

1st Quarterly Report  
for the period ended  
September 30,

**2018**



*"Our greatest weakness lies  
in giving up. The most certain  
way to succeed is always to try  
just one more time"*





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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 Rana Shakeel Shaukat	Chairman/Member Member Member Member Secretary
<b>CHIEF ACCOUNTANTS:</b>	Mr. Sajjad Haider Khan Mr. Muhammad Zubair	Modaraba Modaraba Company
<b>COMPANY SECRETARY:</b>	Rana Shakeel Shaukat	
<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 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 Wingez 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 un-audited financial statements for the **1st Quarter** ending on September 30, 2018.

### Financial Results

(Rupees in thousand)	2018-2019	2017-2018
Net Sales	1,000,026	669,588
Gross Profit/(Loss)	(166,719)	97,199
Net Profit	(248,524)	56,022
Profit/(Loss) per Certificate	(1.27)	0.29
Transfer to Statutory Reserve	Nil	Nil
Book Value per Certificate	19.53	23.61

- Soaps sales showed declined in sales including margins but volumes and margins will be increased in the coming months due to reduction in palm oil prices in the international markets;
- Corrugation maintained its sales but margins are declined due to intense competition but it will be increased due to various measures taken by the management including inventory management, toll manufacturing in Karachi etc.;
- Battery Segment has shown its negative margins due to the following reasons:
  - Manpower is to be built up and to be trained through learning curve. Your Company has hired full work force and are being trained by the Korean experts since this is new technology and local expertise are not available and has to be trained and built up with this passage of time;
  - Cost of Korean experts is relatively high but has to be borne to develop the local workforce;
  - Production pace is slow and will be geared up gradually as learning curve is developed;
  - Depreciation and other fixed costs are to be borne fully irrespective of production volumes;
  - Utilities costs are high due to diesel generation. But this will be calm down in the coming months since Company's own grid is installed and functioning;
  - Financial costs related to the project. Your Modaraba is making full efforts to achieve positive EBITDA in Financial Year 2018-2019

### 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

**LAHORE**  
October 30, 2018



## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As At September 30, 2018

	Note	(Un-audited) September 2018 (Rupees in thousand)	(Audited) June 2018
Property, plant and equipment		8,297,671	8,436,604
Long term loans and deposits		12,407	15,473
		<b>8,310,078</b>	<b>8,452,077</b>
<b>Current assets</b>			
Stock-in-trade		2,412,034	1,336,440
Trade debts - unsecured considered good		779,011	572,366
Loans, advances, deposits, prepayments and other receivables		1,765,257	1,268,584
Cash and bank balance		177,384	589,898
		<b>5,133,686</b>	<b>3,767,288</b>
<b>Current liabilities</b>			
Current portion of non-current liabilities		-	56,426
Finance under mark-up-arrangements - secured		2,769,188	7,742,526
Trade and other payables		6,853,549	351,822
		<b>9,622,737</b>	<b>8,150,774</b>
<b>Net current assets</b>		<b>(4,489,051)</b>	<b>(4,383,486)</b>
<b>Non-current liabilities</b>			
Long term deposits		960	-
Contingencies and commitments	5	-	-
<b>Net assets</b>		<b>3,820,067</b>	<b>4,068,591</b>
<b>FINANCED BY:</b>			
Issued, subscribed and paid-up capital		1,956,000	1,956,000
Capital reserve		2,464,811	2,464,811
Unappropriated (loss)/ profit		(627,430)	(379,209)
Surplus on revaluation of fixed assets		26,686	26,989
		<b>3,820,067</b>	<b>4,068,591</b>

The attached notes 1 to 10 form an integral part of this condensed interim financial information.

LAHORE  
October 30, 2018

  
Syed Shahid Ali  
Chief Executive Officer

  
Muhammad Shafique Anjum  
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
For the period ended September 30, 2018

	Note	3 months ended	
		July to September 2018	July to September 2017
(Rupees in thousand)			
Net sales	6	1,000,026	669,588
Cost of Goods Sold	7	(1,166,745)	(572,389)
<b>Gross (Loss)/Profit</b>		<b>(166,719)</b>	<b>97,199</b>
<b>Operating expenses :</b>			
- Administrative expenses		(14,325)	(6,654)
- Selling & distribution expenses		(95,778)	(51,276)
		(110,103)	(57,930)
<b>Operating (Loss)/Profit</b>		<b>(276,822)</b>	<b>39,269</b>
Other income		81,400	20,254
		(195,422)	59,523
Financial expenses		(53,102)	(3,501)
		(248,524)	56,022
Workers' Profit Participation Fund		-	-
Workers' Welfare Fund		-	-
		-	-
<b>(Loss)/Profit before taxation</b>		<b>(248,524)</b>	<b>56,022</b>
Taxation		-	-
<b>(Loss)/Profit after taxation</b>		<b>(248,524)</b>	<b>56,022</b>
<b>(Loss)/Earnings per certificate from continuing operation</b>		<b>(1.27)</b>	<b>0.29</b>

The attached notes 1 to 10 form an integral part of this condensed interim financial information.

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

For the period ended September 30, 2018

	July to September 2018	July to September 2017
	(Rupees in thousand)	
(Loss)/Profit after taxation	(248,524)	56,022
Other comprehensive income	-	-
<b>Total comprehensive (loss)/income for the period</b>	<b>(248,524)</b>	<b>56,022</b>

Appropriations have been reflected in the statement of changes in equity.

The attached notes 1 to 10 form an integral part of this condensed interim financial information.

LAHORE  
October 30, 2018



Syed Shahid Ali  
Chief Executive Officer



Muhammad Shafique Anjum  
Director

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

For the period ended September 30, 2018

	July to September 2018	July to September 2017
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(248,524)	56,022
Adjustments for non-cash items:		
Financial charges for the period	53,102	3,501
Depreciation on property, plant and equipment	131,458	5,842
Profit on bank deposits	(1,284)	(983)
(Gain)/Loss on sale of fixed assets	(23,440)	-
	159,836	8,360
<b>Operating profit before working capital changes</b>	<b>(88,688)</b>	<b>64,382</b>
(Increase)/decrease in operating assets:		
Stores and spares	77,657	-
Stock-in-trade	(1,153,251)	(340,375)
Trade debts	(206,645)	(124,637)
Loans, advances, deposits, prepayments and other receivables	(471,799)	(909,275)
	(1,754,038)	(1,374,287)
<b>Increase / (decrease) in operating liabilities</b>		
Trade and other payables	6,472,777	817,080
<b>Cash generated from operations</b>	<b>4,630,051</b>	<b>(492,825)</b>
Financial charges paid	(24,152)	(5,721)
Taxes paid	(24,871)	12,837
	(49,023)	7,116
<b>Net cash from operating activities</b>	<b>4,581,028</b>	<b>(485,709)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	7,474	31,313
Proceeds from sale of fixed assets	23,438	12,217
Long term deposits	3,066	(3,981)
Profit received on bank deposits	1,284	983
<b>Net cash outflow from investing activities</b>	<b>35,262</b>	<b>40,532</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligation	-	(55,602)
Long Term Deposits	(55,466)	(37,077)
<b>Net cash from financing activities</b>	<b>(55,466)</b>	<b>(92,679)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,560,824</b>	<b>(537,856)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>(7,152,628)</b>	<b>(96,561)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>(2,591,804)</b>	<b>(634,417)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	177,384	165,583
Finance under mark-up arrangements	(2,769,188)	(800,000)
	(2,591,804)	(634,417)

The attached notes 1 to 10 form an integral part of this condensed interim financial information.



Syed Shahid Ali  
Chief Executive Officer



Muhammad Shafique Anjum  
Director

LAHORE  
October 30, 2018

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

For the period ended September 30, 2018

	Certificate Capital	Certificate premium	Statutory Reserve	Surplus on revaluation of fixed assets	Un- appropriated Profit/(Loss)	Total
(Rupees in thousand)						
<b>Balance as on June 30, 2016</b>	1,956,000	1,952,870	511,941	29,752	93,571	4,544,134
Total comprehensive income for the period	-	-	-	-	56,022	56,022
Transfer from surplus on revaluation of property, plant and equipment	-	-	-	(306)	306	-
<b>Balance as on September 30, 2017</b>	1,956,000	1,952,870	511,941	29,446	149,899	4,600,156
<b>Balance as on June 30, 2018</b>	1,956,000	1,952,870	511,941	26,989	(379,209)	4,068,591
Transfer from surplus on revaluation of property, plant and equipment	-	-	-	(303)	303	-
Total comprehensive loss for the period	-	-	-	-	(248,524)	(248,524)
<b>Balance as on September 30, 2018</b>	1,956,000	1,952,870	511,941	26,686	(627,430)	3,820,067

The attached notes 1 to 10 form an integral part of this condensed interim financial information.

LAHORE  
October 30, 2018

  
Syed Shahid Ali  
Chief Executive Officer

  
Muhammad Shafique Anjum  
Director

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

For the period ended September 30, 2018

### 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 the current financial year.

### 2. STATEMENT OF COMPLIANCE

This condensed interim financial information is unaudited 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 issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). The disclosures in the condensed interim financial information do not include all the information reported in the annual financial statements and should therefore be read in conjunction with financial statements of the Modaraba for the year ended June 30, 2018.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial information are consistent with those followed in the preparation of the Modaraba's annual financial statements for the year ended June 30, 2018.

### 4. SIGNIFICANT ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Modaraba's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited and published financial statements for the year ended June 30, 2018.

### 5. CONTINGENCIES AND COMMITMENTS

There is no material change in the position of contingent liabilities since the last annual balance sheet.

		3 months ended	
		July to September 2018	July to September 2017
		(Rupees in thousand)	
6.	<b>SALES</b>		
	Packaging products	422,910	424,987
	Soaps	224,426	244,601
	Batteries	352,690	-
		1,000,026	669,588
7.	<b>COST OF SALES</b>		
	Packaging products	402,557	398,657
	Soaps	195,570	173,732
	Batteries	568,618	-
		1,166,745	572,389
8.	<b>TRANSACTIONS WITH RELATED PARTIES</b>		
	Purchases and services received	26,943	30,227
	Goods sold and services rendered	10,220	8,441

The Company enters into transactions with related parties in the normal course of business on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

9. This condensed interim financial information was authorized for issue by the board of directors of the Modaraba Company on October 30, 2018.

10. **GENERAL**

Amounts have been rounded off to thousand rupees.

LAHORE  
October 30, 2018

  
Syed Shahid Ali  
Chief Executive Officer

  
Muhammad Shafique Anjum  
Director



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OF COMPANIES

