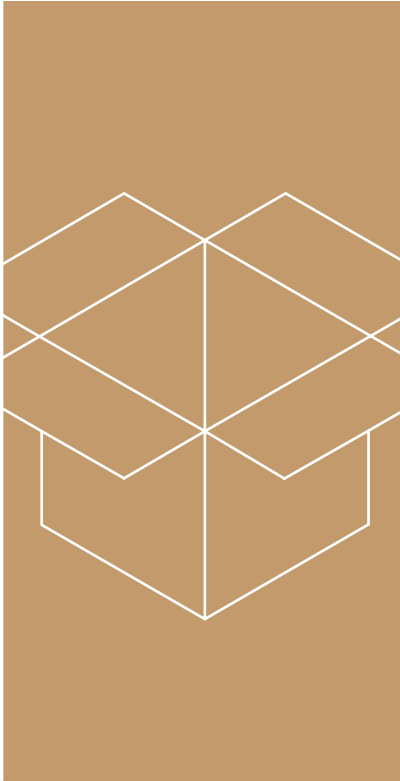
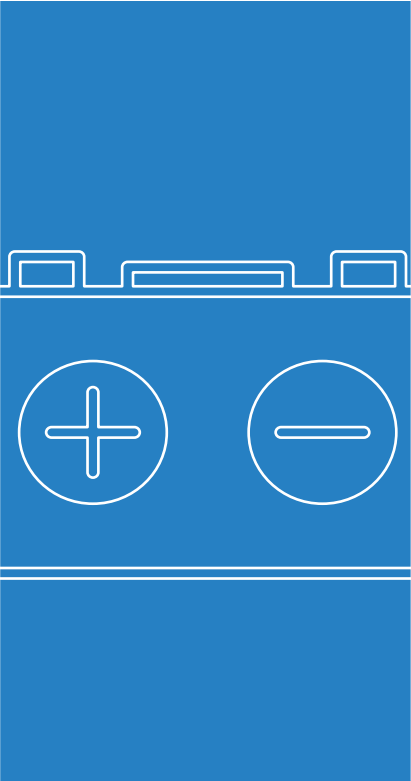


# Half Yearly Report

for the period ended  
December 31, 2019



First Treet  
Manufacturing Modaraba



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## Company Information

<b>BOARD OF DIRECTORS:</b>	Dr. Mrs. Niloufer Qasim Mahdi Syed Shahid Ali Syed Sheharyar Ali Mr. Imran Azim Mr. Munir Karim Bana Mr. Saulat Said Muhammad Shafique Anjum Dr. Salman Faridi	Chairperson/Non-Executive Director Chief Executive Officer Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Independent Director
<b>AUDIT COMMITTEE:</b>	Dr. Salman Faridi Syed Sheharyar Ali Mr. Imran Azim Mr. Munir K. Bana	Chairman/Member Member Member Member
<b>CHIEF ACCOUNTANTS:</b>	Mr. Sajjad Haider Khan Mr. Muhammad Zubair	Modaraba Modaraba Company
<b>COMPANY SECRETARY:</b>	Usman Saleem	
<b>EXTERNAL AUDITORS:</b>	Kreston Hyder Bhimji & Co	Chartered Accountants
<b>EXTERNAL AUDITORS OF 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 Askari Bank Limited Bank Alfalah Limited BankIslami Pakistan Limited Bank Al Habib Limited Dubai Islamic Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited Faysal Bank Limited	JS Bank Limited MCB Bank Limited MCB Islamic Bank Ltd Meezan Bank Limited National Bank Limited Soneri Bank Limited United Bank Limited
<b>REGISTERED OFFICE/ PLACE OF BUSINESS:</b>	72-B, Industrial Area, Kot Lakhpat, Lahore. Tel: 042-35830881, 35156567 & 35122296 Fax: 042-35114127 & 35215825 E-mail: info@treetonline.com Website: www.ftmm.com.pk	
<b>SHARES REGISTRAR:</b>	Corplink (Private ) Limited Winges Arcade, 1-K, Commercial Model Town, Lahore	
<b>PACKAGING SOLUTIONS - CORRUGATION:</b>	Kacha Tiba Rohi Nala, 22-KM Ferozepur Road, Lahore	
<b>SOAP PLANT:</b>	Ghakkar 80 KM, G.T. Road, Ghakkar Mandi, Gujranwala	
<b>BATTERY PROJECT:</b>	Faisalabad Industrial City, (FIEDMC) M-3, Motorway, Faisalabad	

## Directors' Review

Board of Directors of Treet Holdings Limited (THL), the Management Company of First Treet Manufacturing Modaraba (FTMM), is pleased to present financial statements (limited reviewed by the statutory auditors) for the six months ending December 31, 2019.

### SUMMARY OF COMPARATIVE FINANCIAL RESULTS

	(Rupees in millions)	
	Half Year December 31, 2019	Half Year December 31, 2018
Sales (net)	2,607	2,011
Gross Profit / (Loss)	(464)	(458)
Net Profit / (Loss)	(1,477)	(1,020)
Profit / (Loss) per Certificate	(7.55)	(5.21)
Transfer to Statutory Reserve	Nil	Nil
Book Value per Certificate	2.89	15.54

### BUSINESS REVIEW – GROUP RESULTS

For the six-month period, the turnover was Rs. 2,607 million, registering an increase of Rs. 596 million (29.64%) over the same period of previous year. The increase in turnover is mainly attributable to increase in battery sales partially offset by lesser sales in other segments.

Segment wise sales is as follows:

Segment	(Rupees in millions)		
	Sales		
	Half Year December 31, 2019	Half Year December 31, 2018	+/- %
Soap	455	489	-6.95%
Corrugation	900	904	-0.44%
Battery	1,235	598	106.52%
Inter/Intra company sales	17	20	-15.00%
<b>Total</b>	<b>2,607</b>	<b>2,011</b>	<b>29.64%</b>

For the six months period under review, Net Loss is Rs. 1,477 million which shows increase in loss by 44.80% over last year corresponding period. The increase in loss is primarily due to depreciation of PKR against USD that resulted in higher input cost and increase in financial charges attributable to higher policy rate along with increased level of borrowing. This level of loss has delivered a Loss per Certificate of Rs. 7.55 compared to Rs. 5.21 per Certificate last year same period.

### Financial Plan

As already communicated, spin off the Battery segment from its subsidiary (First Treet Manufacturing Modaraba) to separate Company (Treet Battery Limited) is in progress. Execution of demerger plan is underway. Currently, regulatory and legal approvals are being sought from Financial Institutions and Regulators. Efforts are being made to improve the cost structure of the Battery project for better absorption of fixed cost along with plans to reduce the leveraging of the project.

### Acknowledgements

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 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

February 26, 2020  
 LAHORE

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

## Introduction

We have reviewed the accompanying condensed interim balance sheet of FIRST TREET MANUFACTURING MODARABA (the "Modaraba") as at December 31, 2019 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (herein after referred to as the "condensed interim financial statements").

Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2019 and December 31, 2018 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended December 31, 2019.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

LAHORE:  
FEBRUARY 26, 2020



KRESTON HYDER BHIMJI & CO  
CHARTERED ACCOUNTANTS  
ENGAGEMENT PARTNER – SYED AFTAB HAMEED, FCA



# FINANCIAL STATEMENTS

For the period ended December 31, 2019

# CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)


As at December 31, 2019

	Note	(Un-audited) 31 December 2019	(Audited) 30 June 2019
Rupees in '000'			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	8,641,617	8,682,886
Long term deposits		45,169	10,932
		8,686,786	8,693,818
<b>Current assets</b>			
Stores and spares		107,343	93,321
Stock in trade	5	1,756,899	1,858,077
Trade debts		681,145	754,829
Advances, deposits, prepayments and other receivables	6	167,253	552,548
Tax refunds due from the Government		1,144,394	1,123,505
Cash and bank balances		121,334	99,596
		3,978,368	4,481,876
<b>Total assets</b>		<b>12,665,154</b>	<b>13,175,694</b>
<b>Equity and liabilities</b>			
<b>Certificate capital and reserves</b>			
Authorized certificate capital		4,500,000	4,500,000
Issued, subscribed and paid up certificate capital		1,956,000	1,956,000
Statutory reserve		511,941	511,941
Certificate premium		1,952,870	1,952,870
Surplus on revaluation of property, plant & equipment		386,417	387,476
Accumulated loss		(4,241,416)	(2,765,445)
<b>Certificate holders' equity</b>		<b>565,812</b>	<b>2,042,842</b>
<b>Non-current liabilities</b>			
Deferred taxation		9,272	9,272
<b>Current liabilities</b>			
Retention money payable		13,128	21,662
Short term borrowings	8	11,360,365	10,387,254
Trade and other payables	9	535,081	622,899
Accrued profit on secured borrowings		181,496	91,765
		12,090,070	11,123,580
<b>Contingencies and commitments</b>	11		
<b>Total equity &amp; liabilities</b>		<b>12,665,154</b>	<b>13,175,694</b>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

LAHORE  
February 26, 2020

  
Syed Shahid Ali  
Chief Executive Officer

  
Muhammad Shafique Anjum  
Director



## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the half year ended December 31, 2019

	Note	For the half year ended		For the quarter ended	
		31 December	31 December	31 December	31 December
		2019	2018	2019	2018
		Rupees in '000'		Rupees in '000'	
Sales - net		2,606,771	2,011,439	1,120,607	986,918
Cost of goods sold	12	(3,070,996)	(2,469,235)	(1,390,704)	(1,302,481)
<b>Gross loss</b>		<b>(464,225)</b>	<b>(457,796)</b>	<b>(270,097)</b>	<b>(315,563)</b>
<b>Operating expenses</b>					
Administrative and general		(411,575)	(271,199)	(398,446)	(256,874)
Distribution		(429,120)	(224,989)	(284,707)	(129,211)
		(840,695)	(496,188)	(683,153)	(386,085)
<b>Operating loss</b>		<b>(1,304,920)</b>	<b>(953,984)</b>	<b>(953,250)</b>	<b>(701,648)</b>
Finance cost	13	(275,013)	(127,068)	(242,293)	(73,966)
Other income		103,264	61,043	106,771	4,138
<b>Loss before taxation</b>		<b>(1,476,669)</b>	<b>(1,020,009)</b>	<b>(1,088,772)</b>	<b>(771,476)</b>
Taxation	14	(361)	-	-	-
<b>Loss after taxation</b>		<b>(1,477,030)</b>	<b>(1,020,009)</b>	<b>(1,088,772)</b>	<b>(771,476)</b>
<b>Loss per modaraba certificate - basic and diluted</b>		<b>(7.55)</b>	<b>(5.21)</b>	<b>(5.57)</b>	<b>(3.94)</b>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)


For the half year ended December 31, 2019

	For the half year ended		For the quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Rupees in '000'		Rupees in '000'	
Loss for the period	(1,477,030)	(1,020,009)	(1,088,772)	(771,476)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>(1,477,030)</b>	<b>(1,020,009)</b>	<b>(1,088,772)</b>	<b>(771,476)</b>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

LAHORE  
February 26, 2020

  
Syed Shahid Ali  
Chief Executive Officer

  
Muhammad Shafique Anjum  
Director

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the half year ended December 31, 2019

Note	31 December 2019	31 December 2018
	Rupees in '000'	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	(1,476,669)	(1,020,009)
Adjustments for non-cash items:		
Depreciation on operating fixed assets	213,886	210,680
Write down in the value of stock in trade	12,911	12,541
Gain on disposal of land classified as held for sale	-	(20,251)
Provision for doubtful debts	4,175	-
Recovery of bad debts written off in the past	-	(294)
Exchange Loss	753	18,029
Finance cost	274,260	109,039
	505,985	329,744
<b>Operating (loss) / profit before working capital changes</b>	(970,684)	(690,265)
(Increase)/ decrease in current assets:		
Stores and spares	(14,022)	(9,982)
Stock in trade	88,267	(783,931)
Trade debtors	69,509	(174,712)
Advances, deposits, prepayments and other receivables	385,295	29,391
Tax refunds due from the government - sales tax adjustable	(517)	(198,991)
	528,532	(1,138,225)
Increase / (decrease) in current liabilities:		
Retention money payable	(8,534)	(12,742)
Trade and other payables	(133,509)	(128,618)
<b>Cash used in operations</b>	(584,195)	(1,969,850)
Finance cost paid	(185,282)	(87,045)
Income tax paid	(20,733)	(30,485)
Long term advances - net	-	1,180
Long term deposits - net	(34,237)	-
<b>Net cash used in operating activities</b>	(824,447)	(2,086,200)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Change in operating fixed assets including related long term liability	-	(30,010)
Capital work in progress incurred	(172,617)	(82,054)
Proceeds from disposal of land classified as held for sale	-	64,491
<b>Net cash used in investing activities</b>	(172,617)	(47,573)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term borrowings acquired from banking companies	263,778	1,326,640
Borrowings from related party - Holding Company	709,333	347,615
<b>Net cash generated from financing activities</b>	973,111	1,674,255
<b>Net decrease in cash and cash equivalents</b>	(23,953)	(459,518)
<b>Cash and cash equivalents at beginning of the period</b>	10 21,666	589,074
<b>Cash and cash equivalents at end of the period</b>	10 (2,287)	129,556

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

LAHORE  
 February 26, 2020

  
 Syed Shahid Ali  
 Chief Executive Officer

  
 Muhammad Shafique Anjum  
 Director


## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)


For the half year ended December 31, 2019

	Certificate Capital	Capital Reserve			Revenue Reserve	Total
		Certificate premium	Statutory Reserve	Revaluation reserve	Accumulated loss	
Rupees in '000'						
<b>Balance as at July 01, 2018</b>	1,956,000	1,952,870	511,941	26,989	(379,209)	4,068,591
Total comprehensive loss for the period	-	-	-	-	(1,020,009)	(1,020,009)
Surplus transferred to accumulated loss on account of incremental depreciation charged during the period				(691)	691	
Sale of land classified as held for sale				(4,575)	4,575	
<b>Balance as at December 31, 2018</b>	1,956,000	1,952,870	511,941	21,723	(1,393,952)	3,048,582
Total comprehensive loss for the period	-	-	-	-	(1,371,783)	(1,371,783)
Fresh surplus arose during the period				366,043		366,043
Surplus transferred to accumulated loss on account of incremental depreciation charged during the period - net of deferred tax	-	-	-	(290)	290	-
<b>Balance as at June 30, 2019</b>	1,956,000	1,952,870	511,941	387,476	(2,765,445)	2,042,842
Total comprehensive loss for the period	-	-	-	-	(1,477,030)	(1,477,030)
Surplus transferred to accumulated loss on account of incremental depreciation charged during the period - net of deferred tax	-	-	-	(1,059)	1,059	-
<b>Balance as at 31 December 2019</b>	1,956,000	1,952,870	511,941	386,417	(4,241,416)	565,812

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

LAHORE  
February 26, 2020

  
Syed Shahid Ali  
Chief Executive Officer

  
Muhammad Shafique Anjum  
Director

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the half year ended December 31, 2019

### 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, a parent Modaraba of the Modaraba), incorporated in Pakistan under the (repealed) 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, soaps and batteries.

### 2. BASIS OF PREPARATION

These condensed interim financial statements is un-audited and has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). In cases where the requirements differ, the provisions of or directives issued under the Ordinance or Regulations shall prevail. The disclosures in these condensed interim financial statements do not include all the information reported in audited annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2019.

### 3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2019 except for the adoption of new standards effective as of 01 July 2019 as stated below:

#### 3.2 Change in accounting standards interpretations and amendments to published accounting and reporting standards

##### 3.2.1 Standards and amendments to published accounting and reporting standards which were effective during the half year ended December 31, 2019

The Modaraba has adopted IFRS 16 "Leases" and IFRS 9 "Financial Instruments" from 01 July, 2019 which are effective from the annual periods beginning on or after 01 July, 2019. There are other new standards which are effective from 01 July, 2019 but they do not have a material effect on the Modaraba's condensed interim financial statements. The detail of new significant accounting policy adopted and the nature and effect of the changes from previous accounting policy are set out below:

#### IFRS 16 'Leases' - IFRS 16

The Modaraba had entered into lease arrangement with Messrs Khatoon Industries (Private) Limited ("KIL") on 1 July, 2010 for a period of 10 years. Under this arrangement, the said party being the landlord of the premises agreed to gave the right of assets to the Modaraba for the use of all the manufacturing facilities i.e, land & building and plant & machinery for the manufacture of soap. Previously, this arrangement was treated as operating lease and all the rentals due under the contract were charged to Profit & Loss Account. However, the adoption of IFRS 16 has replaced the provisions of IAS 17 "Leases" and now onwards all the lease arrangements other than short term leases are being classified as finance lease. As disclosed in Note 11.3 of these condensed interim financial statements, this lease facility will be expired on 30 June, 2020, therefore this change in the lease does not have a material impact on these condensed interim financial statements. As explained, this change in accounting policy does not have a significant impact therefore, this change has not been treated in accordance with Para 45 of IAS 8 "Accounting policies, changes in accounting estimates and errors" as all the leases are short term without any material renewal option.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the half year ended December 31, 2019

### IFRS – 9 ‘Financial instruments’

Initially Securities and Exchange Commission of Pakistan (SECP) deferred the application of IFRS – 9 ‘Financial Instruments’ to Non-Banking Finance Companies till June 30, 2019. Therefore, now the Modaraba has adopted this standard. This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On July 01, 2019 (the date of initial application of IFRS 9), the Modaraba’s management has assessed which business models apply to the financial assets held by the Modaraba and has classified its financial instruments into the appropriate IFRS 9 categories (i.e. mainly financial assets previously classified as ‘loans and receivables’ have now been classified as ‘amortized cost’).

Financial instruments	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	New carrying amount
			(Rupees 000)	
Long term deposits	Loans and receivables	Amortized cost	45,169	45,169
Trade debts	Loans and receivables	Amortized cost	681,145	681,145
Advances, deposits and other receivables	Loans and receivables	Amortized cost	20,003	20,003
Cash and Bank balances	Loans and receivables	Amortized cost	121,334	121,334
			867,651	867,651

Adoption of IFRS 9 did not have any impact on the profit and loss account and OCI for the period ended December 31, 2019. As a result of the adoption of IFRS 9, the Modaraba has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the profit and loss account. Previously, the Modaraba’s approach was to include the impairment of trade receivables in other operating expenses. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Modaraba’s accounting policies related to financial liabilities.

The amendments that were mandatory for the half year ended December 31, 2019 are considered not to be relevant for the Modaraba’s financial reporting process and hence have not been disclosed here. In addition to this, the adoption of expected loss approach has not resulted in any material change in impairment provision for any financial asset.

### Standards and amendments to approved accounting and reporting standards that are not yet effective

- 3.2.2 There are other new standards and certain amendments & interpretations to the accounting and reporting standards that will be mandatory for the Modaraba’s annual accounting periods beginning on or after July 1, 2020. However, these standards, amendments and interpretations will not have any significant impact on the financial reporting of the Modaraba and, therefore, have not been disclosed in these condensed interim financial statements.

	Note	Un-audited 31 December 2019	Audited 30 June 2019
		Rupees in '000'	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	7,105,740	7,282,780
Capital work-in-progress	4.2	1,535,877	1,400,106
		<b>8,641,617</b>	<b>8,682,886</b>
<b>4.1 Operating fixed assets</b>			
Opening balance - net book value		7,282,780	7,299,210
Revaluation surplus arose during the period / year		-	375,315
Transfer from capital work in progress		36,846	27,063
Depreciation charged during the period / year	4.1.2	(213,886)	(418,808)
<b>Closing balance - net book value</b>		<b>7,105,740</b>	<b>7,282,780</b>
<b>4.1.1</b>	The operating fixed assets include a freehold land measuring 40 acres having value of Rs. 265.524 million (June 30, 2019: Rs. 265.524 million) situated at Sahianwala Faisalabad. This land is in possession and use of Modaraba since acquisition and all the obligations had been duly paid there-against. However, legal title of the land is in the process of being transferred in the name of Modaraba.		
<b>4.1.2</b>	The depreciation charge for the period / year has been allocated as under:		
<b>Cost of Sales</b>			
Packaging solutions - corrugated boxes	12.1	12,142	19,062
Soaps	12.2	2,156	2,809
Batteries	12.3	196,247	390,521
<b>Administration and general expenses</b>		<b>3,265</b>	<b>6,341</b>
<b>Selling and distribution cost</b>		<b>76</b>	<b>75</b>
		<b>213,886</b>	<b>418,808</b>
<b>4.2 Capital work in progress</b>			
The breakup of this head of account is as under:			
Civil works		80,286	48,897
Plant and machinery		1,428,275	1,320,271
Advances for capital expenditure		27,316	30,938
		<b>1,535,877</b>	<b>1,400,106</b>
<b>5 STOCK IN TRADE</b>			
Raw material and chemicals	5.1	1,113,757	1,031,294
Packing material		24,324	36,817
Work-in-process		437,964	593,746
Finished goods		180,854	196,220
		<b>1,756,899</b>	<b>1,858,077</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the half year ended December 31, 2019

- 5.1 Raw material and chemicals include stock in transit amounting to Rs. 121.872 million (June 30, 2019: Rs. 190.156 million).
- 5.2 The stock in trade of corrugation and battery segments has been written down to net realizable value by Rs. 9.076 and by Rs 3.835 million respectively (June 30, 2019 Rs. Nil), which is duly recognized in the cost of sales in accordance with the requirements of IAS - 2.

	Note	Un-audited 31 December 2019 Rupees in '000'	Audited 30 June 2019
<b>6</b>	<b>Advances, deposits, prepayments and other receivables</b>	<b>167,253</b>	<b>552,548</b>
		These include Rs. 4.325 million (June 30, 2019, 6.649 million) outstanding advances receivable from Khatoon Industries Limited (KIL) and are secured against rentals payable to the said party for the use of soap manufacturing facility in equal monthly installments. Refer to note - 11.3 .	
<b>7</b>	<b>Deferred Taxation</b>		
	<b>Deferred tax liabilities in respect of taxable temporary differences:</b>		
	Accelerated tax depreciation and allowance of assets	631,624	626,623
	<b>Deferred tax assets in respect of deductible temporary differences:</b>		
	Provision for slow moving/obsolete stores	(1,577)	(1,602)
	Provision for doubtful debts	(9,186)	(9,040)
	Unused losses	(1,122,313)	(742,917)
	Unused tax credits	(822)	(822)
		(1,133,898)	(754,381)
	<b>Net deferred tax asset</b>	<b>(502,274)</b>	<b>(127,758)</b>
	<b>Less: deferred tax liability attributable to revaluation surplus</b>	<b>(432)</b>	<b>(8,871)</b>
	<b>Net deferred tax asset</b>	<b>(502,706)</b>	<b>(136,629)</b>
	<b>Deferred tax asset not recognized in the profit and loss account</b>	<b>502,706</b>	<b>136,629</b>
	<b>Deferred tax income recognized in the profit and loss account</b>	<b>-</b>	<b>-</b>
7.1	The deferred tax assets amounting to Rs. 502.706 million (June 30, 2019: Rs. 136.629 million) are not recognized in these financial statements as the certainty of the taxable profits / taxable differences in the foreseeable future is not assured.		
<b>8</b>	<b>SHORT TERM BORROWINGS - UNSECURED</b>		
	<b>From banking companies - secured and profit bearing</b>		
	Running finances - Islamic mode of financing	8.1 3,334,000	3,514,387
	Import Murabaha / Muswammah	8.2 854,123	409,958
		4,188,123	3,924,345
	<b>From related parties - unsecured</b>	8.4 7,172,242	6,462,909
	Treet Corporation Limited - Holding Company	11,360,365	10,387,254



**8.1 Running finances - Islamic mode of financing**

These represent Istisna and Musharaka finance facilities obtained from various financial institutions under shariah arrangements for the manufacturing of corrugated boxes, soaps and batteries out of the total sanctioned limits of Rs. 3,857.5 million (June 30, 2019 Rs. 3,757.5 million).

**8.2 Import Murabaha / Muswammah**

These represent Import Murabaha / Muswammah finance facilities obtained from various financial institutions under shariah arrangements for the retirements of letters of credit for import of plant & machinery, raw materials, stocks, chemicals, stores, tools and spare parts etc, out of the total sanctioned limits of Rs. 1,000 million (June 30, 2019 Rs. 1,000 million).

**8.3** All the short term borrowings from the various financial institutions / banking companies as disclosed in notes 8.1 and 8.2 to these condensed interim financial statements carry profit rates ranging from 11.61% to 16.40% (June 30, 2019: 6.83% to 15.12%) per annum, payable quarterly. Further these are secured against ownership of goods and 1st Joint Pari Passu charge over all present and future current assets of the Modaraba amounting to Rs. 7,070 million.

**8.4 Treet Corporation Limited - Holding Company**

This represents loan obtained from the above named related party towards the development project cost of the Battery project and working capital requirements of the Modaraba. It is unsecured, carries no profit and payable on demand, particularly when the project will have profitable operations and generate sufficient cash flows.

	Note	Un-audited 31 December 2019	Audited 30 June 2019	
		Rupees in '000'		
<b>9</b>	<b>TRADE AND OTHER PAYABLES</b>	9.1	535,081	622,899
9.1	These include balances payable to the following related parties: Treet Corporation Limited		17,500	35,000
<b>10</b>	<b>CASH AND CASH EQUIVALENTS</b>			
	Cash and bank balances		121,334	99,596
	Temporary book overdraft - unsecured		(123,621)	(77,930)
	Cash and cash equivalents at end of the year		(2,287)	21,666

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the half year ended December 31, 2019

### 11 Contingencies and commitments

#### 11.1 Contingencies

There are no material changes in contingencies from the preceding annual published financial statements of the Modaraba for the year ended June 30, 2019, except for the resolution of a sales tax demand in the favour of the Modaraba for the tax period July 2015 to June 2016 amounting to Rs 7.114 million along with default surcharge and a penalty of Rs 2.678 million and Rs 0.461 million respectively which was created by ACIR mainly on the issue of inadmissibility of input sales tax.

#### 11.2 Commitments

Capital commitments in respect of letters of credit as at December 31, 2019 were in the sum of Rs 12.394 million (June 30, 2019: Rs. 115.282 million) and other than capital commitments were Rs. Nil as at that date (June 30, 2019: Rs. 483.572 million).

#### 11.3 Operating leases

The Modaraba has acquired plant and machinery for its soaps manufacturing facility from Khatoon Industries Limited on operating lease for a maximum period of 10 years ending on June 30, 2020. The future lease payments under the lease agreements are as under:

	Un-audited 31 December 2019	Audited 30 June 2019
	Rupees in '000'	
Not later than one year	7,196	13,327

	Note	Un-audited For the half year ended		Un-audited For the quarter ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		Rupees in '000'		Rupees in '000'	
<b>12 COST OF GOODS SOLD</b>					
Packaging Solutions - Corrugated boxes	12.1	937,969	853,121	460,084	450,548
Soap	12.2	394,921	436,544	166,960	240,974
Batteries	12.3	1,738,106	1,179,570	763,660	610,959
		<b>3,070,996</b>	<b>2,469,235</b>	<b>1,390,704</b>	<b>1,302,481</b>

Note	Un-audited		Un-audited	
	For the half year ended		For the quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Rupees in '000'		Rupees in '000'	
<b>12.1 Cost of goods sold - Packaging Solutions</b>				
Raw material consumed				
Opening stock	134,982	220,011	156,416	301,672
Add : Purchases	754,519	696,853	345,609	297,217
	889,501	916,864	502,025	598,889
<b>Less : Closing stock</b>	<b>(178,624)</b>	<b>(255,105)</b>	<b>(178,624)</b>	<b>(255,105)</b>
	710,877	661,759	323,401	343,784
Stores and spares consumed	26,054	28,373	13,913	14,740
Salaries, wages and other benefits	103,372	95,767	56,876	61,427
Fuel and power	41,935	27,976	20,036	13,590
Depreciation 4.1.2	12,142	9,631	7,125	4,815
Rented premises - Treet Corporation Limited	5,833	5,833	5,833	5,833
Other expenses	23,642	26,167	17,085	12,068
	923,855	855,506	444,269	456,257
<b>Work-in-process</b>				
Add: Opening stock	6,319	10,723	8,183	11,198
Less: Closing stock	(10,767)	(8,279)	(10,767)	(8,279)
	(4,448)	2,444	(2,584)	2,919
<b>Cost of goods manufactured</b>	<b>919,407</b>	<b>857,950</b>	<b>441,685</b>	<b>459,176</b>
<b>Finished goods</b>				
Add: Opening stock	42,148	34,444	41,985	30,645
Less: Closing stock	(23,586)	(39,273)	(23,586)	(39,273)
	18,562	(4,829)	18,399	(8,628)
	937,969	853,121	460,084	450,548
<b>12.2 Cost of goods sold - Soaps</b>				
Raw material consumed				
Opening stock	58,711	45,665	25,445	56,240
Add : Purchases	299,787	380,451	168,909	197,821
	358,498	426,116	194,354	254,061
<b>Less : Closing stock</b>	<b>(30,245)</b>	<b>(60,597)</b>	<b>(30,245)</b>	<b>(60,597)</b>
	328,253	365,519	164,109	193,464
Stores and spares consumed	1,281	1,408	555	770
Salaries, wages and other benefits	23,286	18,430	12,217	12,358
Fuel and power	10,194	7,548	5,536	3,893
Plant rental	8,338	6,738	1,031	3,331
Depreciation 4.1.2	2,156	1,401	1,441	700
Rented premises - Treet Corporation Limited	5,833	5,833	5,833	5,833
Other expenses	3,635	4,453	5,523	2,650
	382,976	411,330	196,245	222,999

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the half year ended December 31, 2019

	Note	Un-Audited For the Half year ended		Un-Audited For the Quarter ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		Rupees in '000'		Rupees in '000'	
<b>Work-in-process</b>					
Add: Opening stock		-	547	-	-
Less: Closing stock		(23)	(53)	(23)	(53)
		(23)	494	(23)	(53)
<b>Cost of goods manufactured</b>		382,953	411,824	196,222	222,946
<b>Finished goods</b>					
Add: Opening stock		53,097	42,980	11,867	36,288
Less: Closing stock		(41,129)	(18,260)	(41,129)	(18,260)
		11,968	24,720	(29,262)	18,028
		394,921	436,544	166,960	240,974
<b>12.3 Cost of goods sold - Batteries</b>					
Raw material consumed					
Opening stock		874,418	513,851	756,098	1,062,843
Add: Purchases		971,047	1,324,278	760,857	516,867
		1,845,465	1,838,129	1,516,955	1,579,710
Less: Closing stock		(929,212)	(1,272,347)	(929,212)	(1,272,347)
		916,253	565,782	587,743	307,363
Stores and spares consumed		18,153	29,158	13,151	13,876
Salaries, wages and other benefits		207,745	166,050	102,306	87,885
Fuel and power		189,254	141,103	82,934	79,898
Depreciation	4.1.2	196,247	196,490	71,591	72,097
Rented premises - Treet Corporation Limited		5,833	5,833	5,833	5,833
Other expenses		59,532	60,851	30,466	29,704
		1,593,017	1,165,267	894,024	596,656
<b>Work-in-process</b>					
Add: Opening stock		587,427	242,745	273,569	242,745
Less: Closing stock		(427,174)	(200,068)	(427,174)	(200,068)
		160,253	42,677	(153,605)	42,677
		1,753,270	1,207,944	740,419	639,333
<b>Finished goods</b>					
Add: Opening stock		100,975	147,817	139,380	147,817
Less: Closing stock		(116,139)	(176,191)	(116,139)	(176,191)
		(15,164)	(28,374)	23,241	(28,374)
		1,738,106	1,179,570	763,660	610,959
<b>13 Finance cost</b>					
Istisna finance charges		176,553	26,318	156,196	13,488
Musharaka finance charges		56,859	77,915	50,303	39,932
Murabaha finance charges		37,718	3,420	33,369	1,753
Exchange loss		753	18,029	753	18,029
Bank charges		3,130	1,386	1,672	764
		275,013	127,068	242,293	73,966

	Note	Un-Audited For the Half year ended		Un-Audited For the Quarter ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		Rupees in '000'		Rupees in '000'	
<b>14</b>	<b>Taxation</b>				
	<b>Current</b>				
	Presumptive tax - exports	14.1	361	-	-
	<b>Deferred</b>				
	For the year	7	-	-	-
			361	-	-

- 14.1 "As previously stated in the annual published financial statements of the Modaraba for the year ended June 30, 2019 the income of the Modaraba is charged to tax under the provisions of the Income Tax Ordinance 2001 ("the Ordinance") for the tax year 2019 and onwards. As the Modaraba has suffered loss before taxation, therefore, no provision for income tax under the normal tax regime or alternate corporate tax is required in the instant case. Further, the provision of minimum tax chargeable under section 113 of the Ordinance is also not applicable for Modaraba, as provided by Clause - 11A (XIII) of Part IV of the Second Schedule to the Ordinance, 2001. However, export proceeds are subject to tax under Final Tax Regime in accordance with section 154 of the Income Tax Ordinance, 2001.

Accordingly, the reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not applicable."

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
For the half year ended December 31, 2019

15 Business segments

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

	Business Segments						Total
	Corrugated Boxes		Soaps		Batteries		
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2018
	Rupees in '000'						
Sales: Inter-segment	7,651	10,497	-	-	-	-	10,497
Others	1,010,496	1,019,059	547,020	609,968	1,561,006	769,962	2,398,989
Sale of waste paper	51,742	50,460	-	-	-	-	50,460
Less: Sales tax	1,069,889	1,080,016	547,020	609,968	1,561,006	769,962	2,459,946
Trade discount	(144,106)	(144,695)	(92,391)	(120,303)	(252,162)	(128,131)	(393,129)
Elimination of inter segment sales	(476)	(1,019)	(300)	(303)	(74,058)	(43,559)	(44,881)
	(7,651)	(10,497)	-	-	-	-	(10,497)
<b>Net sales</b>	<b>917,656</b>	<b>923,805</b>	<b>454,329</b>	<b>489,362</b>	<b>1,234,786</b>	<b>598,272</b>	<b>2,011,439</b>
Cost of sales: Inter-segment	-	-	394,921	10,497	-	-	10,497
Others	937,969	853,121	-	436,544	1,738,106	1,179,570	2,469,235
Elimination of inter segment purchases	-	-	-	(10,497)	-	-	(10,497)
	937,969	853,121	394,921	436,544	1,738,106	1,179,570	2,469,235
<b>Gross (loss) / profit</b>	<b>(20,313)</b>	<b>70,684</b>	<b>59,408</b>	<b>52,818</b>	<b>(503,320)</b>	<b>(581,298)</b>	<b>(457,796)</b>
<b>Operating expenses</b>							
Administrative and general	(33,409)	(12,095)	(1,369)	(4,807)	(376,797)	(254,297)	(271,199)
Distribution	(60,164)	(62,387)	(8,152)	(7,861)	(360,804)	(154,741)	(224,989)
	(93,573)	(74,482)	(9,521)	(12,668)	(737,601)	(409,038)	(496,188)
<b>Operating (loss) / profit</b>	<b>(113,886)</b>	<b>(3,798)</b>	<b>49,887</b>	<b>40,150</b>	<b>(1,240,921)</b>	<b>(990,336)</b>	<b>(953,984)</b>
Finance cost							(127,068)
Other income							103,264
<b>Net loss for the period before taxation</b>							<b>(1,476,669)</b>
Taxation							(361)
<b>Net loss for the period after taxation</b>							<b>(1,477,030)</b>

15.1 There is no material change in basis of segmentation of net assets from the amounts disclosed in the last annual financial statements:

	Corrugated Boxes		Soaps		Batteries		Unallocated		Total	
	Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited
	December 31, 2019	June 30, 2019	December 31, 2019	June 30, 2019	December 31, 2019	June 30, 2019	December 31, 2019	June 30, 2019	December 31, 2019	June 30, 2019
	Rupees in '000'									
Segment assets	2,712,344	2,678,664	44,445	187,001	9,908,365	10,310,029	-	-	12,665,154	13,175,694
Segment liabilities	4,107,753	3,669,725	3,847,678	3,517,733	4,134,639	3,936,122	9,272	9,272	12,099,342	11,132,852
Depreciation on property, plant and equipment	13,126	20,959	2,156	2,809	1,98,604	3,95,040	-	-	21,3886	41,8808

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the half year ended December 31, 2019

### 16 Transactions with related parties

The related parties comprise subsidiaries, associated undertakings, other related group companies, directors of the Modaraba and key management personnel. The Modaraba in the normal course of business carries out transactions with various related parties. Significant transactions carried out with related parties during the period are as follows:

Name of parties	Nature of relationship	Nature and description of related party transaction	For the half year ended	
			December 31, 2019	December 31, 2018
			Rupees in '000'	
Treet Corporation Limited	Holding company	Sale of corrugated boxes	9,782	12,448
		Expenses for operational activities of battery project	366,153	240,242
		Rental of facilities	17,500	18,000
Treet HR Management (Private) Limited	Associated undertaking	Services obtained	5,625	5,625
Packages Limited	Associated undertaking	Purchase of goods	30,634	57,615
IGI Insurance Limited	Associated undertaking	Services obtained	43,717	10,889
Renacon Pharma Limited	Associated undertaking	Sale of corrugated boxes	7,758	7,054
Treet Holdings Limited	Associated undertaking	Purchase of goods	-	1,804
Ghulab Devi Chest Hospital	Associated undertaking	Donation given to the charitable institution	-	83
Loads Limited	Associated undertaking	Expenses paid on the behalf of the associate; included in advances, prepayments and other receivables	-	3,930

### 17 Date of authorization for issue

These un-audited condensed interim financial statements was authorized for issue by the Board of Directors of the Management Company on February 26, 2020 .

### 18 General

- 18.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 18.2 Corresponding figures have been rearranged / regrouped where necessary to facilitate comparison and better understanding. However, no major reclassification has been made in these condensed interim financial statements.
- 18.3 All figures, except for June 30, 2019 figures, appearing in these condensed interim financial statements are unaudited.





















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