare in Pakistan. His Portfolio includes:-

- Treet Corporation Limited
- Renacon Pharma Limited
- Standing Member of Pakistan Standard and Quality Authority for healthcare issues
- Member Corporate Syndicate for MBA in Healthcare Management at the Institute of Business Management, Karachi
- Member Advisory Board for Formulation of National Guidelines on the Prophylaxis and Management of Venous Thromboembolism (VTE)



**Muhammad Shafique Anjum**  
Non-Executive Director

Mr. Anjum has been with the Treet Group for over 36 years. With a Mechanical Engineering degree, he has a vast experience in the razor blades and the allied product manufacturing field.

His portfolio includes:-

- Treet Corporation Limited
- Treet Power Limited
- Treet Assets (Pvt.) Limited
- First Treet Manufacturing Modaraba
- Treet HR Management (Pvt.) Limited
- Treet Holdings Limited
- Global Arts Limited



**Mr. Saulat Said**  
Non-Executive Director

Mr. Saulat Said has been involved with some of the largest and oldest names in businesses in Pakistan with experience exceeding 36 years.

His portfolio includes:-

- Treet Corporation Limited
- Multiple Autoparts Industries (Pvt.) Limited
- Renacon Pharma Limited
- Specialized Autoparts Industries (Pvt.) Limited
- Specialized Motorcycles (Pvt.) Limited
- Loads Limited
- Treet Holdings Limited
- First Treet Manufacturing Modaraba
- Hi-Tech Autoparts (Pvt.) Limited
- Global Arts Limited



**Mr. Munir Karim Bana**  
Non-Executive Director

Mr. Munir K. Bana qualified as a Chartered Accountant in 1972 and is a fellow of the Institute of Chartered Accountants of Pakistan. He has been on the Board of Loads Limited and its group companies since 1996, initially serving as Director Finance and later elected as Chief Executive of the Group. Previously, he served on the Boards of multi-national companies, Parke-Davis & Boots, as Finance Director for 18 years. Nominated by the Prime Minister as Honorary Chairman of Karachi Tools, Dies & Moulds Centre, a public private-partnership, he served the institution for over 10 years. He was elected Chairman of Pakistan Association of Automotive Parts & Accessories Manufacturers ("PAAPAM") in 2012-13. He has been Board member of Treet Corporation since 2008.

His portfolio includes:-

- Treet Corporation Limited
- Multiple Autoparts Industries (Pvt.) Limited
- Specialized Autoparts Industries (Pvt.) Limited
- Specialized Motorcycles (Pvt.) Limited
- Loads Limited
- Treet Holdings Limited
- First Treet Manufacturing Modaraba
- Global Arts Limited
- Hi-Tech Autoparts (Pvt.) Limited



**Mr. Imran Azim**  
Non-Executive Director

Mr. Imran Azim brings more than a two-decade experience with him to the board of Treet. His experience includes work in one of the largest financial institutions, asset management and manufacturing companies.

His portfolio includes:-

- Treet Corporation Limited
- Habib Asset Management Limited
- Treet Holdings Limited
- First Treet Manufacturing Modaraba
- Global Arts Limited

# Mission, Vision Statements

## MISSION STATEMENT

Our MISSION is, to satisfy and meet the needs of our customers, providing our products and services with the quality, adjusted to their needs and preferences and to create value for our stakeholders through originality and strict adherence to our principles. We being a conscientious producer, and having stood the test of time, will continue our emphasis on responding to customer need with value added products and services. It is our belief that we can fulfill this mission through a unique combination of industry vision, effective supply chain management and innovative technology.

## VISION STATEMENT

To be innovative in our field to the benefit of society, we will fairly compete in quality, technology, sales and marketing expertise, while ensuring sound financial and sustainable growth of the Treet Group for the sake of its stakeholders and reputation.

## PRINCIPLE

We will base our human resources systems on our proven principles reflective of our core values and our commitment to attract, reward, develop and motivate sophisticated people. They will reflect the global scope of our business while demonstrating responsibility and flexibility with respect to cultural diversity, and statutory and regional business realities.

## EMPHASIS

Our emphasis on continuous improvement in all aspects of our business will enable us to reward our certificate holders and employees.

## SOCIAL RESPONSIBILITY

We will continually strive to be environmentally responsible and support the communities where we operate and the industries in which we participate.

## CORPORATE VALUES

- Total Customer Services
- Long-Term Business Focus
- Technology Oriented
- Quality & Reliability
- Staff Development & Teamwork
- Effective Resources & Cost Management
- Corporate Responsibility



## Chairperson's Review Report

I am pleased to place before you annual report together with audited financial statements of First Treet Manufacturing Modaraba for the year ended on 30th June 2017 and the auditors' report thereon.

Generally 2016-2017 was a good year for the Country and for the Modaraba specifically. Your Modaraba maintained its operating performance with the except of the following:

1. Interest Income which was main contributor to the profitability last year (FY-2016 was not available this year (FY-2017));
2. Prices of palm oil has shown escalation till January 2017 which reduced the margin of the Soap segment;

Your Modaraba is bringing state of the art technology comparatively having more efficiency and bringing maintenance free sealed batteries (MFSB) in Pakistan with multinational brand name (i.e. Daewoo) for Batteries which is already a well-established name in the Country. Moreover, Korean experts in the field will be handling this project. Trial / commercial production will be started in the last quarter of this calendar year.

Your Modaraba has maintained effective system of Internal Controls, upgraded its Information System and has successfully implemented Oracle Financials across its business units (SBUs).

At the Board level we endeavor to fulfill our Corporate Social Responsibility, nurture Business Ethics across the business units and operate an effective Administrative Procedures and Controls coupled with very sound Human Resource Management Policies designed by our Holding Company i.e. Treet Corporation Limited.

We stay committed to effective product mix management, optimization of our value chain process, investment in technology and information systems and promoting a balanced trilateral customer-organization-supplier relationship.

We firmly believe in reducing business risk through our diversification stratagem [investment policy] and mitigating financial risk through our Financing Strategy.

We would like to thank our customers for their trust and also like to thank all our colleagues, management and staffs that are strongly committed to their work as the success of your Modaraba is built around their efforts. We also thank our certificate-holders for their confidence in the Modaraba and assure them that we are committed to do our best to ensure best rewards for their investment in the Modaraba.



**Dr. Mrs. Niloufer Qasim Mahdi**  
Chairperson

**October 05, 2017**  
**Lahore**

## Directors' Report

Board of Directors of Treet Holdings Limited (THL), the Modaraba Company of First Treet Manufacturing Modaraba (FTMM), is pleased to present the Directors' Report on the 11th annual accounts of FTMM for the year ended June 30, 2017. These accounts have been audited by statutory auditors of the Modaraba and are accompanied by their audit report.

### ECONOMIC OUTLOOK

Macro-economic environment remained conducive [despite uncertain political scenario] during the year. Pakistan economy posted remarkable improvements during 2016-2017. GDP growth reached to 5.28 percent in 2016-17 which is the highest in 10 years.

Delving deeper into FY18, manufacturing activity is expected to benefit from higher development spending, growing investment in CPEC-related projects, improvement in security conditions and low cost of borrowing. Industrial outlook is positive couple with promising major crops and positive spillover on service sector.

CPI inflation increased to 4.20% from 2.90% last year but this inflation is mainly resultant from demand side growth ensuing in declined unemployment rate.

Foreign exchange reserves slightly declined but remained healthy. Exchange rate vis-à-vis US\$ generally remained stable. The policy interest rate, which is the lowest in a decades and stood at 5.75 percent, was particularly helpful for private sector credit expansion. KIBOR remained stable during the period.

[Source: Monetary Policy Statement, September 2017 of State Bank of Pakistan & Pakistan Economic Survey 2016-17]

Prices of commodities and metals have shown increase from July 2016 to January 2017 but after that they are calming down.

### FINANCIAL RESULTS :

|  | Rs. in 000 | 2016-2017 | 2015-2016 | % Change |
|--|------------|-----------|-----------|----------|
| Sales (net)  |            | 2,621,735 | 2,663,830 | -01.58%  |
| Net Profit   |            | 204,577   | 244,358   | -16.28%  |
| Earnings per Certificate                           |            | 1.05      | 1.47      | -28.57%  |
| Transfer to Statutory Reserve – 39.70% (2016: 48%) |            | 81,213    | 117,292   | -30.76%  |
| Book Value per Certificate                         |            | 23.22     | 22.81     | 01.71%   |

| Rs. in 000                           | Corrugated Packaging |           | Soap      |           |
|--------------------------------------|----------------------|-----------|-----------|-----------|
|                                      | 2016-2017            | 2015-2016 | 2016-2017 | 2015-2016 |
| Gross Sales                          | 2,012,387            | 2,109,085 | 1,087,083 | 1,008,296 |
| Inter-Segment Sales                  | 16,793               | 17,457    | -         | -         |
| Less: Sales Tax & Excise & Discounts | (283,625)            | (278,025) | (194,110) | (175,526) |
| Total Sales                          | 1,745,555            | 1,848,517 | 892,973   | 832,770   |
| Gross Profit*                        | 218,951              | 223,402   | 129,916   | 142,738   |
| Gross Profit %                       | 12.54%               | 12.09%    | 14.55%    | 17.14%    |
| Operating Profit*                    | 92,637               | 85,425    | 107,017   | 119,089   |

\* Adjusted for Intra-segment sale/purchase

## GENERAL

Sales volumes are slightly reduced mainly because of corrugation segment but gross margins are decreased due to escalation of raw material prices (mainly palm oil). Net profit is reduced mainly because of other income (e.g. profit on debts) available in last year.

## CORRUGATED PACKAGING

Sales volumes & Gross Margins are maintained. Efforts are being made to broaden the customer base through market diversification, particularly this stratagem is apparent to avoid bad debts in the ailing industries.

## SOAPS

Soaps sales volumes are increased and revenue is maintained. However, margins are declined due to increase in the raw material prices. Prices of palm oil are coming down and margins of this segment will improve in the coming months.

## BATTERY PLANT

Your Modaraba is setting up battery (lead acid) project. Batteries (for vehicles/UPS) growth in the Country remained impressive in the last five to six years. This trend is likely to continue.

FTMM will build, construct, commission, procure, erect and run/manage "lead acid battery" plant of the state of the art technology being capable of producing 2.00 million batteries per annum of various sizes and amperes for motor vehicles/ UPS. 40 acres of land has been acquired by the FTMM for the purpose.

## CURRENT STATUS OF THE PROJECT:

| Land  | 40acre in FIDEMC in Faisalabad                            |  |
|---|---|--|
| Plant & Machinery                             | 100% of Machinery has arrived                             | Plant has been installed and erected – 95%   |
| Building                                      | Prefabricated Structure                                   | Civil Work : Production Hall – 100% Complete<br>Civil Work : Others – 70% Complete |
| Commencement of Trial / Commercial Production | October ~ November 2017                                   |  |
| Distribution Channel                          | Already established through trading of imported batteries |  |

# Directors' Report

## DIVIDEND

The Board is pleased to announce final cash dividend @ 5.98% i.e. Re. 0.5984 per Certificate of Rs. 10/- each (2016: 6.27% i.e. Re. 0.627 per Certificate)

## APPROPRIATIONS

|  | Rs. in '000     |
|--|-----------------|
| Profit for the Year  | 204,577         |
| Un-appropriated profit brought forward   | 91,466          |
| <b>Transferred to Statutory Reserves (39.70%) for the year ended June 30, 2017</b>   | <b>(81,213)</b> |
| Final dividend paid @ 6.27% for the year ended June 30, 2016   | (122,641)       |
| Incremental depreciation charged during the year   | 1,382           |
| Un-appropriated profit carried forward   | 93,571          |
| Final Dividend for the year ended June 30, 2017 @ Rs. 0.5984 per certificate (i.e. 5.98%) - 97.37 % of the Profit (plus surplus transferred less statutory reserves) | 117,042         |

## FUTURE OUTLOOK

Going forward, Pakistan's economic growth will further boost during 2017-2018 due to high investment in infrastructure, improved security environment and energy supply.

**Growth is expected to strengthen to 5.2-5.7% percent in FY 2016/17, supported in part by an expected pick-up of investment related to the China Pakistan Economic Corridor (CPEC)**

Moreover, relatively lower import prices of inputs, low interest rates, and better energy supplies are expected to boost manufacturing sector. Improved security situation would help in attracting foreign investment thus adding on to the sustainability of growth.

While the global growth outlook for 2017 is subdued, trend in international oil prices remains uncertain. Similarly, anticipations of the impact of interest rate hike by the US -Fed, slow down in the Chinese economy, and aftermath of Brexit on international financial and commodity markets is building up on this prevalent uncertainty.

The management of your Modaraba is well aware of the posed challenges and is deploying most feasible marketing mix at trade and retail levels and is taking all possible measures to meet these challenges. Moreover, your Modaraba is continually reviewing its business strategy to cope with the threats and has been incessantly endeavoring not only to tap alternative inexpensive sources of raw material/inputs but also trying to optimize the throughput.

*Going forward, however, challenges remain. Besides fiscal dominance, law and order conditions have yet to improve and energy shortages still persist. There is no room for complacency and considerable effort is required to bring a sustainable improvement to increase productivity, efficiency, and competitiveness of the Modaraba, and to ensure high growth rates that are both sustainable as well as more profitable.*

## CORRUGATED PACKAGING

The LSM growth stood at 5.06 percent during July-March FY 2017 compared to 4.6 percent in the same period last year. The sectors recording positive growth during Jul-Mar FY 2017 are textile 0.78 percent, food and beverages 9.65 percent, pharmaceuticals 8.74 percent, non-metallic minerals 7.11 percent, cement 7.19 percent, automobiles 11.31 percent, iron & steel 16.58 percent, fertilizer 1.32 percent, electronics 15.24 percent, paper

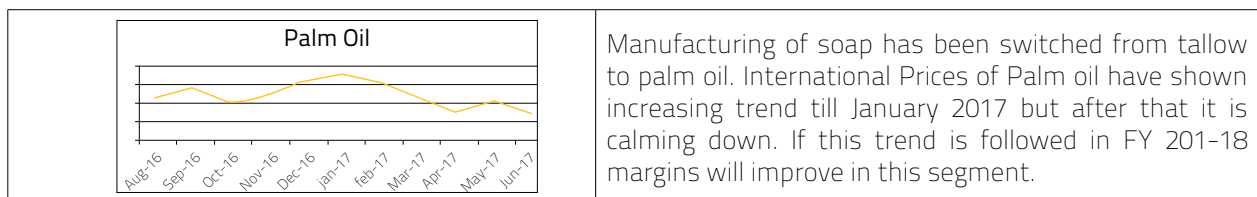
& board 5.08 percent, engineering products 2.37 percent, and rubber products 0.04 percent. The agriculture sector met its growth target of 3.5 percent.

Demand of corrugation is derived demand stemming from the industrial and agricultural activities in the Country. Growth rate in both segments remains positive this year and this momentum is likely to continue in FY 2017-18.

Paper & board segment also experienced positive growth and this segment will show consistent results and due to sustained efforts through broadening of consumer base this trend is likely to continue in FY18.

Moreover, if recent oil prices prevail, power rates, transportation charges etc. are unlikely to be increased. Thus, it is expected that margins will be maintained in the coming year.

## SOAP



## Battery

Your Modaraba is setting up battery (lead acid) project. Batteries (for vehicles/UPS) growth in the Country

Your Modaraba is bringing state of the art technology comparatively having more efficiency and bringing maintenance free sealed batteries (MFSB) in Pakistan with multinational brand name (i.e. Daewoo) for Batteries which is already a well-established name in the Country. Moreover, Korean experts in the field are handling this project.

Trial/commercial production will be started in the last quarter of the year.

Overall plan by the parent Company i.e. Treet Corporation Limited is to establish channel of distribution and market of the batteries well before our own production comes in the market. We have agreement with the Daewoo International Corporation to market their brand name under the name of "Daewoo" in Pakistan.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

In compliance with the Code, the Board of Directors of Modaraba Company states that:

- The financial statements, prepared by the management of Modaraba, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Modaraba have been maintained.
- Appropriate accounting policies are consistently applied by your Modaraba in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of these financial statements and any departure there from, if any, has been adequately disclosed.
- The system of Internal Control, being implemented in your Modaraba is sound and has been effectively persisted throughout the year.
- Keeping in view the financial position of your Modaraba, we do not have any significant doubt upon its continuance as a going concern.
- There also has not been any material departure from the best practices of corporate governance, as detailed in the listing regulations, during the year under review.



# Directors' Report

## Meetings of the Board of Directors

During the year the Board of Directors of Modaraba Company has met 04 times and the attendance at each of these meetings is as follows:-

### Attendance of Board Meetings during the year 2016-2017

| Sr. No.            | Name                          | Designation             | 7/ Oct/16 | 27/ Oct/16 | 24/ Feb/17 | 27/ Apr/17 | 2016-2017 |
|--------------------|-------------------------------|-------------------------|-----------|------------|------------|------------|-----------|
| 1                  | Dr. Mrs. Niloufer Qasim Mahdi | Chairperson             | A         | P          | P          | A          | 2/4       |
| 2                  | Syed Shahid Ali Shah          | Chief Executive Officer | P         | P          | P          | A          | 3/4       |
| 3                  | Mr. Saulat Said               | Non-Executive Director  | P         | P          | P          | P          | 4/4       |
| 4                  | Dr. Salman Faridi             | Independent Director    | P         | P          | A          | P          | 3/4       |
| 5                  | Mr. Imran Azim                | Non-Executive Director  | P         | P          | P          | P          | 4/4       |
| 6                  | Mr. Munir Karim Bana          | Non-Executive Director  | P         | P          | P          | P          | 4/4       |
| 7                  | Mr. Muhammad Shafique Anjum   | Non-Executive Director  | P         | A          | A          | P          | 2/4       |
| 8                  | Syed Sheharyar Ali            | Non-Executive Director  | P         | P          | P          | P          | 4/4       |
| Quorum of Meetings |                               |                         | 7/8       | 7/8        | 6/8        | 6/8        |           |
| P                  | Present in the Meeting        |                         |           |            |            |            |           |
| A                  | Leave of Absence              |                         |           |            |            |            |           |

## AUDIT COMMITTEE

In compliance with the Code, the Board of Directors of your Modaraba Company has established an Audit Committee.

| Sr. No.            | Name                   | Designation | 7/ Oct/16 | 27/ Oct/16 | 24/ Feb/17 | 27/ Apr/17 | 2016-2017 |
|--------------------|------------------------|-------------|-----------|------------|------------|------------|-----------|
| 1                  | Dr. Salman Faridi      | Chairman    | P         | P          | A          | P          | 3/4       |
| 2                  | Mr. Imran Azim         | Member      | P         | P          | P          | P          | 4/4       |
| 3                  | Mr. Munir Karim Bana   | Member      | P         | P          | P          | P          | 4/4       |
| Quorum of Meetings |                        |             | 3/3       | 3/3        | 2/3        | 3/3        |           |
| P                  | Present in the Meeting |             |           |            |            |            |           |
| A                  | Leave of Absence       |             |           |            |            |            |           |

## TERMS OF REFERENCE OF AUDIT COMMITTEE

The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department and compliance status of audit observations.

The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors and considers any question of resignation or removal of external auditors, audit fees and provision of any service to the Company by its external auditors in addition to the audit of its financial statements.

The Terms of Reference of the Audit Committee are consistent with those stated in the Code of Corporate Governance and broadly include the following:

Review of the interim and annual financial statements of the Modaraba prior to approval by the Board of Directors.

- (i) Review of the interim and annual financial statements of the Modaraba prior to approval by the Board of Directors.
- (ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.
- (iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Modaraba.
- (iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.
- (v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.
- (vi) Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors.
- (vii) Review of management letter issued by the External Auditors and Management response thereto:

#### **Report of the Audit Committee:**

The Committee performs its functions in accordance with the terms of reference as approved by the Board and reviewed the following key items during the current financial year.

#### **FINANCIAL REPORTING:**

The Committee reviewed, discussed and recommended for Board approval, the draft Interim and Annual Results of the Modaraba. The Committee discussed with the CFO, HIA and External Auditors of the Company on significant accounting policies, estimates and judgments applied in preparing the financial information.

#### **REVIEW OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE (CCG):**

The committee places great importance on ensuring compliance with the best practices of the Code of Corporate Governance. In this respect, the Committee annually reviews the Modaraba's Compliance with the CCG.

#### **APPOINTMENT OF EXTERNAL AUDITORS:**

As per the requirements of the CCG and term of reference of the Audit Committee, the Committee recommended the appointment and remuneration of External Auditors to the Board for their approval.

#### **REVIEW OF MANAGEMENT LETTER ISSUED BY THE EXTERNAL AUDITORS:**

The Committee also reviews the Management Letter issued by the External Auditors' wherein control weaknesses are highlighted. Compliance status of previously highlighted observations by the External Auditors' is reviewed and corrective measures are discussed to improve the overall control environment.

#### **INTERNAL AUDIT**

In compliance with the Code, the Board of Directors of your Modaraba Company has also established an Internal Audit Function to monitor and review the adequacy and implementation of Internal Control at each level of your Modaraba.

# Directors' Report

## AUDITORS

The Audit Committee has recommended the appointment of external auditors, Messers Kreston Hyder Bhimji & Co., Chartered Accountants for the tenure of next year 2017-2018.

## SHARI'AH ADVISOR

Mufti Muhammad Javed Hassan is the Shari'ah advisor to the Modaraba. Annual Shari'ah Advisor's Report is attached with this report.

## PATTERN OF CERTIFICATE-HOLDING

The pattern of certificate-holding of your Modaraba as on June 30, 2017 is annexed with this report. This statement is in accordance with the amendments made through the Code.

## HR & ADMINISTRATION

Complete HR Function is outsourced to associated Company Treet HR Management (Private) Limited who is labor hire Company specialized in providing workforce to host companies under service agreement and taking all responsibilities of the workforce.

## ACKNOWLEDGEMENT

The Board would like to take this opportunity to express gratitude and thanks to our valuable customers for their patronage and support, the Securities and Exchange Commission of Pakistan, the Pakistan Stock Exchange Limited and Modaraba Association of Pakistan for their continuous support and guidance.

Special thanks to our certificate holders for the trust and confidence reposed in us.

For and on behalf of the Board



Syed Shahid Ali  
Chief Executive Officer

Dated: October 05, 2017  
Lahore

## ڈائریکٹرز کی رپورٹ

انٹرنل آڈٹ:

آپ کی مضاربہ کمپنی کے بورڈ آف ڈائریکٹرز نے کوڈ کی تعمیل کرتے ہوئے انٹرنل آڈٹ فنکشن بھی قائم کیا ہے تاکہ آپ کے مضاربہ کی ہر سطح پر انٹرنل کنٹرول ضرورت کے مطابق ہونے اور عمل درآمد کی نگرانی کی جائے اور اس کا جائزہ لیا جاسکے۔

آڈیٹرز

آپ کی مضاربہ کمپنی نے سفارش کی ہے کہ موجودہ آڈیٹرز، مینسز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کو جو سبکدوش ہونے والے ہیں اور اہل ہونے کے ناتے خود کو دوبارہ تقرر کے لیے پیش کر رہے ہیں، ایک اور مدت کے لیے کمپنی کے آڈیٹرز مقرر کر دیا جائے۔ بورڈ نے رجسٹرار آف مضاربہ کمپنیز اینڈ مضاربہ کی منظوری سے مشروط، ان کے تقرر کی توثیق کر دی ہے۔

شریہ مشیر

مفتی محمد جاوید حسن، مضاربہ کے شریہ مشیر ہیں۔ شریہ مشیر کی سالانہ رپورٹ اس رپورٹ کے ساتھ منسلک ہے۔

شوقیلیٹ ہولڈنگس کا پیٹرن

آپ کے مضاربہ کا شوقیلیٹ ہولڈنگس پیٹرن، جو 30 جون، 2017 کو تھا اس رپورٹ کے ساتھ منسلک ہے۔ یہ اسٹیٹمنٹ ان ترامیم کے مطابق ہے جو کوڈ کے ذریعے کی گئیں۔

آسانی وسائل اور انتظامیہ

آج آکا پورا کام، بالخصوص کمپنی ٹریٹ ایچ آر مینجمنٹ (پرائیویٹ) لمیٹڈ کو آڈٹ سروس کیا ہوا ہے جو کارکنوں کو بھرتی کرنے والی کمپنی ہے، یہ سروس ایگریمنٹ کے تحت میزبان کمپنیوں کو ورک فورس فراہم کرنے میں خصوصی مہارت کی حامل ہے اور ورک فورس کی تمام ذمہ داریاں اٹھاتی ہے۔

اظہار تشکر

بورڈ اس موقع پر، سرپرستی اور تعاون کرنے پر اپنے گرام قدر کسٹمرز، سکیورٹیز اینڈ ایڈیٹریج کمیشن آف پاکستان، پاکستان اسٹاک ایکسچینج لمیٹڈ اور مضاربہ ایسوسی ایشن آف پاکستان کا ان کی مسلسل حمایت اور رہنمائی پر شکر یہ ادا کرتا ہے۔

ہم پھر وسر اور اعتماد کرنے پر شوقیلیٹ ہولڈرز کا خصوصی طور پر شکر یہ۔

برائے اور از طرف



سید شاہد علی  
چیف ایگزیکٹو آفیسر

بتاریخ: 05 اکتوبر، 2017

لاہور

## آڈٹ کمیٹی

کوڈ کی تعمیل کرتے ہوئے آپ کی مضاربہ کمپنی کے بورڈ آف ڈائریکٹرز نے ایک آڈٹ کمیٹی قائم کی ہے۔

سال 2016-17 کے دوران آڈٹ کمیٹی کے اجلاسوں میں حاضری

| نمبر شمار | نام               | عہدہ           | 2 اکتوبر-16 | 27 اکتوبر-16 | 24 فروری-17 | 27 اپریل-17 | 2016-2017 |
|-----------|-------------------|----------------|-------------|--------------|-------------|-------------|-----------|
| 1         | ڈاکٹر سلمان فریدی | چیئرمین / ممبر | P           | P            | A           | P           | 3/4       |
| 2         | عمران عظیم        | ممبر           | P           | P            | P           | P           | 4/4       |
| 3         | منیر کریم بانا    | ممبر           | P           | P            | P           | P           | 4/4       |
|           | کورم آف مینٹنز    |                | 3/3         | 3/3          | 2/3         | 3/3         |           |

## آڈٹ کمیٹی کے قواعد و ضوابط

کمیٹی وقفے وقفے سے مالیاتی گوشواروں پر غور کرتی ہے اور اس امر کو یقینی بنانے کے لیے مالیاتی پالیسیوں اور طور طریقوں کا جائزہ لیتی ہے کہ انٹرنل کنٹرول کا ایک موثر اور مضبوط نظام کام کر رہا ہے۔ یہ کمیٹی انٹرنل آڈٹ ڈیپارٹمنٹ کی طرف سے جاری کردہ آڈٹ رپورٹس اور آڈٹ آئز رویشز کے کچھ انٹنس اسٹینڈس کا بھی جائزہ لیتی ہے۔ یہ آڈٹ کمیٹی بورڈ آف ڈائریکٹرز کو ایکسٹرنل آڈیٹرز کے تفریحی سفارش کرنے کی بھی ذمہ دار ہے اور ایکسٹرنل آڈیٹرز کے استغناء یا سبکدوشی، آڈٹ فیس اور مالیاتی گوشواروں کے آڈٹ کے علاوہ، ایکسٹرنل آڈیٹرز کی طرف سے کمپنی کو کسی سروس کی فراہمی جیسے معاملات پر بھی غور و خوض کرتی ہے۔

آڈٹ کمیٹی کا ضابطہ کاران ضوابط کے مطابق ہے جن کا ذکر کوڈ آف کارپوریٹ گورننس میں ہے اور وسیع معنوں میں ان میں درج ذیل شامل ہیں:

- بورڈ آف ڈائریکٹرز کی طرف سے منظوری سے قبل مضاربہ کے عبوری اور سالانہ مالیاتی گوشواروں پر نظر ثانی۔
- عبوری اور حتمی آڈٹس سے پیدا ہونے والی بڑی آئز رویشز پر ایکسٹرنل آڈیٹرز کے ساتھ مشاورت؛ ایکسٹرنل آڈیٹرز کی طرف سے جاری کیے جانے والے بیجمنٹ لیٹر اور اس بارے میں انتظامیہ کے رد عمل کا جائزہ۔
- اس امر کو یقینی بنانے کے لیے انٹرنل آڈٹ کے دائرے اور حد کا جائزہ کہ آڈٹ فنکشن کے پاس مناسب وسائل ہیں اور یہ مضاربہ کے اندر صحیح طریقے سے کام کر رہا ہے۔
- فائنانشل اور آپریشنل کنٹرولز، اکاؤنٹنگ سسٹم اور رپورٹنگ اسٹریکچر سمیت، انٹرنل کنٹرول سسٹم کے مناسب اور موثر طریقے سے کام کرنے کے بارے میں معلومات کا حصول۔
- متعلقہ قانونی تقاضوں کی پابندی کا تعین اور کارپوریٹ گورننس کے بہترین طور طریقوں کی تعمیل پر نظر رکھنا۔
- خصوصی پرائیکٹس شروع کرنا، نئی اسٹریٹجی کی قدر و قیمت یا بورڈ آف ڈائریکٹرز کی طرف سے سونے جانے والے کسی معاملے کی تفتیش۔
- ایکسٹرنل آڈیٹرز کی طرف سے جاری کردہ بیجمنٹ لیٹر اور اس بارے میں بیجمنٹ کے جواب پر غور۔

## آڈٹ کمیٹی کی رپورٹ:

کمیٹی، بورڈ کی طرف سے منظور کردہ قواعد و ضوابط کے مطابق اپنے فرائض انجام دیتی ہے اور اس نے رواں مالی سال کے دوران درج ذیل کلیدی آئٹمز کا جائزہ لیا۔

## فائنانشل رپورٹنگ:

کمیٹی نے مضاربہ کے عبوری اور سالانہ نتائج کا جائزہ لیا، مشاورت کی اور بورڈ کی منظوری کے لیے سفارش کی۔ کمیٹی نے مالیاتی معلومات کی تیاری میں اختیاری جانے والی اہم اکاؤنٹنگ پالیسیوں، تخمینوں اور فیصلوں کے بارے میں سی ایف او، ایچ آئی اے اور مضاربہ کے ایکسٹرنل آڈیٹرز کے ساتھ گفت و شنید کی۔

کوڈ آف کارپوریٹ گورننس (سی سی جی) کی تعمیل کا جائزہ:

کمیٹی کوڈ آف کارپوریٹ گورننس کے بہترین طور طریقوں کی پابندی کو یقینی بنانے کو بہت زیادہ اہمیت دیتی ہے۔ اس ضمن میں کمیٹی سی سی جی کے ساتھ مضاربہ کی تعمیل کا سالانہ جائزہ لیتی ہے۔

## ایکسٹرنل آڈیٹرز کا تفریح:

کمیٹی نے سی سی جی اور آڈٹ کمیٹی کے قواعد و ضوابط کے تقاضوں کے مطابق بورڈ کو ان کی منظوری کے لیے ایکسٹرنل آڈیٹرز کے تفریح اور مشاہرے کی سفارش کی۔

ایکسٹرنل آڈیٹرز کی طرف سے جاری کردہ بیجمنٹ لیٹر پر غور:

کمیٹی ایکسٹرنل آڈیٹرز کی طرف سے جاری کردہ بیجمنٹ لیٹر کا بھی جائزہ لیتی ہے، جس میں کنٹرول کی کمزوریوں پر روشنی ڈالی جاتی ہے۔ ایکسٹرنل آڈیٹرز کی طرف سے پہلے اجاگر کی گئی آئز رویشز کے کچھ انٹنس اسٹینڈس پر نظر ثانی کی جاتی ہے اور کنٹرول کے مجموعی ماحول کو بہتر بنانے کے لیے اصلاحی اقدامات پر مشاورت کی جاتی ہے۔



## ڈائریکٹرز کی رپورٹ

### تخصیصات

|               |   |
|---------------|---|
| روپے '000 میں |   |
| 204,577       | منافع برائے سال   |
| 91,466        | غیر تخصیص شدہ منافع جو آگے ملا یا گیا   |
| (81,213)      | 30 جون، 2017 کو ختم ہونے والے سال کے لیے (39.70%) منتقل کیے گئے سٹوری ریروز   |
| (122,641)     | 30 جون، 2016 کو ختم ہونے والے سال کے لیے 6.27% کی شرح سے ادا کردہ منافی منافع مقسمہ                                   |
| 1,382         | سال کے دوران چارج ہونے والی انگریجمنٹ ڈیپریسی ایشن  |
| 93,571        | غیر تخصیص شدہ منافع جو آگے ملا یا گیا   |
| 117,042       | 30 جون، 2017 کو 0.5984 روپے فی سٹوکیٹ کی شرح سے (یعنی 5.98%) - منافع کا 97.37% (مع فاضل منتقل کردہ منافی سٹوری ریروز) |

### کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

مضاربہ کمپنی کا بورڈ آف ڈائریکٹرز، ضابطے کی تعمیل کرتے ہوئے بیان کرتا ہے کہ:

- ☆ مضاربہ کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، آپریٹنگ کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلی کی دیانت داری کے ساتھ عکاس کرتے ہیں۔
- ☆ مضاربہ کے حسابات کے کھاتے صحیح طریقے سے رکھے جاتے ہیں۔
- ☆ مالیاتی گوشواروں کی تیاری میں آپ کے مضاربہ کی طرف سے مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا جاتا ہے اور اکاؤنٹنگ کے تخمینوں کی بنیاد معقول اور محتاط فیصلے پر ہے۔ ان مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کے بین الاقوامی معیارات پر، جیسا کہ پاکستان میں قابل اطلاق ہیں، عمل کیا گیا ہے اور ان سے کسی انحراف، اگر کہیں ہوا ہے، کا مناسب طریقے سے ذکر کیا گیا ہے۔
- ☆ آپ کے مضاربہ میں انٹرنل کنٹرول کے جس سسٹم پر عمل کیا جاتا ہے وہ بالکل درست ہے، اور یہ پورے سال کے دوران موثر طریقے سے نافذ رہا ہے۔
- ☆ آپ کے مضاربہ کی مالی صورت حال کو پیش نظر رکھتے ہوئے، ہمیں آگے بڑھتے ہوئے ادارے کی حیثیت سے اس کے تسلسل کے بارے میں کوئی شک و شبہ نہیں ہے۔
- ☆ زید غور سال کے دوران کارپوریٹ گورننس کے ان بہترین طور طریقوں سے کوئی مادی انحراف نہیں کیا گیا، جن کی تفصیل لسٹنگ ریگولیشنز میں درج ہے۔

### بورڈ آف ڈائریکٹرز کے اجلاس

سال کے دوران مضاربہ کمپنی کے بورڈ آف ڈائریکٹرز کا 04 مرتبہ اجلاس ہوا، جن میں ہر ممبر کی حاضری درج ذیل رہی۔

### سال 2016-17 کے دوران بورڈ اجلاسوں کے دوران حاضری

| نمبر شمار | نام                         | عہدہ                  | 17 اکتوبر - 16 | 27 اکتوبر - 16 | 24 فروری 17 | 27 اپریل 17 | 2016-2017 |
|-----------|-----------------------------|-----------------------|----------------|----------------|-------------|-------------|-----------|
| 1         | ڈاکٹر مسز نیلو فرقا سم مہدی | چیئر پرسن             | A              | P              | P           | A           | 2/4       |
| 2         | سید شاہد علی شاہ            | چیف ایگزیکٹو آفیسر    | P              | P              | P           | A           | 3/4       |
| 3         | جناب صولت سعید              | نان ایگزیکٹو ڈائریکٹر | P              | P              | P           | P           | 4/4       |
| 4         | ڈاکٹر سلمان فریدی           | انڈیپنڈنٹ ڈائریکٹر    | P              | P              | A           | P           | 3/4       |
| 5         | عمران عظیم                  | نان ایگزیکٹو ڈائریکٹر | P              | P              | P           | P           | 4/4       |
| 6         | منیر کریم بانا              | نان ایگزیکٹو ڈائریکٹر | P              | P              | P           | P           | 4/4       |
| 7         | محمد شفیع انجم              | نان ایگزیکٹو ڈائریکٹر | P              | A              | A           | P           | 2/4       |
| 8         | سید شہیر یار علی            | نان ایگزیکٹو ڈائریکٹر | P              | P              | P           | P           | 4/4       |
|           | اجلاسوں کا کورم             |                       | 7/8            | 7/8            | 6/8         | 6/8         |           |
|           | اجلاس میں شریک              | P                     |                |                |             |             |           |
|           | غیر حاضری کی رخصت           | A                     |                |                |             |             |           |

## ڈائریکٹرز کی رپورٹ

فرسٹ ٹریٹ مینجنگ مزاربہ (ایف ٹی ایم ایم) کی مزاربہ کمپنی ٹریٹ ہولڈنگز لمیٹڈ (ٹی ایچ ایل) کے بورڈ آف ڈائریکٹرز کو 30 جون، 2017 کو ختم ہونے والے سال کے لئے ایف ٹی ایم ایم کے گیارہویں سالانہ اکاؤنٹس کے بارے میں ڈائریکٹرز رپورٹ نہایت خوشی سے پیش کرتے ہیں۔ ان اکاؤنٹس کا مزاربہ کے قانونی آڈیٹرز کی طرف سے آڈٹ کیا جا چکا ہے اور ان کے ساتھ ان کی آڈٹ رپورٹ منسلک ہے۔

معاشی منظر نامہ

پاکستان کی معیشت نے مالی سال 2017 میں قابل ذکر کارکردگی کا مظاہرہ کیا۔ نہ صرف معاشی نمونہ 5.28 کی سطح پر آیا بلکہ ہنگامی کی شرح میں بھی استحکام رہا۔ تمام شعبوں کی کارکردگی بہتر رہی، LSM شعبہ میں اضافہ قابل ذکر رہا۔ آپ کے مزاربہ نے تمام شعبوں میں نہ صرف اپنی کارکردگی کو برقرار رکھا بلکہ آنے والے سال کے لیے بیڑی پروجیکٹ کے لیے بھی تیاری مکمل کر لی ہے۔ ہمیں امید ہے کہ بیڑی پروجیکٹ میں اس سال کے آخر تک پیداوار میں آجائیں گے۔

مالیاتی نتائج

| روپے '000 میں                      | 2016-2017 | 2015-2016 | % چارج  |
|------------------------------------|-----------|-----------|---------|
| سیلز (خالص)                        | 2,621,735 | 2,663,830 | -01.58% |
| خالص منافع                         | 204,577   | 244,358   | -16.28% |
| آمدنی فی سرٹیفکیٹ                  | 1.05      | 1.47      | -28.57% |
| سٹوری ریزرو میں منتقلی (2016: 48%) | 81,213    | 117,292   | -30.67% |
| بک ویلٹیو فی سرٹیفکیٹ              | 23.22     | 22.81     | 01.71%  |

شعبہ دار تجزیہ

| روپے '000 میں                             | کورڈ گیڈ پیکجنگ |           | صابن      |           |
|---|-----------------|-----------|-----------|-----------|
|   | 2016-2017       | 2015-2016 | 2016-2017 | 2015-2016 |
| گراس سیلز                                 | 2,012,387       | 2,109,085 | 1,087,083 | 1,008,296 |
| انٹرگینٹ سیلز                             | 16,793          | 17,457    | -         | -         |
| سیلس ٹیکس، ایکسائز اور ڈسکاؤنٹ کو نکال کر | (283,625)       | (278,025) | (194,110) | (175,526) |
| نٹل سیلز                                  | 1,745,555       | 1,848,517 | 892,973   | 832,770   |
| مجموعی منافع                              | 218,951         | 223,402   | 129,916   | 142,738   |
| مجموعی منافع %                            | 12.54%          | 12.09%    | 14.55%    | 17.14%    |
| آپریٹنگ پرافٹ                             | 92,637          | 85,425    | 107,017   | 119,089   |

پراجیکٹ کا موجودہ اسٹیٹس

|                   |  |  |
|-------------------|--|--|
| اراضی             | ایف آئی ای ڈی ایم سی، فیصل آباد میں 140 ایکڑ                     | کیفیت  |
| پلانٹ اور مشینری  | تقریباً 100% فیصد مشینری پہنچ چکی ہے                             | 95% مشینری لگ چکی ہے۔                                    |
| عمارت             | پری فیمبر یکٹیڈ اسٹرکچرز زیر تکمیل ہے                            | سول ورک پروجیکشن ہال 100% مکمل اور دوسرا سول ورک جاری ہے |
| پیداوار کا آغاز   | اکتوبر - نومبر 2017  | --   |
| ڈسٹری بیویشن چینل | درآمد شدہ بیٹریوں کی ٹریڈنگ کے ذریعے پہلے سے قائم کیا جا رہا ہے۔ | --   |

منافع منقسمہ

بورڈ کو 10 روپے فی سرٹیفکیٹ کے حساب سے 5.98% یعنی 0.5984 روپے فی سرٹیفکیٹ نقد منافع منقسمہ کا اعلان کرتے ہوئے خوشی ہے۔ (2016: 6.27% یعنی 0.627 روپے فی سرٹیفکیٹ)۔

# Statement of Ethics and Business Practices

## Guidelines to Business Conduct

### EMPLOYEES

- No one should ask any employee to break the law, or go against Treet Group policies and values.
- We treat all employees equally and fairly.
- We do not tolerate any form of harassment.
- Information and necessary facilities are provided to perform jobs in a safe manner.
- Employees must not use, bring, or transfer illegal drugs or weapons on Treet Group property.
- Employees should report suspicious people and activities.

### BUSINESS PARTNERS

- Avoid conflicts of interest and identify situations where they may occur.
- Do not accept or give gifts, favors, or entertainment if it will appear to obligate the person who receives it.
- Use and supply only safe, reliable products and services.
- Respect our competitors and do not use unfair business practices to hurt our competition.
- Do not have formal or informal discussions with our competitors on prices, markets or products, or production or inventory levels.
- Manufacture and produce products according to contract specifications.
- Market our products and services in an honest and fair manner.
- Do not compromise our values to make a profit.

### BUSINESS RESOURCES

- Do not use inside information about the Treet Group for personal profit. Do not give such information to others.
- Do not use Treet Group resources for personal gain or any non-business purpose.
- Protect confidential and proprietary information.
- Do not use Treet Group resources to send, receive, access or save electronic information that is sexually explicit, promotes hate, violence, gambling, illegal drugs, or the illegal purchase or use of weapons.
- Do not make false or misleading entries into the companies' books or records (within a Treet Group).

### COMMUNITIES

- Follow all laws, regulations and Treet Group policies that apply to your work.
- Do not entice or give money or anything of value to government officials to influence their decisions.
- We measure and assess our performance, and are open and clear in our environmental communications.
- When Treet Group's standards are higher than what is required by local law, we meet the higher standards.

# Corporate Social Responsibility

**TREET GROUP** believes that a responsible attitude toward society and the environment can make a business more competitive, more resilient to shocks, and more likely to attract and hold both consumers and the best employees.

**TREET GROUP** feels that social attitude is a significant part of its risk management and reputation strategy. In a world where brand value and reputation are increasingly seen as a Treet Group's most valuable assets, responsible social attitude can build the loyalty and trust that ensure a bright sustainable future.

**Fundamental to success for Treet Group (and to our vision and corporate values) are based on following premises:**

## **CUSTOMERS**

Our future existence relies on understanding and satisfying our customers' present and future needs. Our goal is to be recognized by our customers as a high quality, innovative and cost effective supplier, and the most desirable to do business with. We recognize that, as a result, the next person in the process is our customer.

## **OUR PEOPLE**

We value our family of employees as essential to the success of our Treet Group. We aim to develop a long term trusting relationship with each employee, encouraging their contributions and assisting in their personal development and education. In all dealings we will be fair and consistent.

## **PRODUCTS AND SERVICES**

We are recognized at large by our end products and services. We will endeavor to produce technologically advanced products and services that offer superior quality and value. Continued innovation and improvement are critical to our survival and growth.

## **SUPPLIERS**

We view suppliers of goods and services as an extension of our Treet Group, with whom we wish to develop long term trusting relationships. We expect our suppliers to embrace our quality improvement philosophy in their dealing with us.

## **CERTIFICATE HOLDERS**

We aim to be a Group in whom our certificate holders have trust and pride. We will keep our certificate holders properly informed of our Treet Group's performance and prospects. We recognize the need to provide our certificate holders with an excellent return on investment, consistent with long term growth.

## **PLANNING**

All short term decisions will be consistent with long term objectives that balance the needs of our people, customers, suppliers and certificate holders. Each year these objectives will be widely communicated within our Treet Group.

## QUALITY IMPROVEMENT

We believe in step by step continual improvement of everything that we are engaged in, including our administration, marketing, sales, design, service, distribution and manufacturing. We will encourage crossfunctional communication and co-operation to aid this.

## ENVIRONMENT

Reflecting our commitment to a cleaner world, we aim to develop products and manufacturing processes which are as friendly to the environment as practicable.

## SOCIETY

We will conduct our business at all times in a fair, ethical, consistent and professional manner. We accept our responsibilities to be a responsible community neighbour, and will continue to support community affairs.

## HEALTH, SAFETY AND ENVIRONMENT POLICY

It is Treet Group policy to;

- Minimize its environmental impact, as much as economically and practically possible
- Save raw material, water and energy and avoid wastage (and reprocess the waste to the maximum possible extent)
- Ensure that all its present and future activities are conducted safely without endangering the health of its employees, its customers and the public
- Develop plans and procedures and provide resources to successfully implement the policy and for dealing effectively with any emergency
- Provide environmental, health and safety training to all employees and other relevant persons to enable them to carry out their duties safely without causing harm to themselves, others and to the environment
- Ensure that all its activities comply with national environmental, health and safety regulations

## DONATIONS , CHARITIES , CONTRIBUTIONS AND OTHER PAYMENTS OF A SIMILAR NATURE ;

Companies within Treet Group are, subject to Board's approval, encouraged to provide support to local communities through donations, charities etc. to fulfill its duty towards social cause. But companies in our Treet Group will not, in any case, contribute any amount;

- (a) to any political party; or
- (b) for any political purpose to any individual or body.

Moreover, companies in **Treet Group** shall not distribute gifts in any form to its members in its meeting.



# Investment / Funding and Dividend Policies

## INVESTMENT POLICY

- The Executive Committee of the Directors is responsible for seeking/evaluating and recommending either;
- Portfolio Investments (i.e. in Shares/ Securities etc. (Fresh Issues or Market Purchase) or Financial claims); or
- Investment in New Projects (either equity based or loan based); or
- Joint Ventures; or
- Investment in Intangibles (Goodwill/ Trade Marks/ Patents etc.)

Moreover, Executive Committee ensures that Proposed Investments are set out in Treet Group's vision and Strategic domain.

## FUNDING POLICY

It is Treet Group's policy not only to utilize funds efficiently but also to seek funds from the cheapest source(s).

Treet Group advertently evaluates, from time to time, different funding options for;

- Working Capital Requirements (including import/export financing)
- Medium Term Rollovers/Capital Requirements
- Long Term Project Based Requirements

These funding options may include;

- Internally Generated Funds\*
- Bank Borrowings (Short Term as well as Long Term)
- Trade & Sundry Credits
- Debt Instruments (Commercial Papers/ Bonds/ TFC etc.) issued to Institutions or Public in general
- Subordinate- Debts
- Leasing (Operating as well as Capital)
- Equity Financing etc.

\*This includes Intra-Treet Group resource sharing. Corporate strategy (by the parent Company i.e. Treet Corporation Limited) will seek to develop synergies by sharing and coordinating staff and other resources across business units, investing financial resources across business units, and using business units to complement other corporate business activities.

Moreover, the above funding options may augment other ancillary financial products (i.e. derivatives like shares options etc.).

## DIVIDEND POLICY

The companies in Treet Group in general meeting may declare dividends; but no dividend shall exceed the amount recommended by the directors; and

- No dividend shall be declared or paid by a Company for any financial year out of the profits of the Company made from the sale or disposal of any immovable property or assets of a capital nature comprised in the undertaking or any of the undertaking of the Company; and
- No dividend shall be paid by a Company otherwise than out of profits of the Company; and
- The Board may approve and pay to the Members such interim dividends as appears to be justified by the profits of the Company; and
- The Board may, before recommending any dividend, set aside out of the profits of the Company, such sums as they think proper as a reserve(s), which shall, at the discretion of the Board, be applicable for meeting contingencies etc.; and
- Company's dividend decision will be auxiliary to Company's Financing Policy

#### **Dividend Policy for First Treet Manufacturing Modaraba**

Not less than 90% of the net income in respect of the Modaraba's business [non-trading] activities, determined after setting aside the mandatory reserves as per Prudential Regulations for Modaraba, is to be distributed at least once in every year to the certificate holders in proportion to the number of certificates held by them. Distribution will be in the form of cash dividend. No dividend shall be paid otherwise than out of the profits of the Modaraba for the year or any other distributed profits.

## Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

The Modaraba has applied the principles contained in the CCG in the following manner:

1. The Modaraba encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

| Category                | Name of Directors  |
|-------------------------|--|
| Independent Director    | i. Dr. Salman Faridi   |
| Executive Director      | i. Syed Shahid Ali   |
| Non-Executive Directors | i. Dr. Mrs. Niloufer Qasim Mahdi<br>ii. Syed Sheharyar Ali<br>iii. Mr. Muhammad Shafique Anjum<br>iv. Mr. Saulat Said<br>v. Mr. Imran Azim<br>vi. Mr. Munir Karim Bana |

The independent director meets the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Modaraba (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Modaraba are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Modaraba has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/Certificate Holders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director relected by the board for this purpose and the board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

## Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2017

9. During the year under review no training program was arranged by the Modaraba. All Directors meets the criteria of exemption under the clause (xi) of the Code and are accordingly exempted from the Directors' Training Program.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the board.
13. The Directors, CEO and Executives do not hold any interest in the Certificates of the Modaraba other than that disclosed in the pattern of Certificates Holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises four Members. All Members are Non- Executive Directors and the Chairman of the Committee is an Independent Director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee ave been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba.
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Modaraba and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s)
22. HR Committee has not been formed because all the work force is out sourced.

23. In compliance with the Code of Corporate Governance, the Board has established mechanism for an annual evaluation of its own performance.
24. The Modaraba has complied with the requirements relating to maintenance of Register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
25. We confirm that all other material principles enshrined in the CCG have been complied with.

For and Behalf of the Board of Directors



Syed Shahid Ali Shah  
Chief Executive Officer

Lahore  
October 05, 2017

## Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Treet Holdings Limited ("the Modaraba Management Company")** in respect of **First Treet Manufacturing Modaraba (the Modaraba)** for the year ended 30 June 2017 to comply with the requirements of Listing Regulation no. 5.19.24 of the Rule Book of Pakistan Stock Exchange Limited where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Modaraba to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

Lahore:  
October 05, 2017



KRESTON HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS  
Engagement Partner –  
Syed Aftab Hameed, FCA

## Annual Shari'ah Advisor Report

I have conducted the Shari'ah review of **First Treet Manufacturing Modaraba managed by Treet Holdings Limited** Modaraba Management Company for the financial year ended **June 30, 2017** in accordance with the requirements of the Shari'ah Compliance and **Shari'ah Audit Mechanism for Modarabas** and report that except the observations as reported hereunder, in my opinion:

i. the Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;

ii. no major developments in the following took place during the year:

- a) Research and new product development
- b) Training and Development

iii. the agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met

iv. to the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas.

v. profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising products etc are not applicable to this Modaraba.

vi. the earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to charity accounts.



**Mufti Muhammad Javed Hassan**  
**Shari'ah Advisor**  
**First Treet Manufacturing Modaraba**

Dated: October 05, 2017

# Financial Statements

For the year ended June 30, 2017



## Auditors' Report to The Certificate-Holders

We have audited the annexed balance sheet of First Treet Manufacturing Modaraba ("the Modaraba") as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, 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.

These financial statements are the Modaraba Management Company's responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba companies and Modaraba Rules, 1981. 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 financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba companies and Modaraba Rules, 1981;
- b) in our opinion:
  - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii. the expenditure incurred during the period was for the purpose of the Modaraba's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of Modaraba.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2017 and of the profit, its total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Modaraba for the year ended June 30, 2017 were audited by the outgoing auditors' Messrs KPMG Taseer Hadi and Co., Chartered Accountants, Lahore, whose audit report dated October 07, 2016 expressed unqualified opinion.



KRESTON HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS  
Engagement Partner –  
Syed Aftab Hameed, FCA

Lahore:  
October 05, 2017

## Balance Sheet

As at 30 June 2017

|  | Note | 2017<br>(Rupees in thousand) | 2016             |
|--|------|------------------------------|------------------|
| <b>Assets</b>  |      |                              |                  |
| <b>Non-current assets</b>  |      |                              |                  |
| Property, plant and equipment  | 4    | 6,827,550                    | 3,780,937        |
| Long term advances   | 5    | 11,447                       | 15,294           |
| Long term deposits   | 6    | 12,795                       | 12,389           |
|  |      | 6,851,792                    | 3,808,620        |
| <b>Current assets</b>  |      |                              |                  |
| Stores and spares  | 7    | 65,543                       | 65,729           |
| Stock in trade   | 8    | 455,117                      | 358,845          |
| Trade debtors  | 9    | 615,611                      | 378,708          |
| Advances, deposits, prepayments and other receivables                              | 10   | 117,460                      | 55,075           |
| Tax refunds due from the Government  | 11   | 569,913                      | 323,814          |
| Cash and bank balances   | 12   | 147,628                      | 200,209          |
|  |      | 1,971,272                    | 1,382,380        |
| Non current assets held for sale   | 13   | 44,240                       | -                |
| <b>Total current assets</b>  |      | <b>2,015,512</b>             | <b>1,382,380</b> |
| <b>Total assets</b>  |      | <b>8,867,304</b>             | <b>5,191,000</b> |
| <b>Equity and liabilities</b>  |      |                              |                  |
| <b>Certificate capital and reserves:</b>   |      |                              |                  |
| Authorized certificate capital<br>250,000,000 Modaraba Certificates of Rs. 10 each |      | 2,500,000                    | 2,500,000        |
| Issued, subscribed and paid up certificate capital                                 | 14   | 1,956,000                    | 1,956,000        |
| Statutory reserve  | 15   | 511,941                      | 430,728          |
| Certificate premium  | 16   | 1,952,870                    | 1,952,870        |
| Unappropriated profit  |      | 93,571                       | 91,466           |
| Certificate holders' equity  |      | 4,514,382                    | 4,431,064        |
| <b>Surplus on the revaluation of property, plant and equipment</b>                 | 17   | <b>28,371</b>                | <b>29,753</b>    |
|  |      | 4,542,753                    | 4,460,817        |
| <b>Non-current liabilities</b>   |      |                              |                  |
| Long term liability against purchase of land                                       | 18   | 56,426                       | 112,849          |
| <b>Current liabilities</b>   |      |                              |                  |
| Current maturity of liability against purchase of land                             | 18   | 56,423                       | 56,423           |
| Retention money  |      | 38,128                       | 7,327            |
| Short term borrowings  | 19   | 3,829,585                    | 270,332          |
| Trade and other payables   | 20   | 341,769                      | 283,252          |
| Accrued profit on secured borrowings   |      | 2,220                        | -                |
|  |      | 4,268,125                    | 617,334          |
| <b>Contingencies and commitments</b>   | 21   |                              |                  |
| <b>Total equity and liabilities</b>  |      | <b>8,867,304</b>             | <b>5,191,000</b> |

The annexed notes 1 to 37 form an integral part of these financial statements.

LAHORE  
October 05, 2017



Syed Shahid Ali  
Chief Executive Officer



Muhammad Shafique Anjum  
Director

# Profit and Loss Account

For the year ended 30 June 2017

|  | Note | 2017<br>(Rupees in thousand) | 2016           |
|--|------|------------------------------|----------------|
| Sales - net  | 22   | 2,621,735                    | 2,663,830      |
| Cost of sales  | 23   | (2,272,868)                  | (2,297,690)    |
| <b>Gross profit</b>  |      | <b>348,867</b>               | <b>366,140</b> |
| <b>Operating expenses</b>                                  |      |                              |                |
| Administration and general expenses                        | 24   | (45,281)                     | (55,249)       |
| Selling and distribution cost                              | 25   | (103,932)                    | (113,004)      |
|  |      | (149,213)                    | (168,253)      |
| <b>Operating profit</b>                                    |      | <b>199,654</b>               | <b>197,887</b> |
| Finance cost   | 26   | (6,273)                      | (1,752)        |
| Other income   | 27   | 11,196                       | 48,223         |
| <b>Profit before taxation</b>                              |      | <b>204,577</b>               | <b>244,358</b> |
| Taxation   | 28   | -                            | -              |
| <b>Net profit for the year</b>                             |      | <b>204,577</b>               | <b>244,358</b> |
| <b>Earnings per modaraba certificate basic and diluted</b> | 29   | <b>1.05</b>                  | <b>1.47</b>    |

The annexed notes 1 to 37 form an integral part of these financial statements.

## Statement of Comprehensive Income

For the year ended 30 June 2017

|  | 2017<br>(Rupees in thousand) | 2016           |
|--|------------------------------|----------------|
| Profit after taxation  | 204,577                      | 244,358        |
| <i>Items that will may or may not be reclassified to profit and loss</i> |                              |                |
| Other comprehensive income   | -                            | -              |
| <b>Total comprehensive income for the year</b>                           | <b>204,577</b>               | <b>244,358</b> |

The annexed notes 1 to 37 form an integral part of these financial statements.

LAHORE  
October 05, 2017



Syed Shahid Ali  
Chief Executive Officer



Muhammad Shafique Anjum  
Director

# Cash Flow Statement

For the year ended 30 June 2017

| Note   | 2017<br>(Rupees in thousand) | 2016               |
|--|------------------------------|--------------------|
| <b>Cash flow from operating activities</b>                     |                              |                    |
| Profit before taxation   | 204,577                      | 244,358            |
| Adjustment for non-cash items:                                 |                              |                    |
| Depreciation on operating fixed assets                         | 29,765                       | 31,654             |
| Gain on disposal of operating fixed assets                     | (10)                         | -                  |
| Provision for doubtful debts                                   | -                            | 11,741             |
| Reversal of excess provision for doubtful debts                | (2,423)                      | -                  |
| Exchange Loss  | 326                          | 991                |
| Finance cost   | 5,947                        | 761                |
|  | 33,605                       | 45,147             |
| <b>Operating profit before working capital changes</b>         | <b>238,182</b>               | <b>289,505</b>     |
| (Increase)/ Decrease in current assets:                        |                              |                    |
| Stores and spares  | 186                          | (17,349)           |
| Stock in trade   | (96,272)                     | 115,633            |
| Trade debtors  | (234,480)                    | (25,437)           |
| Advances, deposits, prepayments and other receivables          | (62,385)                     | (24,386)           |
| Tax refunds due from the government - sales tax adjustable     | (256,092)                    | (226,012)          |
|  | (649,043)                    | (177,551)          |
| Increase in current liabilities:                               |                              |                    |
| Retention money  | 30,801                       | 3,521              |
| Trade and other payables                                       | 23,814                       | 151,475            |
| <b>Cash (used) / generated from operations</b>                 | <b>(356,246)</b>             | <b>266,950</b>     |
| Finance cost paid  | (4,053)                      | (761)              |
| Income tax refunds / (paid) - net                              | 9,993                        | (3,429)            |
| Long term advances - net                                       | 3,848                        | 4,684              |
| Long term deposits - net                                       | (406)                        | (2,189)            |
| <b>Net cash (used) / generated from operating activities</b>   | <b>(346,864)</b>             | <b>265,255</b>     |
| <b>Cash flow from investing activities</b>                     |                              |                    |
| Operating fixed assets including related long term liability   | (61,728)                     | (307,008)          |
| Capital work in process incurred;                              | (3,115,321)                  | (2,896,051)        |
| Proceeds from disposal of operating fixed assets               | 17                           | -                  |
| Short term investment realized                                 | -                            | 200,000            |
| <b>Net cash used in investing activities</b>                   | <b>(3,177,032)</b>           | <b>(3,003,059)</b> |
| <b>Cash flow from financing activities</b>                     |                              |                    |
| Profit distributed to certificate holders                      | (122,641)                    | (80,848)           |
| Short term borrowings acquired from banking companies          | 300,000                      | -                  |
| Borrowings from related party - parent Company                 | 3,259,253                    | 270,332            |
| Proceeds from issue of Modaraba certificates                   | -                            | 2,604,870          |
| <b>Net cash generated from financing activities</b>            | <b>3,436,612</b>             | <b>2,794,354</b>   |
| <b>Net (decrease) / increase in cash and cash equivalents</b>  | <b>(87,284)</b>              | <b>56,550</b>      |
| <b>Cash and cash equivalents at the beginning of year</b>      | <b>199,931</b>               | <b>143,381</b>     |
| <b>Cash and cash equivalents at the end of year</b>            | <b>112,647</b>               | <b>199,931</b>     |
| The reconciliation in cash and cash equivalents is as follows: |                              |                    |
| Cash and cash equivalents                                      |                              |                    |
| Cash and bank balances   | 12                           | 200,209            |
| Temporary book overdraft - unsecured                           |                              | (278)              |
| <b>Cash and cash equivalents at the end of the year</b>        |                              | <b>199,931</b>     |

The annexed notes 1 to 37 form an integral part of these financial statements.

LAHORE  
October 05, 2017

  
Syed Shahid Ali  
Chief Executive Officer

  
Muhammad Shafique Anjum  
Director

# Statement of Changes in Equity

For the year ended 30 June 2017

|   | Certificate Capital | Capital Reserves    |                   | Revenue Reserve        | Total            |
|---|---------------------|---------------------|-------------------|------------------------|------------------|
|   |                     | Certificate premium | Statutory Reserve | Un-appropriated Profit |                  |
| ------(Rupees in thousand)-----   |                     |                     |                   |                        |                  |
| Balance as at 30 June 2015  | 1,304,000           | -                   | 313,436           | 43,866                 | 1,661,302        |
| Total comprehensive income  | -                   | -                   | -                 | 244,358                | 244,358          |
| Transaction with owners of the Modaraba - distribution  |                     |                     |                   |                        |                  |
| Issue of modaraba certificates during the year  | 652,000             | 1,952,870           | -                 | -                      | 2,604,870        |
| Profit distribution @ 6.2% for the year ended 30 June 2016  | -                   | -                   | -                 | (80,848)               | (80,848)         |
|   | 652,000             | 1,952,870           | -                 | (80,848)               | 2,524,022        |
| Surplus transferred to unappropriated profit on account of incremental depreciation charged during the year | -                   | -                   | -                 | 1,382                  | 1,382            |
| Transfer to statutory reserve @ 48%   | -                   | -                   | 117,292           | (117,292)              | -                |
| Balance as at 30 June 2016  | 1,956,000           | 1,952,870           | 430,728           | 91,466                 | 4,431,064        |
| Total comprehensive income for the year   | -                   | -                   | -                 | 204,577                | 204,577          |
| Transaction with owners of the Modaraba - contributions and distributions                                   |                     |                     |                   |                        |                  |
| Profit distribution @ 6.27% for the year ended 30 June 2017   | -                   | -                   | -                 | (122,641)              | (122,641)        |
| Surplus transferred to unappropriated profit on account of incremental depreciation charged during the year | -                   | -                   | -                 | 1,382                  | 1,382            |
| Transfer to statutory reserve @ 39.70%  | -                   | -                   | 81,213            | (81,213)               | -                |
| <b>Balance as at 30 June 2017</b>   | <b>1,956,000</b>    | <b>1,952,870</b>    | <b>511,941</b>    | <b>93,571</b>          | <b>4,514,382</b> |

The annexed notes 1 to 37 form an integral part of these financial statements.

LAHORE  
 October 05, 2017

  
 Syed Shahid Ali  
 Chief Executive Officer

  
 Muhammad Shafique Anjum  
 Director

# Notes to the Financial Statements

For the year ended 30 June 2017

## 1 Legal status and nature of business

First Treet Manufacturing Modaraba ("the Modaraba") is a multipurpose, perpetual and multi dimensional Modaraba formed on 27 July 2005 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there-under and is managed by Treet Holdings Limited (a wholly owned subsidiary of Treet Corporation Limited), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 72 - B, Kot Lakhpat, Industrial Area, Lahore. The Modaraba is listed on Pakistan Stock Exchange Limited (Formerly Lahore Stock Exchange (Guarantee) Limited). The Modaraba is engaged in the manufacture and sale of corrugated boxes and soaps and is in the process of establishing a battery manufacturing unit in Faisalabad. The commercial production of battery project is expected to commence in next financial year.

## 2 Basis of preparation

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan, provisions of and directives issued under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by Securities and Exchange Commission of Pakistan (SECP). In case requirements of IFRS differ, the provisions of or directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP shall prevail.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for land and buildings which are carried at revalued amount.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Modaraba's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest thousand, unless otherwise stated.

### 2.4 Significant accounting estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows:

#### **2.4.1 Useful life and residual values of property, plant and equipment**

The Modaraba reviews the useful life and residual value of property, plant and equipment on regular basis to determine that expectations are not significantly changed from the previous estimates. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Modaraba uses the technical resources available with it. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation / amortization charge and impairment, if any.

#### **2.4.2 Stock in trade and stores and spare parts**

The Modaraba reviews the net realizable value of items of stores, spare parts and loose tools and stock-in-trade to assess any possible impairment on annual basis. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Any change in the estimates in the future might affect the carrying amount of respective item of store, spare parts and loose tools and stock in trade, with corresponding effects on the provision for impairment, if any.

#### **2.4.3 Provision for doubtful debts, advances and other receivables**

The Modaraba reviews recoverability of its trade debts, advances and other receivables on annual basis to assess amount of bad debts and provision there against. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required.

#### **2.4.4 Employees' retirement benefits**

The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market-related value at the beginning of the year. Gratuity cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

#### **2.4.5 Contingencies**

The Modaraba has disclosed significant contingent liabilities for the pending litigations and claims against it based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognised at the balance sheet date. However, based on the best judgment of the Modaraba and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognise any liability at the balance sheet date.



# Notes to the Financial Statements

For the year ended 30 June 2017

## 2.4.6 Provision for income taxes

Instances where the Modaraba's view differs with the view taken by the income tax department at the assessment stage and where the Modaraba considers that its view on items of a material nature is in accordance with the law, the amounts are shown as contingent liabilities.

## 2.5 New and Amended Standards and Interpretations

**Standards, interpretations and amendments to published approved accounting standards that are effective**

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on January 1, 2016 and are considered to be relevant to the Modaraba's operations:

- a) IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

The amendments provide clarification on number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals

Notes – confirmation that the notes do not need to be presented in a particular order.

Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

- b) IAS 16, 'Property, Plant and Equipment' - Amendments regarding the clarification of acceptable methods of depreciation and amortization and amendments bringing bearer plants into the scope of IAS 16.

IAS 38, 'Intangible Assets' - Amendments regarding the clarification of acceptable methods of depreciation and amortization.

The above amendments / interpretations do not have any significant impact on these financial statements.

## 2.6 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016 are considered not to be relevant to Modaraba's financial statements and hence have not been detailed here.

## 2.7 Standards, interpretations and amendments to publish approved accounting standards that are not yet effective and have not been early adopted by the Modaraba

The following are the new standards and amendments to approved accounting standards are not effective for the financial year beginning on or after July 1, 2016 and have not been early adopted by the Modaraba:

- a) IFRS 9, 'Financial Instruments' is applicable on accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. This IFRS is under consideration of SECP and the Modaraba. The Modaraba has yet to assess the impact of these changes on its financial statements.
- b) IFRS 15, 'Revenue from contracts with customers' is applicable on accounting periods beginning on or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Modaraba has yet to assess the impact of this standard on its financial statements.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not yet relevant to the Modaraba and, therefore, have not been presented here.

## 3 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, except as mentioned in note 3.1.

### 3.1 Taxation

#### Current

Under the current taxation law, income of the Modaraba is exempt from income tax provided it distributes at least 90% of its profits as cash dividend to the certificate holders out of current year's total profit after appropriating statutory reserves under section 37 of the Modaraba Companies and Modaraba (floatation and control) Ordinance, 1980.

Where such profit is not distributed, provision for current tax is made on taxable income for the year at the current tax rates applicable to Modaraba after taking into account the available tax exemptions and tax credits, if any.

#### Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the balance sheet liability method. However, deferred taxation has not been recognised in these financial statements as the management believes that the income of Modaraba will not be taxable in the foreseeable future as the Modaraba intends to continue availing the tax exemption through profit distribution of at least ninety percent of distributable profits.

# Notes to the Financial Statements

For the year ended 30 June 2017

## 3.2 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any except for freehold land and buildings. Freehold land is stated at revalued amount carried out by independent valuers by reference to its current market price less impairment loss, if any. Buildings on freehold land is stated at revalued amount carried out by independent valuers by reference to its current market price less accumulated depreciation and impairment loss, if any. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the buildings, and the net amount is restated to the revalued amount of the buildings. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs. The cost of self constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the assets to a working condition for their use as intended by the management.

Depreciation is provided on straight line method at rates specified in note 4.1 to the financial statements so as to write off the cost of property, plant and equipment over their estimated useful life. Depreciation on additions to property, plant and equipment is charged from the day on which an asset is available for use till the day the asset is retired from active use or the asset is disposed off.

Residual value and the useful life of assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized as income or expense in the profit or loss account.

### Capital work in progress

Capital work-in-progress represents expenditure on property, plant and equipment in the course of construction and installation. Transfers are made to relevant category of property, plant and equipment as and when assets are available for use. Capital work in progress is stated at cost, less any identified impairment loss.

Impairment tests for property, plant and equipment are performed annually or whenever there is an indication of impairment.

## 3.3 Stores and spares

These are valued at the moving average cost except for items in transit, which are valued at invoice price and related expenses incurred upto the balance sheet date. The Modaraba reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools.

#### **3.4 Stock in trade**

Stock of raw materials, packing materials, work-in-process and finished goods are valued at lower of moving average cost and net realizable value except for stock in transit which is valued at invoice price and related expenses. Cost in relation to work-in-process and finished goods includes prime cost and appropriate proportion of production overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and the cost necessary to be incurred to make the sales.

#### **3.5 Trade and other receivables**

These are carried at amounts recognized at invoice value which is the fair value of the consideration receivable less an estimate of doubtful debts based on a review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off as and when identified, while debts considered doubtful of recovery, if any, are fully provided for in these financial statements.

#### **3.6 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, current and deposit account balances with banks and outstanding balance of running finance facilities availed by the Modaraba, if any.

#### **3.7 Trade and other payables**

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of business, if longer), if not, they are classified as non-current liabilities.

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received whether or not billed to the Modaraba.

#### **3.8 Financial instruments**

Financial assets and liabilities are recognized, when the Modaraba becomes a party to the contractual provisions of the instrument and de-recognized when the Modaraba loses control of the contractual rights to receive cash flows from the assets that comprise the financial asset or the rights have been transferred and the Modaraba has transferred substantially all the risks and rewards of ownership. In case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets include trade debts, advances, deposits, other receivables, cash and bank balances. These are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial liabilities are recognized according to the substance of the contractual arrangements entered into. Significant financial liabilities are long term liability against purchase of land, short term borrowings, markup and profit payable, trade and other payables, retention money payable and due to related parties.

#### **Offsetting of financial assets and financial liabilities**

A financial asset and liability is offset against each other and the net amount is reported in the financial statements only when the Modaraba has legally enforceable right to set off the recognized amount and intends either to settle on net basis or realize the asset and settle the liability simultaneously.

# Notes to the Financial Statements

For the year ended 30 June 2017

## 3.9 *Impairment*

### Financial assets

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. Impairment losses on available for sale financial assets are recognized by reclassifying accumulated losses in fair value reserve to profit and loss account. All impairment losses are recognized in profit and loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

### Non-financial assets

The carrying amount of the Modaraba's non-financial assets, other than inventories assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognized.

## 3.10 **Non current assets classified as held for sale**

Non current assets are classified as held for sale when the Modaraba intends to sell a non-current asset and if sale within twelve (12) months from the balance sheet date is highly probable that the carrying amount of such assets will be recovered principally through sale rather than its continuing use. Accordingly, the asset is classified as 'held for sale' and presented separately in the balance sheet after the current assets.

Assets classified as 'held for sale' are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Once classified as 'held for sale', the assets are not subject to depreciation or amortisation.

## 3.11 **Equity, reserves and profit distribution**

Share certificate capital represents the face value of certificates that have been issued. Any transaction costs associated with the issuing of certificates are deducted from share certificate capital, net of any related income tax benefits, if any.

Retained earnings include all current and prior period retained profits.

Profit distribution to the certificate holders is recognized in the period in which it is approved.

### **3.12 Surplus on revaluation of property, plant and equipment**

The surplus arising on revaluation of property, plant and equipment is credited to the "Surplus on revaluation of property, plant and equipment account" shown below equity in the balance sheet to the extent that it reverses any deficit in the prior periods whereas any revaluation loss is first offsetted against any surplus arose in prior periods and excess amount of such decrease is charged to profit and loss account. Following amounts are transferred from " Surplus on Revaluation of Property, plant and equipment account" to Retained Earnings through Statement of Changes in Equity to record realization of surplus:

- o an amount equal to incremental depreciation on revaluation surplus on property, plant and equipment for the year or
- o an amount equal to carrying amount of revaluation surplus on property, plant and equipment on its disposal;

### **3.13 Borrowing costs**

Borrowing costs are interest or other costs incurred by the Modaraba in connection with the borrowing of funds. Borrowing cost that is directly attributable to qualifying assets is capitalized as part of cost of that assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account whenever incurred.

### **3.14 Employees retirement benefits - related party**

#### **Defined contribution scheme**

A recognized contributory provident fund scheme namely "Treet Corporation Limited - Group Employees Provident Fund" is in operation covering all permanent employees. Equal contributions are made monthly both by the Modaraba and employees in accordance with the rules of the scheme at 10% of the basic pay.

Another recognized contributory fund scheme is "Treet Corporation Limited - Group Employee Service Fund" which covers all permanent management employees. In accordance with the rules of the scheme, equal monthly contributions are made both by the Modaraba and employees at 10% of the basic pay from the date the employee gets permanent status. Additional contributions may be made by the Modaraba for those employees who have at the most 15 years of service remaining before reaching retirement age, however, employee can start their additional contribution above the threshold limit of 10% of basic pay at any time.

A recognized contributory fund scheme namely "Treet Corporation Limited - Group Employees Benevolent Fund" in operation for the benefit of employees if the employee opts for the scheme. The contributions to the fund are made @ 10% of employees basic salary on monthly basis by both employee and the employer. Periodic bonuses by the Modaraba to all the employees in any year, not exceeding one month's basic salary of an employee, is credited to his personal account in the Fund at the sole discretion of the Modaraba.

An unrecognized contributory fund scheme namely, "Treet Corporation Limited - Group Employees Housing Fund Scheme" is in operation covering permanent management employees with minimum five years of service with the Modaraba. Equal contributions are made monthly both by the Modaraba and employees in accordance with the rules of the Scheme at 20% of the basic pay.

# Notes to the Financial Statements

For the year ended 30 June 2017

## Defined benefit scheme

An approved funded gratuity scheme and a funded superannuation schemes are in operation for all employees with qualifying service periods of six months and ten years respectively. These are operated through "Treet Corporation Limited - Group Employees Gratuity Fund" and "Treet Corporation Limited - Group Employee Superannuation Fund" respectively. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When calculation results in a potential assets for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan.

Re-measurement of net defined benefit liability, which comprise of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. The Company determines net interest expense/(income) on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss.

## 3.15 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events and 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. However, provisions are reviewed at each reporting period to reflect the best current estimate. If it is no longer probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

## 3.16 Contingencies and commitments

These are not accounted for in the financial statements unless these are actual liabilities.

The assessment of contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Modaraba, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

## 3.17 Related party transactions

All transactions with related parties are executed at arm's length prices, determined in accordance with the pricing method as approved by the Board of Directors, except in rarely extreme circumstances, where subject to the approval of the Board, it is in the interest of the Modaraba to do so. Parties are said to be related if they are able to influence the operating and financial decisions of the Modaraba.

## 3.18 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees which is the Moadaraba's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account. All non-monetary assets and liabilities are translated in Pak Rupees using the exchange rates prevailing on the date of transaction or at the date when the fair value was determined.

### 3.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Modaraba Management Company that makes strategic decisions. Segments reported are corrugated boxes, soaps and batteries which also reflects the management structure of the Modaraba. The Modaraba is in the process of establishing a battery manufacturing unit in Faisalabad. The commercial production is expected to commence in next financial year.

### 3.20 Operating leases

Leases including ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to profit on a straight line basis over the lease/ ijarah term unless another systematic basis is representative of the time pattern of the Modaraba's benefit.

### 3.21 Revenue recognition

i) Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Modaraba and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably and there is no continuing management involvement with the goods.

Revenue from sale of goods is recognized when the significant risk and rewards of ownership of the goods are transferred to the buyer.

ii) Return on bank deposits, investments and interest on loans is accounted for on a time proportion basis using the effective rate of return/interest.

iii) Other revenues are recorded on accrual basis.

### 3.22 Earning per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential certificate holders into certificate holders and post-tax effect of changes in profit or loss attributable to certificate holders of the Modaraba that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

## 4 Property, plant and equipment

|                                   | Note | 2017<br>(Rupees in thousand) | 2016      |
|-----------------------------------|------|------------------------------|-----------|
| Operating fixed assets - tangible | 4.1  | 710,613                      | 774,660   |
| Capital work in progress          | 4.2  | 6,116,937                    | 3,006,277 |
|                                   |      | 6,827,550                    | 3,780,937 |





4.1.3 The following assets were disposed off:

|      | Cost                             | Accumulated depreciation | Book value | Sale proceeds | Gain |
|------|----------------------------------|--------------------------|------------|---------------|------|
|      | ----- (Rupees in thousand) ----- |                          |            |               |      |
| 2017 | 56                               | 49                       | 7          | 17            | 10   |
| 2016 | -                                | -                        | -          | -             | -    |

4.1.4 The depreciation charge for the year has been allocated to cost of goods sold and administration & general expenses as under:

|  | Note | 2017<br>(Rupees in thousand) | 2016   |
|--|------|------------------------------|--------|
| Packaging solutions - corrugated boxes | 23   | 25,495                       | 28,642 |
| Soaps                                  | 23   | 2,992                        | 2,977  |
| Batteries (capital work in progress)   |      | 558                          | -      |
| Administration and general expenses    | 24   | 720                          | 35     |
|  |      | 29,765                       | 31,654 |

4.1.5 Had the assets not revalued, the net book value of freehold land and buildings would have amounted to:

|                            |         |         |
|----------------------------|---------|---------|
| Freehold land              | 565,513 | 565,513 |
| Buildings on freehold land | 51,051  | 55,405  |
|                            | 616,564 | 620,918 |

4.1.6 Land and buildings were last revalued on 30 June 2014 by Messrs. Zafar Iqbal & Co (PBA approved valuers, inspectors and engineers) resulting in surplus of Rs. 43.95 million. The basis used for revaluation were as follows:

**Freehold land**

Fair market value of freehold land was assessed through inquiries to real estate agents and property dealers in near vicinity of freehold land. Different valuation methods and exercises were adopted according to experience, location and other usage of freehold land. Valuer had also considered all relevant factors as well.

**Buildings**

Construction specifications were noted for each building and structure and new construction rates are applied according to construction specifications for current replacement values. After determining current replacement values, depreciation was calculated to determine the current assessed market value.

This revaluation surplus on land and buildings shall be utilized only in accordance with the provisions of section 235 of the Companies Ordinance, 1984.

# Notes to the Financial Statements

For the year ended 30 June 2017

## 4.2 Capital work in progress

The movement under this head of account is as follows:

| Description                             | Note  | Opening balance  | Advance disbursed | Transferred to Property, plant and equipment | Closing balance  |
|---|-------|------------------|-------------------|--|------------------|
| ------(Rupees in thousand)-----         |       |                  |                   |  |                  |
| Civil work                              |       | 193,481          | 1,115,262         | -  | 1,308,743        |
| Plant, machinery and equipment          |       | 2,603,999        | 1,130,758         | 4,661  | 3,730,096        |
| Advances for capital expenditure        |       | 95,068           | 535,721           | -  | 630,789          |
| Unallocated project related expenditure | 4.2.1 | 113,729          | 333,580           | -  | 447,309          |
| <b>2017 - Rs. in 000's</b>              |       | <b>3,006,277</b> | <b>3,115,321</b>  | <b>4,661</b>                                 | <b>6,116,937</b> |
| 2016 - Rs. in 000's                     |       | 109,064          | 2,897,213         | -  | 3,006,277        |

### 4.2.1 The breakup of unallocated project related expenses is as follows:

|   | Note | 2017<br>(Rupees in thousand) | 2016           |
|---|------|------------------------------|----------------|
| Salaries and wages                                |      | 202,158                      | 73,275         |
| Traveling and conveyance                          |      | 56,102                       | 22,356         |
| Insurance   |      | 23,428                       | -              |
| Rent Rates & Taxes                                |      | 26,193                       | 958            |
| Others  |      | 139,428                      | 17,140         |
|   |      | <b>447,309</b>               | <b>113,729</b> |
| <b>5 Long term advances</b>                       |      |                              |                |
| Long term advances - unsecured, considered good   | 5.1  | 19,673                       | 20,917         |
| Less: Current maturity shown under current assets | 10   | (8,226)                      | (5,623)        |
|   |      | <b>11,447</b>                | <b>15,294</b>  |

### 5.1 This represents outstanding advance receivable from Khatoon Industries (Private) Limited ("KIL") at the terminal date, detailed as under:

| Advances against            | Amount advanced<br>Rs. in 000s | Adjustable in equal<br>monthly installments |
|-----------------------------|--------------------------------|---|
| Rice Husk Boiler            | 6,854                          | 39  |
| Laboratory                  | 631                            | 36  |
| Warehouse                   | 3,500                          | 14  |
| Weighbridge                 | 415                            | 7   |
| Road construction           | 248                            | 10  |
| Warehouse - II              | 3,600                          | 18  |
| Warehouse road construction | 4,425                          | 23  |
|                             | <b>19,673</b>                  |   |

|   | Note | 2017<br>(Rupees in thousand) | 2016    |
|---|------|------------------------------|---------|
| <b>6 Long term deposits</b>                     |      |                              |         |
| Utility deposits                                |      | 6,790                        | 6,790   |
| Others  |      | 6,005                        | 5,599   |
|   |      | 12,795                       | 12,389  |
| <b>7 Stores and spares</b>                      |      |                              |         |
| Stores  |      |                              |         |
| Corrugation                                     |      | 31,665                       | 25,731  |
| Soap  |      | 6,710                        | 6,903   |
|   |      | 38,375                       | 32,634  |
| Spares  |      |                              |         |
| Corrugation                                     | 7.1  | 32,691                       | 38,618  |
|   |      | 71,066                       | 71,252  |
| Less: Provision for slow moving/obsolete stores |      | (5,523)                      | (5,523) |
|   |      | 65,543                       | 65,729  |

7.1 This includes spares in transit amounting to Rs. Nil (2016: Rs. 2.03 million).

|                         |     |         |         |
|-------------------------|-----|---------|---------|
| <b>8 Stock in trade</b> |     |         |         |
| Raw material            | 8.1 |         |         |
| Corrugation             |     | 159,169 | 183,417 |
| Soap                    |     | 31,865  | 46,903  |
| Battery                 |     | 145,445 | -       |
|                         |     | 336,479 | 230,320 |
| Packing material        |     |         |         |
| Corrugation             |     | 228     | 775     |
| Soap                    |     | 26,364  | 22,084  |
|                         |     | 26,592  | 22,859  |
| Work in process         |     |         |         |
| Corrugation             |     | 35,353  | 36,865  |
| Soap                    |     | 1,438   | 3,432   |
|                         |     | 36,791  | 40,297  |
| Finished goods          |     |         |         |
| Corrugation             |     | 32,711  | 27,758  |
| Soap                    |     | 22,544  | 37,611  |
|                         |     | 55,255  | 65,369  |
|                         |     | 455,117 | 358,845 |

8.1 This includes raw material in transit amounting to Rs. 8.99 million (2016: Rs. 7.2 million).

# Notes to the Financial Statements

For the year ended 30 June 2017

|   | Note   | 2017<br>(Rupees in thousand) | 2016     |
|---|--|------------------------------|----------|
| <b>9 Trade debtors</b>  |  |                              |          |
| Trade debtors - unsecured:                                      |  |                              |          |
| Considered good   |  | 615,611                      | 378,708  |
| Considered doubtful   |  | 22,474                       | 47,314   |
|   |  | 638,085                      | 426,022  |
| Less: Provision for doubtful debts                              | 9.1  | (22,474)                     | (47,314) |
|   |  | 615,611                      | 378,708  |
| <b>9.1 Provision for doubtful debts</b>                         |  |                              |          |
| Balance as at 01 July,  |  | 47,314                       | 35,677   |
| Provision for the year  |  | -                            | 11,741   |
| Written off during the year                                     |  | (24,840)                     | (104)    |
| Balance as at 30 June,  |  | 22,474                       | 47,314   |
| <b>10 Advances, deposits, prepayments and other receivables</b> |  |                              |          |
| <b>Advances to / against:</b>                                   |  |                              |          |
| Employees - secured, considered good                            | 10.1   | 5,155                        | 757      |
| Suppliers - unsecured, considered good                          |  |                              |          |
| Local   |  | 54,405                       | 36,844   |
| Foreign   |  | 1,041                        | -        |
|   |  | 60,601                       | 37,601   |
| <b>Current portion of long term advances</b>                    |  | 8,226                        | 5,623    |
| <b>Security deposits</b>  |  | 1,780                        | -        |
| <b>Prepayments</b>  |  |                              |          |
| Prepaid insurance   |  | 2,016                        | -        |
| Prepaid rent  |  | 4,638                        | 4,192    |
|   |  | 6,654                        | 4,192    |
| <b>Other receivables</b>  |  |                              |          |
| Balance with statutory authorities                              | 10.2   | 31,527                       | -        |
| Lc Margin on deposits   |  | 7,451                        | 7,451    |
| Insurance claim receivable - Related party                      |  |                              |          |
| IGI Insurance Limited - an associated undertaking               |  | 1,221                        | 208      |
|   |  | 40,199                       | 7,659    |
|   |  | 117,460                      | 55,075   |
| <b>10.1</b>   | These are secured against staff retirement benefit plans which are being maintained by Messrs Treet Corporation Limited, a parent Company of the Modaraba. These are interest free and are recovered subsequent to the balance sheet date. |                              |          |
| <b>10.2</b>   | This represents amounts given to Collector of Customs which will be adjusted against the letters of credits. This is unsecured, interest free and adjusted subsequent to the balance sheet date.   |                              |          |
| <b>11 Tax refunds due from the Government</b>                   |  |                              |          |
| Sales tax adjustable  |  | 503,192                      | 247,100  |
| Income tax refundable   |  | 66,721                       | 76,714   |
|   |  | 569,913                      | 323,814  |

|                                  | Note | 2017<br>(Rupees in thousand) | 2016    |
|----------------------------------|------|------------------------------|---------|
| <b>12 Cash and bank balances</b> |      |                              |         |
| Cash in hand                     |      | 6,484                        | 2,281   |
| Cash at banks in:                |      |                              |         |
| Current accounts                 |      | 15,045                       | 113,938 |
| Saving accounts                  | 12.1 | 126,099                      | 83,990  |
|                                  |      | 141,144                      | 197,928 |
|                                  |      | 147,628                      | 200,209 |

12.1 These carry profit rates ranging between 4% to 6.0% (2016: 4% to 6.7%) per annum. These deposits are maintained under Shariah permissible arrangement.

|  |      |        |   |
|--|------|--------|---|
| <b>13 Non-Current Assets Held For Sale</b> |      |        |   |
| Piece of land classified as held for sale  | 13.1 | 44,240 | - |

13.1 During the year, the Board of Directors of the Modaraba in their meeting held on December 06, 2016 decided to sell a piece of land measuring 15 kanals and 16 marlas situated in Gujranwala and accordingly a sale deed between the Modaraba and party - Mursaleen Shafique was duly executed against the sale consideration of Rs. 64.5 million; and therefore the same is classified as non-current asset held for sale. The management expects that the sale will be materialized in near future probably within the next twelve months after the balance sheet date.

#### 14 Issued, subscribed and paid-up certificate capital

##### 14.1 Issued, subscribed and paid-up certificate capital

|  | 2017<br>(Number of Certificates) | 2016        |  | 2017<br>(Rupees in thousand) | 2016      |
|--|----------------------------------|-------------|--|------------------------------|-----------|
|  | 195,599,994                      | 195,599,994 | Modaraba Certificates of Rs. 10 each fully paid-up in cash | 1,956,000                    | 1,956,000 |

|  |      |  |  | 2017<br>(Number of Certificates) | 2016        |
|--|------|--|--|----------------------------------|-------------|
| <b>14.2 Reconciliation of number of certificates</b> |      |  |  |                                  |             |
| Number of certificates as at 01 July                 |      |  |  | 195,599,994                      | 130,399,996 |
| Issued against right Modaraba certificates           | 14.4 |  |  | -                                | 65,199,998  |
| Number of certificates as at 30 June                 |      |  |  | 195,599,994                      | 195,599,994 |

14.3 As at 30 June 2017, Treet corporation Limited, the holding Company holds 89.85% of the entire capital comprising of Rs. 10 each i.e. 175,745,700 (2016: 175,745,700) certificates of the Modaraba. In addition 10.02% of the certificate capital comprising 19,590,563 (2016: 19,590,563) certificates of Rs. 10 each are held by the Modaraba Management Company i.e. Treet Holdings Limited.

14.4 The Board of Directors of the Modaraba Management Company in their meeting held on 12 August 2015 resolved to offer right Modaraba certificates to the certificate holder in the ratio of 50 certificates for every 100 ordinary certificates held, at an exercise price of Rs. 40 per certificate (including a premium of Rs.30 per certificate). Accordingly, the Modaraba issued 65,199,998 certificates as right Modaraba certificates.

# Notes to the Financial Statements

For the year ended 30 June 2017

|  | Note   | 2017<br>(Rupees in thousand) | 2016      |
|--|--|------------------------------|-----------|
| <b>15 Statutory reserves</b>   |  | 511,941                      | 430,728   |
| <p>This represents profit set aside in compliance with the requirements of Prudential Regulations for Modarabas alongwith circular 11 of 2006 issued by the Securities and Exchange Commission of Pakistan and can be utilized only for the purpose specified in regulation 2 of part III of the Prudential Regulations.</p>   |  |                              |           |
| <b>16 Certificate premium</b>  |  | 1,952,870                    | 1,952,870 |
| <p>This represents Certificate premium at the rate of Rs. 30 per certificate in respect of transaction referred to in note 14.4, net of transaction costs amounting to Rs. 3.130 million, against the issuance of right Modaraba certificates. This reserve can be utilized by the Modaraba only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.</p> |  |                              |           |
| <b>17 Surplus on the revaluation of property, plant and equipment</b>  |  |                              |           |
| Surplus attributed to:   |  |                              |           |
| Land and buildings   |  | 23,796                       | 29,753    |
| Land classified as held for sale   |  | 4,575                        | -         |
|  |  | 28,371                       | 29,753    |
| Revaluation surplus as at 01 July  |  | 29,753                       | 31,135    |
| Surplus transferred to unappropriated profits on account of:   |  |                              |           |
| - disposal of land and buildings   |  | -                            | -         |
| - incremental depreciation charged during the year   |  | (1,382)                      | (1,382)   |
|  |  | (1,382)                      | (1,382)   |
| Revaluation surplus as at 30 June  |  | 28,371                       | 29,753    |
| <b>18 Long term liability against purchase of land</b>   |  |                              |           |
| Balance as at 01 July  |  | 169,272                      | 225,695   |
| Less: Payment made during the year   |  | (56,423)                     | (56,423)  |
|  |  | 112,849                      | 169,272   |
| Less: Current maturity of liability  |  | (56,423)                     | (56,423)  |
| Balance as at 30 June  |  | 56,426                       | 112,849   |
| <b>18.1</b>  | <p>This represents long term liability for land purchased in Faisalabad from Faisalabad Industrial Estate Development and Management Company (FIEDMC). The Modaraba has made a payment of Rs. 152.675 million and the remaining amount of Rs. 112.849 million is payable in 8 equal quarterly instalments ending on 4 June 2019.</p> |                              |           |
| <b>19 Short term borrowings - unsecured</b>  |  |                              |           |
| From banking companies - profit bearing  |  |                              |           |
| Bank Islami Pakistan Limited   | 19.1   | 300,000                      | -         |
| From related parties   |  |                              |           |
| Treet Corporation Limited - holding Company  | 19.2   | 3,529,585                    | 270,332   |
|  |  | 3,829,585                    | 270,332   |

|   | Note | 2017<br>(Rupees in thousand) | 2016           |
|---|------|------------------------------|----------------|
| <b>19.1 Bank Islami Pakistan Limited</b>  |      | <b>300,000</b>               | -              |
| <p>This represents Istisna finance facility obtained from Bank Islami for the manufacturing of soap and corrugated boxes out of the sanctioned limit of Rs. 500 million (30 June 2016: Nil). This finance facility carries profit @ 3 months Kibor + 0.5% per annum payable quarterly; and is secured against exclusive ownership of the bank over goods, first charge over all the present and future current assets of the Modaraba amounting to Rs. 667 million including 25% margin to be registered with SECP.</p> <p>In addition to the above mentioned finance facility, the credit facilities from the said bank in the sum of Rs. 1,000 million (30 June 2016: Nil) were remained unutilized at the terminal date.</p> |      |                              |                |
| <b>19.2 Treet Corporation Limited - holding Company</b>   |      | <b>3,529,585</b>             | 270,332        |
| <p>This represents loan obtained from the above named related party to meet the initial project cost of Battery project of the Modaraba. It is unsecured, carries no profit and payable on demand, particularly when the project will commence its commercial operations and generate sufficient cash flows.</p>  |      |                              |                |
| <b>20 Trade and other payables</b>  |      |                              |                |
| Creditors   |      |                              |                |
| Foreign   |      | 142,691                      | 106,526        |
| Local   |      | 24,139                       | 50,786         |
|   |      | 166,830                      | 157,312        |
| Payable to related parties - unsecured, interest free   |      |                              |                |
| Treet Corporation Limited   |      | 35,000                       | 35,000         |
| Treet Holdings Limited  |      | 20,000                       | 20,267         |
| Treet HR Management (Private) Limited   |      | -                            | 662            |
|   |      | 55,000                       | 55,929         |
| Accrued liabilities   |      | 53,946                       | 49,895         |
| Withholding sales tax payable   |      | 7,386                        | 6,619          |
| Temporary book overdraft - unsecured  | 20.1 | 34,981                       | 278            |
| Advances from customers   |      | 4,141                        | 3,047          |
| Income tax deducted at source payable   |      | 9,651                        | 9,365          |
| Advance against land classified as held for sale  | 13   | 9,300                        | -              |
| Unclaimed dividend  |      | 14                           | 8              |
| Other payables  |      | 520                          | 799            |
|   |      | <b>341,769</b>               | <b>283,252</b> |

**20.1** This represents unrepresented cheques at the terminal date, which have been cleared subsequent to the balance sheet date.



# Notes to the Financial Statements

For the year ended 30 June 2017

## 21 Contingencies and commitments

### 21.1 Contingencies

For the tax years 2011 and 2012, the Deputy Commissioner Inland Revenue (DCIR) passed orders under sections 161 and 205 of the Income Tax Ordinance 2001 creating tax demands of Rs. 1.52 million and Rs. 41.36 million respectively. The Modaraba filed appeals against the orders passed by DCIR with Commissioner Inland Revenue (CIR) Appeals who decided the matters in the favor of the Modaraba by deleting the tax demands. Tax department filed appeals against the decision of CIR Appeals with Appellate Tribunal Inland Revenue (ATIR) which are pending adjudication. The management and tax advisor of Modaraba are of the view that favorable outcome is expected as the Modaraba is fully compliant of withholding tax provisions.

|  | 2017<br>(Rupees in thousand) | 2016      |
|--|------------------------------|-----------|
| <b>21.2 Guarantees</b>                     |                              |           |
| Outstanding guarantees                     | 22,433                       | 14,696    |
| Un-utilized limits of letter of guarantees | 212,567                      | 95,304    |
| <b>21.3 Capital commitments</b>            |                              |           |
| - Civil works                              | 607,924                      | -         |
| - Plant & machinery                        | 144,935                      | -         |
| <b>21.4 Letters of credit</b>              |                              |           |
| Outstanding letters of credit              | 409,151                      | 629,032   |
| Unutilized limits of letters of credits    | 1,410,849                    | 2,845,968 |

### 21.5 Operating leases

The Modaraba has acquired plant and machinery for its soaps manufacturing facility on operating lease. This lease runs for the maximum period of 10 years ending on 30 June 2020, with an option to renew after that date.

Future lease payments under the lease agreements are:

|   |        |        |
|---|--------|--------|
| Not later than one year                           | 9,796  | 9,796  |
| Later than one year but not later than five years | 19,591 | 29,387 |
|   | 29,387 | 39,183 |

| Note  | Corrugated Boxes          |           | Soaps     |           | Total     |           |
|---|---------------------------|-----------|-----------|-----------|-----------|-----------|
|   | 2017                      | 2016      | 2017      | 2016      | 2017      | 2016      |
| ------(Rupees in thousand)-----                       |                           |           |           |           |           |           |
| <b>22</b>   | <b>Sales - net</b>        |           |           |           |           |           |
| External customers                                    | 1,907,280                 | 1,993,560 | 1,087,083 | 1,003,850 | 2,994,363 | 2,997,410 |
| Treet Corporation Limited -<br>Associated undertaking | 24,597                    | 22,126    | -         | -         | 24,597    | 22,126    |
| Renacon Pharma Limited -<br>Associated undertaking    | 1,743                     | -         | -         | -         | 1,743     | -         |
|   | 1,933,620                 | 2,015,686 | 1,087,083 | 1,003,850 | 3,020,703 | 3,019,536 |
| Inter segment sales                                   | 16,793                    | 17,457    | -         | -         | 16,793    | 17,457    |
| Sale of waste paper                                   | 78,767                    | 93,399    | -         | -         | 78,767    | 93,399    |
| Sale of steam   | -                         | -         | -         | 4,446     | -         | 4,446     |
|   | 2,029,180                 | 2,126,542 | 1,087,083 | 1,008,296 | 3,116,263 | 3,134,838 |
| Less:   |                           |           |           |           |           |           |
| Sales tax   | (283,169)                 | (277,905) | (191,134) | (175,526) | (474,303) | (453,431) |
| Trade discount  | (456)                     | (120)     | (2,976)   | -         | (3,432)   | (120)     |
|   | (283,625)                 | (278,025) | (194,110) | (175,526) | (477,735) | (453,551) |
| Elimination of Inter segment sales                    | (16,793)                  | (17,457)  | -         | -         | (16,793)  | (17,457)  |
|   | 1,728,762                 | 1,831,060 | 892,973   | 832,770   | 2,621,735 | 2,663,830 |
| <b>23</b>   | <b>Cost of goods sold</b> |           |           |           |           |           |
| Opening stock- raw and packing material               | 184,191                   | 286,473   | 68,988    | 123,660   | 253,179   | 410,133   |
| Add: Purchases  |                           |           |           |           |           |           |
| Inter-segment   | -                         | -         | 16,793    | 17,457    | 16,793    | 17,457    |
| Others  | 1,109,682                 | 1,209,327 | 628,988   | 508,709   | 1,738,670 | 1,718,036 |
|   | 1,109,682                 | 1,209,327 | 645,781   | 526,166   | 1,755,463 | 1,735,493 |
| Less: Closing stock                                   | (159,397)                 | (184,191) | (58,229)  | (68,988)  | (217,626) | (253,179) |
| Elimination of Inter segment purchases                | -                         | -         | (16,793)  | (17,457)  | (16,793)  | (17,457)  |
| Raw and packing material consumed                     | 1,134,476                 | 1,311,609 | 639,747   | 563,381   | 1,774,223 | 1,874,990 |
| Stores and spares consumed                            | 57,411                    | 40,385    | 2,986     | 4,540     | 60,397    | 44,925    |
| Out sourcing of manpower                              | 205,771                   | 184,080   | 42,521    | 64,966    | 248,292   | 249,046   |
| Fuel and power  | 52,971                    | 52,461    | 6,218     | 9,885     | 59,189    | 62,346    |
| Depreciation on operating fixed assets                | 25,495                    | 28,642    | 2,992     | 2,977     | 28,487    | 31,619    |
| Repair and maintenance                                | 14,294                    | 12,399    | 667       | 519       | 14,961    | 12,918    |
| Traveling and conveyance                              | 2,674                     | 2,836     | 645       | 767       | 3,319     | 3,603     |
| Insurance   | 1,509                     | 2,469     | 1,062     | 591       | 2,571     | 3,060     |
| Rent, rates and taxes                                 | 22,717                    | 17,836    | 17,684    | 17,596    | 40,401    | 35,432    |
| Plant rental  | -                         | -         | 9,796     | 8,979     | 9,796     | 8,979     |
| Other manufacturing expenses                          | 12,727                    | 8,145     | 4,885     | 3,949     | 17,612    | 12,094    |
|   | 1,530,045                 | 1,660,862 | 729,203   | 678,150   | 2,259,248 | 2,339,012 |
| Work in process                                       |                           |           |           |           |           |           |
| Add: Opening stock                                    | 36,865                    | 4,676     | 3,432     | 12,007    | 40,297    | 16,683    |
| Less: Closing stock                                   | (35,353)                  | (36,865)  | (1,438)   | (3,432)   | (36,791)  | (40,297)  |
|   | 1,531,557                 | 1,628,673 | 731,197   | 686,725   | 2,262,754 | 2,315,398 |
| Finished goods  |                           |           |           |           |           |           |
| Add: Opening stock                                    | 27,758                    | 24,200    | 37,611    | 23,461    | 65,369    | 47,661    |
| Less: Closing stock                                   | (32,711)                  | (27,758)  | (22,544)  | (37,611)  | (55,255)  | (65,369)  |
|   | 1,526,604                 | 1,625,115 | 746,264   | 672,575   | 2,272,868 | 2,297,690 |

23.1 Salaries and other benefits include Rs. 1,067,266 (2016: Rs. 921,711) for corrugation segment and Rs. 362,678 (2016: Rs. 6,124) for soap segment in respect of contribution to staff retirement benefit plans.

# Notes to the Financial Statements

For the year ended 30 June 2017

|   | Note  | 2017<br>(Rupees in thousand) | 2016           |
|---|---|------------------------------|----------------|
| <b>24 Administration and general expenses</b> |   |                              |                |
| Out sourcing of manpower                      | 24.1  | 15,455                       | 16,986         |
| Management fee - Modaraba Management Company  |   | 20,000                       | 20,000         |
| Auditors' remuneration                        | 24.2  | 3,610                        | 1,600          |
| Rent, rates and taxes                         |   | 16                           | 4,716          |
| Legal and professional                        |   | 3,369                        | 8,691          |
| Vehicle running and maintenance               |   | 71                           | 240            |
| Printing and stationery                       |   | 351                          | 249            |
| Traveling and conveyance                      |   | 329                          | 405            |
| Postage and telephone                         |   | 150                          | 78             |
| Depreciation on operating fixed assets        |   | 720                          | 35             |
| Others  | 24.3  | 1,210                        | 2,249          |
|   |   | <b>45,281</b>                | <b>55,249</b>  |
| <b>24.1</b>                                   | Salaries and other benefits include Rs. 653,802 (2016: Rs. 533,783) for corrugation segment and Rs. 63,754 (2016: Rs. 333,186) for soap segment in respect of contribution to staff retirement benefit plans. |                              |                |
| <b>24.2</b>                                   | <b>Auditors' remuneration</b>   |                              |                |
|   | <b>Kreston Hyder Bhimji &amp; Co.</b>   |                              |                |
| Audit fee                                     |   | 1,300                        | -              |
| Half year review                              |   | 235                          | -              |
| Tax services                                  |   | 2,010                        | -              |
| Out of pocket expenses                        |   | 65                           | -              |
|   | <b>KPMG Taseer Hadi &amp; Co.</b>   |                              |                |
| Audit fee                                     |   | -                            | 1,300          |
| Half year review                              |   | -                            | 235            |
| Out of pocket expenses                        |   | -                            | 65             |
|   |   | <b>3,610</b>                 | <b>1,600</b>   |
| <b>24.3</b>                                   | This includes an amount of Rs. 72,583 (2016: Rs. 21,493) donated to Gulab Devi Chest hospital (the hospital). The CEO of Modaraba Management Company is chairman of the managing committee of the hospital.   |                              |                |
| <b>25 Selling and distribution cost</b>       |   |                              |                |
| Freight and forwarding                        |   | 63,666                       | 54,026         |
| Out sourcing of manpower                      | 25.1  | 17,161                       | 21,323         |
| Fuel and power                                |   | 19                           | -              |
| Rent, rates and taxes                         |   | 18,524                       | 21,954         |
| Repair and Maintenance                        |   | 1,038                        | -              |
| Advertisement                                 |   | 459                          | 734            |
| Traveling and conveyance                      |   | 2,075                        | 1,850          |
| Postage and telephone                         |   | 584                          | 492            |
| Printing and stationery                       |   | 165                          | 275            |
| Provision for doubtful debts                  | 9.1   | -                            | 11,741         |
| Others  |   | 241                          | 609            |
|   |   | <b>103,932</b>               | <b>113,004</b> |

25.1 Salaries and other benefits include Rs. 372,729 (2016: Rs. 204,608) for corrugation segment in respect of contribution to staff retirement benefit plans.

|   | Note | 2017<br>(Rupees in thousand) | 2016          |
|---|------|------------------------------|---------------|
| <b>26 Finance cost</b>                          |      |                              |               |
| Istisna finance charges                         |      | 5,442                        | -             |
| Bank charges                                    |      | 505                          | 761           |
| Exchange loss                                   |      | 326                          | 991           |
|   |      | <b>6,273</b>                 | <b>1,752</b>  |
| <b>27 Other income</b>                          |      |                              |               |
| <b><u>Income from financial assets</u></b>      |      |                              |               |
| Profit from bank on saving accounts             | 27.1 | 5,796                        | 31,618        |
| Reversal of excess provision for doubtful debts |      | 2,423                        | -             |
| Profit on term deposit                          | 27.1 | -                            | 9,684         |
|   |      | <b>8,219</b>                 | <b>41,302</b> |
| <b><u>Income from non financial assets</u></b>  |      |                              |               |
| Sale of scrap                                   |      | 2,407                        | 6,317         |
| Profit on disposal of operating fixed assets    |      | 10                           | -             |
| Others  |      | 560                          | 604           |
|   |      | <b>2,977</b>                 | <b>6,921</b>  |
|   |      | <b>11,196</b>                | <b>48,223</b> |

27.1 These profits are earned on accounts and deposits maintained under Shariah permissible arrangement.

## 28 Taxation

The Modaraba intends to avail income tax exemption by distributing 90% of its profits to the certificate holders.

## 29 Earnings per Modaraba certificate - Basic and diluted

|   |                    |         |         |
|---|--------------------|---------|---------|
| Profit for the year                     | Rupees in thousand | 204,577 | 360,652 |
| Weighted average number of certificates | Number in thousand | 195,600 | 166,305 |
| Earning per certificate :               | (Rupees)           | 1.05    | 2.17    |

There is no dilutive effect on the basic earnings per modaraba certificate as the Modaraba has no potentially issuable certificates in issue and such commitments at the terminal date.

# Notes to the Financial Statements

For the year ended 30 June 2017

## 30 Operating segment results

The Modaraba was engaged into three main business segments, these are as follows.

- (i) Manufacture and sale of corrugated boxes
- (ii) Manufacture and sale of soaps
- (iii) Manufacture and sale of batteries (capital work in progress)

|  | Note | Rupees in thousands |                  |                |                |           |                |                  |                  |
|--|------|---------------------|------------------|----------------|----------------|-----------|----------------|------------------|------------------|
|  |      | Corrugated boxes    |                  | Soaps          |                | Batteries |                | Total            |                  |
|  |      | 2017                | 2016             | 2017           | 2016           | 2017      | 2016           | 2017             | 2016             |
| Sales  | 22   |                     |                  |                |                |           |                |                  |                  |
| Inter-segment                                    |      | 16,793              | 17,457           | -              | -              | -         | -              | 16,793           | 17,457           |
| Others   |      | 2,012,387           | 2,109,085        | 1,087,083      | 1,008,296      | -         | -              | 3,099,470        | 3,117,381        |
|  |      | 2,029,180           | 2,126,542        | 1,087,083      | 1,008,296      | -         | -              | 3,116,263        | 3,134,838        |
| Less:  |      |                     |                  |                |                |           |                |                  |                  |
| Inter-segment sales                              |      | (16,793)            | (17,457)         | -              | -              | -         | -              | (16,793)         | (17,457)         |
| Sales tax  |      | (283,169)           | (277,905)        | (191,134)      | (175,526)      | -         | -              | (474,303)        | (453,431)        |
| Trade discount                                   |      | (456)               | (120)            | (2,976)        | -              | -         | -              | (3,432)          | (120)            |
|  |      | (300,418)           | (295,482)        | (194,110)      | (175,526)      | -         | -              | (494,528)        | (471,008)        |
| <b>Net sales</b>                                 |      | <b>1,728,762</b>    | <b>1,831,060</b> | <b>892,973</b> | <b>832,770</b> | <b>-</b>  | <b>-</b>       | <b>2,621,735</b> | <b>2,663,830</b> |
| Cost of sales excluding inter-segment purchases  | 23   | (1,526,604)         | (1,625,115)      | (746,264)      | (672,575)      | -         | -              | (2,272,868)      | (2,297,690)      |
| <b>Gross profit</b>                              |      | <b>202,157</b>      | <b>205,945</b>   | <b>146,709</b> | <b>160,195</b> | <b>-</b>  | <b>-</b>       | <b>348,867</b>   | <b>366,140</b>   |
| Administration & general expenses                |      | (31,359)            | (32,804)         | (13,922)       | (15,836)       | -         | (6,609)        | (45,281)         | (55,249)         |
| Selling & distribution cost                      |      | (94,955)            | (105,173)        | (8,977)        | (7,813)        | -         | (18)           | (103,932)        | (113,004)        |
|  |      | (126,314)           | (137,977)        | (22,899)       | (23,649)       | -         | (6,627)        | (149,213)        | (168,253)        |
| <b>Segment results - Operating profit/(loss)</b> |      | <b>75,843</b>       | <b>67,968</b>    | <b>123,810</b> | <b>136,546</b> | <b>-</b>  | <b>(6,627)</b> | <b>199,654</b>   | <b>197,887</b>   |
| Finance cost                                     |      |                     |                  |                |                |           |                | (6,273)          | (1,752)          |
| Other income                                     |      |                     |                  |                |                |           |                | 11,196           | 48,223           |
| <b>Net profit for the year</b>                   |      |                     |                  |                |                |           |                | <b>204,577</b>   | <b>244,358</b>   |

30.1 Transactions among the business segments are recorded at market value.

30.2 Inter-segment sales and purchases have been eliminated from total figures

|             |   | Continuing operations           |           |          |         |           |           | Total       |         |           |           |
|-------------|---|---------------------------------|-----------|----------|---------|-----------|-----------|-------------|---------|-----------|-----------|
|             |   | Corrugated                      |           | Soaps    |         | Batteries |           | Unallocated |         |           |           |
|             |   | 2017                            | 2016      | 2017     | 2016    | 2017      | 2016      | 2017        | 2016    |           |           |
|             |   | ----- Rupees in thousands ----- |           |          |         |           |           |             |         |           |           |
| <b>30.3</b> | Segment assets                                | 1,739,513                       | 1,468,522 | 320,690  | 305,824 | 6,571,577 | 3,181,330 | 235,324     | 235,324 | 8,667,504 | 5,191,000 |
| <b>30.4</b> | Segment liabilities                           | 464,127                         | 289,179   | 1,16,903 | 59,324  | 3,743,521 | 381,680   | -           | -       | 4,324,551 | 730,183   |
| <b>30.5</b> | Depreciation on property, plant and equipment | 26,215                          | 28,642    | 2,992    | 2,977   | 558       | 35        | -           | -       | 29,765    | 31,654    |

Note

# Notes to the Financial Statements

For the year ended 30 June 2017

## 31 Financial instruments

The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors of the Modaraba management Company has overall responsibility for the establishment and oversight of Modaraba's risk management framework. The Board is also responsible for developing and monitoring the Modaraba's risk management policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Modaraba's activities.

This note presents information about the Modaraba's exposure to each of the above risks, the Modaraba's objectives, policies and processes for measuring and managing risk, and the Modaraba's management of capital.

All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. The Modaraba does not engaged in the trading of financial assets for speculative purposes nor does it write options.

The Modaraba's risk management policies are established to identify and analyze the risks faced by the Modaraba, to set appropriate risk limits and controls, to monitor risks and adherence to limits and focuses on actively securing the its short to medium-term cash flows by minimizing the exposure to financial markets. The Modaraba through its training and management standards and procedures aims to maintain a disciplined and constructive control environment in which employees understand their roles and responsibilities.

The Board Audit Committee of the Modaraba management Company oversees how management monitors compliance with the Modaraba's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Modaraba. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

### 31.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Modaraba if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Modaraba maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. The credit risk arises principally from the Modaraba's receivables from customers, refundable deposits and advances, other receivables and bank balances. Out of the total financial assets of Rs. 811.314 million (2016: Rs. 620.639 million) financial assets which are subject to credit risk amounted to Rs. 804.830 million (2016: Rs. 618.358 million).

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

|                         | Note | 2017<br>(Rupees in thousand) | 2016   |
|-------------------------|------|------------------------------|--------|
| <b>FINANCIAL ASSETS</b> |      |                              |        |
| Long term advances      | 5    | 11,447                       | 15,294 |

|  | Note | 2017<br>(Rupees in thousand) | 2016    |
|--|------|------------------------------|---------|
| Long term deposits                       | 6    | 12,795                       | 12,389  |
| Trade debtors - net                      | 9    | 615,611                      | 378,708 |
| Advances, deposits and other receivables | 10   | 23,833                       | 14,039  |
| Bank balances                            | 12   | 141,144                      | 197,928 |
|  |      | 804,830                      | 618,358 |

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. Banks and financial institutions have external credit ratings determined by various credit rating agencies. Credit quality of customers and other receivables are assessed by reference to historical defaults rates and present ages.

Customers are counterparties to local trade debts against sale of corrugation and soaps. New customer is analyzed individually for creditworthiness before the Modaraba's standard payment and delivery terms and conditions are offered. Sales limits are established for each customer based on internal rating criteria and reviewed regularly. Any sales exceeding these limits require special approval. Outstanding customer receivables are regularly monitored. The analysis of ages of trade debts of the Modaraba as at the reporting date is as follows:

|                                  |  |         |         |
|----------------------------------|--|---------|---------|
| <b>Not past due</b>              |  | 330,074 | 263,115 |
| <b>Past due but not impaired</b> |  |         |         |
| Less than 30 days                |  | 142,638 | 63,836  |
| Past due 1 - 3 months            |  | 98,094  | 35,059  |
| Past due 3 - 6 months            |  | 39,678  | 12,508  |
| Past due 6 - 12 months           |  | 3,595   | 2,800   |
| Above one year                   |  | 1,532   | 1,390   |
|                                  |  | 615,611 | 378,708 |

Management believes that the unimpaired amounts that are past due more than 30 days are still collectable in full based on historical payment behavior and extensive analysis of customer credit risk.

The external credit ratings determined by various credit rating agencies are as follows.

| Banks                               | Rating     |           | Rating Agency | 2017                 | 2016    |
|-------------------------------------|------------|-----------|---------------|----------------------|---------|
|                                     | Short term | Long term |               | (Rupees in thousand) |         |
| MCB Bank Limited                    | A-1+       | AAA       | PACRA         | 1,833                | 140     |
| United Bank Limited                 | A-1+       | AAA       | JCR-VIS       | 7,391                | 95,700  |
| Bank Islami Pakistan Ltd            | A-1        | A+        | PACRA         | 273                  | 211     |
| National Bank of Pakistan           | A-1+       | AAA       | JCR-VIS       | 7,042                | 10,763  |
| Habib Bank Limited                  | A-1+       | AAA       | JCR-VIS       | 3,602                | 318     |
| Bank Alfalah Limited                | A-1+       | AA        | PACRA         | 46                   | 1,469   |
| NIB Bank Limited                    | A-1+       | AA-       | PACRA         | 20                   | 4,401   |
| Faysal Bank Limited                 | A-1+       | AA        | JCR-VIS       | 40,858               | 31,284  |
| Dubai Islamic Bank Pakistan Limited | A-1        | A+        | JCR-VIS       | 76,714               | 47,441  |
| Soneri Bank Limited                 | A-1+       | AA-       | PACRA         | 422                  | 4,289   |
| JS Bank Limited                     | A-1+       | A+        | PACRA         | 771                  | 1,234   |
| Askari Bank Limited                 | A-1+       | AA        | PACRA         | 637                  | 36      |
| Meezan Bank Limited                 | A-1+       | AA        | JCR-VIS       | 1,535                | 364     |
|                                     |            |           |               | 141,144              | 197,650 |



# Notes to the Financial Statements

For the year ended 30 June 2017

## Exposure to credit risk

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Due to the Modaraba's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Modaraba. Accordingly, the credit risk is minimal.

## Coporate informations and relationship with banks

The Modaraba has relationship on islamic side with the banks having islamic window operations.

### 31.2 Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Modaraba maintains a statutory reserve out of profits each year and has effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. Management closely monitors the Modaraba's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

The Board of Directors has built an appropriate liquidity risk management framework for the management of the Modaraba's short, medium and long-term funding and liquidity management requirements. The Modaraba manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 19.1 to these financial statements is a listing of additional undrawn facilities that the Modaraba has at its disposal to further reduce liquidity risk.

The table below summaries the maturity profiles of Company's financial liabilities as on June 30, 2017 based on contractual undiscounted payments date and present market interest rates.

|  | Carrying Amount | Contractual cash flows | Six Months or less | Six to twelve years | More than one years |
|--|-----------------|------------------------|--------------------|---------------------|---------------------|
| (Rupees in thousand)                         |                 |                        |                    |                     |                     |
| Retention money                              | 38,128          | 38,128                 | -                  | 38,128              | -                   |
| Trade and other payables                     | 311,291         | 311,291                | 311,291            | -                   | -                   |
| Short term borrowings                        | 3,829,585       | 3,829,585              | -                  | 3,829,585           | -                   |
| Accrued profit on borrowings                 | 2,220           | 2,220                  | 2,220              | -                   | -                   |
| Long term liability against purchase of land | 112,849         | 112,849                | 28,212             | 28,212              | 56,426              |
|  | 4,294,073       | 4,294,073              | 341,723            | 3,895,925           | 56,426              |

|  | Carrying Amount | Contractual cash flows | Six Months or less | Six to twelve years | More than one years |
|--|-----------------|------------------------|--------------------|---------------------|---------------------|
| (Rupees in thousand)                         |                 |                        |                    |                     |                     |
| Retention money                              | 7,327           | 7,327                  | -                  | 7,327               | -                   |
| Trade and other payables                     | 264,221         | 264,221                | 264,221            | -                   | -                   |
| Short term borrowings                        | 270,332         | 270,332                | -                  | 270,332             | -                   |
| Accrued profit on borrowings                 | -               | -                      | -                  | -                   | -                   |
| Long term liability against purchase of land | 169,272         | 169,272                | 28,212             | 28,212              | 112,849             |
|  | 711,152         | 711,152                | 292,433            | 305,871             | 112,849             |

### 31.3 Market risk

Market risk is the risk that changes in market prices will affect the Modaraba's income or the value of its holdings of financial instruments. The objective of the Modaraba's market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### 31.3.1 Currency risk

The Modaraba is exposed to currency risk to the extent that there is a mismatch between the currencies in which receivables and purchases are denominated and the respective functional currency of the Company i.e. Pakistan Rupee. The Modaraba is exposed to currency risk on import of plant and machinery, raw materials and stores and spares mainly denominated in US dollars. Receivables and payables exposed to foreign currency are not covered through any forward foreign exchange contracts or through hedging. The Modaraba's exposure to foreign currency risk for US Dollars is as follows:

|                               | 2017<br>(Rupees in thousand) | 2016  |
|-------------------------------|------------------------------|-------|
| Creditors in foreign currency | 1,432                        | 1,000 |

The following significant exchange rate has been applied:

|            | Average rate |       | Reporting date rate |       |
|------------|--------------|-------|---------------------|-------|
|            | 2017         | 2016  | 2017                | 2016  |
| USD to PKR | 104.85       | 103.1 | 105                 | 104.7 |

#### Cash flow sensitivity analysis for foreign currency instruments

At June 30, 2017, if the Rupee had weakened/strengthened by 10% against the US dollar with all other variables held constant, capital work in progress would have been higher / lower by Rs. 15.012 (2016: 10.313) million, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade payables.

# Notes to the Financial Statements

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## 31.3.2 Profit rate risk

Profit rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in profit rates. Sensitivity to profit rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period. The Modaraba manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing and cash at bank kept in saving accounts by the Modaraba has variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

The Modaraba's profit bearing financial instruments as at the reporting date are as follows:

|  | 2017<br>(Rupees in thousand) | 2016   |
|--|------------------------------|--------|
| <b>Variable pricing rate financial assets</b>      |                              |        |
| Bank balances at PLS accounts                      | 126,099                      | 83,990 |
| <b>Variable pricing rate financial liabilities</b> |                              |        |
| Short term borrowings                              | 300,000                      | -      |

The effective profit rates for profit bearing financial instruments are mentioned in the relevant notes to these financial statements.

## Cash flow sensitivity analysis for variable rate instruments

### Sensitivity analysis for variable rate assets

If profit rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation would have been increased / (decreased) by Rs. 1.261 (2016: Rs. 0.840) million. This analysis is prepared without taking in account taxation effect and applying +/-1% discount factor on cash at banks in saving accounts reported in these financial statements.

### Sensitivity analysis for variable rate liabilities

If profit rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation would have been (decreased) / increased by Rs. 3.0 million (2016: Rs. Nil). This analysis is prepared without taking in account taxation effect and applying +/-1% discount factor on short term borrowings reported in these financial statements.

## 31.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments trading in market.

### Exposure to price risk

The Modaraba is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

|             |   | 2017                  | 2016           |
|-------------|---|-----------------------|----------------|
|             |   | (Rupees in thousand)  |                |
|             |   | Loans and receivables |                |
| <b>31.4</b> | <b>Financial instruments by category</b>                            |                       |                |
|             | <b>Assets as per balance sheet</b>                                  |                       |                |
|             | Long term advances  | 11,447                | 15,294         |
|             | Long term deposits  | 12,795                | 12,389         |
|             | Trade debtors   | 615,611               | 378,708        |
|             | Advances and other receivables                                      | 23,833                | 14,039         |
|             | Cash and bank balances  | 147,628               | 200,209        |
|             |   | <b>811,314</b>        | <b>620,639</b> |
|             | <b>Liabilities as per balance sheet, measured at amortized cost</b> |                       |                |
|             | Trade and other payables  | 311,291               | 264,221        |
|             | Retention money   | 38,128                | 7,327          |
|             | Current maturity of liability against purchase of land              | 56,423                | 56,423         |
|             | Long term liability against purchase of land                        | 56,426                | 112,849        |
|             | Accrued profit on secured borrowings                                | 2,220                 | -              |
|             | Short term borrowings   | 3,829,585             | 270,332        |
|             |   | <b>4,294,073</b>      | <b>711,152</b> |

### 31.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Modaraba's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Modaraba's operations.

The Modaraba's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Modaraba's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Modaraba. This responsibility is supported by the development of overall Modaraba standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans;
- Training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

# Notes to the Financial Statements

For the year ended 30 June 2017

## 31.6 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Modaraba to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

## 31.7 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board monitors the return on capital employed, which the Modaraba defines as operating income divided by total capital employed.

The Modaraba's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for certificate holders and benefits for other stakeholders, and
- (ii) to provide an adequate return to certificate holders.

The Modaraba manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Modaraba may, for example, adjust the amount of dividends paid to certificateholders, issue new certificates, or sell assets to reduce debt.

The gearing ratios as at June 30, 2017 are as follows:

|                                    | Rs. in 000s |
|------------------------------------|-------------|
| Total debt - short term borrowings | 3,829,585   |
| Total equity                       | 4,514,382   |
| Gearing ratio                      | 84.83%      |

Neither there were any changes in the Modaraba's approach to capital management during the year nor the Modaraba is subject to externally imposed capital requirements, except those related to compliance of debt covenants including maintenance of adequate current and liquidity ratios.

### 32 Related Parties Transactions

The related parties and associated undertakings comprise of associated companies, directors and key management personnel. Amounts due from/to related parties are disclosed in respective notes to these financial statements. Other significant transactions with related parties are as follows:

| Name of the party                         | Nature of transactions   | 2017                 | 2016   |
|---|--------------------------|----------------------|--------|
|   |                          | (Rupees in thousand) |        |
| <b><u>Holding Company</u></b>             |                          |                      |        |
| Treet Corporation Limited                 | Sale of corrugated boxes | 24,597               | 22,126 |
|   | Dividend paid            | 110,193              | 72,633 |
|   | Rental of facilities     | 35,000               | 35,000 |
| <b><u>Modaraba Management Company</u></b> |                          |                      |        |
| Treet Holdings Limited                    | Dividend paid            | 12,283               | 8,097  |
|   | Management fee           | 20,000               | 20,000 |
| <b><u>Associated undertakings</u></b>     |                          |                      |        |
| Packages Limited                          | Purchase of goods        | 70,045               | 77,695 |
| IGI Insurance Payable                     | Services received        | 22,577               |        |
| Renacon Pharma Limited                    | Sale of corrugated boxes | 1,743                | -      |
| Ghulab Devi Chest Hospital                | Donation                 | 73                   | 21     |
| Treet HR Management (Private) Limited     | Services received        | 11,250               | 10,588 |

32.1 All the transactions with the related parties are executed in the normal course of business on the basis of mutually agreed terms and conditions.

32.2 All the executives, officers and other employees of the Modaraba have been outsourced from its related party namely Treet HR Management (Private) Limited.

32.3 One of the directors is working as CEO of the Modaraba. No remuneration has been paid to CEO or any director of the Modaraba. No fees for attending the meeting has been paid to directors during the year (2016: Rs. Nil).

# Notes to the Financial Statements

For the year ended 30 June 2017

|           |                                      | Annual rated capacity     |        |
|-----------|--------------------------------------|---------------------------|--------|
|           |                                      | 2017                      | 2016   |
|           |                                      | ----- (Metric tons) ----- |        |
| <b>33</b> | <b>Plant capacity and production</b> |                           |        |
|           | Corrugated boxes                     | 30,000                    | 30,000 |
|           | Soaps                                | 5,000                     | 5,000  |
|           |                                      | Annual production         |        |
|           |                                      | 2017                      | 2016   |
|           |                                      | ----- (Metric tons) ----- |        |
|           | Corrugated boxes and sheets          | 25,824                    | 25,920 |
|           | Soaps                                | 4,556                     | 4,762  |

The variance of actual production from capacity is primarily on account of the product mix.

## 34 Entity-wide information and disclosure

These financial statements have been prepared on the basis of three reportable segments namely; corrugation, soap and battery project.

### 34.1 Information about products

Corrugation sales represent 64% (2016: 67%) of the total revenue of the Modaraba.

### 34.2 Information about geographical areas

100% of the Modaraba's sales relate to customers in Pakistan.

All non-current assets of the Modaraba as at June 30, 2017 are also located in Pakistan.

### 34.3 Information about customers

During the year, revenue from a single customer as regards to corrugation segment comprises approximately 18.24% (2016: 17.13%) of the total revenue of the Modaraba.

## 35 Non-adjusting profit distribution

The Board of Directors of Modaraba Management Company in their meeting dated October 05, 2017 have approved a profit distribution (@ 5.98 of Re. 0.598 (2016: Re. 0.627) per certificate amounting to Rs. 117.042 million (2016: Rs. 122.641 million) for the year ended 30 June 2017. These financial statements do not reflect this profit distribution.

## 36 Date of authorization for issue

These financial statements were authorized for issue on October 05, 2017 by the Board of Directors of Treet Holdings Limited, the Modaraba Management Company.

37 General

37.1 Corresponding figures have been re-arranged or reclassified wherever necessary, for the purposes of comparison and better presentation as per reporting framework. Major reclassifications made during the year for better presentation are as follows:

|  | 2016      | Reclassification   |  |
|--|-----------|--|--|
|  | Rs.(000') | From   | To   |
| Stores and spares                            | 1,162     | Stores   | CWIP- unallocated                            |
| Long term deposits                           | 4,425     | Others   | Long term advances                           |
| Trade and other payables                     | 270,332   | Payable to related parties - TCL                                 | Short term borrowings                        |
| Cash and bank balances                       | 278       | Banks - saving accounts  | Temporary book overdraft - unsecured         |
| Long term liability against purchase of land | 179       | Current maturity of Long term liability against purchase of land | Long term liability against purchase of land |

37.2 The Modaraba Company has been making payments/contributions of its employees on account of their retirement benefits, which have been maintained on the basis of group by the parent Company - Treet Corporation Limited. Accordingly, the related disclosure as regard to the Employees Retirement Benefits have also been made in the financial statements of the parent Company.

37.3 Figures have been rounded off to the nearest of thousands rupees, unless otherwise stated.



## Pattern of Certificate-Holding as at June 30, 2017

| NUMBER OF<br>CERTIFICATE HOLDERS | CERTIFICATE HOLDING |             | TOTAL NUMBER OF<br>CERTIFICATES HELD |
|----------------------------------|---------------------|-------------|--------------------------------------|
|                                  | From                | To          |                                      |
| 30                               | 1                   | 500         | 10,340                               |
| 5                                | 501                 | 1,000       | 5,315                                |
| 2                                | 1,501               | 2,000       | 6,630                                |
| 1                                | 15,001              | 20,000      | 20,000                               |
| 1                                | 145,001             | 150,000     | 221,447                              |
| 1                                | 13,060,001          | 13,065,000  | 19,590,562                           |
| 1                                | 117,145,001         | 117,150,000 | 175,745,700                          |
| <b>41</b>                        |                     |             | <b>195,599,994</b>                   |

| Categories of Certificate Holders | No. of<br>Certificates Holders | Certificates<br>Held | % Holding      |
|-----------------------------------|--------------------------------|----------------------|----------------|
| Syed Sheharyar Ali                | 1                              | 221,447              | 0.11%          |
| Individuals                       | 38                             | 42,285               | 0.02%          |
| Investment Companies              | Nil                            | Nil                  | -              |
| Insurance Companies               | Nil                            | Nil                  | -              |
| Joint Stock Companies             | 1                              | 175,745,700          | 89.85%         |
| Financial Institutions            | Nil                            | Nil                  | -              |
| Modaraba Company                  | 1                              | 19,590,562           | 10.02%         |
| Others                            | Nil                            | Nil                  | -              |
|                                   | <b>41</b>                      | <b>195,599,994</b>   | <b>100.00%</b> |

### CERTIFICATE HOLDERS HAVING MORE THAN 10% CERTIFICATES

| Name of Certificate Holder | Certificates | Percentage |
|----------------------------|--------------|------------|
| Treet Corporation Limited  | 175,745,700  | 89.85%     |
| Treet Holdings Limited     | 19,590,562   | 10.02%     |

## Key Operating and Financial Results

|                            | Rs.(000) | 2017        | 2016        | 2015        | 2014        | 2013        | 2012       | 2011       |
|----------------------------|----------|-------------|-------------|-------------|-------------|-------------|------------|------------|
| Sales                      |          | 2,621,735   | 2,663,830   | 2,649,491   | 2,491,651   | 2,180,217   | 2,259,353  | 1,790,217  |
| Gross Profit               |          | 348,867     | 366,140     | 295,444     | 187,492     | 242,092     | 279,655    | 185,672    |
| Profit before Taxation     |          | 204,577     | 244,358     | 136,322     | 85,910      | 128,522     | 188,177    | 123,228    |
| Profit after Taxation      |          | 204,577     | 244,358     | 136,322     | 85,910      | 128,522     | 188,177    | 123,228    |
| Certificateholders' Equity |          | 4,542,753   | 4,460,817   | 1,692,437   | 1,601,103   | 1,519,488   | 1,514,846  | 878,189    |
| Fixed Assets - Net         |          | 6,827,550   | 3,780,937   | 665,119     | 461,566     | 445,653     | 322,813    | 341,557    |
| Total Assets               |          | 8,867,304   | 5,191,000   | 2,052,772   | 1,729,323   | 1,644,472   | 1,665,200  | 1,428,642  |
| Total Liabilities          |          | 4,324,551   | 730,183     | 360,335     | 128,220     | 124,984     | 150,354    | 550,453    |
| Current Assets             |          | 2,015,512   | 1,382,380   | 1,357,475   | 1,229,268   | 1,171,628   | 1,313,386  | 1,075,593  |
| Current Liabilities        |          | 4,268,125   | 617,334     | 191,242     | 128,220     | 123,474     | 150,354    | 93,342     |
| Dividend Declared          |          | 5.98%       | 6.27%       | 6.20%       | 3.45%       | 6.70%       | 6.50%      | 6.93%      |
| Certificates Outstanding   |          | 195,599,994 | 195,599,994 | 130,399,996 | 130,399,996 | 130,399,996 | 79,999,998 | 79,999,998 |

### Important Ratios

|                                |  | 2017   | 2016   | 2015   | 2014  | 2013   | 2012   | 2011   |
|--------------------------------|--|--------|--------|--------|-------|--------|--------|--------|
| <b>Profitability</b>           |  |        |        |        |       |        |        |        |
| Gross Profit                   |  | 13.31% | 13.74% | 11.15% | 7.52% | 11.10% | 12.38% | 10.37% |
| Profit before Tax              |  | 7.80%  | 9.17%  | 5.15%  | 3.45% | 5.89%  | 8.33%  | 6.88%  |
| Profit after Tax               |  | 7.80%  | 9.17%  | 5.15%  | 3.45% | 5.89%  | 8.33%  | 6.88%  |
| <b>Return to Equity</b>        |  |        |        |        |       |        |        |        |
| Return on Equity before Tax    |  | 4.50%  | 5.48%  | 8.05%  | 5.37% | 8.46%  | 12.42% | 14.03% |
| Return on Equity after Tax     |  | 4.50%  | 5.48%  | 8.05%  | 5.37% | 8.46%  | 12.42% | 14.03% |
| Earning per Certificates       |  | 1.05   | 1.25   | 1.05   | 0.66  | 0.99   | 2.35   | 1.70   |
| <b>Liquidity/Leverage</b>      |  |        |        |        |       |        |        |        |
| Current Ratio                  |  | 0.47   | 2.24   | 7.10   | 9.59  | 9.49   | 8.74   | 11.52  |
| Break-up Value per Certificate |  | 23.22  | 22.81  | 12.98  | 12.28 | 11.65  | 18.94  | 10.98  |
| Total Liabilities to Equity    |  | 0.95   | 0.16   | 0.21   | 0.08  | 0.08   | 0.10   | 0.63   |

|                            | % Change | 2017    | 2016    | 2015    | 2014    | 2013    | 2012    | 2011    |
|----------------------------|----------|---------|---------|---------|---------|---------|---------|---------|
| Sales                      |          | -1.58%  | 0.54%   | 6.33%   | 14.28%  | -3.50%  | 26.21%  | 21.22%  |
| Gross Profit               |          | -4.72%  | 23.93%  | 57.58%  | -22.55% | -13.43% | 50.62%  | 56.03%  |
| Profit before Taxation     |          | -16.28% | 79.25%  | 58.68%  | -33.16% | -31.70% | 52.71%  | 153.99% |
| Profit after Taxation      |          | -16.28% | 79.25%  | 58.68%  | -33.16% | -31.70% | 52.71%  | 153.99% |
| Certificateholders' Equity |          | 1.84%   | 163.57% | 5.70%   | 5.37%   | 0.31%   | 72.50%  | 84.18%  |
| Fixed Assets - Net         |          | 80.58%  | 468.46% | 44.10%  | 3.57%   | 38.05%  | -5.49%  | 5.52%   |
| Total Assets               |          | 70.82%  | 152.88% | 18.70%  | 5.16%   | -1.24%  | 16.56%  | 50.70%  |
| Total Liabilities          |          | 492.26% | 102.64% | 181.03% | 2.59%   | -16.87% | -72.69% | 16.82%  |
| Current Assets             |          | 45.80%  | 1.83%   | 10.43%  | 4.92%   | -10.79% | 22.11%  | 75.64%  |
| Current Liabilities        |          | 591.38% | 222.80% | 49.15%  | 3.84%   | -17.88% | 61.08%  | -64.71% |
| Dividend Declared          |          | -4.63%  | 1.13%   | 79.71%  | -48.51% | 3.08%   | -6.20%  | 153.85% |
| Certificates Outstanding   |          | 0.00%   | 50.00%  | 0.00%   | 0.00%   | 63.00%  | 0.00%   | 60.00%  |

# Notice of 11th Annual Review Meeting

Notice is hereby given that 11th Annual Review Meeting of Certificate Holders of **First Treet Manufacturing Modaraba** will be held on Tuesday, October 31, 2017 at 10:00 A.M. at Principal place of business of Modaraba situated at 72-B, Industrial Area, Kot Lakhpat, Lahore for the year ended June 30, 2017.

The Management of the Modaraba also pleased to announce Final Cash Dividend @ 5.98% i.e. Re. 0.598 per certificate to existing Certificate Holders of the Modaraba.

The Certificate Transfer Books will remain closed from October 24, 2017 to October 31, 2017 (both days inclusive) for the purpose of determination of names of the certificate holders for attendance of Annual Review Meeting. The Certificate Holders whose names appear on the Register of Certificate Holders of **First Treet Manufacturing Modaraba** as on October 23, 2017 will be eligible to attend the Annual Review Meeting.

By order of the Board



**(Rana Shakeel Shaukat)**

Company Secretary

Treet Holdings Limited

Managers of First Treet Manufacturing Modaraba

## LAHORE:

October 05, 2017

## Notes:

1. In case of individuals, the account holder and/or person whose securities are in CDC sub account or investor account shall show their identity by showing original computerized national identity card (CNIC) or original passport at the time of attending the meeting, CDC sub account holders/investor account holders are also requested to bring their account numbers maintained with CDC.
2. In case of corporate entity, board of director's resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
3. **Dividend Mandate (Mandatory)**  
Pursuant to the requirement of Section 242 of the Companies Act, 2017, Certificate Holders are Mandatory required to provide their bank account detail to receive their cash dividend directly in to their Bank Accounts instead of receiving it through dividend warrants. In this regards and in pursuance of the Directives of the SECP vide Circular No. 18, of 2017 dated August 01, 2017, Certificate Holders are requested to submit their written request (if not already provided) to the Modaraba's Registrar, giving particulars of their Bank Account Detail. In the absence of a member's valid Bank Account detail by October 31, 2017, the Modaraba will be constrained to withhold dispatch of dividend warrants to such members.

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
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