

ANNUAL REPORT

2018



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

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COMPANY INFORMATION

BOARD OF DIRECTORS:	Dr. Mrs. Niloufer Qasim Mahdi Syed Shahid Ali Syed Sheharyar Ali Mr. Imran Azim Mr. Munir Karim Bana Mr. Saulat Said Muhammad Shafique Anjum Dr. Salman Faridi	Chairperson/Non-Executive Director Chief Executive Officer Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Independent Director
AUDIT COMMITTEE:	Dr. Salman Faridi Syed Sheharyar Ali Mr. Imran Azim Mr. Munir K. Bana Rana Shakeel Shaukat	Chairman/Member Member Member Member Secretary
CHIEF ACCOUNTANTS:	Mr. Sajjad Haider Khan Mr. Muhammad Zubair	Modaraba Modaraba Company
COMPANY SECRETARY:	Rana Shakeel Shaukat	
EXTERNAL AUDITORS:	Kreston Hyder Bhimji & Co	Chartered Accountants
EXTERNAL AUDITORS OF MODARABA COMPANY:	KPMG Taseer Hadi & Co.	Chartered Accountants
LEGAL ADVISORS:	Salim & Baig	Advocates
CORPORATE ADVISORS:	Cornelius, Lane & Mufti - Advocates	
SHARIAH ADVISOR:	Mufti Muhammad Javed Hassan	
BANKERS:	Allied Bank Limited Askari Bank Limited Bank Alfalah Limited BankIslami Pakistan Limited Bank Al Habib Limited Dubai Islamic Bank Limited Habib Bank Limited Habib Metropolitan Bank Faysal Bank Limited	JS Bank Limited MCB Bank Limited MCB Islamic Bank Ltd Meezan Bank Limited National Bank Limited Soneri Bank Limited United Bank Limited
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 Website: www.ftmm.com.pk	
SHARES REGISTRAR:	Corplink (Private) Limited Wingez Arcade, 1-K, Commercial Model Town, Lahore	
PACKAGING SOLUTIONS - CORRUGATION:	Kacha Tiba Rohi Nala, 22-KM Ferozepur Road, Lahore	
SOAP PLANT:	Ghakkar 80 KM, G.T. Road, Ghakkar Mandi, Gujranwala	
BATTERY PROJECT:	Faisalabad Industrial City, (FIEDMC) M-3, Motorway, Faisalabad	

DIRECTORS' PROFILE



Dr. Mrs. Niloufer Qasim Mahdi

Chairperson/Non-Executive Director

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

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

Her portfolio includes:-

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



Syed Shahid Ali

Chief Executive Officer

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

His portfolio includes:-

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



Syed Sheharyar Ali

Non-Executive Director

After returning from Saint Louis University, USA in 2001, Syed Sheharyar Ali became one of the youngest directors of Treet Corporation Limited. Currently at the age of 39 he manages a very diversified portfolio consisting of manufacturing, healthcare, information technology, automobiles, sports and music.

His portfolio includes:-

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

DIRECTORS' PROFILE



Dr. Salman Faridi
Independent Director

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

His portfolio includes:-

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



Muhammad Shafique Anjum
Non-Executive Director

Mr. Anjum has been with the Treet Group for over 37 years. With a Mechanical Engineering degree, he has a vast experience in the razor blades and the allied product manufacturing field.

His portfolio includes:-

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



Mr. Saulat Said
Non-Executive Director

Mr. Saulat Said has been involved with some of the largest and oldest names in businesses in Pakistan with experience exceeding 37 years.

His portfolio includes:-

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

DIRECTORS' PROFILE



Mr. Munir Karim Bana
Non-Executive Director

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

His portfolio includes:-

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



Mr. Imran Azim
Non-Executive Director

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

His portfolio includes:-

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

MISSION, VISION STATEMENTS

MISSION STATEMENT

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

VISION STATEMENT

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

PRINCIPLE

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

EMPHASIS

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

CORPORATE SOCIAL RESPONSIBILITY

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

CORPORATE VALUES

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

CHAIRPERSON'S REVIEW REPORT

I am pleased to place before you annual report together with audited financial statements of First Treet Manufacturing Modaraba for the year ended on 30th June 2018 and the auditors' report thereon.

Financial year 2017-2018 was a good year for the Country generally but since it was the first year (04 month) for the battery operations, financial results of your Modaraba have shown losses.

Factors that contributed to the negative performance were as follows:

1. Battery operations have been kicked-off this period. But since resources (e.g. labour force, technical experts, depreciation etc.) have to be pooled at outset (expense side) well before sales volumes are getting momentum;
2. Grid installation was under process in this period so your Modaraba had to bear higher fuel costs in the form of diesel generation in battery plant ;
3. Corrugations margins are squeezed due to intense competition;
4. Soaps margins are also dropped due to reduction in sales volumes;
5. Financial charges due to increased bank borrowing levels;

But your management is determined to cope with challenges and is working on the strategy to increase its sales volumes and to avail full benefits of the opportunities by continued focus on quality, productivity, and cost control and after sales service to improve its competitiveness.

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

At the Board level we endeavor to fulfill our Corporate Social Responsibility, nurture Business Ethics across the business units and operate an effective Administrative Procedures and Controls coupled with very sound Human Resource Management Policies.

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

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

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



Dr. Mrs. Niloufer Qasim Mahdi

Chairperson

October 04, 2018

Lahore

DIRECTORS' REPORT

Board of Directors of Treet Holdings Limited (THL), the Modaraba Company of First Treet Manufacturing Modaraba (FTMM), is pleased to present the Directors' Report on the 12th annual accounts of FTMM for the year ended June 30, 2018. These accounts have been audited by statutory auditors of the Modaraba and are accompanied by their audit report.

ECONOMIC OUTLOOK:

The services sector recorded a robust growth of 6.43 per cent in last two years – a major impetus along with the agriculture sector which grew by 3.81pc for achieving higher GDP growth of 5.8pc during 2017-18.

According to the Pakistan Economic Survey 2017-18, the most important achievements of the fiscal include the fastest pace in real GDP growth on the back of strong growth in agriculture, impressive growth in manufacturing as well as in services.

Growth momentum remained above 5pc for the last two years in a row and reached 5.79pc in FY2018 which is 13 years high on account of a

strong performance in agriculture, industry and services sectors which grew by 3.81, 5.80 and 6.43pc, respectively.

CPI inflation decreased to 3.90% from 4.20% last year. Moreover, this inflation is mainly resultant from demand side growth ensuing in declined unemployment rate.

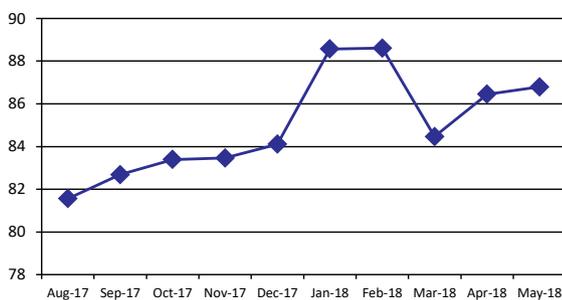
Exchange rate depreciation has been identified as major risk to inflation outlook whose impact will be realized after a time lag through higher import prices which will translate into domestic prices.

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

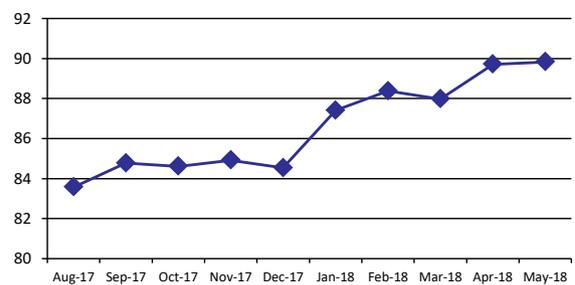
Prices of commodities and metals have shown increase from July 2017 to June 2018.

That will be translated into higher inflation in the coming months.

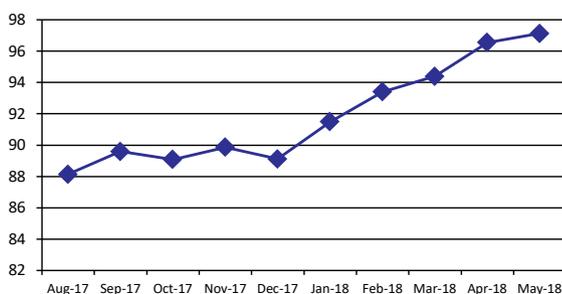
Metal Price Index



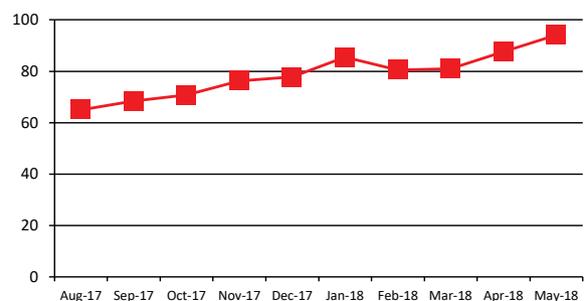
Commodity Non-Fuel Price Index



Commodity Food Price Index



Commodity Fuel (energy) Index



DIRECTORS' REPORT

FINANCIAL RESULTS:

	Rs. in 000	2017-2018	2016-2017	% Change
Sales (net)		2,713,128	2,621,735	3.49%
Net Profit/(Loss)		(357,120)	204,577	-274.57%
Earnings/(Loss) per Certificate		(1.83)	1.05	-274.29%
Transfer to Statutory Reserve – Nil% (2017: 39.70%)		Nil	81,213	-
Book Value per Certificate		20.80	23.22	-10.42%

SEGMENT-WISE ANALYSIS:

Rs. in 000	Corrugated Packaging		Soap		Battery	
	2017-2018	2016-2017	2017-2018	2016-2017	2017-2018	2016-2017
Gross Sales	1,975,571	2,012,387	841,518	1,087,083	410,501	-
Inter-Segment Sales	14,494	16,793	-	-	-	-
Less: Sales Tax & Excise & Discounts	(290,564)	(300,418)	(150,080)	(194,110)	(80,977)	-
Net Sales	1,699,501	1,728,762	691,438	892,973	322,189	-
Gross Profit/(Loss)	148,027	202,158	102,032	146,709	(200,650)	-
Gross Profit %	8.71%	11.69%	14.76%	16.43%	-62.28%	-
Operating Profit/(Loss)	(18,644)	75,844	79,094	123,810	(353,857)	-

GENERAL:

Sales volumes are increased due to Battery segment but gross margins are decreased due to battery segment (as described below) and reduction in margins in Corrugation segment due to increased cost of raw material and Soap segment due to reduction in volumes. Net profit is reduced mainly because of financial charges to finance the working capital and project financing of Battery Project.

CORRUGATED PACKAGING:

Sales volumes are slightly reduced but margins are decreased due to following factors:

1. Increased cost of raw material;
2. Increased freight charges;
3. Limited pass through impact (i.e. increased cost is not pass through to the customer due to intense competition);

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

SOAPS:

Soaps sales volumes are declined and margins are

reduced due to increased cost of raw material. Prices of palm oil escalated in 2017-2018 but is coming down and margins of this segment will be improved in the coming months.

BATTERY PLANT:

Your Modaraba has started commercial production of lead acid batteries since February 2018. In the initial period, profitability is in Red due to following factors:

1. Manpower is to be built up and to be trained through learning curve. Your Modaraba has hired full work force and they are being trained by the Korean experts since this is new technology and local expertise are not available and has to be trained and built up with this passage of time;
2. Cost of Korean experts is relatively high but has to be borne to develop the local workforce;
3. Production pace is slow and will be geared up gradually as learning curve is developed;
4. Depreciation and other fixed costs are to be borne fully irrespective of production volumes;
5. Utilities costs are high due to diesel generation. But this will be calm down in the coming months since Modaraba's own grid is installed and functioning;

DIRECTORS' REPORT

DIVIDEND

Cash dividend is Nil (2017: 5.98% i.e. Rs. 0.5984 per Certificate) due to loss in the Modaraba.

APPROPRIATIONS:

	Rs. in '000
(Loss) for the Year	(357,120)
Un-appropriated profit brought forward	93,571
Transferred to Statutory Reserves (0.0%) for the year ended June 30, 2018	-
Final dividend paid @ 5.984% for the year ended June 30, 2017	(117,042)
Incremental depreciation charged during the year	1,382
Un-appropriated profit carried forward	(379,209)
Final Dividend for the year ended June 30, 2018	Nil

FUTURE OUTLOOK:

Inflation is itching up. The jump is even more pronounced in core inflation – a key measure reflecting the underlying inflationary pressures in the economy. Economic activity is likely to slow down in FY 2018-2019 a general macro-economic policy mix is focusing towards stabilization. This assessment takes shock of the following factors:

- (i) - a higher than anticipated increase in international oil prices
- (ii) - an upward revision in domestic gas prices
- (iii) - a further increase in regulatory duties on imports
- (iv) - exchange rate depreciation

As indicated above, international price indices are depicting international price upsurge.

The management of your Modaraba is well aware of the posed challenges and is deploying most feasible marketing mix at trade and retail levels and is taking all possible measures to meet these challenges.

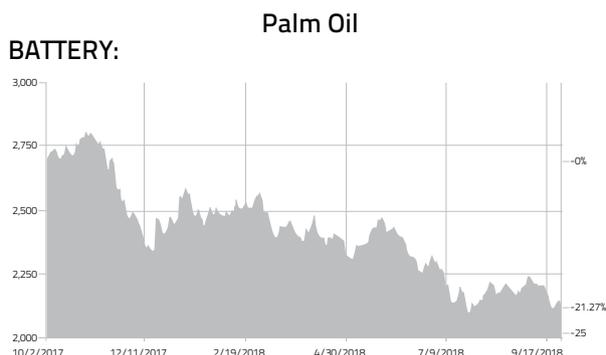
Moreover, your Modaraba is continually reviewing its business strategy to cope with the threats and has been incessantly endeavoring not only to tap alternative inexpensive sources of raw material/ inputs but also trying to optimize the throughput.

CORRUGATED PACKAGING:

Efforts are being made to rationalized inventory levels but pass-through effect is limited due to intense competition. Your Modaraba is working to explore new markets and likely to increase sales volumes in the coming months.

SOAP:

Palm oil prices that remained higher during the year but is calming down. It is expected that margins of this segment is likely to increase. Moreover, sales volumes that were reduce due to price rationalization will be restored.



DIRECTORS' REPORT

Your Modaraba has organized requisite resources (manpower, technical know-how etc.) during the year. Learning curve is being improved with the help of Korean experts. Moreover, utilities expenses will be coming down due to grid installation. Sales volumes will be improved as productions volumes are achieved. Your Modaraba is making full efforts to achieve positive EBITDA in Financial Year 2018-2019. Moreover, efforts are being made to explore export markets and necessary certifications are under process. Distribution channel is established and will be strengthen further in the coming month.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

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

- The financial statements, prepared by the management of Modaraba, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Modaraba have been maintained.
- Appropriate accounting policies are consistently applied by your Modaraba in the preparation of

financial statements, and accounting estimates are based on reasonable and prudent judgment.

- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of these financial statements and any departure there from, if any, has been adequately disclosed.
- The system of Internal Control, being implemented in your Modaraba is sound and has been effectively persisted throughout the year.
- Keeping in view the financial position of your Modaraba, we do not have any significant doubt upon its continuance as a going concern.
- There also has not been any material departure from the best practices of corporate governance, as detailed in the listing regulations, during the year under review.

MEETINGS OF THE BOARD OF DIRECTORS:

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

AUDIT COMMITTEE:

Attendance of Board Meetings during the year 2017-2018

Sr. No.	Name	Designation	5/ Oct/17	30/ Oct/17	27/ Feb/18	27/ Apr/18	2017- 2018
1	Dr. Mrs. Niloufer Qasim Mahdi	Chairperson	P	A	A	P	2/4
2	Syed Shahid Ali Shah	Chief Executive Officer	P	P	P	P	4/4
3	Mr. Saulat Said	Non-Executive Director	P	P	P	P	4/4
4	Dr. Salman Faridi	Independent Director	P	A	P	P	3/4
5	Mr. Imran Azim	Non-Executive Director	A	P	P	P	3/4
6	Mr. Munir Karim Bana	Non-Executive Director	P	P	P	P	4/4
7	Mr. Muhammad Shafique Anjum	Non-Executive Director	P	P	P	P	4/4
8	Syed Sheharyar Ali	Non-Executive Director	P	P	P	P	4/4
Quorum of Meetings			7/8	6/8	7/8	8/8	
P	Present in the Meeting						
A	Leave of Absence						

DIRECTORS' REPORT

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

TERMS OF REFERENCE OF AUDIT COMMITTEE:

Sr. No.	Name	Designation	5/ Oct/17	30/ Oct/17	27/ Feb/18	27/ Apr/18	2017-2018
1	Dr. Salman Faridi	Chairman/ Independent Director	P	A	P	P	3/4
2	Mr. Imran Azim	Non-Executive Director	A	P	P	P	3/4
3	Mr. Munir Karim Bana	Non-Executive Director	P	P	P	A	3/4
Quorum of Meetings			2/3	2/3	3/3	2/3	
P	Present in the Meeting						
A	Leave of Absence						

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

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

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

- (i) Review of the interim and annual financial statements of the Modaraba prior to approval by the Board of Directors.
- (ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.
- (iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Modaraba.
- (iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.
- (v) Determination of compliance with relevant

statutory requirements and monitoring compliance with the best practices of corporate governance.

- (vi) Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors.
- (vii) Review of management letter issued by the External Auditors and Management response thereto:

REPORT OF THE AUDIT COMMITTEE:

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

FINANCIAL REPORTING:

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

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

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

APPOINTMENT OF EXTERNAL AUDITORS:

DIRECTORS' REPORT

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

REVIEW OF MANAGEMENT LETTER ISSUED BY THE EXTERNAL AUDITORS:

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

INTERNAL AUDIT:

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

AUDITORS:

The Audit Committee of your Modaraba Company has recommended that, the present auditors, Messers Kreston Hyder Bhimji & Co., Chartered Accountants due to retire and being eligible, are offering themselves for reappointment, may be appointed as auditors of your Modaraba Company for another term. Subject to approval by the Registrar of Modaraba Companies and Modarabas, their appointment has been confirmed by the Board.

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, 2018 is annexed with this report. This statement is in accordance with the amendments made through the Code.

HR & ADMINISTRATION:

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

ACKNOWLEDGEMENT:

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

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

For and on behalf of the Board


Syed Shehryar Ali
Non-Executive Director

Dated: October 04, 2018
Lahore

ڈائریکٹرز کی رپورٹ

انٹرنل آڈٹ:

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

آڈیٹرز

آپ کے مضاربہ کی آڈٹ کمپنی نے تجویز کیا ہے کہ موجودہ آڈیٹر کرسمس حیدر بھم جی جو کہ ریٹائرڈ ہو گئے ہیں اور اپنے آپ کو دوبارہ تقرری کے لیے پیش کر رہے۔ انکی تقرری رجسٹرار آف مضاربہ کمپنی کی اجازت سے مشروط ہو گی۔

شریعی مشیر

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

سرٹیفکیٹ ہولڈنگ کا پیٹرن

آپ کے مضاربہ کا سرٹیفکیٹ ہولڈنگ پیٹرن، جو 30 جون، 2018 کو تھا اس رپورٹ کے ساتھ منسلک ہے۔ یہ اسٹیٹمنٹ ان ترامیم کے مطابق ہے جو کوڈ کے ذریعے کی گئیں۔

انسانی وسائل اور انتظامیہ

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

اظہار تشکر

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

ہم پر بھروسہ اور اعتماد کرنے پر سرٹیفکیٹ ہولڈرز کا خصوصی طور پر شکر یہ۔

برائے اور از طرف



سید شہریار علی

نان ایگزیکٹو ڈائریکٹر

تاریخ: 04 اکتوبر، 2018

لاہور

ڈائریکٹرز کی رپورٹ

آڈٹ کمیٹی

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

سال 2017-18 کے دوران آڈٹ کمیٹی کے اجلاسوں میں حاضری

نمبر شمار	نام	عہدہ	5 اکتوبر 17	30 اکتوبر 17	27 فروری 18	27 اپریل 18	2017-2018
1	ڈاکٹر سلمان فریدی	چیئرمین / ممبر	P	A	P	P	3/4
2	عمران عظیم	ممبر	A	P	P	P	3/4
3	منیر کریم بانا	ممبر	P	P	P	A	3/4
	کورم آف مینگیٹرز		2/3	2/3	3/3	2/3	

آڈٹ کمیٹی کے قواعد و ضوابط

کمیٹی وقفے وقفے سے مالیاتی گوشواروں پر غور کرتی ہے اور اس امر کو یقینی بنانے کے لیے مالیاتی پالیسیوں اور طور طریقوں کا جائزہ لیتی ہے کہ انٹرنل کنٹرول کا ایک موثر اور مضبوط نظام کام کر رہا ہے۔ یہ کمیٹی انٹرنل آڈٹ ڈیپارٹمنٹ کی طرف سے جاری کردہ آڈٹ رپورٹس اور آڈٹ آڈیٹرز کے کمپلائنس اسٹیٹس کا بھی جائزہ لیتی ہے۔

یہ آڈٹ کمیٹی بورڈ آف ڈائریکٹرز کو ایکسٹرنل آڈیٹرز کے تقرر کی سفارش کرنے کی بھی ذمہ دار ہے اور ایکسٹرنل آڈیٹرز کے استعفا یا سبکدوشی، آڈٹ فیس اور مالیاتی گوشواروں کے آڈٹ کے علاوہ، ایکسٹرنل آڈیٹرز کی طرف سے کمپنی کو کسی سروس کی فراہمی جیسے معاملات پر بھی غور و خوض کرتی ہے۔

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

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

آڈٹ کمیٹی کی رپورٹ:

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

فائنانشل رپورٹنگ:

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

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

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

ایکسٹرنل آڈیٹرز کا تقرر:

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

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

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

ڈائریکٹرز کی رپورٹ

صائب

پام آئل کی قیمت رواں سال بڑھی تھی جو کہ اب کم ہو رہی ہے اس سے یہ اندازہ کیا جاسکتا ہے کہ اس کی سے مارجن بڑھیں گے۔

بیڑی

آپ کے مضارب نے فروری 2018 سے لیڈ اینڈ بیڑی کی پیداوار شروع کر دی ہے۔ شروع میں مندرجہ ذیل عوامل کی وجہ سے منافع میں کمی دیکھی جاسکتی ہے۔ کورین ماہرین کی لاگت نسبتاً زیادہ ہے لیکن ہمیں اپنی ورک فورس کو تیار کرنے کے لیے یہ لاگت لازمی ہے۔ پیداوار کی رفتار سست ہے لیکن مقامی افرادی قوت کے تیار ہونے کے ساتھ اس میں اضافہ ہوگا۔ جنریز میں ڈیزل کے استعمال کی وجہ سے خرچ میں اضافہ ہوا ہے لیکن آنے والے مہینوں میں اس میں کمی واقع ہوگی کیونکہ مضاربہ کی اپنی گرڈ اسٹیشن تیار ہوگی ہے جو کہ تقریباً کام شروع کر دے گی۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

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

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

بورڈ آف ڈائریکٹرز کے اجلاس

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

سال 2017-18 کے دوران بورڈ اجلاسوں کے دوران حاضری

نمبر شمار	نام	عہدہ	5 اکتوبر 17	30 اکتوبر 17	27 فروری 18	27 اپریل 18	2017-2018
1	ڈاکٹر مسز نیلو فر قاسم مہدی	چیئر پرسن	P	A	A	P	2/4
2	سید شاہ علی شاہ	چیف ایگزیکٹو آفیسر	P	P	P	P	4/4
3	جناب صولت سعید	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
4	ڈاکٹر سلمان فریدی	انڈیپنڈنٹ ڈائریکٹر	P	A	P	P	3/4
5	عمران عظیم	نان ایگزیکٹو ڈائریکٹر	A	P	P	P	3/4
6	منیر کریم بانا	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
7	محمد شفیق انجم	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
8	سید شہر یار علی	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
	اجلاسوں کا کورم		7/8	6/8	7/8	8/8	
P	اجلاس میں شریک						
A	غیر حاضری کی رخصت						

ڈائریکٹرز کی رپورٹ

صائب

خام مال کی قیمتوں میں اضافے کی وجہ سے صائب کی کیلنڈر اور مارجن میں کمی واقع ہوئی ہے، جو کہ 2017-2018 میں پام آئل کی قیمت میں اضافے کی وجہ سے ہوئی۔ جس میں اب کمی واقع ہوئی ہے لہذا آنے والے مہینوں میں اس کمی کی وجہ سے اس شعبے میں بہتری ہوگی۔

بیٹری پلانٹ

آپکے مضارب نے فروری 2018 سے لیڈ ایسڈ بیٹری کی پیداوار شروع کر دی ہے۔ شروع میں مندرجہ ذیل عوامل کی وجہ سے منافع میں کمی دیکھی جاسکتی ہے۔

- 1- ورکرز کو بااختیار بنانا اور سیکھانا۔ آپکے مضارب نے ورکرز ماہانہ اجرت پر رکھے ہیں جنکو کورین ماہرین کے ذریعے سے ہنر سکھایا جا رہا ہے کیونکہ یہ نئی ٹیکنالوجی ہے اور اسکا کوئی ماہر پاکستان میں نہیں ہے لہذا اس ٹیکنالوجی کو سیکھانے میں وقت درکار ہے۔
- 2- کورین ماہرین کی لاگت نسبتاً زیادہ ہے لیکن ہمیں اپنی ورکر فوس کو تیار کرنے کے لیے یہ لاگت لازمی ہے۔
- 3- پیداوار کی رفتار سست ہے لیکن مقامی افرادی قوت کے تیار ہونے کے ساتھ اس میں اضافہ ہوگا۔
- 4- پیداواری حجم کو بالائے طاق رکھتے ہوئے ڈیپریسیشن اور دوسرے مقررہ خرچے برداشت کیے گئے ہیں۔
- 5- جنریٹرز میں ڈیزل کے استعمال کی وجہ سے خرچ میں اضافہ ہوا ہے لیکن آنے والے مہینوں میں اس میں کمی واقع ہوگی کیونکہ مضارب کی اپنی گرڈ اسٹیشن تیار ہوگی ہے جو کہ انفریب کام شروع کر دے گی۔

مقصد

کیش مقصد 0% ہے (2017:5.98% i.e. Rs: 0.5984) فی سرٹیفیکٹ۔ اسکے علاوہ آپکا مضارب مسلسل اپنی کاروباری حکمت عملی کا جائزہ لے رہا ہے اور سستے متبادل خام مال اور باقی شعبوں کے لیے بھی اصلاح کی کوشش کی جا رہی ہے۔

تخصیصات

روپے 000 میں	
(357,120)	نقصان برائے سال
93,571	غیر تخصیص شدہ منافع جو آگے ملا یا گیا
-	30 جون، 2018 کو ختم ہونے والے سال کے لیے (0.00%) منتقل کیے گئے سٹوری ریزرو
(117,042)	30 جون، 2017 کو ختم ہونے والے سال کے لیے 5.984% کی شرح سے ادا کردہ حتمی منافع مقصد
1,382	سال کے دوران چارج ہونے والی انکریمینٹل ڈیپریسی ایشن
(379,209)	غیر تخصیص شدہ منافع جو آگے ملا یا گیا
Nil	30 جون، 2018 کو مقصد

فیوچر آؤٹ لک

افراط زر میں اضافہ واضح ہے یہ اضافہ معیشت کو براہ راست متاثر کر رہا ہے اقتصادی سرگرمیاں سست ہونے کا امکان 19-2018 میں ہے جبکہ نیکرو اقتصادی پالیسی استحکام کی طرف توجہ مرکوز کر رہا ہے۔

اس افراط زر کی وجوہات مندرجہ ذیل ہیں

1- بین الاقوامی تیل کی قیمتوں میں اضافہ

2- گھریلو بلوگیس کی قیمتوں میں اضافہ

3- درآمدات پر ریگولیٹری ڈیوٹی میں اضافہ

4- کپکنج ریٹ میں کمی

جیسا کہ اوپر بتایا گیا ہے کہ انٹرنیشنل قیمتوں میں اضافہ ان کی وجہ سے۔

آپ کا مضارب اوپر دیے گئے چیلنجز سے واقف ہے اسی لیے ایک ٹریڈ اور ریٹیل کا منظم نظام موجود ہے جو کہ ان چیلنجز سے نمٹنے کی صلاحیت رکھتا ہے۔

اسکے علاوہ آپکا مضارب مسلسل اپنی کاروباری حکمت عملی کا جائزہ لے رہا ہے اور سستے متبادل خام مال اور باقی شعبوں کے لیے بھی اصلاح کی کوشش کی جا رہی ہے۔

کورورگیٹڈ بیکیٹنگ

کیلز کا حجم بڑھانے کے لئے کوشش کی جا رہی ہے جس میں نئی مارکیٹ کو تلاش کرنا شامل ہے

ڈائریکٹرز کی رپورٹ

فرسٹ ٹریٹ مینوفیکچرنگ مضار بہ (ایف ٹی ایم ایم) کی مضار بہ کمپنی ٹریٹ ہولڈنگز لمیٹڈ (ٹی ایچ ایل) کے بورڈ آف ڈائریکٹرز کو 30 جون، 2018 کو ختم ہونے والے سال کے لئے ایف ٹی ایم ایم کے بارہویں سالانہ اکاؤنٹس کے بارے میں ڈائریکٹرز رپورٹ نہایت خوشی سے پیش کرتے ہیں۔ ان اکاؤنٹس کا مضار بہ کے قانونی آڈیٹرز کی طرف سے آڈٹ کیا جا چکا ہے اور ان کے ساتھ ان کی آڈٹ رپورٹ منسلک ہے۔

معاشی منظر نامہ

سروس سیکٹر میں پچھلے دو سال میں 6.43% کی ترقی ریکارڈ کی گئی ہے زیادہ جی ڈی پی جو کہ 5.8% حاصل کرنے کے لیے ایگریکلچر سیکٹر کا اہم کردار ہے جس میں سال 2017-18 کے دوران 3.81% کی ترقی ریکارڈ کی گئی ہے۔

پاکستان اکنامک سروے 2017/2018 کے مطابق ایگریکلچر سیکٹر کی مطلوب ترقی کے پیچھے مینوفیکچرنگ اور سروس انڈسٹری کا بھی اہم کردار ہے ملکی ترقی کی رفتار گزشتہ دو سال سے 5% سے اوپر ہے جو 2018 میں 5.79% پہنچ چکی ہے جو کہ 13 سالوں کی بہترین کارکردگی ہے۔ اسکی وجہ ایگریکلچر انڈسٹری اور خدمات کے شعبے ہیں جن کی ترقی کی شرح 3.81%، 5.80% اور 6.43% ملتا ہے۔ سال 2017-18 کے دوران سی پی آئی افراط زر کی شرح 4.20% سے کم ہو کر 3.9% ہو گئی ہے افراط زر میں کمی کی وجہ بیرونی گاری میں کمی ہے جولائی 2017 سے جنوری 2018 کے دوران دھاتوں اور ایشیا کی قیمتوں میں اضافہ ہوا اسکی وجہ سے آنے والے مہینوں میں افراط زر میں اضافہ ہوگا

مالیاتی نتائج

روپے '000 میں	2017-2018	2016-2017	% چارج
سیلز (خالص)	2,713,128	2,621,735	3.49%
خالص منافع I (نقصان)	(357,120)	204,577	-274.57%
آمدنی I (نقصان) نی سٹیٹیکٹ	(1.83)	1.05	-274.29%
سٹوری ریورس میں منتقلی (% 39.70: 2017)	Nil	81,213	
بک ویلیو نی سٹیٹیکٹ	20.80	23.22	-10.42%

شعبہ دار تجزیہ

روپے '000 میں	کوریڈور ٹیکسٹائل		صابن		بیٹری	
	2017-2018	2016-2017	2017-2018	2016-2017	2017-2018	2016-2017
گراس سیلز	1,975,571	2,012,387	841,518	1,087,083	410,501	-
انٹریگنٹ سیلز	14,494	16,793	-	-	-	-
سیلز ٹیکس، ایکسائز اور ڈسکاؤنٹ کو نکال کر	(290,564)	(300,418)	(150,080)	(194,110)	(80,977)	-
خالص سیلز	1,699,501	1,728,762	691,438	892,973	322,189	-
مجموعی منافع	148,027	202,158	102,032	146,709	(200,650)	-
مجموعی منافع %	8.71%	11.69%	14.76%	16.43%	-62.28%	-
آپریٹنگ پرائٹ I (نقصان)	(18,644)	75,844	79,094	123,810	(353,857)	-

بیٹری کے حصول کی وجہ سے سیلز کی مقدار میں اضافہ ہوا ہے لیکن مجموعی مارجن میں کمی واقع ہوئی ہے۔ کوریڈور ٹیکسٹائل میں خام مال کی قیمتوں میں اضافہ اور صابن سیکٹ میں سلیز کی کمی کی وجہ سے مارجن میں کمی واقع ہوئی ہے اور فنانشل چارجز بڑھنے سے منافع میں کمی ہوئی ہے جو کہ بیٹری پراجیکٹ کو چلانے کے لیے سرمایہ لایا گیا ہے

کوریڈور ٹیکسٹائل

سیلز اور مارجن میں کمی مندرجہ ذیل عوامل کی وجہ سے ہوئی ہے

1- خام مال کی بڑھتی ہوئی قیمت

2- کرایہ میں اضافہ

3- مارکیٹ میں شدید مسابقت

مارکیٹ میں مصنوعات کے تنوع کی وجہ سے کسٹمرز کو بڑھانے کے لیے کوشش کی جا رہی ہے۔ اس حکمت عملی سے قرضوں میں کمی واقع ہوگی۔

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

INVESTMENT / FUNDING AND DIVIDEND POLICIES

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

Dividend Policy for First Treet Manufacturing Modaraba

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE REGULATIONS, 2017 FOR THE YEAR ENDED JUNE 30, 2018

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

1. The total number of directors are Eight (8) as per the following:

- a. Male: Seven (7)
- b. Female: One (1)

2. The composition of board is as follows:

Category	Name of Directors
Independent Director	i. Dr. Salman Faridi
Executive Director	i. Syed Shahid Ali
Non-Executive Directors	<ul style="list-style-type: none"> i. Dr. Mrs. Niloufer Qasim Mahdi ii. Syed Sheharyar Ali iii. Mr. Muhammad Shafique Anjum iv. Mr. Saulat Said v. Mr. Imran Azim vi. Mr. Munir Karim Bana

Further, as per the proviso to regulation 6 of the 2017 code, grace period has been prescribed in respect of transition phase for the composition of the Board with respect to minimum number of independent directors as specified in the 2017 code. Accordingly, requirements of minimum number of directors will be complied in next elections of directors.

- 3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Modaraba. Further under the 2017 code, the maximum number of directorship in listed companies a person can hold has been reduced to 5. As per the proviso to regulation 3 of the 2017 code, grace period of one year has been prescribed to comply with this requirement.
- 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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ Certificate Holders 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 Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
- 8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE REGULATIONS, 2017 FOR THE YEAR ENDED JUNE 30, 2018

9. During the year under review no training program was arranged by the Modaraba. All Directors meets the criteria of exemption under the clause (xi) of the Code and are accordingly exempted from the Directors' Training Program. Exemption from Securities and Exchange Commission of Pakistan relating to Director's Training Program will be obtained within the prescribed time.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 - a) Audit Committee

Names	Designation
i. Dr. Salman Faridi	Chairman
ii. Mr. Imran Azim	Member
iii. Mr. Munir Karim Bana	Member

b) HR and Remuneration Committee

The Board of Directors have not formed a Human Resource and Remuneration (HR &R) Committee as required under the revised Code of Corporate Governance due to fact that complete HR function is outsourced to the associated company Treet HR Management (Private) Limited which is labor hire company specialized in providing workforce to host companies under service agreement and taking all responsibilities of the workforce.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

Meeting	Frequency
Audit Committee	Four meetings of Audit Committee were held during the financial year ended June 30, 2018.

15. The board has set up an effective internal audit function which is 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE REGULATIONS, 2017 FOR THE YEAR ENDED JUNE 30, 2018

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 the Regulations have been complied with.

For and Behalf of the Board of Directors



Dr. Mrs. Niloufer Qasim Mahdi

Chairperson

Lahore

October 04, 2018

INDEPENDENT AUDITORS' REVIEW REPORT

To the Members of First Treet Manufacturing Modaraba

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of TREET HOLDINGS LIMITED (the Management Company) in respect of FIRST TREET MANUFACTURING MODARABA (the Modaraba) for the year ended June 30, 2018 in accordance with the requirements of Regulation 40 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the 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, 2018.

Lahore:
October 04, 2018



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

ANNUAL SHARI'AH ADVISOR REPORT

I have conducted the Shari'ah review of **First Treet Manufacturing Modaraba** managed by **Treet Holdings Limited** Modaraba Management Company for the financial year ended **June 30, 2018** in accordance with the requirements of the **Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas** and report that except the observations as reported hereunder, in my opinion:

- i. the Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii. no major developments in the following took place during the year:
 - a) Research and new product development
 - b) Training and Development
- iii. the agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met
- iv. to the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas.
- v. profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising products etc are not applicable to this Modaraba.
- vi. the earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to charity accounts.



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

Dated: October 04, 2018



FINANCIAL STATEMENTS

For the year ended June 30, 2018

AUDITORS' REPORT TO THE CERTIFICATE-HOLDERS

We have audited the annexed balance sheet of First Treet Manufacturing Modaraba ("the Modaraba") as at June 30, 2018 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Management Company's responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the period was for the purpose of the Modaraba's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of Modaraba.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2018 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, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore:
October 04, 2018


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

BALANCE SHEET

As at 30 June 2018

	Note	June 30, 2018	June 30, 2017 Restated	July 01, 2016 Restated
Assets				
Non-current assets				
Property, plant and equipment	4	8,436,604	6,827,550	3,780,937
Long term advances	5	2,224	11,447	15,294
Long term deposits	6	13,249	12,795	12,389
		8,452,077	6,851,792	3,808,620
Current assets				
Stores and spares	7	77,657	65,543	65,729
Stock in trade	8	1,258,783	455,117	358,845
Trade debtors	9	572,366	615,611	378,708
Advances, deposits, prepayments and other receivables	10	375,808	117,460	55,075
Tax refunds due from the Government	11	848,536	569,913	323,814
Cash and bank balances	12	589,898	147,628	200,209
		3,723,048	1,971,272	1,382,380
Non current assets held for sale	13	44,240	44,240	-
Total current assets		3,767,288	2,015,512	1,382,380
Total assets		12,219,365	8,867,304	5,191,000
Equity and liabilities				
Certificate capital and reserves:				
Authorized certificate capital	14	4,500,000	2,500,000	2,500,000
Issued, subscribed and paid up certificate capital	15	1,956,000	1,956,000	1,956,000
Statutory reserve	16	511,941	511,941	430,728
Certificate premium	17	1,952,870	1,952,870	1,952,870
Surplus on revaluation of property, plant & equipment	18	26,989	28,371	29,753
(Accumulated loss) / unappropriated profit		(379,209)	93,571	91,466
Certificate holders' equity		4,068,591	4,542,753	4,460,817
Non-current liabilities				
Long term liability against purchase of land	19	-	56,426	112,849
Current liabilities				
Current maturity of liability against purchase of land	19	56,426	56,423	56,423
Retention money payable		51,406	38,128	7,327
Short term borrowings	20	7,742,526	3,829,585	270,332
Trade and other payables	21	280,081	341,769	283,252
Accrued profit on secured borrowings		20,335	2,220	-
		8,150,774	4,268,125	617,334
Contingencies and commitments	22			
Total equity and liabilities		12,219,365	8,867,304	5,191,000

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

LAHORE
October 04, 2018


Syed Sheharyar Ali
Non-Executive Director


Amir Zia
Chief Financial Officer


Muhammad Shafique Anjum
Non-Executive Director

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
Sales - net	23	2,713,128	2,621,735
Cost of sales	24	(2,663,719)	(2,272,868)
Gross profit		49,409	348,867
Operating expenses			
Administration and general expenses	25	(129,425)	(45,281)
Selling and distribution cost	26	(213,391)	(103,932)
		(342,816)	(149,213)
Operating (loss) / profit		(293,407)	199,654
Finance cost	27	(80,433)	(6,273)
Other income	28	16,720	11,196
(Loss) / profit before taxation		(357,120)	204,577
Taxation	29	-	-
Net (loss) / profit after taxation		(357,120)	204,577
(Loss) / earnings per modaraba certificate basic and diluted	30	(1.83)	1.05

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

LAHORE
October 04, 2018


Syed Sheharyar Ali
Non-Executive Director


Amir Zia
Chief Financial Officer


Muhammad Shafique Anjum
Non-Executive Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018 (Rupees in thousand)	2017
(Loss) / profit after taxation	(357,120)	204,577
<i>Items that may or may not be reclassified to profit and loss</i>		
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	(357,120)	204,577

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

LAHORE
October 04, 2018


Syed Sheharyar Ali
Non-Executive Director


Amir Zia
Chief Financial Officer


Muhammad Shafique Anjum
Non-Executive Director

CASH FLOW STATEMENT

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
Cash flow from operating activities			
(Loss) / profit before taxation		(357,120)	204,577
Adjustment for non-cash items:			
Depreciation on operating fixed assets		134,909	29,765
Gain on disposal of operating fixed assets		-	(10)
Write down in the value of stock in trade		167,868	-
Reversal of excess provision for doubtful debts		(2,825)	(2,423)
Exchange Loss		12,909	326
Finance cost		67,524	5,947
		380,385	33,605
Operating profit before working capital changes		23,265	238,182
(Increase)/ decrease in current assets:			
Stores and spares		(12,114)	186
Stock in trade		(971,534)	(96,272)
Trade debtors		46,070	(234,480)
Advances, deposits, prepayments and other receivables		(258,348)	(62,385)
Tax refunds due from the government - sales tax adjustable		(280,536)	(256,092)
		(1,476,462)	(649,043)
Increase / (decrease) in current liabilities:			
Retention money payable		13,278	30,801
Trade and other payables		(27,531)	23,814
Cash used in operations		(1,467,450)	(356,246)
Finance cost paid		(62,318)	(4,053)
Income tax refunds - net		1,913	9,993
Long term advances - net		9,223	3,848
Long term deposits - net		(454)	(406)
Net cash used in operating activities		(1,519,086)	(346,864)
Cash flow from investing activities			
Operating fixed assets including related long term liability		(56,423)	(61,728)
Capital work in progress incurred		(1,743,963)	(3,115,321)
Proceeds from disposal of operating fixed assets		-	17
Net cash used in investing activities		(1,800,386)	(3,177,032)
Cash flow from financing activities			
Profit distributed to certificate holders		(117,042)	(122,641)
Short term borrowings acquired from banking companies		1,647,001	300,000
Borrowings from related party - parent company		2,265,940	3,259,253
Net cash generated from financing activities		3,795,899	3,436,612
Net increase / (decrease) in cash and cash equivalents		476,427	(87,284)
Cash and cash equivalents at beginning of the year		112,647	199,931
Cash and cash equivalents at end of the year		589,074	112,647
The reconciliation in cash and cash equivalents is as follows:			
Cash and cash equivalents			
Cash and bank balances	12	589,898	147,628
Temporary book overdraft - unsecured	21	(824)	(34,981)
Cash and cash equivalents at end of the year		589,074	112,647

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

LAHORE
October 04, 2018


Syed Sheharyar Ali
Non-Executive Director


Amir Zia
Chief Financial Officer


Muhammad Shafique Anjum
Non-Executive Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Capital Reserves				Revenue Reserve	Total
	Certificate capital	Certificate premium	Statutory reserve	Revaluation reserve	Un-appropriated profit	
------(Rupees in thousand)-----						
Balance as at June 30, 2016 as previously stated	1,956,000	1,952,870	430,728	-	91,466	4,431,064
Effects of change in accounting policy (Note - 3.23)	-	-	-	29,753	-	29,753
Balance as at 30 June 2016 - Restated	1,956,000	1,952,870	430,728	29,753	91,466	4,460,817
Total comprehensive income	-	-	-	-	204,577	204,577
<i>Transaction with owners of the Modaraba - distribution</i>						
Profit distribution @ 6.27% For the year ended 30 June 2016	-	-	-	-	(122,641)	(122,641)
Surplus transferred to unappropriated profit on account of incremental depreciation charged during the year	-	-	-	(1,382)	1,382	-
Transfer to statutory reserve @ 39.70%	-	-	81,213	-	(81,213)	-
Balance as at 30 June 2017 - Restated	1,956,000	1,952,870	511,941	28,371	93,571	4,542,753
Total comprehensive income for the year	-	-	-	-	(357,120)	(357,120)
<i>Transaction with owners of the Modaraba - distribution</i>						
Profit distribution @ 5.984% for the year ended 30 June 2017	-	-	-	-	(117,042)	(117,042)
Surplus transferred to unappropriated profit on account of incremental depreciation charged during the year	-	-	-	(1,382)	1,382	-
Balance as at 30 June 2018	1,956,000	1,952,870	511,941	26,989	(379,209)	4,068,591

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

LAHORE
October 04, 2018


Syed Sheharyar Ali
Non-Executive Director


Amir Zia
Chief Financial Officer


Muhammad Shafique Anjum
Non-Executive Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

First Treet Manufacturing Modaraba ("the Modaraba") is a multipurpose, perpetual and multi dimensional Modaraba formed on 27 July 2005 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there-under and is managed by Treet Holdings Limited (a wholly owned subsidiary of Treet Corporation Limited, 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. During the year, the battery project of the Modaraba has commenced commercial production w.e.f. March 22, 2018.

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 and buildings which are carried at revalued amount.

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

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

2.4.2 Stock in trade and stores and spare parts

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

2.4.3 Provision for doubtful debts, advances and other receivables

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

2.4.4 Employees' retirement benefits

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

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

2.4.5 Contingencies

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

2.4.6 Provision for income taxes

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

2.5 New standards, interpretations and amendments to published approved accounting standards and local laws

2.5.1 Amendments that are effective in current year and adopted by the company

The Modaraba has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year :

		Effective date (annual periods beginning on or after)
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 12	Disclosure of Interests in Other Entities	January 01, 2017
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2.5.2 Amendments not yet effective

The following amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

	Conceptual framework for Financial reporting 2018-Original Issue	March 01, 2018
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 is applied
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.	January 01, 2018

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Effective date (annual periods beginning on or after)
IFRS 9 Financial Instruments - Finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018
IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 19 Employee Benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28 Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28 Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39 Financial Instruments: Recognition and Measurements-Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Applies when IFRS 9 is applied
IAS 40 Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018
The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:	
Annual Improvements to IFRSs (2014 – 2016) Cycle:	
IFRS 1 First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28 Investments in Associates and Joint Ventures	January 01, 2018
Annual Improvements to IFRSs (2015 – 2017) Cycle:	
IFRS 3 Business Combinations	January 01, 2019
IFRS 11 Joint Arrangements	January 01, 2019
IAS 12 Income Taxes	January 01, 2019
IAS 23 Borrowing Costs	January 01, 2019

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Effective date
(annual periods
beginning on or after)

2.5.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 01, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards

IFRS 14 Regulatory Deferral Accounts

IFRS 17 Insurance Contracts

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Modaraba's future financial statements.

The Modaraba expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the company's financial statements in the period of initial application.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, except as mentioned in note 3.12 of these financial statements.

3.1 Taxation

Current

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Deferred

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

3.2 Property, plant and equipment

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

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

Residual value and the useful life of assets are reviewed at each financial year end, and adjusted if 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 or loss account.

Capital work in progress

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

3.3 Stores and spares

These are valued at the 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 realisable 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.

3.4 Stock in trade

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

3.5 Trade and other receivables

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

3.6 Cash and cash equivalents

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

3.7 Trade and other payables

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

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

3.8 Financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial assets and financial liabilities

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

3.9 Impairment

Financial assets

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

Non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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.

3.10 Non current assets classified as held for sale

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

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

3.11 Equity, reserves and profit distribution

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

Retained earnings include all current and prior period retained profits.

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

3.12 Surplus on revaluation of property, plant and equipment

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. Previously, the Modaraba follows the requirement of section 235 of the (repealed) Companies Ordinance, 1984 and accordingly the surplus arising on revaluation of property, plant and equipment, computed by eliminating the accumulated depreciation as at the date of revaluation, was credited to the "Surplus on revaluation of property, plant and equipment" account shown below equity in the balance sheet which was not in accordance with the requirements of IFRS Standards. However, the Companies Act, 2017 has now aligned the treatment of revaluation surplus as per accounting and reporting standards and accordingly "Surplus on Revaluation of property, plant and equipment is now being presented and recognised in the Statement of Other Comprehensive Income and accumulated in the Statement of Changes in Equity as a capital reserve. This change in accounting policy is disclosed in note: 3.23 of these financial statements. Following amounts are transferred from "Surplus on revaluation of property, plant and equipment" to Unappropriated Profits through Statement of Changes in Equity to record realization of surplus:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

3.13 Borrowing costs

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

3.14 Employees retirement benefits - related party

Defined contribution scheme

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

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

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

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

Defined benefit scheme

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

3.15 Provisions

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

3.16 Contingencies and commitments

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

3.17 Related party transactions

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

3.18 Foreign currency translation

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

3.19 Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

3.20 Operating leases

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

3.21 Revenue recognition

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

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

ii) Return on bank deposits is accounted for on a time proportion basis using the effective rate of return/profit.

iii) Other revenues are recorded on accrual basis.

3.22 Earning per share (EPS)

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

3.23 Change in accounting policy

The promulgation of Companies Act, 2017 has introduced changes in the presentation and accounting treatment of surplus on revaluation of property, plant and equipment in alignment with the requirements of the IFRS Standards as disclosed in note-3.12. This change in accounting policy is treated in accordance with the Para 45 of IAS 8, "Accounting policies, Changes in accounting estimates and Errors". The effect of these adjustments in these financial statements is, as under:

	Amount Rupees	
	Effect on June 30, 2017	Effect on July 1, 2016
Effect on the balance sheet		
Increase in equity	28,371	29,753
Decrease in surplus on revaluation of property, plant and equipment	(28,371)	(29,753)
Effect on the Statement of changes in equity Increase in capital reserve	28,371	29,753

Since, the above stated change in accounting policy was applicable to the comparative period and the beginning of the comparative period as the Modaraba had undergone revaluation as at June 30, 2014 and has effect on capital reserves as at that date and for the succeeding periods, therefore, this change in accounting policy is treated by restating the figures of the comparative period and the opening balance of the earliest period presented. Accordingly, the opening balance sheet of the earliest period is presented in accordance with the para 40A of IAS-1, "Presentation of financial statements" in these financial statements. Furthermore, this change in accounting policy has no impact on 'Earnings per share' of the company.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2018 (Rupees in thousand)	2017
Operating fixed assets - tangible	4.1	7,299,210	710,613
Capital work in progress	4.2	1,137,394	6,116,937
		8,436,604	6,827,550

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

4.1 Operating fixed assets - tangible

PARTICULARS	2018						2017					
	COST / REVALUED AMOUNT			ACCUMULATED DEPRECIATION			COST / REVALUED AMOUNT			ACCUMULATED DEPRECIATION		
	As at 01 July 2017	Additions	Transfers	Deletions	As at 30 June 2018	RATE %	As at 01 July 2017	For the year	Deletions	As at 30 June 2018	Net book value as at 30 June 2018	
	----- (Rupees in thousand) -----											
Owned												
Freehold land	526,133	-	-	-	526,133	-	-	-	-	-	526,133	
Buildings on freehold land	89,774	-	3,500,000	-	3,589,774	5	15,212	54,161	-	69,373	3,520,401	
Leasehold improvements	4,791	-	-	-	4,791	10	2,875	240	-	3,115	1,676	
Plant and machinery	255,901	-	3,196,048	-	3,451,949	6.75-10	157,272	77,926	-	235,198	3,216,751	
Furniture, fittings and equipment	8,227	-	26,697	-	34,924	10	1,491	1,643	-	3,134	31,790	
Computer equipment	3,665	-	761	-	4,426	25	1,028	939	-	1,967	2,459	
	888,491	-	6,723,506	-	7,611,997		177,878	134,909	-	312,787	7,299,210	
	----- (Rupees in thousand) -----											
Owned												
Freehold land	570,373	-	(44,240)	-	526,133	-	-	-	-	-	526,133	
Buildings on freehold land	89,774	-	-	-	89,774	5	9,476	5,736	-	15,212	74,562	
Leasehold improvements	4,791	-	-	-	4,791	10	2,396	479	-	2,875	1,916	
Plant and machinery	251,353	1,397	3,151	-	255,901	10	134,889	22,383	-	157,272	98,629	
Furniture, fittings and equipment	5,504	1,213	1,510	-	8,227	10	827	664	-	1,491	6,736	
Computer equipment	1,027	2,694	-	(56)	3,665	25	574	503	(49)	1,028	2,637	
	922,822	5,304	(39,579)	(56)	888,491		148,162	29,765	(49)	177,878	710,613	

4.1.1 The carrying amount of the assets as at June 30, 2018 includes fully depreciated assets amounting to Rs. 91.45 million (2017: Rs. 91.45 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. 265.524 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 will be transferred in its name after full payment is made in installments as explained in note 19.
- o A piece of land measuring 18 kanal 11 marlas having cost in the sum of Rs. 235.324 million, situated at Raiwind Road for proposed expansion projects.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

4.1.3 The following assets were disposed off:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain
	----- (Rupees in thousand) -----				
2018	-	-	-	-	-
2017	56	49	7	17	10

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

	Note	2018 (Rupees in thousand)	2017
Packaging solutions - corrugated boxes	24	18,937	25,495
Soaps	24	2,773	2,992
Batteries			
Cost of goods sold	24	107,148	-
Capital work in progress		2,487	558
Administration and general expenses	25	3,540	720
Selling and distribution cost	26	24	-
		134,909	29,765

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

Freehold land	565,513	565,513
Buildings on freehold land	46,697	51,051
	612,210	616,564

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

Freehold land

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

Buildings

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

4.2 Capital work in progress

The movement under this head of account is as follows:

Description	Note	Opening balance	Additions / Adjustments	Transferred to Property, plant and equipment	Amount expensed out	Closing balance
------(Rupees in thousand)-----						
Civil work		2,176,707	1,372,172	3,500,000	1,260	47,619
Plant, machinery and equipment	4.2.1	2,862,132	1,351,218	3,223,506	306	989,538
Advances for capital expenditure		630,789	(530,552)	-	-	100,237
Unallocated project related expenditure	4.2.3	447,309	(447,309)	-	-	-
2018 - Rs. in 000's		6,116,937	1,745,529	6,723,506	1,566	1,137,394
2017 - Rs. in 000's		3,006,277	3,115,321	4,661	-	6,116,937

	Note	2018 (Rupees in thousand)	2017
4.2.1	This include trial production cost as follows		
	Cost of trial production	16,489	-
	Less: Proceeds from the realization of trial production	7,335	-
		9,154	-
4.2.2	The breakup of this account balance is as follows:		
	Sales	9,050	-
	Sales tax	(1,247)	-
	Discount	(468)	-
		7,335	-
4.2.3	The breakup of unallocated project related expenses is as follows:		
	Salaries and wages	-	202,158
	Travelling and conveyance	-	56,102
	Insurance	-	23,428
	Rent, rates & taxes	-	26,193
	Others	-	139,428
		-	447,309

The unallocated expenditure incudes an aggregated amount of Rs. 255 million (2017: Rs. 95 million) in respect of amount charged by the Treet Corporation Limited - parent company on account of its management and administration activities for development of the battery project till its set up stage.

5 LONG TERM ADVANCES

Long term advances - unsecured, considered good	5.1	14,025	19,673
Less: Current maturity shown under current assets	10	(11,801)	(8,226)
		2,224	11,447

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Advances against	Amount advanced Rs. in 000s	Adjustable in equal monthly installments
Rice Husk Boiler	4,165	24
Laboratory	420	24
Warehouse - II	600	3
Warehouse road construction	4,425	23
Others	4,415	9
	14,025	

	Note	2018 (Rupees in thousand)	2017
6 LONG TERM DEPOSITS - AGAINST			
Rented Premises		6,419	5,965
Utility deposits		6,790	6,790
Others		40	40
		13,249	12,795
7 STORES AND SPARES			
Stores			
Corrugation		47,082	31,665
Soap		8,264	6,710
Battery		2,850	-
		58,196	38,375
Spares			
Corrugation		24,704	32,691
Soap		280	-
		83,180	71,066
Less: Provision for slow moving/obsolete stores		(5,523)	(5,523)
		77,657	65,543
8 STOCK IN TRADE			
Raw material	8.1		
Corrugation		219,433	159,169
Soap		26,474	31,865
Battery		508,899	145,445
		754,806	336,479
Packing material			
Corrugation		578	228
Soap		19,191	26,364
Battery		4,952	-
		24,721	26,592
Work in process			
Corrugation		10,723	35,353
Soap		547	1,438
Battery		242,745	-
		254,015	36,791
Finished goods	8.2		
Corrugation		34,444	32,711
Soap		42,980	22,544
Battery		147,817	-
		225,241	55,255
		1,258,783	455,117

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

- 8.1** This includes raw material in transit amounting to Rs. 256.19 million (2017: Rs. 8.99 million).
- 8.2** The stock in trade of corrugation, soap and battery segment has been written down to net realizable value by Rs. 1.207 million, Rs. 0.806 million and Rs. 165.854 million respectively (2017: Nil), which is duly recognized in the cost of sales shown under "cost of sales" in accordance with the requirements of IAS - 2.

	Note	2018 (Rupees in thousand)	2017
9 TRADE DEBTORS			
Trade debtors - unsecured:			
Considered good		572,366	615,611
Considered doubtful		22,474	22,474
		594,840	638,085
Less: Provision for doubtful debts	9.1	(22,474)	(22,474)
		572,366	615,611
9.1 Provision for doubtful debts			
Balance as at 01 July,		22,474	47,314
Written off during the year		-	(24,840)
Balance as at 30 June,		22,474	22,474
10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
ADVANCES TO:			
Employees - secured, considered good	10.1	200	5,155
Suppliers - unsecured, considered good			
Local		216,341	54,405
Foreign		-	1,041
		216,541	60,601
Current portion of long term advances		11,801	8,226
Security deposits		9,231	9,231
Prepayments			
Prepaid insurance		9,956	2,016
Prepaid rent		306	4,638
Prepaid expenses		20,100	-
		30,362	6,654
Other receivables - unsecured			
Balance with statutory authorities	10.2	107,873	31,527
Insurance claim receivable - Related party			
IGI General Insurance Limited - an associated undertaking		-	1,221
		107,873	32,748
		375,808	117,460

- 10.1** 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 subsequent to the balance sheet date.
- 10.2** 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
11 TAX REFUNDS DUE FROM THE GOVERNMENT			
Sales tax adjustable		783,728	503,192
Income tax refundable		64,808	66,721
		848,536	569,913
12 CASH AND BANK BALANCES			
Cash in hand		61,833	6,484
Cash at banks in:			
Current accounts		268,684	15,045
Saving accounts	12.1	259,381	126,099
		528,065	141,144
		589,898	147,628

12.1 These carry profit rates ranging between 4.75% to 6.75% (2017: 4% to 6%) per annum. These deposits are maintained under Shariah permissible arrangement.

13 NON-CURRENT ASSETS HELD FOR SALE			
Piece of land classified as held for sale	13.1	44,240	44,240

13.1 As previously reported, the Board of Directors of the Modaraba Management Company in their meeting held on December 06, 2016 decided to sell a piece of land measuring 15 kanals and 16 marlas situated in Gujranwala and accordingly a sale deed between the Modaraba and party - Mursaleen Shafique was duly executed against the sale consideration of Rs. 64.5 million; and therefore the same was classified as non-current asset held for sale. This sale transaction was materialized subsequent to the balance sheet date on September 25, 2018.

	2018 (Number of certificate)	2017		2018	2017
	450,000,000	250,000,000	Modaraba Certificates of Rs. 10 each	4,500,000	2,500,000

14.1 During the year, the board of directors of the management company of the Modaraba in their meeting held on February 15, 2018 has decided to increase the authorized capital of the Modaraba from Rs. 2,500 million to Rs. 4,500 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

15 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

	2018 (Number of certificate)	2017	Note	2018 (Rupees in thousand)	2017
	195,599,994	195,599,994	Modaraba Certificates of Rs. 10 each fully paid-up in cash	1,956,000	1,956,000

15.1 As at 30 June 2018, Treet corporation Limited, the holding company holds 87.54% (2017: 89.85%) of the entire capital comprising of Rs. 10 each i.e. 171,224,700 (2017: 175,745,700) certificates of the Modaraba. In addition 10.02% of the certificate capital comprising 19,590,562 (2017: 19,590,562) certificates of Rs. 10 each are held by the Modaraba Management Company i.e. Treet Holdings Limited.

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

16 STATUTORY RESERVES

511,941

511,941

This represents profit set aside in compliance with the requirements of Prudential Regulations for Modarabas alongwith circular 11 of 2006 issued by the Securities and Exchange Commission of Pakistan and can be utilized only for the purpose specified in regulation 2 of part III of the Prudential Regulations.

17 CERTIFICATE PREMIUM

1,952,870

1,952,870

This represents Certificate premium at the rate of Rs. 30 per certificate in respect of transaction referred to in note 15.2, 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.

18 CAPITAL RESERVE

Surplus on the revaluation of property, plant and equipment

26,989

Restated
28,371

18.1 The reconciliation of this head of account is as follows:

Gross Surplus

Balance as at July 01,

28,371

29,753

Less: Transferred to accumulated funds on account of:

(1,382)

(1,382)

Balance as at June 30,

26,989

28,371

Surplus attributed to:

Land and buildings

22,414

23,796

Land classified as held for sale

4,575

4,575

26,989

28,371

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
19 LONG TERM LIABILITY AGAINST PURCHASE OF LAND			
Balance as at 01 July		112,849	169,272
Less: Payment made during the year		(56,423)	(56,423)
		56,426	112,849
Less: Current maturity of liability		(56,426)	(56,423)
Balance as at 30 June		-	56,426

19.1 This represents long term liability for land purchased in Faisalabad from Faisalabad Industrial Estate Development and Management Company (FIEDMC). The Modaraba has made a payment of Rs. 56.423 (2017: Rs. 56.423) million and the remaining amount of Rs. 56.426 (2017: Rs. 112.849) million is payable in 4 (2017: 8) equal quarterly installments ending on 4 June 2019.

20 SHORT TERM BORROWINGS			
From banking companies - secured and profit bearing			
BankIslami Pakistan Limited	20.1	500,000	300,000
MCB Islamic Bank Limited	20.2	752,000	-
Bank Al-Habib Limited	20.3	200,000	-
Faysal Bank Limited	20.4	495,001	-
From related parties - unsecured			
Treet Corporation Limited - holding Company	20.5	5,795,525	3,529,585
		7,742,526	3,829,585
20.1 BankIslami Pakistan Limited		500,000	300,000

This represents Istisna finance facility obtained from BankIslami for the manufacturing of soap and corrugated boxes out of the sanctioned limit of Rs. 500 million (30 June 2017: Rs. 500 million). This finance facility carries profit @ 3 months Kibor + 0.5% per annum payable quarterly; and is secured against BIPL's ownership of Istisna goods and 1st Pari Passu charge over all present and future current assets of the Modaraba amounting to Rs. 667 million (including 25% safety margin).

20.2 MCB Islamic Bank Limited		752,000	-
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This represents Running Musharakah facility obtained during the year to meet working capital requirements out of the sanctioned limit of Rs. 1,000 million (30 June 2017: Nil). This finance facility carries profit @ 3 months Kibor + 0.4% per annum payable quarterly; and is secured against 1st Joint Pari Passu charge with 25% margin over current assets and corporate guarantee of Messrs Treet Corporation Limited.

20.3 Bank Al-Habib Limited		200,000	-
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This represents Istisna finance facility obtained during the year to meet working capital requirements out of the sanctioned limit of Rs. 500 million (30 June 2017: Nil). This finance facility carries profit @ 3 months Kibor + 0.35% per annum payable quarterly; and is secured against ranking charge of Rs. 667 million (inclusive 25% margin) over present and future current assets of the Modaraba to be upgraded into Joint Pari Passu charge within 6 months of first disbursement, Lien over shipping documents and Lien over Contract/LC with 10% Margin.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
20.4	Faysal Bank Limited	495,001	-

This represents Running Musharakah facility obtained during the year to fund working capital requirements of the Packaging, Battery and Soap business units of the Modaraba out of the sanctioned limit of Rs. 500 million (30 June 2017: Nil). This finance facility carries profit @ 3 months Kibor + 0.5% per annum payable quarterly; and is secured against 1st Pari Pass / Joint Pari Passu charge with 25% margin over current & fixed assets of the Modaraba and Cross Corporate Guarantee of M/s. Treet Corporation Limited.

20.5	Treet Corporation Limited - holding company	5,795,525	3,529,585
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This represents loan obtained from the above named related party towards the development project cost of the Battery project and working capital requirements of the Modaraba. It is unsecured, carries no profit and payable on demand, particularly when the project will have profitable operations and generate sufficient cash flows.

21 TRADE AND OTHER PAYABLES

Creditors			
Foreign		44,186	142,691
Local		30,862	24,139
		75,048	166,830
Payable to related parties - unsecured, interest free			
Treet Corporation Limited		35,000	35,000
Treet Holdings Limited		-	20,000
		35,000	55,000
Accrued liabilities		90,258	53,946
Withholding sales tax payable		1,866	7,386
Temporary book overdraft - unsecured	21.1	824	34,981
Advances from customers		5,301	4,141
Income tax deducted at source payable		8,125	9,651
Advance against land classified as held for sale	13	63,105	9,300
Unclaimed dividend		34	14
Other payables		520	520
		280,081	341,769

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

For the tax years 2011 and 2012, the Deputy Commissioner Inland Revenue (DCIR) passed orders under sections 161 and 205 of the Income Tax Ordinance, 2001 creating tax demands of Rs. 1.520 million and Rs. 41.364 million respectively. The Modaraba filed appeals against the orders passed by DCIR before Commissioner Inland Revenue (CIR) Appeals who decided the matters in the favor of the Modaraba by deleting the tax demands. Tax department filed appeals against the decision of CIR Appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending adjudication. The management and tax advisor of Modaraba are of the view that favorable outcome is expected as the Modaraba is fully compliant of withholding tax provisions.

22.2 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 arbitrarily creating tax demand of Rs. 1.807 million. The Modaraba filed appeals 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 Modaraba are of the view that favorable outcome is expected as the Modaraba is fully compliant of withholding tax provisions.

22.3 For the tax period July 2011 to June 2013, the Additional Commissioner Inland Revenue (ACIR) passed order under section 25 of the Sales Tax Act, 1990 creating a sales tax demand of Rs. 9.526 million along with penalty of Rs. 0.508 million mainly on the issue of inadmissibility of input sales tax. The Modaraba filed appeals against the order passed by ACIR before Commissioner Inland Revenue (CIR) Appeals, Zone-II, Lahore which is pending adjudication. The management and tax advisor of Modaraba are of the view that the tax demand will be deleted by appellate authorities based on favorable decision in favour of Registered Person (RP) on this issue by the Lahore High Court, Lahore.

	2018	2017
	(Rupees in thousand)	
22.4 Guarantees		
Outstanding guarantees	-	22,433
Un-utilized limits of letter of guarantees	-	212,567
22.5 Capital commitments		
- Plant & machinery	34,257	144,935
- Civil works	-	607,924
22.6 Letters of credit		
Outstanding letters of credit	433,582	409,151
Unutilized limits of letters of credits	-	1,410,849
22.7 Operating leases		
The Modaraba has acquired plant and machinery for its soaps manufacturing facility on operating lease. This lease runs for the maximum period of 10 years ending on 30 June 2020, with an option to renew after that date.		
Future lease payments under the lease agreements are:		
Not later than one year	12,340	9,796
Later than one year but not later than five years	12,340	19,591
	24,680	29,387

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Note	Corrugated Boxes		Soaps		Battery		Total		
	2018	2017	2018	2017	2018	2017	2018	2017	
------(Rupees in thousand)-----									
23	SALES - NET								
	External customers	1,864,557	1,907,280	841,518	1,087,083	410,501	-	3,116,576	2,994,363
	Treet Corporation Limited - Associated undertaking	22,176	24,597	-	-	-	-	22,176	24,597
	Renacon Pharma Limited - Associated undertaking	10,833	1,743	-	-	-	-	10,833	1,743
		1,897,566	1,933,620	841,518	1,087,083	410,501	-	3,149,585	3,020,703
	Inter segment sales	14,494	16,793	-	-	-	-	14,494	16,793
	Sale of waste paper	78,005	78,767	-	-	-	-	78,005	78,767
		1,990,065	2,029,180	841,518	1,087,083	410,501	-	3,242,084	3,116,263
	Less:								
	Sales tax	(275,339)	(283,169)	(148,462)	(191,134)	(59,944)	-	(483,745)	(474,303)
	Trade discount	(731)	(456)	(1,618)	(2,976)	(21,033)	-	(23,382)	(3,432)
		(276,070)	(283,625)	(150,080)	(194,110)	(80,977)	-	(507,127)	(477,735)
	Elimination of Inter segment sales	(14,494)	(16,793)	-	-	-	-	(14,494)	(16,793)
	Elimination of trial run sales 4.2.2	-	-	-	-	(7,335)	-	(7,335)	-
		1,699,501	1,728,762	691,438	892,973	322,189	-	2,713,128	2,621,735
24	COST OF SALES								
	Opening stock- raw and packing material	159,397	184,191	58,229	68,988	145,445	-	363,071	253,179
	Add: Purchases								
	Inter-segment	-	-	14,494	16,793	-	-	14,494	16,793
	Others	1,177,911	1,109,682	488,122	628,988	932,044	-	2,598,077	1,738,670
		1,177,911	1,109,682	502,616	645,781	932,044	-	2,612,571	1,755,463
	Less: Closing stock	(220,011)	(159,397)	(45,665)	(58,229)	(513,851)	-	(779,527)	(217,626)
	Elimination of Inter segment purchases	-	-	(14,494)	(16,793)	-	-	(14,494)	(16,793)
	Raw and packing material consumed	1,117,297	1,134,476	500,686	639,747	563,638	-	2,181,621	1,774,223
	Stores and spares consumed	70,290	57,411	4,265	2,986	-	-	74,555	60,397
	Out sourcing of manpower 24.1	202,091	205,771	54,441	42,521	127,284	-	383,816	248,292
	Fuel and power	72,208	52,971	7,479	6,218	86,754	-	166,441	59,189
	Depreciation on operating fixed assets	18,937	25,495	2,773	2,992	107,148	-	128,858	28,487
	Repair and maintenance	16,846	14,294	1,463	667	20,222	-	38,531	14,961
	Traveling and conveyance	2,986	2,674	632	645	16,724	-	20,342	3,319
	Insurance	4,231	1,509	2,860	1,062	1,625	-	8,716	2,571
	Rent, rates and taxes	17,941	22,717	17,677	17,684	96	-	35,714	40,401
	Plant rental	-	-	11,779	9,796	-	-	11,779	9,796
	Other manufacturing expenses	5,750	12,727	4,896	4,885	6,399	-	17,045	17,612
		1,528,577	1,530,045	608,951	729,203	929,890	-	3,067,418	2,259,248
	Elimination of trail production cost 4.2.1	-	-	-	-	(16,489)	-	(16,489)	-
		1,528,577	1,530,045	608,951	729,203	913,401	-	3,050,929	2,259,248
	Work in process								
	Add: Opening stock	35,353	36,865	1,438	3,432	-	-	36,791	40,297
	Less: Closing stock	(10,723)	(35,353)	(547)	(1,438)	(242,745)	-	(254,015)	(36,791)
		1,553,207	1,531,557	609,842	731,197	670,656	-	2,833,705	2,262,754
	Finished goods								
	Add: Opening stock	32,711	27,758	22,544	37,611	-	-	55,255	65,369
	Less: Closing stock	(34,444)	(32,711)	(42,980)	(22,544)	(147,817)	-	(225,241)	(55,255)
		1,551,474	1,526,604	589,406	746,264	522,839	-	2,663,719	2,272,868

24.1 Salaries and other benefits include Rs. 9,057,610 (2017: Rs. 1,067,266) for corrugation segment, Rs. 2,453,751 (2017: Rs. 362,678) for soap segment and Rs. 7,979,554 (2017: Nil) for battery segment in respect of contribution to staff retirement benefit plans.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
25 ADMINISTRATION AND GENERAL EXPENSES			
Out sourcing of manpower	25.1	25,251	15,455
Management fee - Modaraba Management Company		-	20,000
Auditors' remuneration	25.2	3,154	3,610
Rent, rates and taxes		2,038	16
Legal and professional		8,082	3,369
Vehicle running and maintenance		53	71
Printing and stationery		673	351
Travelling and conveyance		4,730	329
Postage and telephone		127	150
Depreciation on operating fixed assets		3,540	720
Others	25.3	81,777	1,210
		129,425	45,281
25.1	Salaries and other benefits include Rs. 1,120,753 (2017: Rs. 653,802) for corrugation segment, Rs. 156,685 (2017: Rs. 63,754) for soap segment and Rs. 23,427 (2017: Nil) for battery segment in respect of contribution to staff retirement benefit plans.		
25.2	Auditors' remuneration		
	Kreston Hyder Bhimji & Co.		
		750	750
		250	250
		2096	2,545
		58	65
		3,154	3,610
25.3	This includes an amount of Rs. 70 million (2017: Nil) charged by Treet Corporation Limited (Parent Company of the Modaraba Management Company) on account of its efforts and management functions towards the operational activities of battery project of the Modaraba and a nil amount (2017: Rs. 72,583) donated to Gulab Devi Chest hospital (the hospital). The CEO of Modaraba Management Company is chairman of the managing committee of the hospital.		
26 SELLING AND DISTRIBUTION COST			
Freight and forwarding		92,408	63,666
Out sourcing of manpower	26.1	49,172	17,161
Fuel and power		76	19
Rent, rates and taxes		31,740	18,524
Repair and Maintenance		1,775	1,038
Advertisement		20,269	459
Travelling and conveyance		10,175	2,075
Postage and telephone		578	584
Printing and stationery		120	165
Depreciation on operating fixed assets		24	-
Others		7,054	241
		213,391	103,932

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

- 26.1** Salaries and other benefits include Rs. 2,103,684 (2017: Rs. 372,729) for corrugation segment and Rs. 851,876 (Rs: Nil) for battery segment in respect of contribution to staff retirement benefit plans.

	Note	2018 (Rupees in thousand)	2017
27 FINANCE COST			
Istisna finance charges		32,681	5,442
Musharaka finance charges		33,993	-
Bank charges		850	505
Exchange loss		12,909	326
		80,433	6,273
28 OTHER INCOME			
<u>Income from financial assets</u>			
Profit from bank on saving accounts	28.1	3,793	5,796
Reversal of excess provision for doubtful debts		2,825	2,423
		6,618	8,219
<u>Income from non financial assets</u>			
Sale of scrap		8,231	2,407
Profit on disposal of operating fixed assets		-	10
Others		1,871	560
		10,102	2,977
		16,720	11,196

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

29 TAXATION

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

30 (LOSS) / EARNINGS PER MODARABA CERTIFICATE - BASIC AND DILUTED

(Loss) / profit for the year	Rupees in thousand	(357,120)	204,577
Weighted average number of certificates	Number in thousand	195,600	195,600
(Loss) / earning per certificate (basic) :	(Rupees)	(1.83)	1.05

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

31 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

	Corrugated boxes			Soaps			Batteries			Total	
	2018	2017	2018	2018	2017	2018	2018	2017	2018	2017	
	----- Rupees in thousands -----										
Sales											
Inter-segment	14,494	16,793	-	-	-	-	-	-	14,494	16,793	
Others	1,975,571	2,012,387	841,518	1,087,083	1,087,083	410,501	3,227,590	3,099,470	3,227,590	3,099,470	
	1,990,065	2,029,180	841,518	1,087,083	1,087,083	410,501	3,242,084	3,116,263	3,242,084	3,116,263	
Less:											
Inter-segment sales	(14,494)	(16,793)	-	-	-	-	(14,494)	(16,793)	(14,494)	(16,793)	
Sales tax	(275,339)	(283,169)	(148,462)	(191,134)	(191,134)	(59,944)	(483,745)	(474,303)	(483,745)	(474,303)	
Trade discount	(731)	(456)	(1,618)	(2,976)	(2,976)	(21,033)	(23,382)	(3,432)	(23,382)	(3,432)	
	(290,564)	(300,418)	(150,080)	(194,110)	(194,110)	(80,977)	(521,621)	(494,528)	(521,621)	(494,528)	
Net sales	1,699,501	1,728,762	691,438	892,973	892,973	329,524	2,720,463	2,621,735	2,720,463	2,621,735	
Less: Trial run sales	-	-	-	-	-	(7,335)	(7,335)	-	(7,335)	-	
Net sales excluding trial run	1,699,501	1,728,762	691,438	892,973	892,973	322,189	2,713,128	2,621,735	2,713,128	2,621,735	
Cost of sales excluding inter-segment purchases and trial run	(1,551,474)	(1,526,604)	(589,406)	(746,264)	(746,264)	(522,839)	(2,663,719)	(2,272,868)	(2,663,719)	(2,272,868)	
Gross profit / (loss)	148,027	202,158	102,032	146,709	146,709	(200,650)	49,409	348,867	49,409	348,867	
Administration & general expenses	(25,977)	(31,359)	(3,359)	(13,922)	(13,922)	(100,089)	(129,425)	(45,281)	(129,425)	(45,281)	
Selling & distribution cost	(140,694)	(94,955)	(19,579)	(8,977)	(8,977)	(53,118)	(213,391)	(103,932)	(213,391)	(103,932)	
	(166,671)	(126,314)	(22,938)	(22,899)	(22,899)	(153,207)	(342,816)	(149,213)	(342,816)	(149,213)	
Segment results - Operating (loss) / profit	(18,644)	75,844	79,094	123,810	123,810	(353,857)	(293,407)	199,654	(293,407)	199,654	
Finance cost											
Other income									(80,433)	(6,273)	
									16,720	11,196	
Net (loss) / profit for the year									(357,120)	204,577	

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

		Continuing operations						Total			
		Corrugated Boxes		Soaps		Batteries			Unallocated		
		2018	2017	2018	2017	2018	2017	2018	2017		
		----- Rupees in thousands -----									
31.3	Segment assets	2,464,654	1,739,513	187,354	320,890	9,332,033	6,571,577	235,324	235,324	12,219,365	8,867,304
31.4	Segment liabilities	1,559,812	464,127	455,324	116,903	6,135,638	3,743,521	-	-	8,150,774	4,324,551
31.5	Depreciation on property, plant and equipment	20,750	26,215	2,773	2,992	111,386	558	-	-	134,909	29,765

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

32 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 the 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.

32.1 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. 1,184.944 million (2017: Rs. 791.641 million) financial assets which are subject to credit risk amounted to Rs. 1,123.111 million (2017: Rs. 785.157 million).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
FINANCIAL ASSETS			
Long term deposits	6	13,249	12,795
Trade debtors - net	9	572,366	615,611
Advances, deposits and other receivables	10	9,431	15,607
Bank balances	12	528,065	141,144
		1,123,111	785,157

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

Customers are counterparties to local trade debts against sale of corrugation, 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:

Not past due	161,150	330,074
Past due but not impaired		
Less than 30 days	230,880	142,638
Past due 1 - 3 months	110,490	98,094
Past due 3 - 6 months	40,542	39,678
Past due 6 - 12 months	19,870	3,595
Above one year	4,434	1,532
	572,366	615,611

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

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

Banks	Rating		Rating Agency	2018	2017
	Short term	Long term		(Rupees in thousand)	
MCB Bank Limited	A-1+	AAA	PACRA	4,448	1,833
United Bank Limited	A-1+	AAA	JCR-VIS	2,495	7,391
Bank Islami Pakistan Ltd	A-1	A+	PACRA	15,991	273
National Bank of Pakistan	A-1+	AAA	JCR-VIS	6,570	7,042
Habib Bank Limited	A-1+	AAA	JCR-VIS	1,073	3,602
Bank Alfalah Limited	A-1+	AA	PACRA	250,799	46
NIB Bank Limited	A-1+	AA-	PACRA	-	20
Faysal Bank Limited	A-1+	AA	JCR-VIS	8,754	40,858
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	229,916	76,714
Soneri Bank Limited	A-1+	AA-	PACRA	1,202	422
JS Bank Limited	A-1+	A+	PACRA	1,031	771
Askari Bank Limited	A-1+	AA	PACRA	440	637
Meezan Bank Limited	A-1+	AA	JCR-VIS	4,196	1,535
Bank Al Habib Limited	A-1+	AA+	PACRA	815	-
Allied bank Limited	A-1+	AAA	PACRA	5	-
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	330	-
				528,065	141,144

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Exposure to credit risk

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

Coporate informations and relationship with banks

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

32.2 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 financial position liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

The Board of Directors has built an appropriate liquidity risk management framework for the management of the Modaraba's short, medium and long-term funding and liquidity management requirements. The Modaraba manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 22.6 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

The table below summaries the maturity profiles of company's financial liabilities as on June 30, 2018 based on contractual undiscounted payments date and present market interest rates.

	Carrying Amount	Contractual Cash flows	Six Months or less	Six to twelve months	More than one year
------(Rupees in thousand)-----					
Retention money payable	51,406	51,406	-	51,406	-
Trade and other payables	201,684	201,684	-	201,684	-
Short term borrowings	7,742,526	7,742,526	-	7,742,526	-
Accrued profit on borrowings	20,335	20,335	20,335	-	-
Long term liability against purchase of land	56,426	56,426	28,213	28,213	-
	8,072,377	8,072,377	48,548	8,023,829	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

32.3 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.

32.3.1 Currency risk

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

	2018 (USD in thousand)	2017
Creditors in foreign currency	340	1,259

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2018	2017	2018	2017
USD to PKR	113.3	104.85	121.6	105

Cash flow sensitivity analysis for foreign currency instruments

At June 30, 2018, if the Rupee had weakened/strengthened by 10% against the US dollar with all other variables held constant, capital work in progress would have been higher / lower by Rs. 4.140 (2017: Rs. 13.219) million, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade payables.

32.3.2 Profit rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

	2018 (Rupees in thousand)	2017
Variable pricing rate financial assets		
Bank balances at PLS accounts	259,381	126,099
Variable pricing rate financial liabilities		
Short term borrowings	1,947,001	300,000

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

Cash flow sensitivity analysis for variable rate instruments

Sensitivity analysis for variable rate assets

If profit rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, (loss) / profit after taxation would have been (decreased) / increased by Rs. 2.590 (2017: Rs. 1.261) 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) / profit after taxation would have been increased / (decreased) by Rs. 19.470 (2017: Rs. 3.0) 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.

32.3.3 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.

32.4 Financial instruments by category

Assets as per balance sheet		
Long term deposits	13,249	12,795
Trade debtors	572,366	615,611
Advances and other receivables	9,431	15,607
Cash and bank balances	589,898	147,628
	1,184,944	791,641

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018	2017
	(Rupees in thousand)	
Liabilities as per balance sheet, measured at amortized cost		
Trade and other payables	201,684	311,291
Retention money	51,406	38,128
Current maturity of liability against purchase of land	56,426	56,423
Long term liability against purchase of land	-	56,426
Accrued profit on secured borrowings	20,335	2,220
Short term borrowings	7,742,526	3,829,585
	8,072,377	4,294,073

32.5 Operational risk

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

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

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

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

32.6 Fair value measurement of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 recognised 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.

32.7 Capital management

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

The Modaraba's objectives when managing capital are:

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

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

The gearing ratios as at June 30, 2018 are as follows:

	2018	2017
	(Rupees in thousand)	
Total debt - short term borrowings	1,947,001	300,000
Total equity	4,068,591	4,542,753
Gearing ratio	47.85%	6.60%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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.

33 Related Parties Transactions

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

Name of the party	Nature of transactions	2018 (Rupees in thousand)	2017
<u>Holding Company</u>			
Treet Corporation Limited	Sale of corrugated boxes	22,176	24,597
	Dividend paid	105,162	110,193
	Rental of facilities	35,000	35,000
	Expenses for operational activities	70,000	-
<u>Modaraba Management Company</u>			
Treet Holdings Limited	Dividend paid	11,722	12,283
	Management fee	-	20,000
<u>Associated undertakings</u>			
Packages Limited	Purchase of goods	58,631	70,045
IGI General Insurance Limited	Services received	15,959	22,577
Renacon Pharma Limited	Sale of corrugated boxes	10,833	1,743
Ghulab Devi Chest Hospital	Donation	-	73
Treet HR Management (Private) Limited	Services received	11,250	11,250

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

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

33.3 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 (2017: Rs. Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

		Annual rated capacity	
		2018	2017
		----- (Metric tons) -----	
34	PLANT CAPACITY AND PRODUCTION	UOM	
	Corrugated boxes	Metric Tons	30,000
	Soaps	Metric Tons	5,000
	Batteries	Numbers	1,200,000
			30,000
			5,000
			-
		Annual production	
		2018	2017
		----- (Metric tons) -----	
	Corrugated boxes and sheets	Metric Tons	26,327
	Soaps	Metric Tons	3,359
	Batteries	Numbers	87,140
			25,824
			4,556
			-

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. Furthermore, the actual production (trial and commercial) of battery segment is for 4 months being the first year of Modaraba's operations of the battery project.

35 ENTITY-WIDE INFORMATION AND DISCLOSURE

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

35.1 Information about products

Corrugation sales represent 62.64% (2017: 65.94%) of the total revenue of the Modaraba.

35.2 Information about geographical areas

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

All non-current assets of the Modaraba as at June 30, 2018 are also located in Pakistan.

35.3 Information about customers

During the year, revenue from a single customer as regards to corrugation segment comprises approximately 18.25% (2017: 18.24%) of the total revenue of the Modaraba.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 04, 2018 by the Board of Directors of Treet Holdings Limited, the Modaraba Management Company.

37 GENERAL

- 37.1 Corresponding figures have been re-arranged or reclassified wherever necessary, for the purposes of comparison and better presentation as per reporting framework. However, no major reclassifications have been made during the year, except as disclosed in note-3.23 of these financial statements.
- 37.2 The Modaraba company has been making payments/contributions of its employees on account of their retirement benefits, which have been maintained on the basis of group by the parent company - Treet Corporation Limited. Accordingly, the related disclosure as regard to the Employees Retirement Benefits have also been made in the financial statements of the parent company.
- 37.3 Figures have been rounded off to the nearest of thousands rupees, unless otherwise stated.

LAHORE
October 04, 2018



Syed Sheharyar Ali
Non-Executive Director



Amir Zia
Chief Financial Officer



Muhammad Shafique Anjum
Non-Executive Director

PATTERN OF CERTIFICATE-HOLDING

AS AT JUNE 30, 2018

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING		TOTAL NUMBER OF CERTIFICATES HELD		
	From	To	Total	Physical	CDC
53	1	500	20,840	7,000	13,840
31	501	1,000	30,815	1,815	29,000
63	1,001	5,000	211,630	6,630	205,000
11	5,001	10,000	95,500	-	95,500
12	10,001	15,000	159,000	-	159,000
5	15,001	20,000	92,000	-	92,000
11	20,001	25,000	268,947	-	268,947
4	25,001	30,000	111,500	-	111,500
3	30,001	35,000	97,500	-	97,500
11	35,001	85,000	593,500	-	593,500
3	95,001	100,000	300,000	-	300,000
1	120,001	125,000	121,000	-	121,000
1	135,001	140,000	140,000	-	140,000
1	145,001	150,000	150,000	-	150,000
1	165,001	170,000	169,500	-	169,500
1	170,001	175,000	170,500	-	170,500
1	180,001	185,000	182,500	-	182,500
1	195,001	200,000	200,000	-	200,000
1	215,001	220,000	220,000	-	220,000
1	350,001	355,000	352,000	-	352,000
1	495,001	500,000	500,000	-	500,000
1	750,001	755,000	753,000	-	753,000
1	945,001	950,000	950,000	-	950,000
1	1,370,001	1,375,000	1,374,000	-	1,374,000
1	19,590,001	19,595,000	19,590,562	-	19,590,562
1	168,745,000	168,749,999	168,745,700	-	168,745,700
222			195,599,994	15,445	195,584,549

Categories of Certificate Holders	No. of Certificates Holders*	Certificates Held	% Holding
Syed Sheharyar Ali	1	21,447	0.01%
Individuals	201	4,221,785	2.16%
Investment Companies	5	115,500	0.06%
Insurance Companies	Nil	-	0.00%
Joint Stock Companies	1	100,000	0.05%
Associated Company	4	171,224,700	87.54%
Modaraba Company	1	19,590,562	10.02%
Others	9	326,000	0.17%
	222	195,599,994	100.00%

*based on no. of accounts in CDC / folios

CERTIFICATE HOLDERS HAVING MORE THAN 10% CERTIFICATES

Name of Certificate Holder	Certificates	Percentage
Treet Corporation Limited	171,224,700	87.54%
Treet Holdings Limited	19,590,562	10.02%

PATTERN OF CERTIFICATE-HOLDING

AS AT JUNE 30, 2018

Free Float

	No. of Certificates	% holding
Total No. of Certificates	195,599,994	100.00%
Less:		
Physical Certificates	(15,445)	-0.01%
Associated Company	(171,224,700)	-87.54%
Modaraba Company	(19,590,562)	-10.02%
Directors	(21,447)	-0.01%
	(190,852,154)	-97.57%
Free Float	4,747,840	2.43%

KEY OPERATING AND FINANCIAL RESULTS

Rs.(000)	2018	2017	2016	2015	2014
Sales	2,713,128	2,621,735	2,663,830	2,649,491	2,491,651
Gross Profit	49,409	348,867	366,140	295,444	187,492
Profit before Taxation	(357,120)	204,577	244,358	136,322	85,910
Profit after Taxation	(357,120)	204,577	244,358	136,322	85,910
Certificateholders' Equity	4,068,591	4,542,753	4,460,817	1,692,437	1,601,103
Fixed Assets - Net	8,480,844	6,871,790	3,808,620	665,119	461,566
Total Assets	12,219,365	8,867,304	5,191,000	2,052,772	1,729,323
Total Liabilities	8,150,774	4,324,551	730,183	360,335	128,220
Current Assets	3,723,048	1,971,272	1,382,380	1,357,475	1,229,268
Current Liabilities	8,150,774	4,268,125	617,334	191,242	128,220
Dividend Declared	0.00%	5.98%	6.27%	6.20%	3.45%
Certificates Outstanding	195,599,994	195,599,994	195,599,994	130,399,996	130,399,996

Important Ratios

	2018	2017	2016	2015	2014
Profitability					
Gross Profit	1.82%	13.31%	13.74%	11.15%	7.52%
Profit before Tax	-13.16%	7.80%	9.17%	5.15%	3.45%
Profit after Tax	-13.16%	7.80%	9.17%	5.15%	3.45%
Return to Equity					
Return on Equity before Tax	-8.78%	4.50%	5.48%	8.05%	5.37%
Return on Equity after Tax	-8.78%	4.50%	5.48%	8.05%	5.37%
Earning per Certificates	(1.83)	1.05	1.25	1.05	0.66
Liquidity/Leverage					
Current Ratio	0.46	0.46	2.24	7.10	9.59
Break-up Value per Certificate	20.80	23.22	22.81	12.98	12.28
Total Liabilities to Equity	2.00	0.95	0.16	0.21	0.08

% Change	2018	2017	2016	2015	2014
Sales	3.49%	-1.58%	0.54%	6.33%	14.28%
Gross Profit	-85.40%	-4.72%	23.93%	57.58%	-22.55%
Profit before Taxation	-274.57%	-16.28%	79.25%	58.68%	-33.16%
Profit after Taxation	-274.57%	-16.28%	79.25%	58.68%	-33.16%
Certificateholders' Equity + Revaluation Surplus	-10.44%	1.84%	163.57%	5.70%	5.37%
Fixed Assets - Net	23.42%	81.75%	472.62%	44.10%	3.57%
Total Assets	37.80%	70.82%	152.88%	18.70%	5.16%
Total Liabilities	88.48%	492.26%	102.64%	181.03%	2.59%
Current Assets	88.87%	45.60%	1.83%	10.43%	4.92%
Current Liabilities	90.97%	591.38%	222.80%	49.15%	3.84%
Dividend	-100.00%	-4.63%	1.13%	79.71%	-48.51%
Certificates Outstanding	0.00%	0.00%	50.00%	0.00%	0.00%

NOTICE OF 12TH ANNUAL REVIEW MEETING

Notice is hereby given that 12th Annual Review Meeting of Certificate Holders of **First Treet Manufacturing Modaraba** will be held on Friday, October 26, 2018 at 10:00 A.M. at Principal place of business of Modaraba situated at 72-B, Industrial Area, Kot Lakhpat, Lahore for the year ended June 30, 2018.

The Certificate Transfer Books will remain closed from October 20, 2018 to October 26, 2018 (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



(Rana Shakeel Shaukat)

Company Secretary

Treet Holdings Limited

Managers of First Treet Manufacturing Modaraba

LAHORE:

October 04, 2018

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.

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