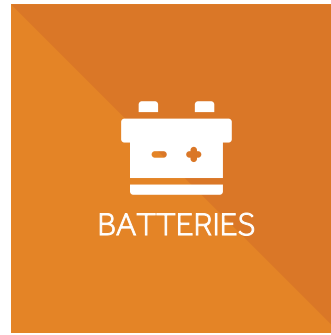


**ANNUAL REPORT
2021**



OUR BRANDS



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Company Information

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

Directors' Profile



Mr. Imran Azim
Chairman

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

He is presently on Board of following Companies:

- Habib Asset Management Limited
- Fecto Sugar Mills Limited
- Treet Holdings Limited
- First Treet Manufacturing Modaraba
- Global Arts Limited



Mr. Syed Shahid Ali
Chief Executive Officer

Holding a Master's 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:

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

Directors' Profile



Mr. Syed Sheharyar Ali
Group CSO and
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 39, he manages a diversified portfolio consisting of manufacturing, healthcare, information technology, automobiles, sports and music.

His portfolio includes:

- 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
- Roboart (Pvt.) Limited
- Spell Digital Movies (Pvt.) Limited
- Elite Brands Limited
- Hi-Tech Autoparts (Pvt.) Limited



Mr. M. Shafique Anjum
Executive Director

Mr. Anjum has been with the Treet Group for over 35 years. With a Mechanical Engineering degree, he has vast experience in the razor blades and allied product manufacturing field.

His portfolio includes:

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



Dr. Salman Faridi
Independent Director

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

His portfolio includes:

- 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)
- Treet Holdings Limited
- Renacon Pharma Limited



Mr. Munir K. 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:

- 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



Ms. Sidra Fatima Sheikh
(Independent Director)

After completing her BSC Economics from The London School of Economics and Political Science, CPE/PGDL and LPC from BPP Law School, London, Sidra Fatima Sheikh trained with The Oberman Partnership Solicitors (now Kerman & Co), London and was enrolled as a Solicitor of the Supreme Court of England & Wales in 2001. She is a partner at The Sheikh Partnership law firm since 2004 and serves on the managing committee of Gulab Devi Hospital and Al-Aleem Medical College. She has recently been enrolled as an advocate of the Supreme Court of Pakistan.

Mission, Vision Statements

MISSION STATEMENT

Always staying true to our commitment of continuously raising standards and delivering quality products through manufacturing excellence, thereby fulfilling every need of our customers/consumers spread across the globe.

VISION STATEMENT

Our mission is to solidify our national leadership position in our core business and drive growth through offering a diversified product portfolio with the principles of ensuring value for money for our consumers, increased shareholder's value for our investors and nurture mutually beneficial business relationships with strategic partners.

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

Chairman's Review Report

I am pleased to present the company's annual report for the year ended June 30, 2021 and to comment on the Board's effectiveness in guiding the Company towards achievement of its aims and objectives.

The Company has a strong governance framework in place, which is instrumental in achieving long-term sustainability and growth. In this regard, the Board continues to play an effective role by steering the Company in a direction that focuses on its core business and competencies.

I confirm that the current members of the Board have extensive expertise in the areas of business management, strategy, finance, corporate governance, legal and administration. Further, all members of the Board are cognizant of their fiduciary duty to the Company and its shareholders and have ensured that this obligation is always kept top of mind. As Chairman of the Board, I affirm that all directors are encouraged to contribute and deliberate on strategic and governance-related topics, and that inputs from the independent directors, the directors representing relevant experience on such topics are consulted and given due consideration before taking any decision.

The Board has clearly defined the terms of reference of its committees, and the members are appointed after considering their requisite skills and experience. Further, the Board and its committees meet regularly during the year and exercise their governance roles after due deliberation on each matter placed before them.

During 2020-2021, a thorough review of the Board and its committees was conducted through our internal Board Evaluation Process, developed in consonance with accepted global practices for evaluating Board performance. As a result of this evaluation, it was decided that the Board would identify specific objectives to measure its performance periodically.

We also constantly reviewed aspects of our financial reporting framework in order to ensure that the company remained in line with both the latest regulatory requirements and best practices in the industry.

On behalf of the Board, I take this opportunity to thank all Treet employees and partners for their hard work throughout the year and our shareholders and customers for their continued support and look forward to a successful 2021-2022.



Mr. Imran Azim
Chairman

October 26, 2021
Lahore

Directors' Report

We are pleased to present the Directors' Report together with the Financial Statements (audited) for the year ended June 30, 2021.

These accounts have been audited by statutory auditors of the Modaraba and are accompanied by their audit report.

The operating and financial profile of the company has posted notable improvement across all key parameters including, sales liquidity, cost controlling and plant operations. Key reasons for the improved performance during FY 2021 are the growth in sales volume, improvement in plant efficiency, better cost management, price rationalization and reduction in financial cost. Despite slowdown in the economy due to turbulent economic conditions and COVID-19 pandemic, the company managed to perform much better than the previous year which helped to yield better results. Going forward, due to continuous improvements in our sale and marketing strategy, operational planning and cost management, we expect further improvement in sales volume, profitability and liquidity management. Apart from this, we are in final stages of securing contract with new car manufacturers through which our batteries will be used in their vehicles.

COVID-19 IMPACT

After the financial destructions of COVID 19, in the last financial year, the Financial Year 2021 started seeing some positivity in the overall business environment. The world has witnessed unprecedented economic recession which has profoundly impacted the financial health of every sector of the economy. The initial impact of the COVID-19 made a dent on our business operations, but later on by the grace of Almighty Allah and through hard work and devotion of all members we not only sailed through the rough tides, but made a very enduring impact in achieving our goals and targets. Now, with the development of vaccine of COVID-19, and implementation of SOPs to reduce the impact of this pandemic, the major economies have started restoring to normal. FTMM operational activities in all business segments have also now returned back to normality. As a result, our battery and corrugation business has shown tremendous growth both in volume and value.

It is worth mentioning here that during the time of this crises, we neither retrenched our permanent nor any contractual employees. Furthermore, we also did not cut down any emoluments of both permanent and contractual employees.

FINANCIAL HIGHLIGHTS

Revenue for the year on consolidated basis increased to PKR 6,095M from PKR 4,478M, registering a significant growth of 36.11%. The company is currently operating in three segments; corrugated boxes, soaps and batteries. Sales volumes of corrugated and battery divisions increased by 16% and 39% respectively, whereas soap segment volume declined by 11.72%. The reason for shortfall in sales volume of Soap is on account of demand and supply in the market and the product mix.

The gross loss for FY 2020-21 recorded at PKR 90M as against gross loss of PKR 772.5M of last corresponding period shows a significant improvement as a result of better & efficient cost management and price rationalization by the company.

Directors' Report

The company was able to improve operating loss in FY 2020-21 to Rs. 692M from PKR 1,576M in FY'20 which is an above par achievement that was managed due to better cost management and improved plant operations. Furthermore, reduction in advertisement and warranty claims proves that the company's brand has now made its strong presence in the market and our products are becoming popular among customers as sales volumes are on increasing trend even with significant reduction in advertisement expenses and also the quality of our products has improved, which is evident from the decrease in warranty claims.

The financial cost has posted a significant decrease of 44.17%, from PKR 1,415M to PKR 790M due to lower KIBOR rates during the reporting period. The battery business is generating losses, however the quantum of loss has reduced significantly as the company registered the net loss at PKR 617M in FY2021 as compared to net loss of PKR 2,985M of last corresponding period. Efforts are being made to bring the company in profit in the FY 2022.

FINANCIAL RESULTS :

	Rs. in 000	2020-2021	2019-2020	% Change
Sales (net)		6,094,863	4,477,787	36.11%
Gross Profit/(Loss)		(90,144)	(772,495)	88.33%
Operating Profit/(loss)		(692,196)	(1,576,241)	56.09%
Net Profit/(Loss)		(617,470)	(2,984,794)	79.31%
Earnings/(Loss) per Certificate		(2.42)	(15.26)	84.14%
Transfer to Statutory Reserve		Nil	Nil	
Book Value per Certificate		7.02	(12.10)	158.02%

Auditors in the Audit report have drawn attention to Note 1.2 regarding the financial health of the Modaraba. The management has provided the mitigation plan to improve the operation of Modaraba.

Following major steps have been taken by the management to improve the operations of the business, and these measures are being implemented which will surely improve the business performance.

Working Capital Improvement:

A major review of inventories was conducted at all levels to free up cash. With improved plant reliability and sourcing efficiency, a considerable reduction in WIP has been achieved and optimized in line with seasonal demand for different product variant. Further, continuous efforts on localization of materials has also positively contributed to the working capital optimization. Localization of major raw material i.e. Lead has helped in securing credit buying against advanced payments on L/C.

Battery Prices Rationalization:

Battery pricing was continually reviewed in line with competitors and market dynamics. In line with premium pricing strategy, price increases in the range of 5-11% were implemented for various Daewoo battery models in a phased manner.

Improvement in Plant Efficiency:

A completely new approach has been adopted in manufacturing under new team to holistically address all efficiency improvement areas. Some key highlights include:

Directors' Report

- Implementation of OEE (Overall Equipment Efficiency) based Continuous Improvement program
- Conversion project from LPG to Natural Gas initiated
- Process wastage reduction and capturing in-house recycling opportunities
- Marked improvement in plant reliability and service levels
- ERP system implementation/revamping across all business processes

Reduction in Administrative Costs:

Following up on resource localization approach, the battery plant operations are now being fully managed by trained local team. This has resulted in considerable overhead reduction. The local team is supported by only one Korean expat in the domain of R&D and Quality.

Out of the total current payable to parent company amounting to PKR 7.3 billion, Rs. 5.04 billion has been converted into equity, and an additional Rs. 1.8 billion shall be converted subsequent to the reporting date. All regulatory and statutory approvals for the conversion of balance amount are in place.

As already communicated, spin off Battery segment from its subsidiary (First Treet Manufacturing Modaraba) to separate a 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.

REVALUATION OF FIXED ASSETS:

The auditors have also drawn attention to note 3.25 of the financial statements, which shows that the revaluation difference between the carrying value and fair value of land and building of the battery project of the Modaraba as at June 30 2019 has been adjusted retrospectively in accordance with the provisions of IAS 8, "Accounting policies, Changes in Accounting Estimates and Errors".

SEGMENT-WISE ANALYSIS

Rs. in 000	Corrugated Packaging		Soap		Battery	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
Gross Sales	2,062,293	1,764,570	903,350	927,475	5,098,162	3,118,428
Inter-segment Sales	12,632	12,335	-	-	-	-
Less: Sales Tax, Trade Discount & Inter-segment Sales	(287,278)	(255,838)	(157,988)	(157,301)	(1,536,308)	(931,882)
Net Sales	1,787,647	1,521,067	745,362	770,174	3,561,854	2,186,546
Gross Profit/(Loss)	18,806	(57,331)	25,834	74,556	(134,784)	(789,720)
Gross Profit/(Loss) %	1.05%	-3.77%	3.47%	9.68%	-3.78%	-39.06%
Operating Profit/(Loss)	(45,985)	(187,474)	13,917	55,586	(660,128)	(1,508,778)
Operating Profit/(Loss) %	-2.57%	-12.33%	1.87%	7.22%	-18.53%	-69%

CORRUGATED PACKAGING

The net revenue for the year 2020-21 is Rs.1,788 million which has increased by 17.53% as compared to last financial year. The business has posted a gross profit of Rs. 19 million compared to a gross loss of Rs. 57 million. The improvement is primarily due to better sales managements by focusing on high margin customers, cost controlling and improving plant operational efficiency.

Efforts are being made to broaden the customer base through market diversification. Moreover, prices are also being rationalized in tandem with the increased costs (raw material, salaries etc.) however, with time lagged impact.

Directors' Report

SOAPS

The net revenue for the year 2020-21 is Rs.745 million which has decreased by 3.22% as compared to last financial year. Soaps sales volumes and margins have decreased due to increased cost of raw material (because of depreciation of the currency) and reduction in selling price. Prices are being rationalized to increase the margins in the coming months.

BATTERY PLANT

The battery segment has shown healthy increase in the volume which is approximately 39% higher compared to last year. Furthermore, the estimated market share of our battery has increased from 7.3% in FY 2019-20 to 9%-9.5% in FY 2020-21.

The net revenue for the financial year 2020-21 is Rs. 3,562 million, which is 63% higher compared to last financial year. Despite increase in volume, the business has posted gross loss of Rs. 135 million which has improved by 83% compared to last financial year. The main reasons for the gross loss is due to:

1. Higher material cost due to PKR devaluation - which is not being fully passed on to customers due to competition.
2. High plant depreciation cost.

Furthermore, there has been significant reduction in the administration & general and selling expenses, but due to negative gross margin, the battery business has posted an operating loss of Rs. 660 million, however this loss has significantly improved compared to last year.

DIVIDEND

Cash dividend is Nil % (2020: Nil) due to loss in Modaraba.

APPROPRIATIONS

	Rs. in '000
(Loss) for the Year	(617,470)
Un-appropriated loss brought forward	(7,195,434)
Transferred to Statutory Reserves (0.0%) for the year ended June 30, 2021	-
Incremental depreciation charged during the year	2,117
Un-appropriated loss carried forward	(7,810,787)
Final Dividend for the year ended June 30, 2021 @ Rs. Nil	Nil

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 accounts 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 therefrom, if any, has been adequately disclosed.
- The system of Internal Controls, being implemented in your Modaraba is sound and has been effectively persisted throughout the year.

Directors' Report

- Keeping in view the financial position of your Modaraba, we do not have any significant doubt upon its continuance as a going concern.
- There has not been any material departure from the best practices of corporate governance, as detailed in the listing regulations, during the year under review.

Meetings of the Board of Directors

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

Sr. No.	Name	Designation	5/ Oct/20	27/ Oct/20	25/ Feb/21	27/ Apr/21	2020-2021
1	Mr. Imran Azim	Chairman/ Non-Executive Director	P	P	P	P	4/4
2	Ms. Sidra Sheikh	Independent Director	P	P	P	P	4/4
3	Dr. Salman Faridi	Independent Director	P	P	P	P	4/4
4	Mr. Munir Karim Bana	Non-Executive Director	P	P	A	P	4/4
5	Mr. Shafique Anjum	Executive Director	A	P	P	P	3/4
6	Syed Shahid Ali	Executive Director	P	P	P	P	4/4
7	Syed Sheharyar Ali	Executive Director	P	P	P	P	4/4
Quorum of Meetings			7/8	8/8	8/8	8/8	
P	Present in the Meeting						
A	Leave of Absence						

AUDIT COMMITTEE

During the year, the Audit Committee of the Board have met 04 times and the attendance at each of these meetings is as follows.

Sr. No.	Name	Designation	6/ Oct/20	27/ Oct/20	25/ Feb/21	27/ Apr/21	2020-2021
1	Dr. Salman Faridi	Chairman/ Independent Director	P	P	P	P	4/4
2	Mr. Imran Azim	Non-Executive Director	P	P	P	P	4/4
3	Mr. Munir Karim Bana	Non-Executive Director	P	P	P	P	4/4
Quorum of Meetings			3/3	3/3	3/3	3/3	
P	Present in the Meeting						
A	Leave of Absence						

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, 2021 is annexed with this report. This statement is in accordance with the amendments made through the Code.

Directors' Report

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 is 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 26, 2021
Lahore

نام	عہدہ	05 اکتوبر 2020ء	27 اکتوبر 2020ء	25 فروری 2021ء	27 اپریل 2021ء	2020-21
ڈاکٹر سلمان فریدی	چیئر مین / خود مختار ڈائریکٹر	P	P	P	P	3/3
مسٹر عمران عظیم	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	3/3
مسٹر منیر کریم بانا	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	3/3

P اجلاس میں حاضر

A اجلاس سے غیر حاضر

شریہ مشیر

مفتی محمد جاوید حسن مضاربہ کے شریہ مشیر ہیں۔ شریہ مشیر کی سالانہ رپورٹ لف ہذا ہے۔

ٹھونگیٹ ہولڈنگ کی وضع

30 جون 2021ء کو آپ کے مضاربہ کی ٹھونگیٹ ہولڈنگ کی وضع رپورٹ کے ساتھ منسلک ہے۔ یہ بیان ضابطہ میں ترامیم کے عین مطابق ہے۔

HR اور ایڈمنسٹریشن

HR کا فنکشن الحاق شدہ کمپنی ٹریٹڈ HR مینجمنٹ (پرائیویٹ) لمیٹڈ کے حوالے کیا گیا ہے جو سروسز معاہدہ کے تحت میزبان کمپنیوں کو افرادی قوت فراہم کرنے کے لئے مزدوروں کی بھرتی کی ایک تجربہ کار کمپنی ہے اور افرادی قوت کی تمام ذمہ داریاں نبھار رہی ہے۔

اظہار تشکر

بورڈ اس موقعے کا بھرپور فائدہ اٹھاتے ہوئے اپنے معزز صارفین کی حمایت اور تعاون اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان سٹاک ایکسچینج لمیٹڈ اور مضاربہ ایسوسی ایشن آف پاکستان کی مسلسل رہنمائی کے لئے تہہ دل سے شکر گزار ہیں۔ ہمارے اوپر بھروسہ اور اعتماد کے لئے ہم اپنے ٹھونگیٹ ہولڈرز کا خصوصی شکر یہ ادا کرتے ہیں۔

منجانب/ برائے بورڈ



مؤرخہ: 26 اکتوبر 2021ء

بہ مقام: لاہور

سید شاہد علی

چیف ایگزیکٹو آفیسر

کاروباری و مالیاتی رپورٹنگ فریم ورک

کوڈ کی تعمیل میں مضاربہ کے بورڈ آف ڈائریکٹرز بیان کرتے ہیں:

- مضاربہ کی انتظامیہ کی تیار کردہ مالیاتی اسٹیٹمنٹس کمپنی کے کاروباری امور، آپریشنز کے نتائج، کیش فلوا اور ایکویٹی میں تبدیلی کی درست عکاسی کرتی ہیں۔
- مضاربہ کے کھاتوں کی باقاعدہ کتابیں تیار کی گئی ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں مضاربہ کی انتظامیہ نے مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا ہے اور اکاؤنٹنگ تخمینہ جات موزوں اور معقول فیصلوں کی بنیاد پر لگائے گئے ہیں۔
- ان مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں نافذ العمل بین الاقوامی مالیاتی رپورٹنگ معیارات پر عمل کیا گیا ہے اور ان میں کسی بھی ترک کو مناسب انداز میں ظاہر کیا گیا ہے۔
- داخلی نظم و ضبط کا ایک مربوط سسٹم موجود ہے اور اس میں مزید نکھار لایا گیا ہے اور سال بھر میں اس کا موثر اطلاق کیا گیا ہے۔
- آپ کے مضاربہ کی مالیاتی حالت کو مد نظر رکھتے ہوئے ہمیں کمپنی کی کاروبار جاری رکھنے کی صلاحیت میں کوئی شک نہیں۔
- زیر جائزہ سال کے دوران کارپوریٹ گورننس کی بہترین عمل داری میں کوئی ابہام نہیں ہے جیسا کہ لسٹنگ ضوابط میں بیان کیا گیا ہے۔

بورڈ آف ڈائریکٹرز کے اجلاس

سال بھر میں مضاربہ کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے ہر اجلاس میں حاضری حسب ذیل ہے:

نام	عہدہ	05 اکتوبر 2020ء	27 اکتوبر 2020ء	25 فروری 2021ء	27 اپریل 2021ء	2020-21
مسٹر عمران عظیم	چیئر مین / نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
مس سدرہ شیخ	خود مختار ڈائریکٹر	P	P	P	P	4/4
ڈاکٹر سلمان فریدی	خود مختار ڈائریکٹر	P	P	P	P	4/4
مسٹر منیر کریم بانا	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
مسٹر شفیق انجم	ایگزیکٹو ڈائریکٹر	A	P	P	P	3/4
سید شاہد علی	ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
سید شہر یار علی	ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4

P اجلاس میں حاضر

A اجلاس سے غیر حاضر

آڈٹ کمیٹی

سال بھر میں بورڈ آڈٹ کمیٹی کے 103 اجلاس منعقد ہوئے۔ ان اجلاسوں میں ہر رکن کی حاضری حسب ذیل ہے:

ڈائریکٹرز کی رپورٹ

مارکیٹ میں تنوع کے ذریعے صارفین کی تعداد میں اضافہ کے لئے کوششیں جاری ہیں۔ مزید برآں، (خام مال، تنخواہ وغیرہ) کی مد میں اضافی لاگت کی وجہ سے قیمتوں میں متواتر ردوبدل کیا جا رہا ہے۔

صابن

گذشتہ برس کی نسبت سال 2020-21 کے لئے خالص آمدنی 3.22 فی صد کی کے ساتھ 745 ملین روپے رہی۔ (روپے کی قدر میں کمی کی وجہ سے) خام مال کی قیمت میں اضافہ اور قیمت فروخت میں کمی کے باعث صابن کی فروخت کے حجم اور اہداف میں کمی واقع ہوئی۔ آئندہ مہینوں میں منافع کا مارجن بڑھانے کے لئے قیمتوں میں ردوبدل کیا جا رہا ہے۔

بیٹری پلانٹ

بیٹری کے شعبہ نے حجم میں بھرپور اضافہ کیا ہے جو گذشتہ برس کی نسبت تقریباً 39 فی صد زیادہ ہے۔ مزید برآں، ہماری بیٹری کے اندازاً مارکیٹ شیئر میں مالیاتی سال 2019-20 میں 7.3 فی صد کی نسبت مالیاتی سال 2020-21 میں 9.5-9 فی صد اضافہ ہوا۔

مالیاتی سال 2020-21 میں خالص آمدنی 3,562 ملین روپے رہی جو گذشتہ مالیاتی سال کی نسبت 63 فی صد زیادہ ہے۔ حجم میں اضافہ کے باوجود کاروبار میں 135 ملین روپے کا نقصان ہوا جو گذشتہ برس کی نسبت 83 فی صد بہتری ظاہر کر رہا ہے۔ مجموعی خسارہ کی بنیادی وجہ مندرجہ ذیل ہے:

1. پاکستانی روپے کی قدر میں کمی کے باعث خام مال میں اضافہ جسے مقابلہ کی وجہ سے صارفین کو منتقل نہیں کیا گیا ہے۔
2. پلانٹ کی زیادہ تخفیفی قیمت

مزید برآں، انتظامی، عمومی اور فروخت اخراجات میں نمایاں کمی واقع ہوئی لیکن منافع میں منفی رجحان کے باعث بیٹری کاروبار نے 666 ملین روپے آپریٹنگ خسارہ درج کیا تاہم خسارہ کے اعداد و شمار میں گذشتہ برس کی نسبت بہتری آئی ہے۔

منافع منقسمہ

مضارہ میں نقصان کی وجہ سے نقد منافع منقسمہ صفر فی صد (2020: صفر)

تخصیصات

000 روپوں میں	
(617,471)	سال بھر میں (خسارہ)
(7,195,434)	غیر تخصیص شدہ خسارہ جو آگے لایا گیا
-	30 جون 2021ء کو اختتام پذیر سال کے لئے لازمی ذخائر میں منتقلی (0.0%)
2,764	سال بھر میں عائد تخفیف
(7,810,141)	غیر تخصیص شدہ خسارہ جو آگے لائی گئی
صفر	حتمی منافع منقسمہ برائے سال ختمہ 30 جون، 2021 بشرح صفر روپے

انتظامی اخراجات میں کمی

مقامی وسائل کو استعمال کرنے کی حکمت عملی پر عمل درآمد کے ذریعے بیٹری پلانٹ آپریشنز اب کلی طور پر تربیت یافتہ مقامی ٹیم کے زیر انتظام ہیں۔ اس طرح اضافی اخراجات میں نمایاں کمی واقع ہوئی۔ مقامی ٹیم کو صرف ایک غیر ملکی کورپوریشن معاونت کرتا ہے جس کا دائرہ کار R&D اور کوالٹی کے شعبہ تک محدود ہے۔

بانی کمپنی کو واجب الادا 7.3 ارب روپے میں 5.04 ارب روپے کو ایکویٹی میں تبدیل کر دیا گیا ہے اور اضافی 1.8 ارب روپے رپورٹنگ کی تاریخ کے بعد تبدیل کر دیئے جائیں گے۔ بقیہ رقم کی تبدیلی کے لئے تمام قانونی و لازمی منظوریاں حاصل کی جا رہی ہیں۔

جیسا کہ پہلے بیان کیا جا چکا ہے ذیلی کمپنی (فرسٹ ٹریٹ مینوفیکچرنگ مضاربہ) سے بیٹری کے شعبہ کو علیحدہ کمپنی (ٹریٹ بیٹری لمیٹڈ) میں منتقلی کا عمل جاری ہے۔ انضمام کے منصوبہ پر عمل درآمد ہو رہا ہے۔ فی الوقت مالیاتی اداروں اور ریگولیٹرز سے ریگولیٹری و قانونی منظوریاں حاصل کی جا رہی ہیں۔

مستقل اثاثہ جات کی قیمت کا تعین

مضاربہ نے خود مختار کمپنی سے املاک، پلانٹ اور آلات کا تخمینہ لگوایا ہے۔ قیمتوں کا تعین کرنے کے اثرات کو مالیاتی اسٹیٹمنٹس میں واضح طور پر بیان کیا گیا ہے۔

بیٹری کے شعبہ میں اراضی اور عمارت کی کیئرینگ قیمت کو 30 جون 2019ء تک قیمتوں کے تعین میں فرق کے ساتھ ایڈجسٹ کیا گیا ہے۔ اس ایڈجسٹمنٹ کو IAS-8 "اکاؤنٹنگ پالیسیاں، اکاؤنٹنگ تخمینہ جات میں تبدیلیاں اور نقل و حرکت" کے معیارات کے تحت ممکنہ اثرات کے ساتھ ضم کیا گیا ہے۔

شعبہ کے لحاظ سے تجزیہ

(000 روپوں میں)

بیٹری		صائب		کارو گیٹڈ پیکیجنگ		
2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	
3,118,428	5,098,162	927,475	903,350	1,765,570	2,062,293	مجموعی فروخت
-	-	-	-	12,335	12,632	شعبوں کے مابین فروخت
(931,882)	(1,536,308)	(157,301)	(157,988)	(255,838)	(287,278)	منفی: سیلز ٹیکس، تجارتی رعایت اور شعبوں کے مابین فروخت
2,186,546	3,561,854	770,174	745,362	1,521,067	1,787,647	خالص سیلز
(789,720)	(134,784)	74,556	25,834	(57,331)	18,806	مجموعی نفع/(نقصان)
-44.18%	-7.54%	4.17%	1.45%	-3.21%	1.05%	مجموعی نفع/(نقصان) %
(1,444,353)	(660,128)	55,586	13,917	(187,474)	(45,985)	آپریٹنگ نفع/(نقصان)
-80.80%	-36.93%	3.11%	0.78%	-10.49%	-2.57%	آپریٹنگ نفع/(نقصان) %

کارو گیٹڈ پیکیجنگ

2020-21 کے لئے خالص آمدنی 1,788 ملین روپے ہے جس میں گذشتہ برس کی نسبت 17.53 فی صد اضافہ ہوا۔ کاروبار نے 19 ملین روپے کا مجموعی منافع درج کیا جب کہ گذشتہ برس 57 ملین روپے کے خسارے کا سامنا کرنا پڑا۔ زیادہ مارجن والے صارفین پر بھرپور توجہ، لاگت پر کنٹرول اور پلانٹ آپریشن کی کارکردگی میں بہتری لاکر سیلز کے حجم میں بہتری کے باعث یہ مثبت پیش رفت سامنے آئی۔

'000 روپوں میں			
فی صد تبدیلی	2019-2020	2020-2021	
36.11 فی صد	4,477,787	6,094,863	فروخت (خالص)
88.33 فی صد	(772,495)	(90,144)	مجموعی نفع / (نقصان)
56.09 فی صد	(1,576,241)	(692,196)	آپریٹنگ نفع / (نقصان)
79.31 فی صد	(2,984,794)	(617,471)	خالص نفع / (نقصان)
84.14 فی صد	(15.26)	(2.42)	فی سٹوکیٹ آمدنی / (خسارہ)
	صفر	صفر	ذخائر میں منتقلی
161.57 فی صد	(12.10)	7.45	فی سٹوکیٹ book قیمت

آڈیٹرز نے اپنی آڈٹ رپورٹ میں مضاربہ کی مالیاتی حالت سے متعلق نوٹ 1.1 پر توجہ دلائی ہے۔ انتظامیہ نے مضاربہ کے امور کو بہتر کرنے کے لئے تدارک کا منصوبہ فراہم کیا ہے۔

کاروباری امور کو بہتر کرنے کیلئے انتظامیہ نے مندرجہ ذیل بڑے اقدامات کئے ہیں اور ان اقدامات پر عمل درآمد ہو رہا ہے جو یقینی طور پر کاروباری کارکردگی میں بہتری لائیں گے۔

سرمایہ میں اضافہ

سرمایہ کو آزاد کرنے کے لئے انویسٹرز پر بھرپور نظر ثانی کی گئی۔ پلانٹ پر انحصار اور کام سوچنے کی کارکردگی سے WIP میں نمایاں کمی واقع ہوئی اور اسے مختلف مصنوعات کی موسمی طلب کے عین مطابق ڈھالا گیا۔ مزید برآں، خام مال کو ملکی منڈیوں سے حاصل کرنے کے باعث ورکنگ کپٹل میں مثبت پیش رفت ہوئی۔ بڑے خام مال یعنی سیسے کے ملکی منڈیوں سے حصول L/C پر پیشگی ادائیگی کے عوض ادھار خریداری میں مدد ملی۔

بیٹری کی قیمتوں میں ردوبدل

منڈی کے اتار چڑھاؤ اور حریفوں کو مد نظر رکھتے ہوئے میں بیٹری کی قیمتوں پر مسلسل نظر ثانی کی گئی۔ پریمیم پرائسنگ حکمت عملی کی روشنی میں ڈائیوڈ بیٹری کے مختلف ماڈلوں کی قیمتوں میں مرحلہ وار 11-5 فی صد اضافہ کیا گیا۔

پلانٹ کی کارکردگی میں بہتری

نئی ٹیم کے ماتحت مینوفیکچرنگ میں بالکل نئی حکمت عملی اپنائی گئی تاکہ کارکردگی کو بہتر بنانے والے تمام شعبوں میں جدت لائی جاسکے۔ چند اہم اقدامات کا خلاصہ مندرجہ ذیل ہے:

- مسلسل بہتری پروگرام کے تحت OEE (مجموعی سطح پر آلات کی کارکردگی) کا نفاذ
- LPG سے قدرتی گیس میں تبدیلی کے منصوبے کا آغاز
- پروسیس میں ضیاع کو کم کرنا اور پلانٹ کے احاطہ میں ری سائیکلنگ مواقع پیدا کرنا
- پلانٹ کی صلاحیت اور سروس لیول میں طے شدہ بہتری
- تمام کاروباری امور میں ERP سسٹم کا نفاذ

ڈائریکٹرز کی رپورٹ

30 جون 2021ء کو اختتام پذیر سال کے لئے ہم مالیاتی اسٹیٹمنٹس (پڑتال شدہ) کے ہمراہ ڈائریکٹرز کی رپورٹ ازراہ مسرت پیش کرتے ہیں۔

ان کھاتوں کی مضاربہ کے قانونی آڈیٹرز نے پڑتال کی ہے اور ان کی آڈٹ رپورٹ لف ہذا ہے۔

کمپنی کا آپریٹنگ اور مالیاتی پروفائل سیلز، لیکویڈٹی، لاگت پر کنٹرول اور پلانٹ آپریشنز جیسے تمام اہم پیرامیٹرز میں نمایاں بہتری ظاہر کر رہا ہے۔ مالیاتی سال 2021ء کے دوران فروخت کے حجم میں اضافہ، پلانٹ کی بہتر کارکردگی، لاگت پر مربوط کنٹرول، قیمتوں میں استحکام اور قرضوں پر لاگت میں کمی کے باعث کمپنی کی مجموعی کارکردگی میں نمایاں بہتری ہوئی۔ غیر مستحکم معاشی حالات اور کرونا وائرس کے حملہ کے باعث کمپنی میں سست روی کے باوجود کمپنی نے گذشتہ برس کی نسبت بدترین صورت حال پر قابو پایا ہے اور بہتر کارکردگی دکھانے اور بہتر نتائج حاصل کرنے میں کامیاب ہوئی ہے۔ علاوہ ازیں، ہماری فروخت اور مارکیٹنگ حکمت عملی میں مسلسل بہتری، آپریشنل منصوبہ بندی اور لاگت کے مناسب انتظام کے باعث ہم فروخت کے حجم، منافع اور لیکویڈٹی انتظام میں مزید بہتری کے لئے پرامید ہیں۔ اس کے علاوہ نئے کارمینیوٹیکسچرز سے معاہدہ حتمی مراحل میں ہے جس کے تحت یہ کمپنیاں اپنی گاڑیوں میں ہماری بیٹریاں استعمال کریں گی۔

کرونا وائرس کے اثرات

گذشتہ مالیاتی سال میں کرونا وائرس کے باعث مالیاتی تباہی کے بعد مالیاتی سال 2021ء کا آغاز مجموعی کاروباری ماحول میں مثبت رجحان سے ہوا۔ دنیا کو بے مثال معاشی عدم استحکام کا سامنا کرنا پڑا جس نے معیشت کے تمام شعبوں کی مالیاتی حالت پر منفی اثرات مرتب کئے۔ کرونا وائرس کے ابتدائی اثرات سے ہمارے کاروباری آپریشنز بری طرح متاثر ہوئے لیکن بعد میں اللہ تعالیٰ کے فضل و کرم اور ہمارے اراکین کی ان تھک محنت اور جوش و جذبہ نے نہ صرف مشکل حالات کا بہادری سے سامنا کرنے میں مدد کی بلکہ اپنی منازل اور اہداف حاصل کرنے میں اہم کردار ادا کیا۔ اس وبا کے اثرات کو کم کرنے کے لئے کرونا ویکسین کی تیاری اور حکومتی SOPs پر عمل درآمد سے بڑی معیشتیں بحالی کی جانب گامزن ہیں۔ تمام کاروباری شعبوں میں FTMM کی آپریشنل سرگرمیاں بھی اب معمول پر آگئی ہیں۔ نتیجتاً، ہماری بیٹری اور کوریولیشن بزنس نے حجم اور قدر دونوں میں حیران کن نمونہ دکھایا ہے۔

یہاں یہ بیان کرنا ضروری ہے کہ اس بحران کی کیفیت کے دوران ہم نے نہ ہی مستقل ملازمین اور نہ ہی غیر مستقل ملازمین کی تنخواہ میں کٹوتی کی ہے۔

مالیاتی خلاصہ

مجموعی طور پر سال بھر کی آمدنی میں 4,478 ملین روپے سے 6,095 ملین روپے اضافہ ہوا جو 36.11 فی صد کی نمایاں کمی کا عکاس کرتا ہے۔ کمپنی فی الوقت تین شعبوں: کارو گیٹڈ کاسز، صابن اور بیٹری میں کام کر رہی ہے۔ کارو گیٹڈ اور بیٹری ڈیویژن کی فروخت کے حجم میں بالترتیب 16 فی صد اور 39 فی صد اضافہ ہوا جب کہ صابن کے شعبہ کے حجم میں 11.72 فی صد کمی واقع ہوئی۔ صابن کی فروخت میں کمی منڈی اور پروڈکٹ کس میں طلب اور رسد کے باعث سامنے آئی۔

مالیاتی سال 2020-21 کے لئے مجموعی خسارہ 90 ملین روپے ریکارڈ ہوا جب کہ گذشتہ برس کی اسی مدت میں 772.5 ملین روپے کا مجموعی خسارہ سامنے آیا تھا جو کمپنی کی جانب سے لاگت میں کنٹرول اور قیمتوں میں توازن کی بہتر اور موثر حکمت عملی کے باعث ممکن ہوا۔

کمپنی آپریٹنگ خسارے میں بھی مالیاتی سال 2020ء میں 1,576 ملین روپے سے مالیاتی سال 2020-21 کے دوران 692 ملین روپے تک کمی لانے کے قابل ہوئی جو لاگت پر بہتر کنٹرول اور مربوط پلانٹ آپریشنز کے باعث ایک فقید المثال کامیابی ہے۔ مزید برآں، اشتہارات اور وائرٹی کے دعووں میں کمی سے کمپنی نے منڈی میں اپنی برینڈ کو استحکام دیا ہے اور ہماری مصنوعات صارفین میں پذیرائی حاصل کر رہی ہیں کیونکہ تشہیری اخراجات میں نمایاں کمی اور ہماری مصنوعات کے معیار میں بہتری کے باعث فروخت کے حجم کا رجحان بڑھتا جا رہا ہے جس کی وائرٹی دعووں میں کمی سے بھرپور عکاسی ہوتی ہے۔

رپورٹنگ پیریڈ کے دوران KIBOR شرح میں کمی کے باعث مالیاتی لاگت میں 1,415 ملین روپے سے 790 ملین روپے یعنی 43.57 فی صد کی نمایاں کمی درج ہوئی۔ بیٹری کا کاروبار خسارے میں جا رہا ہے تاہم خسارے کا حجم نمایاں طور پر کم ہو رہا ہے کیونکہ کمپنی نے گذشتہ برس کی اسی مدت میں 2,985 ملین روپے خالص خسارے کے مقابلے میں مالیاتی سال 2021ء میں 617 ملین روپے کا خالص خسارہ رجسٹر کیا۔ مالیاتی سال 2022ء میں کمپنی کو منافع بخش بنانے کے لئے کوششیں جاری ہیں۔

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.

Corporate Social Responsibility

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

Investment / Funding and Dividend Policies

- 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 Listed Companies (Code of Corporate Governance) Regulations, 2019

The Modaraba has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven (7) as per the following:

- a) Male: 6
- b) Female: 1

2. The composition of the Board is as follows:

Category	Name of Directors
i. Independent Director	Dr. Salman Faridi
ii. Non – Executive Directors	Mr. Imran Azim Mr. Munir Karim Bana Mr. Muhammad Shafique Anjum Mr. Syed Sheharyar Ali
iii. Executive Directors	Mr. Syed Shahid Ali
iv. Female / Independent Director	Ms. Sidra Fatima Sheikh

Determination of number of Independent Directors comes to 2.33 (rounded to 2) which is based on seven elected Directors. The fraction of one-third number is not rounded up, as the two elected independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, as per applicable laws and regulations. As they fulfill the necessary requirements as per applicable laws and regulations, hence, appointment of a third Independent Director is not warranted.

- 3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Modaraba.
- 4. 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.
- 5. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Modaraba. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Modaraba.
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
- 7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
- 8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- 9. No Directors' Training was undertaken during the year. Majority of the Directors of the Company are exempted from the requirement of Directors' Training program. The below mentioned Director's have procured the relevant exemption certificate(s) from the Securities and Exchange Commission of Pakistan (SECP):

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

- (i) Syed Shahid Ali Shah
- (ii) Muhammad Shafique Anjum
- (iii) Munir Karim Bana

Furthermore, Syed Sheharyar Ali, Mr. Imran Azim and Dr. Salman Faridi are also exempted on the basis of their qualification and experience. The Company is in the process of procuring their respective exemption certificate(s) from SECP.

10. No new appointments have been made during the year for the Chief Financial Officer (CFO), the Modaraba Secretary and the Head of Internal Audit. However, all such appointments including their remuneration and terms and conditions of employment were duly approved by the Board and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed an Audit Committee comprising of members given below:
 - a) Audit Committee**
 - Dr. Salman Faridi (Chairman)
 - Mr. Imran Azim (Member)
 - Mr. Munir Karim Bana (Member)
13. The terms of reference of the aforesaid committee have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the audit committee were as per following:
 - a) Audit Committee (4 Quarterly)
15. The Board has set up an effective internal audit function to those who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba;
16. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, Modaraba secretary or director of the Modaraba.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of Regulations 3,6,7,8,27,32,33 and 36 of the Regulations have been complied with.

For and Behalf of the Board of Directors



Syed Shahid Ali Shah
Chief Executive Officer

Lahore
October 26, 2021

Independent Auditor’s Review Report

To the certificate holders of First Treet Manufacturing Modaraba

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **First Treet Manufacturing Modaraba** for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company’s compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company’s personnel and review of various documents prepared by the Management Company to comply with the Regulations.

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 Management Company’s corporate governance procedures and risks.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

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 Management Company’s compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Management Company for the year ended June 30, 2021.

Lahore:

29 October 2021



KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Annual Shari'ah Advisor's 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, 2021 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: 26 October 2021

Financial Statements

For the year ended June 30, 2021

Auditors' Report To The Certificate-Holders

We have audited the annexed balance sheet of **First Treet Manufacturing Modaraba ("the Modaraba")** as at June 30, 2021 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 (Treet Holdings Limited) 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 Management 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 Management 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, except for the change in accounting policy as disclosed in note 3.2 of the financial statements, with which we concur;
 - 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 the 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, 2021 and of the loss, its total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Emphasis of matters

1. We draw attention to note 1.2 of the financial statements, which discloses that the financial statements have been prepared on the going concern basis for the stated reasons that the management has successfully embarked the mitigation plans and adopted remedial measures during the year to substantially improve the financial results and health of the Modarba.

At the reporting date, the Modaraba, however, again incurred gross loss amounting to Rs. 90.144 million and loss after taxation in the sum of Rs. 617.470 million during the year, which increased accumulated loss to Rs. 7,810.140 million with adverse current ratio at that date. These events and conditions along with other matters as set forth in note 1.2 indicate that a material uncertainty exists that may cast significant doubt on the Modaraba's ability to continue as a going concern and the Modaraba may be unable to realize its assets and discharge its liabilities in the normal course of business.

2. We also draw attention to note 3.25 of the financial statements, which shows that the revaluation difference between the carrying value and fair value of land and building of the battery project of the Modarba as at June 30 2019 has been adjusted retrospectively in accordance with the provisions of IAS 8, "Accounting policies, Changes in Accounting Estimates and Errors".

Our opinion is not modified in respect of these matters.



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

Lahore:

29 October 2021

Balance Sheet

As at 30 June 2021

	Note	June 30, 2021	Restated June 30, 2020	Restated July 01, 2019
(Rupees in thousand)				
Assets				
Non-current assets				
Property, plant and equipment	4	8,600,603	7,057,967	7,258,050
Right of use asset (ROU)	5	62,607	78,259	-
Long term deposits	6	44,955	43,251	10,932
		8,708,165	7,179,477	7,268,982
Current assets				
Stores and spares	7	86,952	105,671	93,321
Stock in trade	8	1,136,376	1,216,573	1,858,077
Short term investment	9	60,000	-	-
Trade debtors	10	702,920	543,371	754,829
Advances, deposits, prepayments and other receivables	11	87,168	132,638	552,548
Tax refunds due from the Government	12	726,765	844,149	1,123,505
Cash and bank balances	13	111,200	169,137	99,596
		2,911,381	3,011,539	4,481,876
Non current assets held for sale	14	380,275	-	-
Total current assets		3,291,656	3,011,539	4,481,876
Total assets		11,999,821	10,191,016	11,750,858
Equity and liabilities				
Certificate capital and reserves:				
Authorized certificate capital	15	7,000,000	4,500,000	4,500,000
Issued, subscribed and paid-up certificate capital	16	7,000,000	1,956,000	1,956,000
Deposits for purchase of certificates	17	1,835,904	-	-
Capital reserves				
Statutory reserve	18	511,941	511,941	511,941
Certificate premium	19	1,952,870	1,952,870	1,952,870
Surplus on revaluation of property, plant and equipment	20	1,423,472	407,835	409,952
		3,888,283	2,872,646	2,874,763
Revenue reserves				
Accumulated loss		(7,810,787)	(7,195,434)	(4,212,757)
Certificate holders' equity		4,913,400	(2,366,788)	618,006
Non-current liabilities				
Lease liability	21	40,126	54,511	-
Deferred taxation	22	386,279	9,272	9,272
		426,405	63,783	9,272
Current liabilities				
Retention money payable		12,953	14,563	21,662
Current portion of lease liability	21	14,385	15,980	-
Short term borrowings	23	5,193,594	11,602,841	10,387,254
Trade and other payables	24	1,285,287	595,111	622,899
Accrued profit on secured borrowings		61,623	265,165	91,765
Provision for taxation		92,174	361	-
		6,660,016	12,494,021	11,123,580
Contingencies and commitments	25			
Total equity and liabilities		11,999,821	10,191,016	11,750,858

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

LAHORE
October 26, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Muhammad Shafique Anjum
Director


Profit and Loss Account

For the year ended 30 June 2021

	Note	June 30, 2021	Restated June 30, 2020
(Rupees in thousand)			
Revenue - net	26	6,094,863	4,477,787
Cost of sales	27	(6,185,007)	(5,250,282)
Gross loss		(90,144)	(772,495)
Operating expenses			
Administration and general expenses	28	(146,322)	(112,570)
Selling and distribution cost	29	(448,128)	(667,027)
Other expenses	30	(7,602)	(24,149)
		(602,052)	(803,746)
Operating loss		(692,196)	(1,576,241)
Finance cost	31	(789,992)	(1,415,088)
Other income	32	946,450	7,713
Loss before taxation		(535,738)	(2,983,616)
Taxation	33	(81,732)	(1,178)
Loss after taxation		(617,470)	(2,984,794)
Loss per Modaraba certificate -basic and diluted	34	(2.42)	(15.26)

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

LAHORE
October 26, 2021



Syed Shahid Ali
Chief Executive Officer



Mohtashim Aftab
Group Chief Financial Officer



Muhammad Shafique Anjum
Director


Statement of Comprehensive Income

For the year ended 30 June 2021

	June 30, 2021	Restated June 30, 2020
	(Rupees in thousand)	
Loss after taxation	(617,470)	(2,984,794)
Other comprehensive income	-	-
<i>Items that will may or may not be reclassified to profit and loss</i>		
Surplus on revaluation of property, plant and equipment	1,405,203	-
Less: Deferred tax attributable to revaluation surplus	(387,449)	-
	1,017,754	-
Total comprehensive income/ (loss) for the year	400,284	(2,984,794)

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

LAHORE
October 26, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Muhammad Shafique Anjum
Director

Cash Flow Statement

For the year ended 30 June 2021

	Note	June 30, 2021 (Rupees in thousand)	Restated June 30, 2020
Cash flow from operating activities			
Loss before taxation		(535,738)	(2,983,616)
Adjustment for non-cash items:			
Depreciation on operating fixed assets		394,697	424,527
Depreciation on ROU asset		15,652	15,652
Loss on disposal of fixed assets		82	-
Allowance for expected credit losses		-	24,149
CWIP expensed out		16,183	2,869
Impairment of other receivables - Loads Limited, related party		7,520	-
Write down in the value of stock in trade		2,434	20,091
Provision for warranty		160,532	110,184
Reversal of impairment under expected credit loss		(20,091)	-
Exchange (Gain)/ Loss		(2,143)	284
Fair value gain on operating fixed assets		(915,965)	-
Finance cost		789,992	1,415,088
		448,893	2,012,844
Operating loss before working capital changes		(86,845)	(970,772)
(Increase)/ Decrease in current assets:			
Stores and spares		18,719	(12,350)
Stock in trade		77,763	621,413
Short term investment		(60,000)	-
Trade debtors		(137,315)	187,309
Advances, deposits, prepayments and other receivables		37,868	419,910
Tax refunds due from the government - sales tax adjustable		133,162	306,352
		70,197	1,522,634
Increase / (decrease) in current liabilities:			
Retention money payable		(1,610)	(7,100)
Trade and other payables		523,188	(92,211)
Cash generated from / (used in) operations		504,930	452,551
Finance cost paid		(993,534)	(1,241,972)
Income tax paid - net		(16,139)	(27,813)
Long term deposits - net		(1,704)	(32,319)
Net cash used in operating activities		(506,447)	(849,553)
Cash flow from investing activities			
Capital work in progress incurred		(12,752)	(227,312)
Proceeds from sale of operating fixed assets		126	-
Net cash used in investing activities		(12,626)	(227,312)
Cash flow from financing activities			
Short term borrowings acquired from banking companies - net		(138,980)	303,391
Payment of lease liability including prepayments		(15,980)	(23,420)
Borrowings from related party - parent company - net		609,637	912,196
Net cash generated from financing activities		454,677	1,192,167
Net (decrease) / increase in cash and cash equivalents		(64,395)	115,302
Cash and cash equivalents at beginning of the year		136,968	21,666
Cash and cash equivalents at end of the year		72,573	136,968
The reconciliation in cash and cash equivalents is as follows:			
Cash and bank balances	13	111,200	169,137
Temporary book overdraft - unsecured	24	(38,626)	(32,169)
Cash and cash equivalents at end of the year		72,574	136,968

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

LAHORE
October 26, 2021



Syed Shahid Ali
Chief Executive Officer



Mohtashim Aftab
Group Chief Financial Officer



Muhammad Shafique Anjum
Director

Statement of Changes in Equity

For the year ended 30 June 2021

	Capital Reserves				Revenue Reserve		Total
	Certificate capital	Deposit for purchase of Certificates	Certificate premium	Statutory reserve	Surplus on revaluation of Property, plant & equipment - net of tax	Accumulated loss	
------(Rupees in thousand)-----							
Balance as at 30 June 2019 as previously reported	1,956,000	-	1,952,870	511,941	387,476	(2,765,445)	2,042,842
Effect of the facts as disclosed in Note 3.25	-	-	-	-	22,476	(1,447,312)	(1,424,836)
Balance as at 30 June 2019 as restated	1,956,000	-	1,952,870	511,941	409,952	(4,212,757)	618,006
Total comprehensive loss for the year as restated							
Loss after taxation	-	-	-	-	-	(2,984,794)	(2,984,794)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(2,984,794)	(2,984,794)
Transactions with the entity's owners							
Surplus transferred to accumulated loss on account of -Incremental depreciation charged during the year - net of deferred tax	-	-	-	-	(2,117)	2,117	-
Balance as at 30 June 2020 as restated	1,956,000	-	1,952,870	511,941	407,835	(7,195,434)	(2,366,788)
Balance as at 30 June 2020 as previously reported	1,956,000	-	1,952,870	511,941	385,359	(5,812,547)	(1,006,377)
Effect of the facts as disclosed in Note 3.25	-	-	-	-	22,476	(1,382,887)	(1,360,411)
Balance as at 30 June 2020 as restated	1,956,000	-	1,952,870	511,941	407,835	(7,195,434)	(2,366,788)
Total comprehensive income for the year							
Loss after taxation	-	-	-	-	-	(617,470)	(617,470)
Other comprehensive income	-	-	-	-	1,017,754	-	1,017,754
	-	-	-	-	1,017,754	(617,470)	400,284
Transactions with the entity's owners							
Surplus transferred to accumulated loss on account of - Incremental depreciation charged during the year - net of deferred tax	-	-	-	-	(2,117)	2,117	-
Conversion of borrowings from Treet Corporation Limited into certificate capital	5,044,000	-	-	-	-	-	5,044,000
Transferred from short term borrowings - Treet Corporation Limited	-	1,835,904	-	-	-	-	1,835,904
Balance as at 30 June 2021	7,000,000	1,835,904	1,952,870	511,941	1,423,472	(7,810,787)	4,913,400

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

LAHORE
October 26, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Muhammad Shafique Anjum
Director

Notes to the Financial Statements

For the year ended 30 June 2021

1 Legal status and nature of business

- 1.1 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 Company 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.
- 1.2 The Modaraba has again incurred a gross loss of Rs. 90.144 million (2020: Rs. 772.495 million) and net loss after tax of Rs. 617.470 million (2020: Rs.2,984.794 million) during the year, whereas its accumulated loss of Rs. 7,810.787 million (2020: Rs.7,195.434 million) stated at June 30, 2021. The Modaraba has also shown adverse current ratio at the terminal dates. These situations indicate the existence of material uncertainty about the conditions and events regarding the future operations of the Modaraba which may cast significant doubt about the Modaraba’s ability to continue as a going concern and, therefore, the Modaraba may be unable to realize its assets and discharge its liabilities in the normal course of business.

In order to address the situation, the management has made and implemented a mitigation plan and formulated strategies for the improvement in the performance of the above mentioned segments. As a result, the performance of the Modaraba has shown significant improvement over the last year in all aspects of the businesses. Following remedial measures have being implemented by the Modaraba’s management for the continued and sustainable operations of corrugation and battery segments:

1) Working Capital Improvement:

A major review of inventories was conducted at all levels to free up cash. With improved plant reliability and sourcing efficiency, a considerable reduction in WIP has been achieved and optimized in line with seasonal demand for different product variant.

2) Battery Prices Rationalization:

Battery pricing was continually reviewed in line with competitors and market dynamics. In line with premium pricing strategy, price increases in the range of 5-11% were implemented for various Daewoo battery models in a phased manner.

3) Improvement in Plant Efficiency:

A completely new approach has been adopted in manufacturing to holistically address all efficiency improvement areas. Some key highlights include:

- Implementation of OEE (Overall Equipment Efficiency) based Continuous Improvement program
- Conversion project from LPG to Natural Gas initiated
- Process wastage reduction and capturing in-house recycling opportunities
- Marked improvement in plant reliability and service levels
- ERP system implementation/revamping across all business processes

4) Reduction in Administrative Costs:

Following up on resource localization approach, the battery plant operations are now being fully managed by trained local team. This has resulted in considerable overhead reduction. The local team is supported by only one Korean expat in the domain of R&D and Quality.

In case of corrugation segment, the prices of the products have much improved and rationalized over the year and the Modaraba has successfully passed on the cost increase effect of the factors inputs to the customers. Apart from this, a better sales managements by focusing on high margin customers, cost controlling and improving plant operational efficiency has resulted in improved margins.

Notes to the Financial Statements

For the year ended 30 June 2021

Efforts are being made to broaden the customer base through market diversification. Moreover, prices are also being further rationalized in tandem with the increased costs (raw material, salaries etc.) however, with time lagged impact. These factors led to the achievement of gross profit of the segment amounting to Rs. 18.806 million during the year as compared to the gross loss amounting to Rs. 57.331 million in the corresponding period.

In addition to the remedial measures for the continued and sustainable operational performance of the Modaraba, the sponsoring directors of the parent company in order to provide financial support to the Modaraba, safeguarding its capital base and improving its financial ratios, had approved the decision for the conversion of loan provided by parent company into equity fund of the Modaraba which had also been approved by the regulators during the year. Following this approval, 504,400,000 Modaraba certificate of Rs. 10 each have been issued to the parent company against its loan as shown under the current liabilities. Towards the endeavour of providing continued financial assistance, the sponsoring directors of the parent company have also approved the second trench of the parent company's loan for conversion into equity fund of the Modaraba subject to regulatory approvals after the reporting date. Accordingly, 183,590,293 Modaraba certificates of Rs. 10 each have been issued against the outstanding loan of the parent company as on August 16, 2021. As a result of this restructuring of debt, the equity of modaraba has become positive.

In view of the above stated facts, the management believes that Modaraba will continue to operate as a viable venture in foreseeable future. Accordingly, the going concern assumption used by the management in the preparation of these financial statements is appropriate.

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 Act, 2017, 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, buildings and plant & machinery which are carried at revalued amount and stock in trade which is carried at the lower of cost and net realizable value.

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.

Notes to the Financial Statements

For the year ended 30 June 2021

2.4 Significant accounting estimates, judgements and assumptions

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 Useful life of right-of-use asset and lease liabilities

The Modaraba determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Modaraba has several lease contracts that include extension and termination options. The Modaraba applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Modaraba reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customization to the leased asset).

2.4.3 Revaluation of property, plant and equipment

Revaluation of certain classes of property, plant and equipment is carried out by an independent professional valuer. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to current depreciated replacement values.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

Notes to the Financial Statements

For the year ended 30 June 2021

2.4.4 Recoverable amount of non financial assets and impairment

The management of the Modaraba reviews carrying amounts of its non financial assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.4.5 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.

2.4.6 Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward looking information for macro economic factors i.e. interest rates, inflation rates, unemployment rates, GDP rates etc.

2.4.7 Provision for warranty

The Modaraba reviews the best estimate of the warranty expense at the balance sheet date based on the past practice of customer claims and quantum of warranty expenses incurred during the year. While making the estimate, the Modaraba takes into account the frequency of customer complaints, the past and expected trend of defects in the product etc.

2.4.8 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.

2.4.9 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 recognized 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 recognize any liability at the balance sheet date.

Notes to the Financial Statements

For the year ended 30 June 2021

2.4.10 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 standards, interpretations and amendments to published approved accounting standards

2.5.1 Amendments to published approved accounting standards that are effective for the year ended June 30, 2021

The amendments that were mandatory for the year ended June 30, 2021 are considered not to be relevant for the Modaraba's financial reporting process and hence have not been disclosed here.

2.5.2 Amendments and interpretations to existing standards that are not yet effective but applicable / relevant to the Modaraba's operations

The following Standards, interpretations and amendments to published approved accounting standards that are effective for accounting periods, beginning on or after the date mentioned against each to them :

		Effective for the period beginning on or after
IAS-1	Presentation of Financial Statements & Accounting Policies -Amendments regarding the classification of liabilities	January 01, 2023
IAS-16	Property, Plant and Equipment- Amendments prohibiting a Modaraba from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Modaraba is preparing the asset for its intended use	January 01, 2022
IAS-37	Provisions, Contingent Liabilities and Contingent Assets-Amendments regarding the costs to include when assessing whether a contract is onerous.	January 01, 2022
IFRS-1	First-time Adoption of International Financial Reporting Standards- Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (subsidiary as a first-time adopter)	January 01, 2022
IFRS-3	Business Combinations - Amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS-4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS-9	Financial Instruments -Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	January 01, 2022

Notes to the Financial Statements

For the year ended 30 June 2021

New Standards issued by IASB but not yet been notified / adopted by SECP

Following new standards issued by IASB but not yet effective:

	Effective for the period beginning on or after
IFRS – 1 First Time Adoption of IFRS	January 01, 2004
IFRS – 17 Insurance Contracts	January 01, 2021

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 periods presented except for the change in accounting policy for the plant and machinery from cost model to revaluation model as disclosed in Note 3.2 of these financial statements.

3.1 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or minimum tax u/s 113 of the Income Tax Ordinance 2001 or Alternative Corporate Tax at the rate of 17% of accounting profit adjustable as per income tax laws, whichever is higher. The charge for current tax includes adjustments to charge for prior years, if any. For income covered under final tax regime, provision for taxation is made as per the tax rules applicable to that regime in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is accounted for by using the balance sheet liability method in respect of all temporary timing differences arising from difference between the carrying amount of assets and liabilities in the financial statements and corresponding tax basis used in the computation of taxable profit.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the proportion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan (ICAP).

Notes to the Financial Statements

For the year ended 30 June 2021

Deferred tax is charged or credited in the profit and loss account, except where deferred tax arises on the items directly credited or charged to equity in which case it is included in equity. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where these relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

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, buildings and plant & machinery. Freehold land is stated at revalued amount carried out by independent valuers by reference to its current market price less impairment loss, if any (refer to note - 4.1.5). Buildings and plant and machinery are stated at revalued amounts carried out by independent valuers by reference to its current market price less accumulated depreciation and impairment loss, if any (refer to note - 4.1.5). Previously only land and buildings were stated at revalued model while plant and machinery was being stated at cost model which had now been stated at revaluation model during the year for the first time. 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 plant and machinery. 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 expectations differ significantly from previous estimates and impact on depreciation is significant.

Residual values are determined by the management as the amount it expects it would receive currently for an item of property, plant and equipment if it was already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful lives.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

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 and loss account.

Changes in accounting policy

During the year, the Board of Directors of the parent company, in their meeting dated June 29, 2021 has voluntarily adopted revaluation model for subsequent measurement of plant and machinery which was previously carried at cost model. The change has been accounted for as a change in accounting policy, effective from June 30, 2021 and applied prospectively as per requirements of "International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the change in accounting policy has no effect on prior years. The management takes the view that revaluation model provides reliable and more relevant information rather than cost model because it is based on up-to-date market values.

Notes to the Financial Statements

For the year ended 30 June 2021

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 Right-of-use asset

The Modaraba recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.4 Non-current assets held for sale

Non-current assets are classified as assets held for sale if it is highly probable that their carrying amount will be recovered principally through sale rather than through continuing use. Such non-current assets or disposal groups are valued at lower of cost and fair value less cost to sell.

Once classified as held for sale, intangible assets and property plant and equipment are no longer amortized or depreciated, and any equity accounted investee is no longer equity accounted.

The gain or loss on disposal of non-current assets held for sale represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in the statement of profit or loss.

3.5 Lease liability

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Modaraba's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at commencement date;
- amount expected to be payable under a residual guarantee; and
- the exercise under purchase option that the Modaraba is reasonably certain to exercise, lease payments in an optional renewal period if the Modaraba is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Modaraba is reasonably certain not to terminate early.

Notes to the Financial Statements

For the year ended 30 June 2021

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change Modaraba's estimate of the amount expected to be payable under a residual value guarantee, or if the Modaraba changes its assessment of whether it will exercise a purchase or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit and loss account if the carrying amount of the right of use asset has been reduced to zero.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit and loss account. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

3.6 Stores and spares

These are valued at the lower of cost and net realizable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost plus directly attributable expenses incidental thereto accumulated up to the date of balance sheet. 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.

Net realizable value specifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessarily to be incurred to make the sale.

3.7 Stock in trade

Stock of raw materials and packing materials 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.

3.8 Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days.

The Modaraba has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

3.9 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 net of overdrawn book balances, if any.

3.10 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.

Notes to the Financial Statements

For the year ended 30 June 2021

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.

3.11 Financial instruments

Recognition and measurement

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 or the enterprise loses control of the contractual rights that comprise financial assets or a portion of financial assets. In case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets are short term investments, trade and other receivables, advances and cash and bank balances. The Modaraba derecognizes a financial asset or a portion of financial asset when, and only when, the right to receive the cash flows from the assets have been expired or have been transferred; and the Modaraba has transferred substantially all the risks and rewards of ownership or the enterprise loses control of the contractual rights that comprise financial assets or a portion of financial assets.

The Modaraba has classified its Financial Assets based on the requirements as set out in IFRS 9 – Financial Instruments. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items and contains three principal classifications categories of financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets are generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics.

Financial assets

(a) Financial Asset at Amortized Cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and ;
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

(b) Financial Asset at Fair Value through Other Comprehensive Income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and;
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Notes to the Financial Statements

For the year ended 30 June 2021

(c) Financial Asset at Fair Value through Profit or Loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

Recognition and measurement

Financial Assets at initial recognition are measured at its fair value of the consideration given. Subsequent to initial recognition, financial assets shall be classified at amortized cost using effective interest method, fair value through other comprehensive income with changes in fair value recognized in other comprehensive income and fair value through profit or loss with changes in fair value recognized in profit or loss.

Financial liabilities

Financial liabilities are recognized according to the substance of the contractual arrangements entered into. At the time of initial recognition, all financial liabilities shall be measured at fair value plus or minus transaction cost that are directly attributable to the issue of a financial liability. Financial liabilities shall subsequently be measured at amortized cost. Significant financial liabilities are short term borrowings, due to related party, retention money payable, trade and other payables.

Any gain or loss on subsequent re-measurement to fair value of financial assets and financial liabilities is taken to profit and loss account in the year in which it arises.

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 balance sheet if 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.

3.12 *Impairment*

Financial assets

A financial asset is impaired if the credit risk on that financial asset has increased significantly since the initial recognition. Loss allowance for ECL on a financial asset is recognized to account for impairment.

If a financial asset has low credit risk at the date of initial application of IFRS-9, then the Modaraba has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

The Modaraba recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Modaraba measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the Financial Statements

For the year ended 30 June 2021

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 amortization, if no impairment loss had been recognized.

3.13 Equity, reserves and profit distribution

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.

3.14 Surplus on revaluation of property, plant and equipment

The surplus arising on revaluation of property, plant and equipment, computed by eliminating the accumulated depreciation as at the date of revaluation, is credited to the "Surplus on revaluation of property, plant and equipment" presented and recognized in the Statement of Comprehensive Income and accumulated in the Statement of Changes in Equity as a capital reserve. Following amounts are transferred from "Surplus on revaluation of property, plant and equipment" to retained earnings / (accumulated loss) through statement of changes in equity to record realization of surplus:

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

3.15 Borrowings and borrowing costs

These are initially recognized at fair value less directly attributable transaction costs, if any. Difference between the fair value and proceeds of borrowings is recognized as income or expense in the profit and loss account. Subsequently these are measured at amortized cost using the effective interest method.

Notes to the Financial Statements

For the year ended 30 June 2021

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.

3.16 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. The BOD of the parent company of the Modaraba has freezed this fund w.e.f. February 04, 2020 and no contribution is being credited to the fund since that date.

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. The BOD of the parent company of the Modaraba has freezed this fund w.e.f. February 04, 2020 and no contribution is being credited to the fund since that date.

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 Modaraba'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 Modaraba, 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.

Notes to the Financial Statements

For the year ended 30 June 2021

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 Modaraba 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 account.

3.17 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.

3.18 Contingencies and commitments

These are not accounted for in the financial statements unless these are actual liabilities and are only disclosed when:

- a) there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Modaraba; or
- b) there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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.

3.19 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.

3.20 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees which is the Modaraba'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.

Notes to the Financial Statements

For the year ended 30 June 2021

3.21 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 Modaraba that makes strategic decisions. Segments reported are corrugated boxes, soaps and batteries which also reflects the management structure of the Modaraba.

3.22 Warranty costs

The Modaraba, based on actual claims by the customers which are admitted by the Modaraba, recognizes the estimated costs of product warranties (which are assurance warranties) as an expense in the profit and loss account in accordance with IAS-37. Management establishes the amount of warranty expense on the basis of past trends relating to the frequency and average cost of under-warranty repairs and replacement.

3.23 Revenue recognition

Revenue arises mainly from the sale of corrugated boxes, soaps and batteries, and is measured according to IFRS-15 (Revenue from Contracts with Customers) at the fair value of the consideration received or receivable as defined in sales contract, including variable consideration; sales tax and other duties collected on behalf of third parties are not taken into account. However, variable consideration is only included if it is highly probable that a significant reversal of revenue will not occur once the uncertainty related to the variable consideration is resolved.

Revenue is recognized when control of a promised goods passes to a customer at a specific point in time. The customer obtains control of the goods when the goods are delivered to customers and in very few cases when goods are handed over to the customers i.e. ex-factory, in case of local sales. Further in case of export sale, control is transferred when goods are loaded on vessels.

Contract liabilities, which is the Modaraba's obligation to transfer goods to a customer for which the entity has already received consideration, relate mainly to advance payments from customers. A trade receivable is recognized when the products are delivered to a customer as this is the point in time that the consideration becomes unconditional because only a passage of time is required before the payment is due.

Income from the following sources is recognized as under:

- i) Return on bank deposits is accounted for on a time proportion basis using the effective rate of return/profit.
- ii) Other revenues are recorded on accrual basis.

3.24 Earning per share (EPS)

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

3.25 Correction of error/ omission

Carrying value of land and building of Modaraba relating to battery project has been adjusted by incorporating the impact of revaluation difference as at June 30, 2019. The adjustment has been incorporated with retrospective effect in accordance with the requirements of IAS-8 "Accounting policies, Changes in Accounting Estimates and errors". The effect of restatement is as follows:

	2020 (Rupees in thousand)	2019
<u>Impact on the Balance sheet</u>		
Decrease in property, plant and equipment	-	(1,424,836)
Increase in property, plant and equipment	64,425	-
Increase in accumulated loss- net of deferred tax	-	1,447,312
Decrease in accumulated loss	(64,425)	-
Surplus on revaluation of property, plant and equipment	-	(22,476)
<u>Impact on the Profit and loss account</u>		
Decrease in gross loss	64,425	-
Decrease in operating loss before tax	64,425	-
Decrease in net loss after tax	64,425	-

The correction of error has also impacted earnings per share of the Modaraba for the year ended June 30, 2020. The impact is as follows:

	Rupees
Loss per certificate as previously stated	(15.59)
Effects for the facts as disclosed in Note 3.24	0.33
Loss per certificate - restated	(15.26)

The correction of error has a material impact on the beginning of the earliest period presented i.e. July 01, 2019 therefore the statement of balance sheet for that period has also been shown in accordance with para 40(a) of IAS 1, "Presentation of financial statements".

4 Property, plant and equipment

		June 30, 2021	Restated June 30, 2020
	Note	(Rupees in thousand)	
Operating fixed assets - tangible	4.1	8,600,603	6,891,552
Capital work in progress	4.2	-	166,415
		8,600,603	7,057,967

Notes to the Financial Statements

For the year ended 30 June 2021

4.1 Operating fixed assets - tangible

PARTICULARS	2021					Net book value as at 30 June 2021		
	As at 01 July 2020	Revaluation surplus	Transfers from CWIP / (Deletions)	Elimination due to revaluation	As at 30 June 2021			
	COST / REVALUED AMOUNT					ACCUMULATED DEPRECIATION		
				RATE %	As at 01 July 2020	For the year	Elimination due to revaluation	As at 30 June 2021
	------(Rupees in thousand)-----							
Owned								
Freehold land	891,950	69,175	(380,275)	-	580,850	-	-	580,850
Building on freehold land	3,071,130	1,012,416	111,747	(473,395)	3,721,898	104,330	(473,395)	3,721,898
Leasehold improvements	23,299	3,818	-	(5,685)	21,432	1,165	(5,685)	21,432
Plant and machinery	3,886,748	1,235,759	50,336	(1,010,993)	4,161,850	270,245	(1,010,993)	4,161,850
Furniture, fittings and equipment	162,376	-	287	-	162,663	16,231	-	112,348
Computer equipment	12,171	-	485	-	12,656	2,726	-	2,225
	8,047,674	2,321,168	(217,420)	(1,490,073)	8,661,349	394,697	(1,490,073)	8,600,603
	------(Rupees in thousand)-----							
	2020					Net book value as at 30 June 2020 - Restated		
	As at 01 July 2019 - Restated	Revaluation surplus	Transfers -Restated	Elimination due to revaluation	As at 30 June 2019		For the year - Restated	Elimination due to revaluation
	------(Rupees in thousand)-----							
Owned								
Freehold land	891,950	-	-	-	891,950	-	-	891,950
Building on freehold land	2,468,315	-	602,815	-	3,071,130	118,956	-	2,702,065
Leasehold improvements	23,299	-	-	-	23,299	1,165	-	18,779
Plant and machinery	3,468,392	-	418,356	-	3,886,748	272,752	-	3,146,000
Furniture, fittings and equipment	43,400	-	118,976	-	162,376	27,151	-	128,292
Computer equipment	6,570	-	5,601	-	12,171	4,503	-	4,466
	6,901,926	-	1,145,748	-	8,047,674	424,527	-	6,891,552

4.1.1 The carrying amount of the assets other than freehold land and building as at June 30, 2021 includes fully depreciated assets amounting to Rs. 126.261 million (2020: Rs. 101.322 million) but are still in use of the Modaraba.

4.1.2 The free hold land includes:

- o land measuring 40 acres having value of Rs. 328 million situated at Sahianwala Faisalabad, purchased from Faisalabad Industrial Estate Development and Management Company in the year 2015 for the Battery project. This land is in possession and use of Modaraba since acquisition. However, legal title of the land is in the process of being transferred in its name at the balance sheet date.
- o A piece of land measuring 18 kanal 11 marlas having cost in the sum of Rs. 380.275 million, situated at Raiwind Road for proposed expansion projects. During the year the management of Modaraba has decided to sell this piece of land to a prospective buyer for a suitable consideration and accordingly classified and transferred the same to Non current assets held for sale classified under the current assets. (Note 14.1)

Notes to the Financial Statements

For the year ended 30 June 2021

	Note	June 30, 2021 (Rupees in thousand)	Restated June 30, 2020
4.1.3	The depreciation charge for the year has been allocated as under:		
Cost of sales			
- Packaging solutions - corrugated boxes	27	28,020	23,731
- Soaps	27	3,225	3,752
- Batteries	27	356,818	390,397
Administration and general expenses	28	6,474	6,495
Selling and distribution cost	29	160	152
		394,697	424,527
4.1.4	Had the assets not revalued, the net book value of freehold land and buildings would have amounted to:		
Freehold land		290,524	525,848
Buildings on freehold land		4,012,558	4,056,781
Plant and machinery		2,926,089	3,175,874
		7,229,171	7,758,503

4.1.5 Freehold land, buildings on freehold land and plant & machinery of corrugation, soap and battery projects of the Modaraba were revalued on June 30, 2021 by Messrs. Medallion Services Pvt Ltd (PBA approved independent valuers) resulting in fresh surplus of Rs. 2,321.168 million. Previously, freehold land and buildings were revalued on June 30, 2019 by Messrs. Medallion Services Pvt Ltd (PBA approved independent valuers) which resulted in surplus of Rs. 375.315 million. During the year, the Modaraba had undergone the revaluation exercise of its plant and machinery of all the segments for the first time as approved by the board of directors of the parent company in their meeting held on June 29, 2021. 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 and is valued at current market value. 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.

Plant and Machinery

Material, make and design specifications were noted for each component of plant and machinery and different machinery suppliers and consultants both in and outside the country have been contacted for the collection of information as regards to the valuation of plant and machinery and new rates are applied according to physical condition, usage, maintenance and design specifications for current replacement values. After determining current replacement values, depreciation was calculated to determine the current assessed market value.

Notes to the Financial Statements

For the year ended 30 June 2021

4.2 Capital work in progress

The movement under this head of account is as follows:

Description	Note	Opening Balance	Additions during the Year	Adjustments	Transferred to Operating fixed assets	Amount Expensed out	Closing balance
------(Rupees in thousand)-----							
Civil work		97,202	14,275	-	(111,477)		-
Plant, machinery and equipment		46,803	12,671	-	(51,135)	(8,339)	-
Advances for capital expenditure							-
Civil work		9,733	1,723	(9,881)	-	1,575	-
Plant, machinery and equipment		12,677	5,396	(11,804)	-	(6,269)	-
2021 - Rs.in 000's		166,415	34,065	(21,685)	(162,612)	(16,183)	
2020 -Rs. In 000's Restated		1,100,101	227,312	-	1,158,129	2,869	166,415

	Note	June 30, 2021	June 30, 2020
(Rupees in thousand)			
5	Right of use asset (ROU)		
	<u>Cost as at 01 July</u>		
	Balance as at 01 July	78,259	93,911
	Less: Depreciation charge for the year	5.1 (15,652)	(15,652)
	Net book value as at 30 June	62,607	78,259
	Useful life / Lease term	6 years	6 years
5.1	The depreciation charge for the year on the right of use assets has been allocated as under:		
	Cost of sales - Soap Segment	27 10,534	10,534
	Selling and distribution cost - battery segment	29 5,118	5,118
		15,652	15,652

Notes to the Financial Statements

For the year ended 30 June 2021

	Note	June 30, 2021 (Rupees in thousand)	June 30, 2020
6 Long term deposits - against:			
Rented premises		861	861
Utility deposits		6,790	6,790
Deposit - FESCO	6.1	37,264	35,560
Others		40	40
		44,955	43,251
6.1	This represents security deposit kept with Faysal Bank Limited for the issuance of guarantee in favor of FESCO and bears profit @ 5.7% (2020: 10.25%) per annum.		
7 Stores and spares			
Stores			
Corrugation		73,813	87,748
Soap		7,337	7,237
Battery		2,867	3,823
		84,017	98,808
Spares			
Corrugation		8,458	12,386
		92,475	111,194
Less: Provision for slow moving/obsolete stores		(5,523)	(5,523)
		86,952	105,671
8 Stock in trade			
Raw material	8.1		
Corrugation		116,566	91,078
Soap		15,792	22,464
Battery		499,673	507,607
		632,031	621,149
Packing material			
Corrugation		1,085	584
Soap		18,201	13,201
Battery		17,807	6,722
		37,093	20,507
Work in process			
Corrugation		7,629	10,596
Soap		-	223
Battery		348,360	418,361
		355,989	429,180
Finished goods			
Corrugation	8.2	8,333	23,615
Soap		26,373	23,613
Battery		76,557	98,509
		111,263	145,737
		1,136,376	1,216,573

Notes to the Financial Statements

For the year ended 30 June 2021

8.1 This includes raw material in transit amounting to Rs. Nil (2020: Rs. 37.554 million).

8.2 The stock in trade of corrugation and battery segments has been written down to net realizable value by Rs. Nil (2020: Rs.5.072 million) and Rs. 2.434 million (2020: Rs. 15,017.99 million) respectively, which is duly recognized in the cost of sales in accordance with the requirements of IAS - 2.

	Note	June 30, 2021 (Rupees in thousand)	June 30, 2020
9 Short term investment			
Term Deposit Receipts - at amortized cost	9.1	60,000	-
9.1	This represents the term deposit receipts, having face value of RS. 60,000,000 as investment in MCB Islamic Bank Limited with a 1 month maturity and carries a mark up of 6.75% (2020: Nil). The investment will be matured on August 31,2021.		
10 Trade debtors			
Trade debtors - unsecured:			
Considered good	10.1	702,920	543,371
Considered doubtful		32,057	52,148
		734,977	595,519
Less: Impairment of trade debtors under expected credit loss	10.2	(32,057)	(52,148)
		702,920	543,371
10.1	These include balances receivable from the following related parties:		
	Associated undertakings:		
Renacon Pharma Limited		942	149
Multiple AutoParts Industries (Pvt) Limited		4	1
Specialized AutoParts Industries (Pvt) Limited		30	-
Loads Limited		-	33
IGI Insurance Limited		-	7
		976	190

Year end balances having been the highest aggregated balances due from the above named related parties at the end of any month during the year.

The ageing analysis of unimpaired and past due balances receivable from the above named related parties is as follows:

Amount Not Due		
Past due but not impaired		
0-30 days		976
		190

Notes to the Financial Statements

For the year ended 30 June 2021

	Note	June 30, 2021 (Rupees in thousand)	June 30, 2020	
10.2	The reconciliation in this head of account is as follows:			
	Balance as at 01 July,	52,148	31,174	
	Allowance for expected credit loss made during the year	-	24,149	
	Provision reversed on recovery	(20,091)	-	
	Provision written off during the year	-	(3,175)	
	Balance as at 30 June,	32,057	52,148	
11	Advances, deposits, prepayments and other receivables			
	Advances to:			
	Employees against expenses - secured, considered good	11.1	14,620	1,407
	Suppliers - unsecured, considered good - local			
	Related party- IGI Insurance Limited, associated undertaking		2,898	-
	Others		48,781	109,459
			66,299	110,866
	Trade deposits		7,451	9,171
	Other receivables - unsecured and considered good			
	Balance with statutory authorities	11.2	7,418	2,649
	Export rebate receivable		-	2,432
	Insurance claim receivable- IGI Insurance Limited, associated undertaking	11.3	6,000	-
	Due from related party - Loads Limited, Associated undertaking	11.4	-	7,520
			13,418	12,601
			87,168	132,638

11.1 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 / adjusted subsequent to the balance sheet date.

11.2 This represents amounts given to Collector of Customs which will be adjusted against the letters of credit. This is unsecured, interest free and adjusted subsequent to the balance sheet date.

11.3 The highest aggregated balance due from this party at the end of any month during the year was Rs. 6 million (2020: Nil). This balance is within the age bracket of 30 days.

11.4 This represented the current account with the aforementioned associated company, which was unsecured and interest free. The highest aggregated balance due from this party at the end of any month during the year was Rs. 7.520 million (2020: Rs. 7.520 million). This balance has been written off during the year being not recoverable from said party.

11.5 The ageing analysis of unimpaired and past due balance receivable from related party is as follows:

Amount Not Due		-	-
Past due but not impaired			
91-365 days		-	576
More than 1 year		-	6,944
Total gross amount due		-	7,520

Notes to the Financial Statements

For the year ended 30 June 2021

	Note	June 30, 2021 (Rupees in thousand)	June 30, 2020
12 Tax refunds due from the Government			
Sales tax adjustable		577,669	710,831
Income tax refundable		149,096	133,318
		726,765	844,149
13 Cash and bank balances			
Cash in hand		12,543	47,918
Cash at banks in:			
Current accounts		69,887	65,798
Saving accounts	13.1	28,770	55,421
		98,657	121,219
		111,200	169,137

13.1 These carry profit rates ranging between 3.8% to 5.5% (2020: 4% to 11.25%) per annum. These deposits are maintained under Shariah permissible arrangement.

14 Non-Current Assets Held For Sale			
Piece of land classified as held for sale	14.1	380,275	-

14.1 During the year, the Board of Directors of the Modaraba Management Company in their meeting held on May 31, 2021 decided to sell a piece of land measuring 18 kanals and 11 marlas situated at Mauza Bhoo Battian, Tehsil Raiwind, District Lahore and accordingly a sale deed between the Modaraba and party - Chimera Education Pvt. Limited was duly executed against the sale consideration of Rs. 600 million. Accordingly, the same has been classified as non-current asset held for sale. This sale transaction has been materialized subsequent to the balance sheet date in the month of September 02, 2021.

15 Authorized Certificate Capital

	June 30, 2021 (Number of Certificates)	June 30, 2020		June 30, 2021 (Rupees in thousand)	June 30, 2020
	700,000,000	450,000,000	(Modaraba Certificates of Rs. 10 each)	7,000,000	4,500,000

15.1 During the year, the Board of Directors of the management company of the Modaraba in their meeting held on 09 April 2021 has decided and approved the increase in the authorized capital of the Modaraba from Rs. 4,500 million to Rs. 7,000 million. In addition to this, the Board of Directors of the management company of the Modaraba has also approved the further increase in the authorized capital of the Modaraba from 7,000 million to 9,000 million in their meeting held on 19 May 2021 subject to regulatory approvals, which have been granted on 08 July 2021.

Notes to the Financial Statements

For the year ended 30 June 2021

16 Issued, subscribed and paid-up certificate capital

	June 30, 2021	June 30, 2020	Note	June 30, 2021	June 30, 2020
	(Number of Certificates)			(Rupees in thousand)	
	699,999,994	195,599,994	(Modaraba Certificates of Rs. 10 each)	7,000,000	1,956,000

16.1 During the year, the Board of Directors of the Modaraba Management Company in their meeting held on 09 April 2021 decided and approved the conversion of loan provided by the parent company to the Modaraba to the extent of Rs. 6,879 million subject to regulatory approvals in two tranches. Accordingly, 504,400,000 Modaraba Certificates of Rs. 10 each amounting to Rs. 5,044 million have been issued in favor of parent company against its loan on May 18, 2021 after necessary regulatory approvals.

		(Number of Certificates)	
16.2	Reconciliation of number of certificates		
	Number of certificates as at 01 July	195,599,994	195,599,994
	Conversion of parent company loan into Modaraba certificates	504,400,000	-
	Number of certificates as at 30 June	699,999,994	195,599,994

16.3 As at 30 June 2021, Treet Corporation Limited, the holding company holds 96.38% (2020: 87.35%) of the entire capital comprising of Rs. 10 each i.e. 674,670,600 (2020: 170,851,700) certificates of the Modaraba. In addition 2.79% (2020: 10%) of the certificate capital comprising 19,590,562 (2020: 19,590,562) certificates of Rs. 10 each are held by the Modaraba Management Company i.e. Treet Holdings Limited.

17	Deposit for purchase of certificates	17.1	1,835,904	-
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17.1 The Board of Directors of the Modaraba Management Company in their meeting held on 19 May 2021 decided and approved the 2nd trench of the loan provided by the parent company to the Modaraba for conversion into the equity fund to the extent of Rs. 1,835.903 million subject to regulatory approvals. Accordingly 183,590,293 Modaraba Certificates of Rs. 10 each amounting to Rs. 1,835.903 million have been issued in favour of parent company against its loan as at August 16, 2021 and are classified as deposit for purchase of certificates at the reporting date.

18	Statutory reserves		511,941	511,941
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This represents profit set aside in compliance with the requirements of Prudential Regulations for Modaraba's along with 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. Since the Modaraba is in losses, therefore no transfer to the fund is applicable in the instant case.

19	Certificate premium		1,952,870	1,952,870
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This represents certificate premium at the rate of Rs. 30 per certificate 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 81(2) of the Companies Act, 2017.

Notes to the Financial Statements

For the year ended 30 June 2021

	Note	June 30, 2021 (Rupees in thousand)	Restated June 30, 2020
20 Surplus on the revaluation of property, plant and equipment		2,452,693	408,700
20.1 The reconciliation of this head of account is as follows:			
Balance as at July 01,		407,835	409,952
Add: Fresh surplus arose during the year		1,405,203	-
Less: Transferred to retained earnings on account of: Incremental depreciation - net		(2,117)	(2,117)
		1,810,921	407,835
Less: Deferred tax attributable to fresh revaluation surplus		(387,449)	-
		1,423,472	407,835
Surplus attributed to:			
Land, buildings and plant & machinery		1,278,522	407,835
Land classified as held for sale		144,951	-
		1,423,472	407,835

This reserve is not available for distribution to the certificate holders in accordance with section 241 of the Companies Act, 2017.

21 Lease liability		40,126	54,511
The movement in this head of account is as follows:			
Opening Liability		70,491	82,974
Less: Payments made during the year		(19,648)	(13,662)
Interest on unwinding of liability against right of use assets		3,668	1,179
Balance as at 30 June 2021		54,511	70,491
Less: Current portion shown under current liabilities		(14,385)	(15,980)
		40,126	54,511

Reconciliation of present value of future minimum lease payments under the contract and finance cost are as follows:

	Minimum lease payments		Present value of MLP	
	2021	2020	2021	2020
	(Rupees in thousand)		(Rupees in thousand)	
Not later than one year	20,229	19,648	14,385	15,980
Later than one year but not later than five years	74,515	94,744	40,126	54,511
	94,744	114,392	54,511	70,491
Less: finance cost allocated to future periods	(40,233)	(43,901)	-	-
	54,511	70,491	54,511	70,491
Less: current portion shown under current liabilities	(14,385)	(15,980)	(14,385)	(15,980)
	40,126	54,511	40,126	54,511

Notes to the Financial Statements

For the year ended 30 June 2021

		June 30, 2021	Restated June 30, 2020
	Note	(Rupees in thousand)	
22	Deferred taxation		
	Deferred tax liabilities in respect of taxable temporary differences:		
	Accelerated tax depreciation and allowance of assets and ROU	1,036,710	780,086
	Deferred tax assets in respect of deductible temporary differences:		
	Provision for slow moving/obsolete stores	(1,597)	(1,584)
	Provision for doubtful debts	(9,267)	(14,960)
	Provision for warranty	(46,405)	(31,609)
	Lease liability	(15,757)	(20,222)
	Unused business loss	-	(1,264,521)
	Unused tax depreciation loss	(577,405)	(393,882)
		(650,431)	(1,726,778)
	Net deferred tax liability / (asset)	386,279	(946,692)
	Deferred tax asset not recognized in the profit and loss account	-	946,692
	Deferred tax liability as at June 30, recognized in the balance sheet	386,279	-
	Less:		
	Opening deferred tax liability	(9,272)	9,272
	Deferred tax liability attributable to other comprehensive income	(387,449)	-
		(396,721)	9,272
	Deferred tax income recognized in the profit and loss account	33	-
		(10,442)	-

22.1 The deferred tax assets on unused business tax losses and tax credits have not been recognized in these financial statements as the certainty of the taxable profits / taxable differences in the foreseeable future is not assured.

22.2 The breakup of expiry date of the unused business tax losses and unused tax credits for which no deferred tax asset has been recognized in these financial statements is as follows:

Unused business tax losses

Expiry date (Tax year)

2025	1,820,428	-
2026	2,240,395	-
2027	909,418	-
	4,970,241	-

Unused tax credits

Expiry date (Tax year)

2026	91,973	-
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	Note	June 30, 2021 (Rupees in thousand)	June 30, 2020
23 Short term borrowings - unsecured			
From banking companies - profit bearing			
Running finances - Islamic mode of financing	23.1	4,085,013	4,015,345
Import Murabaha	23.2	-	212,391
		4,085,013	4,227,736
From related parties - unsecured			
Treet Corporation Limited - Holding Company		1,104,837	7,375,105
Treet Holdings Limited - Management Company		3,743	-
	23.3	1,108,581	7,375,105
		5,193,594	11,602,841

23.1 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. 4,257.5 million (2020: Rs. 4,587.5 million).

23.2 Import Murabaha

These represent Import Murabaha 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. 300 million (2020: Rs. 300 million).

23.3 Borrowing from related parties - unsecured

This represents loan obtained from the above named related parties towards the development project cost of the Battery project and working capital requirements of the Modaraba. It is unsecured, carries profit at the weighted average cost of capital of the parent company and was stated to be payable on demand, particularly when the project will have profitable operations and generate sufficient cash flows. During the year, the members of the parent company of Modaraba in their general meeting held on 09 April 2021 decided and approved the conversion of loan provided by the parent company to the Modaraba to the extent of Rs. 6,879 million subject to regulatory approvals in two tranches. Accordingly, 504,400,000 Modaraba Certificates of Rs. 10 each amounting to Rs. 5,044 million have been issued in favour of parent company against its loan as at 18 May 2021. Similarly, 183,590,293 Modaraba Certificates of Rs. 10 each amounting to Rs. 1,835.9 million have further been converted into equity fund of the Modaraba after the reporting date as on 16 August 2021.

23.4 The Modaraba has unavailed credit facilities of Rs. 172.49 million in addition to the facilities as disclosed in notes 23.1 and 23.2 above, at the terminal date. In addition to this, total sanctioned limit of letters of guarantees from Faysal Bank Limited in the sum of Rs. 50 million (2020: Nil) and Bank Alfalah Limited Rs. Nil (2020: Rs. 60 million) is also available with the Modaraba at the terminal date.

23.5 All the short term borrowings from the various financial institutions / banking companies as disclosed in notes 23.1 and 23.2 to these financial statements carry profit rates ranging from 8.04% to 16.01% (2020: 9.72% to 16.40%) 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 and plant & machinery of the Modaraba amounting to Rs. 6,703 million (including 25% safety margin).

Notes to the Financial Statements

For the year ended 30 June 2021

	Note	June 30, 2021 (Rupees in thousand)	June 30, 2020
24 Trade and other payables			
Creditors			
Foreign		1,035	12,369
Local	24.1	860,145	231,099
		861,180	243,468
Payable to related parties - unsecured, interest free			
Treet Corporation Limited		22,586	35,000
Accrued liabilities		77,804	95,087
Provision for warranty		160,532	110,184
Withholding sales tax payable		1,471	4,184
Temporary book overdraft - unsecured	24.2	38,626	32,169
Contract liabilities	24.3	53,434	67,749
Income tax deducted at source payable		9,038	5,295
Unclaimed dividend		34	34
Advance against non-current assets held for sale	14	60,000	-
Other payables		582	1,941
		1,285,287	595,111
24.1	These include balances payable to the following related parties:		
	Associated undertakings		
	Elite Brands Limited	61	-
	Packages Limited	-	11,484
	Treet HR Management (Private) Limited	-	1,088
	Renacon Pharma Limited	-	24
		61	12,596

24.2 This represents unpresented cheques at the terminal date, which have been cleared subsequent to the balance sheet date.

24.3 These represent advances received from customers against the onward sale of goods by the Modaraba.

Notes to the Financial Statements

For the year ended 30 June 2021

25 Contingencies and commitments

25.1 Contingencies

25.1.1 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. 1.520 million and Rs. 41.364 million respectively. The Modaraba filed appeals against the orders passed by DCIR before Commissioner Inland Revenue CIR (Appeals - II) who decided the matters in favor of the Modaraba by deleting the tax demands. Tax department filed appeals since 07-04-2014 and 15-04-2014 against the decision of CIR (Appeals - II) before Appellate Tribunal Inland Revenue (ATIR) which are pending adjudication. The management and tax advisor of the Modaraba are of the view that favorable outcome is expected in the instant case as the Modaraba is fully compliant of withholding tax provisions.

25.1.2 For the tax year 2017, the Inland Revenue Officer (IRO), E & C Unit-VII, Range-II, Zone-VI, CRTO, Lahore, passed orders under sections 161 and 205 of the Income Tax Ordinance, 2001 and arbitrarily created a tax demand of Rs. 1.807 million. The Modaraba filed appeals since 19-04-2018 against the order passed by IRO before Commissioner Inland Revenue (CIR) Appeals, Zone-II, Lahore which is pending adjudication. The management and tax advisor of the Modaraba are of the view that favorable outcome is expected in the instant case as the Modaraba is fully compliant of withholding tax provisions.

25.1.3 For the tax period April 2016 to July 2017, the Assistant Commissioner Inland Revenue (ACIR), E & C Unit - 07, Zone-VI, CRTO, Lahore passed order under section 25 of the Sales Tax Act, 1990 creating a sales tax demand of Rs. 26.067 million along with penalty of Rs. 1.303 million mainly on the issue of inadmissibility of input sales tax and adjustment thereof against illegal claim. The Modaraba filed appeals since 28 July 2020 against the order passed by ACIR before Commissioner Inland Revenue CIR (Appeals), Zone-I, Lahore which is pending adjudication. The management and tax advisor of the Modaraba are of the view that the tax demand will be deleted by appellate authorities based a decision in favor of Registered Person (RP) on this issue by the Lahore High Court.

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
25.2 Commitments		
25.2.1 Guarantees	67,245	7,245
25.2.2 Capital commitments - civil work	-	27,052
25.2.3 Letters of credit		
Outstanding letters of credit	98,990	-

Notes to the Financial Statements

For the year ended 30 June 2021

Note	Corrugated Boxes		Soaps		Battery		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
------(Rupees in thousand)-----								
26 Revenue - net								
External customers								
Local	1,893,751	1,640,366	897,646	927,475	4,942,897	2,942,346	7,734,294	5,510,187
Export	-	-	-	-	19,741	50,489	19,741	50,489
Treet Corporation Limited - Associated undertaking	26,987	16,366	-	-	-	-	26,987	16,366
Renacon Pharma Limited - Associated undertaking	20,329	16,381	-	-	-	-	20,329	16,381
	1,941,067	1,673,113	897,646	927,475	4,962,638	2,992,835	7,801,351	5,593,423
Inter segment sales	12,632	12,335	-	-	-	-	12,632	12,335
Sale of scrap (waste paper and lead)	121,226	91,457	-	-	135,524	125,593	256,750	217,050
	2,074,925	1,776,905	897,646	927,475	5,098,162	3,118,428	8,076,437	5,822,808
Less:								
Sales tax	(272,857)	(242,328)	(150,921)	(156,625)	(718,113)	(427,405)	(1,141,891)	(826,358)
Trade discount	(1,789)	(1,175)	(1,363)	(676)	(818,195)	(504,477)	(821,347)	(506,328)
	(274,646)	(243,503)	(152,284)	(157,301)	(1,536,308)	(931,882)	(1,963,238)	(1,332,686)
Elimination of Inter segment sales	(12,632)	(12,335)	-	-	-	-	(12,632)	(12,335)
	1,787,647	1,521,067	745,362	770,174	3,561,854	2,186,546	6,094,863	4,477,787
27 Cost of goods sold						Restated		Restated
Opening stock- raw and packing material	91,662	134,982	35,665	58,711	514,329	874,418	641,656	1,068,111
Add: Purchases								
Inter-segment	-	-	12,632	12,335	-	-	12,632	12,335
Others	1,325,021	1,123,662	628,515	550,174	2,523,927	1,259,707	4,477,463	2,933,543
	1,325,021	1,123,662	641,147	562,509	2,523,927	1,259,707	4,490,095	2,945,878
Less: Closing stock	(117,651)	(91,662)	(33,993)	(35,665)	(517,480)	(514,329)	(669,124)	(641,656)
Elimination of Inter segment purchases	-	-	(12,632)	(12,335)	-	-	(12,632)	(12,335)
Raw and packing material consumed	1,299,032	1,166,982	630,187	573,220	2,520,776	1,619,796	4,449,995	3,359,998
Stores and spares consumed	60,170	36,493	4,229	1,791	37,532	20,728	101,931	59,012
Out sourcing of manpower 27.1	160,225	176,550	43,947	46,166	294,544	368,233	498,716	590,949
Fuel and power	85,957	68,323	11,243	10,393	255,524	255,178	352,724	333,894
Freight and forwarding	71,766	69,654	12,608	13,584	66,029	53,809	150,403	137,047
Depreciation on operating fixed assets	28,020	23,731	3,225	3,752	356,818	390,397	388,063	417,880
Depreciation on ROU asset 5.1	-	-	10,534	10,534	-	-	10,534	10,534
Repair and maintenance	31,144	9,022	515	816	21,011	26,683	52,670	36,521
Traveling and conveyance	2,803	2,670	488	446	10,327	17,131	13,618	20,247
Insurance	2,860	5,454	715	740	20,478	28,286	24,053	34,480
Rent, rates and taxes	725	-	-	-	1,238	1,106	1,963	1,106
Other manufacturing expenses	7,890	5,263	4,374	4,915	20,408	23,387	32,672	33,565
	1,750,592	1,564,142	722,065	666,357	3,604,685	2,804,734	6,077,342	5,035,233
Work in process								
Add: Opening stock	10,596	6,319	223	-	418,361	587,427	429,180	593,746
Less: Closing stock	(7,629)	(10,596)	-	(223)	(348,360)	(418,361)	(355,989)	(429,180)
Cost of goods manufactured	1,753,559	1,559,865	722,288	666,134	3,674,686	2,973,800	6,150,533	5,199,799
Finished goods								
Add: Opening stock	23,615	42,148	23,613	53,097	98,509	100,975	145,737	196,220
Less: Closing stock	(8,333)	(23,615)	(26,373)	(23,613)	(76,557)	(98,509)	(111,263)	(145,737)
	1,768,841	1,578,398	719,528	695,618	3,696,638	2,976,266	6,185,007	5,250,282

27.1 Outsourcing of manpower include Rs. 6.049 million (2020:Rs. 5.863 million) for corrugation segment, Rs. 1.676 million (2020:Rs. 1.351 million) for soap segment and Rs. 3.590 million (2020:Rs. 2.986 million) for battery segment in respect of contribution to staff retirement benefit plans.

Notes to the Financial Statements

For the year ended 30 June 2021

		June 30, 2021	Restated June 30, 2020
	Note	(Rupees in thousand)	
28 Administration and general expenses			
Outsourcing of manpower	28.1	23,916	24,607
Auditors' remuneration	28.2	16,934	3,231
Service charges charged by the parent company		22,586	35,000
Rent, rates and taxes		6	127
Legal and professional		68,871	35,155
Vehicle running and maintenance		7	40
Printing and stationery		515	509
Travelling and conveyance		1,638	4,594
Postage and telephone		270	187
Depreciation on operating fixed assets		6,474	6,495
Others		5,105	2,625
		146,322	112,570
28.1	Outsourcing of manpower include Rs. 0.629 million (2020: Rs. 0.629 million) for corrugation segment, Rs. 0.124 million (2020: Rs. 0.124 million) for soap segment and Rs. 0.03 million (2020: 0.03 million) for battery segment in respect of contribution to staff retirement benefit plans.		
28.2	Auditors' remuneration		
	Kreston Hyder Bhimji & Co.		
	Audit fee	825	750
	Half year review	275	250
	Tax services	15,834	2,760
	Out of pocket expenses	-	223
		16,934	3,983
29 Selling and distribution cost			
Outsourcing of manpower	29.1	84,244	111,583
Fuel and power		175	100
Rent, rates and taxes		911	28,379
Repair and Maintenance		2,610	1,551
Advertisement		10,777	168,183
Travelling and conveyance		12,691	32,102
Postage and telephone		1,295	2,687
Printing and stationery		166	43
Royalty		31,843	38,309
Provision for doubtful debts	10.2	-	-
Warranty claims and provisions		289,709	278,794
Depreciation on operating fixed assets		160	152
Depreciation on ROU asset	5.1	5,118	5,118
Others		8,429	26
		448,128	667,027

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For the year ended 30 June 2021

29.1 Outsourcing of manpower include Rs. 0.762 million (2020: Rs. 0.762 million) for corrugation segment and Rs. 0.378 million (2020: Rs. 0.378 million) for battery segment in respect of contribution to staff retirement benefit plans.

	Note	June 30, 2021 (Rupees in thousand)	June 30, 2020
30 Other Expenses			
Loss on disposal of operating fixed assets		82	-
Impairment of trade debtors under expected credit loss	10.2	-	24,149
Impairment of other receivables - Loads Limited, related party		7,520	-
		7,602	24,149
31 Finance cost			
Financial charges on:			
Borrowings from financial institutions			
Istisna finance		347,263	418,704
Musharaka finance		-	70,668
Murabaha finance		-	67,311
Karobar finance		-	51,494
Borrowings from related party			
Treet Corporation Limited - Parent company		433,289	800,306
Treet Holding Limited - Management Company		668	-
Lease liability		3,668	1,179
Bank charges		5,104	5,142
Exchange loss		-	284
		789,992	1,415,088
32 Other income			
<u>Income from financial assets</u>			
Profit on bank and other deposits	32.1	6,980	4,243
Reversal of impairment under expected credit loss		20,091	-
		27,071	4,243
<u>Income from non financial assets</u>			
Sale of scrap		1,271	1,510
Exchange gain		2,143	-
Fair value gain on operating fixed assets	32.2	915,965	-
Others		-	1,960
		919,379	3,470
		946,450	7,713

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For the year ended 30 June 2021

32.1 These profits are earned on accounts and deposits maintained under Shariah permissible arrangement. These include profit amounting to Rs. 2,012,500 (2020: Rs. 1,571,855) on the deposit kept with Faysal Bank Limited in favor of FESCO.

32.2 This represents the gain on revaluation of buildings of the battery project through the profit and loss account against which an impairment loss was incorporated on its revaluation in the financial year 2019, as disclosed in the Note 3.25 of these financial statements.

	Note	June 30, 2021 (Rupees in thousand)	June 30, 2020
33 Taxation			
Current			
Normal tax	33.1	-	-
Minimum Tax		91,973	-
Presumptive tax		201	361
Prior year		-	817
		92,174	1,178
Deferred			
For the year	22	(10,442)	-
		81,732	1,178

33.1 Due to loss for the year, no provision for income tax under the normal tax regime or alternate corporate tax is required in the instant case. However, the provision of minimum tax chargeable under section 113 of Income Tax Ordinance, 2001 is now applicable to the Modaraba for the tax year 2021 and onwards, as provided by Clause - 11A (XIII) of part IV of the Second Schedule to the Income Tax Ordinance, 2001 and accordingly adequate provision for taxation under this section has been accounted for in these financial statements. The export proceeds are subject to tax under Final Tax Regime in accordance with section 154 of the Income Tax Ordinance of 2001.

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

		June 30, 2021	Restated June 30, 2020
34 Loss per Modaraba certificate - basic and diluted			
Loss after taxation	(Rupees in thousand)	(617,470)	(2,984,794)
Weighted average number of certificates	(Numbers in thousand)	255,022	195,600
Loss per certificate (basic) :	(Rupees)	(2.42)	(15.26)

There is no dilutive effect on the basic loss per modaraba certificate as the Modaraba has no potentially issuable certificates or such commitments at the terminal date.

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For the year ended 30 June 2021

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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

	Note	Rupees in thousands							
		Corrugated boxes		Soaps		Batteries		Total	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020		
Revenue:									
Inter-segment	26	12,632	12,335	-	-	-	-	12,632	12,335
Others		2,062,293	1,764,570	897,646	927,475	5,098,162	3,118,428	8,058,101	5,810,473
		2,074,925	1,776,905	897,646	927,475	5,098,162	3,118,428	8,070,733	5,822,808
Less:									
Inter-segment sales		(12,632)	(12,335)	-	-	-	-	(12,632)	(12,335)
Sales tax		(272,857)	(242,328)	(150,921)	(156,625)	(718,113)	(427,405)	(1,141,891)	(826,358)
Trade discount		(1,789)	(1,175)	(1,363)	(676)	(818,195)	(504,477)	(821,347)	(506,328)
		(287,278)	(255,838)	(152,284)	(157,301)	(1,536,308)	(931,882)	(1,975,870)	(1,345,021)
Net revenue		1,787,647	1,521,067	745,362	770,174	3,561,854	2,186,546	6,094,863	4,477,787
Cost of sales excluding inter-segment purchases and trial run	27	(1,768,841)	(1,578,398)	(719,528)	(695,618)	(3,696,638)	(2,976,266)	(6,185,007)	(5,250,282)
Gross (loss) / profit		18,806	(57,331)	25,834	74,556	(134,784)	(789,720)	(90,144)	(772,495)
Administration and general expenses		(29,412)	(59,793)	(11,917)	(18,970)	(105,661)	(33,807)	(146,990)	(112,570)
Selling and distribution cost		(35,379)	(48,884)	-	-	(412,749)	(618,143)	(448,128)	(667,027)
Other Expenses		-	(21,466)	-	-	(7,602)	(2,683)	(7,602)	(24,149)
		(64,791)	(130,143)	(11,917)	(18,970)	(526,012)	(654,633)	(602,720)	(803,746)
Finance cost		(45,985)	(187,474)	13,917	55,586	(660,128)	(1,444,353)	(692,196)	(1,576,241)
Other income								(789,992)	(1,415,088)
Loss before taxation								946,450	7,713
Taxation								(536,406)	(2,983,616)
Loss after taxation								(81,732)	(1,178)
								(618,138)	(2,984,794)

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

	Corrugated		Soaps		Batteries		Unallocated		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	----- Rupees in thousands -----									
35.3 Segment assets	2,842,388	2,353,681	12,487	101,612	9,144,955	7,735,723	-	-	11,999,820	10,191,016
35.4 Segment liabilities	2,047,007	4,258,420	1,830,411	4,033,897	2,822,724	4,256,214	386,280	9,272	7,086,422	12,557,803
35.5 Depreciation on property, plant and equipment	29,982	25,690	3,225	3,752	361,490	395,085	-	-	394,697	424,527

Notes to the Financial Statements

For the year ended 30 June 2021

36 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 engage 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 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.

The Management shall conduct financial risk assessments regularly so as to identify exposures, set priorities and quantify how the same, affect the business objectives, such as, profitability and shareholder value. These assessments shall cover all the aspects of corporate structure starting at the apex levels of management and working through all the functional levels. Head of Internal Auditor (IA) shall report to the Audit Committee of the Board on a regular basis, his assessment of the exposures of the entities to various risks, and checks and controls established by the management.

The overall financial risk management programme and specific internal control procedures focus on the mitigation of risks identified above due to business inherent limitations, volatile financial markets and changing circumstances of the economic situation locally and internationally that effect the business directly or indirectly.

Notes to the Financial Statements

For the year ended 30 June 2021

36.1 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. 932.526 million (2020: Rs. 774.882 million) financial assets which are subject to credit risk amounted to Rs. 919.983 million (2020: Rs. 726.964 million).

The Modaraba has a policy of cash sales or for very limited credit period in case of batteries and corrugation segments. The export sales are made against advance payments, export L.C, or cash against documents. Therefore, the Modaraba's exposure to credit risk is minimum. Timely realization of sale proceeds under the credit period are critical for cash flow management, reduced level of borrowing, efficient utilization of funds and, meeting financial obligations on a timely basis. Wherever the entity allows credit to its customer, the credit period will be determined on the basis of customer credit history, sales volume, customer financial standing, sponsors profile. All resources should be realized within the stipulated credit period. In case of any delays or default, it must be reported through ageing report, and the concerned entity head shall be responsible for the realization of funds.

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	June 30, 2021 (Rupees in thousand)	June 30, 2020
FINANCIAL ASSETS			
Long term deposits	6	44,955	43,251
Term Deposit Receipts - at amortized cost	9	60,000	-
Trade debtors	10	702,920	543,371
Advances, deposits and other receivables	11	13,451	19,123
Bank balances	13	98,657	121,219
		919,983	726,964

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 default rates and present ages.

Customers are counterparties to local trade debts against sale of corrugated boxes, soaps and batteries. 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:

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For the year ended 30 June 2021

	Note	June 30, 2021 (Rupees in thousand)	June 30, 2020
Not past due		472,569	290,614
Past due but not impaired			
Less than 30 days		133,215	51,851
Past due 1 - 3 months		45,213	66,948
Past due 3 - 6 months		18,424	63,462
Past due 6 - 12 months		11,679	47,218
Above one year		21,820	23,278
		702,920	543,371

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. Credit risk in case of customers is largely mitigated by the fact that majority of the sales of the Modaraba are on cash basis or on credit to corporate parties with reasonable financial standing and limited credit period. The Modaraba has also established dealerships and retail networks with strong relationship with customers. The Modaraba does not expect non-performance by its customers. Hence, the credit risk in case of customers is minimal.

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

Banks	Rating		Rating Agency	June 30, 2021	June 30, 2020
	Short term	Long term		(Rupees in thousand)	
MCB Bank Limited	A-1+	AAA	PACRA	10,018	12,500
United Bank Limited	A-1+	AAA	JCR-VIS	1,360	1,145
Bank Islami Pakistan Ltd.	A-1	A+	PACRA	762	963
National Bank of Pakistan	A-1+	AAA	JCR-VIS	2,338	6,371
Habib Bank Limited	A-1+	AAA	JCR-VIS	11,007	16,645
Bank Alfalah Limited	A-1+	AA+	PACRA	2,220	2,238
Al Baraka Bank Limited	A-1	A+	JCR-VIS	1,050	834
Faysal Bank Limited	A-1+	AA	PACRA	28	825
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS	190	17,594
Soneri Bank Limited	A-1+	AA-	PACRA	6,622	1,793
JS Bank Limited	A-1+	AA-	PACRA	25	25
Askari Bank Limited	A-1+	AA+	PACRA	787	239
Meezan Bank Limited	AA+	AAA	JCR-VIS	32,164	44,430
Bank Al Habib Limited	A-1+	AAA	PACRA	-	7,110
Allied Bank Limited	A-1+	AAA	PACRA	8,674	7,055
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	16,086	1,452
MCB Islamic Bank Limited	A-1	A	PACRA	5,327	-
				98,658	121,219

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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.

Any new relationship with a bank/financial institution will be entered into with the prior approval of the BOD. Such relationships include, but are not limited to, obtaining any banking facilities and entering into any modes of financing through banks or financial institutions. The Modaraba's Chief Financial Officer (CFO) where applicable, will approve quotes for each piece of new business on a stand-alone basis from all the banks/financial institutions on the Company's panel so as to ensure the competitiveness of business being carried out with the selected bank(s)/financial institution(s).

Corporate information and relationship with banks

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

36.2 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. The notes 23.1 and 23.2 to these financial statements also include unavailed credit facilities at the balance sheet date that the Modaraba has at its disposal to further reduce liquidity risk.

The table below summarizes the maturity profiles of Modaraba's financial liabilities as on June 30, 2021 based on contractual undiscounted payments date and present market interest rates.

	2021				
	Carrying Amount	Contractual cash flows	6 Months or less	6 - 12 years	More than 1 years
	(Rupees in thousand)				
Retention money payable	12,953	12,953	-	12,953	-
Trade and other payables	1,000,812	1,000,812	77,804	923,008	-
Short term borrowings	5,193,594	5,193,594	-	5,193,594	-
Accrued profit on borrowings	61,623	61,623	61,623	-	-
	6,268,982	6,268,982	139,427	6,129,555	-

Notes to the Financial Statements

For the year ended 30 June 2021

	Carrying Amount	Contractual cash flows	2020		
			6 Months or less	6 - 12 years	More than 1 years
(Rupees in thousand)					
Retention money payable	14,563	14,563	-	14,563	-
Trade and other payables	407,699	407,699	95,087	312,612	-
Short term borrowings	11,602,841	11,602,841	-	11,602,841	-
Accrued profit on borrowings	265,165	265,165	265,165	-	-
	12,290,268	12,290,268	360,252	11,930,016	-

36.3 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.

36.3.1 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the change in foreign exchange 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 Modaraba i.e. Pakistan Rupee. The Modaraba is exposed to currency risk on import of 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:

	June 30, 2021	June 30, 2020
	(\$ in thousand)	
Creditors in foreign currency	7	73

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
USD to PKR	163.15	166.63	157.54	168.75

Cash flow sensitivity analysis for foreign currency instruments

At June 30, 2021, if the Rupee had (weakened) / strengthened by 5% against the US dollar with all other variables held constant, loss for the year would have been (higher) / lower by Rs. 0.052 million (2020: Rs. 0.618 million), mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade payables.

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36.3.2 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. The Modaraba's exposure to the profit rate risk arises from the borrowing it has obtained from various banks/financial institutions at variable rates and any contractual obligation that carries any penal or mark up clauses on delayed payments. The profit rate risk is mitigated through managing borrowing at optimal levels that are essential to run the business. Short term borrowings shall be done to match the timing differences between fund receipt and disbursements. Any penal clauses or mark up on delayed payments shall be negotiated with the vendor at the time of placement of orders. CFO of the Modaraba shall be responsible to ensure that profit rate from banks/ financial institutions is market based that commiserate with the financial standing of the Modaraba. CFO shall also ensure that all contracts/purchase orders are well negotiated to reduce the exposure. 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:

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
Variable pricing rate financial assets		
Deposit - FESCO	37,264	35,560
Term Deposit Receipts - at amortized cost	60,000	-
Bank balances at PLS accounts	28,770	55,421
	126,034	90,981
Variable pricing rate financial liabilities		
Short term borrowings	4,085,013	4,227,736

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, loss after taxation would have been decreased / (increased) by Rs. 1.260 million (2020: Rs. 0.910 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, loss after taxation would have been (increased) / decreased by Rs. 40.850 million (2020: Rs. 42.277 million). This analysis is prepared without taking in account taxation effect and applying +/-1% discount factor on short term borrowings reported in these financial statements.

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36.3.3 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.

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
36.4 Financial instruments by category		
Financial assets as per balance sheet		
At amortized cost		
Long term deposits	44,955	43,251
Term Deposit Receipts - at amortized cost	60,000	-
Trade debtors	702,920	543,371
Advances and other receivables	13,451	19,123
Cash and bank balances	111,200	169,137
	932,526	774,882
Financial liabilities as per balance sheet		
At amortized cost		
Trade and other payables	1,000,812	407,699
Retention money	12,953	14,563
Accrued profit on secured borrowings	61,623	265,165
Short term borrowings	5,193,594	11,602,841
	6,268,982	12,290,268

36.5 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 behavior. 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:

Notes to the Financial Statements

For the year ended 30 June 2021

- 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.

36.6 Investment risk

All capital nature investments and disposals shall only be approved by the BOD and shareholders of the Group.

The CEO and CFO shall formulate the proposal for any new investment, clearly indicating future benefits associated with the investment in term of returns, using Capital expenditure techniques - discounted cash flows (DCF), Discounted Dividend Model (DDM) and/or Capital Asset Pricing Model (CAPM). The investment proposal should also indicate the source of funding and its terms and conditions.

Investments of the surplus funds will be made after the approval from Group CFO in banks/financial institutions and Asset Management Companies (AMC). Investment decisions will be made based on the highest rate of return offered by any bank or AMC. It would normally be the highest bidder, but can be any other bank/financial institution as deemed fit by the CFO with the concurrence of the CEO/ED.

Placement and investments will made on the basis of forecasted cash flows and surplus funds available with the Modaraba. In order to mitigate the level of exposure with any one bank/financial institution, the funds will not be placed for more than three (3) months and not more than Rs. 350 million.

The Modaraba's funds will not be invested in speculative business, i.e. investment will be only in banks/financial institutions and AMC where a guaranteed fixed return is identified.

36.7 Regulatory risk

The Modaraba is exposed to regulatory risk when it raises capital through the capital market, issuance of Sukuk, and right shares, private and equity placement, etc. The Modaraba shall seek prior approval from the BOD and /or shareholders of its management company as per the requirement and seek all relevant regulatory authorities approvals, in respect of any proposed financing. All borrowing arrangements entered into by the Modaraba shall be compliant with the relevant regulatory requirements.

36.8 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.

Notes to the Financial Statements

For the year ended 30 June 2021

Underlying the definition of fair value is the presumption that the company 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 recognized at the end of the reporting period during which the changes have occurred. However, no transfers between levels of fair value during the year have occurred.

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. As all the financial assets and financial liabilities are carried at cost, therefore, no fair value hierarchy levels have been disclosed in these financial statements being not applicable in the instant case.

Land, buildings and plant and machinery are carried at revaluation model and the fair values have been determined using the valuation methods / techniques as disclosed in note 4.1.5. The fair value hierarchy is Level 2 for these non-financial assets.

36.9 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 certificate-holders, issue new certificates, or sell assets to reduce debt.

Notes to the Financial Statements

For the year ended 30 June 2021

Restated
June 30, 2021 June 30, 2020
(Rupees in thousand)

The gearing ratios as at June 30, 2021 are as follows:

Total debt - short term borrowings	4,085,013	4,227,736
Total equity	4,913,400	(2,366,788)
Gearing ratio	83%	-179%

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 for which the Modaraba has been granted relaxation from various institutions.

37 Related Parties Transactions

A. Related party relationships

The related parties comprise ultimate parent company, parent company, subsidiaries, associated undertakings, directors of the company, key management personnel and post employment benefit plans. The Modaraba in the normal course of business carries out transactions with various related parties which comprise of the following:

Name of Related party	Nature of relationship	Basis of relationship	Percentage of shareholding
Treet Corporation Limited	Holding Company	Shareholding and common directorship	96.00%
Treet Holdings Limited	Management Company	Shareholding and common directorship	2.80%
Packages Limited	Associated Undertaking	Common Directorship	NIL
Treet HR Management (Private) Limited			
Cutting Edge (Private) Limited			
Liaquat National Hospital			
Gulab Devi Chest Hospital			
Ali Automobile (Private) Limited			
Loads Limited			
Hi-Tech Alloy Wheels Limited			
Global Arts Limited			
Treet Power Limited			
Treet Battery Limited			
Multiple Auto parts Industries (Pvt.) Limited			
Specialized Auto parts Industries (Pvt.) Limited			
Specialized Motorcycle (Pvt.) Limited			
Elite Brands Limited			
IGI Insurance Limited			
PSV (Private) Limited			
Renacon (Private) Limited			
Global Assets (Private) Limited			

Notes to the Financial Statements

For the year ended 30 June 2021

B. Related party transactions

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	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
<u>Holding Company</u>			
Treet Corporation Limited	Sale of corrugated boxes	31,644	16,366
	Service charges charged by the parent company	22,586	35,000
	Finance cost charged by the parent company	433,289	800,306
	Expenses borne by the parent company	292,384	313,840
	Funds paid to the parent company - net of receipts	151,037	-
	Funds received from the parent company - net of payments	-	201,949
	Conversion of parent company's borrowings into Modaraba certificate capital	5,044,000	-
<u>Modaraba Management Company</u>			
Treet Holdings Limited	Purchase of goods	248	-
	Finance cost charged by Treet Holding Limited	668	-
<u>Associated undertakings</u>			
Packages Limited	Purchase of goods	11,432	56,053
IGI Insurance Payable	Services received	136,868	29,970
Treet HR Management (Private) Limited	Services received	12,425	13,050
Liaquat National Hospital	Services received	-	323
Elite Brands Limited	Sale of goods	61,064	44,672
	Purchase of goods	1,056	-
Loads Limited	Sale of batteries	205	144
Multiple AutoParts Industries (Pvt.) Limited	Sale of batteries	12	42
Specialized AutoParts Industries (Pvt.) Limited	Sale of batteries	68	114
Renacon Pharma Limited	Purchase of goods	84	-
	Sale of corrugated boxes	20,329	16,381
	Sale of batteries	141	117

Notes to the Financial Statements

For the year ended 30 June 2021

- 37.1** All the transactions with the related parties are executed in the normal course of business on the basis of mutually agreed terms and conditions.
- 37.2** All the executives, officers and other employees of the Modaraba have been outsourced from its related party namely Treet HR Management (Private) Limited.
- 37.3** One of the directors is working as CEO of the Modaraba Management Company. 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 (2020: Rs. Nil).

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
37.4 Remuneration of Executives		
The aggregated amounts charged in these financial statements for the remuneration, including all benefits, to the Executives of the company were as follows:		
Managerial remuneration	55,826	195,744
Bonus	-	-
Medical allowance	5,583	19,574
House rent allowance	15,891	17,383
Utilities allowance	3,531	3,863
Other perquisites	9,041	5,654
Employees' funds:		
-Provident fund	3,207	3,704
-Housing fund	-	986
-Service fund	3,207	3,704
-Benevolent fund	-	324
-Superannuation fund	-	296
	6,414	9,014
	96,286	251,232
Number of executives	18	24

- 37.5** In addition to the above, the Company maintained vehicles are provided to the executives of the Modaraba for official purposes only by the ultimate parent company of the Modaraba as per the employment rules and policies.

Notes to the Financial Statements

For the year ended 30 June 2021

		Annual rated capacity		
UOM		June 30, 2021	June 30, 2020	
38	Plant capacity and production			
	Corrugated boxes	Metric Tons	30,000	30,000
	Soaps	Metric Tons	5,000	5,000
	Batteries	Numbers	1,200,000	1,200,000
		Annual production		
UOM		June 30, 2021	June 30, 2020	
	Corrugated boxes and sheets	Metric Tons	20,513	19,675
	Soaps	Metric Tons	2,780	3,194
	Batteries	Numbers	575,009	429,961

The reason for shortfall in actual production when compared with installed capacity is primarily on account of demand and supply in the market conditions and the product mix.

39 Entity-wide information and disclosure

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

39.1 Information about products

Sale of corrugation and battery segments represent 29.54% (2020: 34.42%) and 58.44% (2020: 47.65%) respectively of the total revenue of the Modaraba.

39.2 Information about geographical areas

99.68% (2020: 99.10%) of the sales of Modaraba relate to customers in Pakistan.

0.32% (2020: 0.90%) of the sales of Modaraba relate to customers outside Pakistan of which 100% of the sales made to Afghanistan.

All non-current assets of the Modaraba as at June 30, 2021 and 2020 are also located in Pakistan.

39.3 Information about customers

There is no single customer to whom the Modaraba had made sales more than 10% of the total revenue of each segment.

Notes to the Financial Statements

For the year ended 30 June 2021

40 Date of authorization for issue

These financial statements were authorized for issue on 26 October 2021 by the Board of Directors of Treet Holdings Limited, the Modaraba Management Company.

41 General

41.1 Figures in these financial statements have been re-arranged/ re-classified wherever necessary for the purpose of comparison. However, material re-arrangement / re-classification made in the corresponding figures is as follows in addition to the adjustments made in the corresponding figures as disclosed in Note 3.25 of these financial statements.

	2020 (Rupees in thousand)	Reclassification	
		From	To
Finance cost charged by Treet Corporation Limited	800,306	Administration and general expenses	Finance cost

41.2 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.

LAHORE
October 26, 2021



Syed Shahid Ali
Chief Executive Officer



Mohtashim Aftab
Group Chief Financial Officer



Muhammad Shafique Anjum
Director

Pattern of Certificate-Holding as at June 30, 2021

Form 34

THE COMPANIES ACT, 2017
(Section 227(2)(f))
PATTERN OF SHAREHOLDING

1.1 Name of the Company FIRST TREET MANUFACTURING MODARABA

2.1. Pattern of holding of the shares held by the shareholders as at

30-06-2021

-----Shareholdings-----

2.2 No. of Shareholders	From	To	Total Shares Held
35	1	100	463
42	101	500	20,351
20	501	1,000	19,815
43	1,001	5,000	129,656
10	5,001	10,000	82,000
5	10,001	15,000	63,000
3	15,001	20,000	55,500
7	20,001	25,000	171,447
1	25,001	30,000	28,000
2	30,001	35,000	68,500
1	35,001	40,000	40,000
2	45,001	50,000	100,000
1	50,001	55,000	55,000
2	60,001	65,000	125,000
1	70,001	75,000	71,500
2	95,001	100,000	200,000
1	130,001	135,000	130,500
1	140,001	145,000	145,000
1	160,001	165,000	164,000
1	170,001	175,000	170,500
2	195,001	200,000	398,500
1	210,001	215,000	215,000
1	230,001	235,000	232,000
1	240,001	245,000	244,500
1	425,001	430,000	426,000
1	750,001	755,000	753,000
1	775,001	780,000	778,500
1	1,600,001	1,605,000	1,604,000
1	19,590,001	19,595,000	19,590,562
1	673,915,001	673,920,000	673,917,700
192			699,999,994

2.3 Categories of Shareholders	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children		
Syed Sheharyar Ali	21,447	0.0031%
	21,447	0.0031%
2.3.2 Associated Companies,		
TREET CORPORATION LIMITED (CDC)	674,670,700	96.38
TREET HOLDINGS LIMITED (CDC)	19,590,562	2.80
	694,261,262	99.1802%
2.3.3 NIT and ICP	0	0.0000%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
2.3.5 Insurance Companies	0	0.0000%
2.3.6 Modarabas and Mutual Funds	0	0.0000%
2.3.7 Shareholders holding 10% or more	674,670,700	96.3815%
TREET CORPORATION LIMITED (CDC)	674,670,700	96.3815%
2.3.8 General Public	5,291,285	0.7559%
	0	0.0000%
	5,291,285	0.7559%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	426,000	0.0609%
	426,000	0.0609%

Key Operating and Financial Results

Rs.(000)	2021	2020	2019	2018	2017	2016	2015
Sales	6,094,863	4,477,787	4,653,603	2,713,128	2,621,735	2,663,830	2,649,491
Gross Profit	(90,144)	(772,495)	(955,231)	49,409	348,867	366,140	295,444
Profit before Taxation	(535,738)	(2,983,616)	(2,391,792)	(357,120)	204,577	244,358	136,322
Profit after Taxation	(617,470)	(2,984,794)	(2,391,792)	(357,120)	204,577	244,358	136,322
Certificateholders' Equity	4,913,400	(2,366,788)	618,006	4,068,591	4,542,753	4,460,817	1,692,437
Fixed Assets - Net	8,600,603	7,057,967	7,258,050	8,480,844	6,871,790	3,780,937	665,119
Total Assets	11,999,821	10,191,016	11,750,858	12,219,365	8,867,304	5,191,000	2,052,772
Total Liabilities	7,086,421	12,557,804	11,132,852	8,150,774	4,324,551	730,183	360,335
Current Assets	3,291,655	3,011,539	4,481,876	3,723,048	1,971,272	1,382,380	1,357,475
Current Liabilities	6,660,017	12,494,021	11,123,580	8,150,774	4,268,125	617,334	191,242
Dividend Declared	0.00%	0.00%	0.00%	0.00%	5.98%	6.27%	6.20%
Certificates Outstanding	699,999,994	195,599,994	195,599,994	195,599,994	195,599,994	195,599,994	130,399,996

Important Ratios

	2021	2020	2019	2018	2017	2016	2015
Profitability							
Gross Profit / Loss	-1.48%	-17.25%	-20.53%	1.82%	13.31%	13.74%	11.15%
Profit / Loss before Tax	-8.79%	-66.63%	-51.40%	-13.16%	7.80%	9.17%	5.15%
Profit / Loss after Tax	-10.13%	-66.66%	-51.40%	-13.16%	7.80%	9.17%	5.15%
Return to Equity							
Return on Equity before Tax	-10.90%	126.06%	-387.02%	-8.78%	4.50%	5.48%	8.05%
Return on Equity after Tax	-12.57%	126.11%	-387.02%	-8.78%	4.50%	5.48%	8.05%
Earning / (Loss) per Certificate	(2.42)	(15.26)	(12.23)	(1.83)	1.05	1.25	1.05
Liquidity/Leverage							
Current Ratio	0.49	0.24	0.40	0.46	0.46	2.24	7.10
Break-up Value per Certificate	7.02	(12.10)	3.16	20.80	23.22	22.81	12.98
Total Liabilities to Equity	1.44	(5.31)	18.01	2.00	0.95	0.16	0.21

% Change	2021	2020	2019	2018	2017	2016	2015
Sales	36.11%	-3.78%	71.52%	3.49%	-1.58%	0.54%	6.33%
Gross Profit / Loss	-88.33%	-19.13%	-2033.31%	-85.84%	-4.72%	23.93%	57.58%
Profit / Loss before Taxation	-82.04%	24.74%	569.74%	-274.57%	-16.28%	79.25%	58.68%
Profit / Loss after Taxation	-79.31%	24.79%	569.74%	-274.57%	-16.28%	79.25%	58.68%
Certificateholders' Equity + Revaluation Surplus	-307.60%	-482.97%	-84.81%	-10.44%	1.84%	163.57%	5.70%
Fixed Assets - Net	21.86%	-2.76%	-14.42%	23.42%	81.75%	468.46%	44.10%
Total Assets	17.75%	-13.27%	-3.83%	37.80%	70.82%	152.88%	18.70%
Total Liabilities	-43.57%	12.80%	36.59%	88.48%	492.26%	102.64%	181.03%
Current Assets	9.30%	-32.81%	20.38%	88.87%	42.60%	1.83%	10.43%
Current Liabilities	-46.69%	12.32%	36.47%	90.97%	591.38%	222.80%	49.15%
Dividend				-100.00%	-4.63%	1.13%	79.71%
Certificates Outstanding	257.87%	0.00%	0.00%	0.00%	0.00%	50.00%	0.00%

Notice of 15th Annual Review Meeting

Notice is hereby given that 15th Annual Review Meeting of Certificate Holders of **First Treet Manufacturing Modaraba** will be held on Tuesday, November 23, 2021 at 10:30 A.M at Ali Auditorium, Ferozepur Road Shahrah-e-Roomi, Lahore to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of last Annual Review Meeting held on October 31, 2020.
2. To receive, consider and adopt the Annual Audited Accounts of the Modaraba for the Year Ended June 30, 2021, together with the Directors' and Auditors' Reports thereon.
3. To appoint External Auditors of the Modaraba for the year ending June 30, 2022 and to fix their remuneration. Auditors Messer Kreston Hyder Bhimji & Co, Chartered Accountants is retiring, and M/S Rehman Sarfaraz Rahim Iqbal Rafiq & Co, Chartered Accountant have offered themselves for re-appointment.

The Certificate Transfer Books will remain closed from November 16, 2021 to November 23, 2021 (both days inclusive) for the purpose of determination of names of the certificate holders for attendance of Annual Review Meeting.

By order of the Board



(Zunaira Dar)

Company Secretary

Treet Holdings Limited

Managers of First Treet Manufacturing Modaraba

Lahore: November 02, 2021

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. The Individual Certificate Holders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Modaraba Share Registrar, are once again reminded to send the same at the earliest directly to Modaraba's Share Registrar (Corplink (PVT) Limited, Wing Arcade, 1-k, Commercial, Model town Lahore. In case of non-receipt of the copy of a valid CNIC, the Modaraba would be constrained under section 243 (3) of the Companies Act, 2017 to withhold dividend of such certificate holders.

4. As per Section 72(2) of the Companies Act, 2017, every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four (4) years from the commencement of the Act, i.e., May 30, 2017. Those Shareholders having physical shareholding are encouraged to open a CDC Sub - Account with any Broker or Investor Account directly with CDC to place their physical shares into scrip less form. This will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange Limited.
5. In accordance with the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, it is mandatory for a listed modaraba to pay cash dividend to its certificate holder only through electronic mode directly into the bank account designated by the entitled certificate holder. Therefore, certificate holders are requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC/NTN to their respective CDC participant / CDC Investor account services.

(i) Certificate holder's details	
Name of the certificate holder (s)	
Folio # / CDS Account No.(s)	
CNIC NO. (copy attached)	
Mobile/Landline no.	

(ii) Certificate holder's Bank detail	
Title of Bank Account	
International Bank Account number (IBAN)	
Bank's Name	
Branch's name and address	

It is stated that the above-mentioned information is correct and in case of any change herein I will immediately intimate the Share Registrar accordingly.

Form of Proxy

I/We, _____ of _____ being a member of First Treet Manufacturing Modaraba, holder of _____ certificates as per Register Folio No. _____

For beneficial owners as per CDC List																						
CDC Participant I.D No. -----	Sub Account No. -----																					
CNIC No	<table border="1"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>																					
Passport No. -----																						

Hereby Appoint Mr. /Mrs. /Miss _____ of _____ person or failing him / her Miss / Mrs / Mr. _____ of _____ another person on my / our proxy to attend and vote for me / us and my / our behalf at Annual Review Meeting of the Modaraba to be held on Tuesday, November 23rd 2021 at 10:30AM and at every adjournment thereof, if any

Please affix Rupees Five Revenue Stamp

(Signature should agree with specimen Signature registered with the Modaraba)

Signed this ____ day of November 2021

Signature of Shareholder _____

Signature of Proxy _____

1. WITNESS Signature: _____ Name: _____ Address: _____ _____	2. WITNESS Signature: _____ Name: _____ Address: _____ _____																																										
CNIC # <table border="1"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>																						CNIC# <table border="1"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>																					

1. This Proxy Form. Duly completed and signed, must be received at above mentioned address the Registered Office of the Company, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC Account Holders / Corporate Entities In addition to the above the following requirements have to be met;
 - i. Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be provided with the proxy forms.
 - ii. The proxy shall produce his original CNIC or original Passport at the time of the meeting.
 - iii. In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



HEAD OFFICE

72-B, Industrial Area Kot Lakhpat,
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