

Half Yearly Report

for the period ended December 31,

2017



First Treet
Manufacturing Modaraba

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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 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:	Askari Bank Limited BankIslami Pakistan Limited Bank Alfalah Limited Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited	JS Bank Limited MCB Bank Limited MCB Islamic Bank Limited Meezan Bank Limited National Bank of Pakistan 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 Home Page: www.treetonline.com	
SHARES REGISTRAR:	Corplink (Private) Limited Winges Arcade, 1-K, Commercial Model Town, Lahore	
PACKAGING SOLUTIONS - CORRUGATION:	Kacha Tiba Rohi Nala, 22-KM Ferozpur Road, Lahore	
SOAP PLANT:	Ghakkar 80 KM, G.T. Road, Ghakkar Mandi, Gujranwala	
BATTERY PROJECT:	Faisalabad Industrial City, M-3, Motorway Faisalabad	

Directors' Review

Board of Directors of Treet Holdings Limited (THL), the Management Company of First Treet Manufacturing Modaraba (FTMM), is pleased to present financial statements (limited reviewed by the statutory auditors) for the 1st half ending on December 31, 2017.

Financial Results

Rs. in 000'	2017-2018	2016-2017
Net Sales	1,282,299	1,322,545
Gross Profit	194,892	185,231
Net Profit	77,207	121,121
Profit/(Loss) per Certificate	0.39	0.62
Transfer to Statutory Reserve	Nil	Nil
Book Value per Certificate	23.02	22.80

Sales performance (in % change) is described below:

Rs. in 000	31-12-2017			31-12-2016			% Change
	Outside	Inter segment	Total	Outside	Inter segment	Total	
Corrugation	881,464	7,405	888,869	862,154	10,083	872,237	1.91%
Soap	400,834	-	400,834	470,474	-	470,474	-14.80%
	1,282,298	7,405	1,289,703	1,332,628	10,083	1,342,711	-3.95%

- Soaps sales volumes are declined but margins are improved due to price rationalization;
- Corrugation maintained its volumes but margins are decreased due to escalation in raw material prices and time-lag impact on pass through impact;
- Your Modaraba has started commercial production of batteries since February 2018. One of the major decision is the pricing strategy of the local production and to get the volumes of local production pricing has to be competitive. Your Modaraba is devising stratagem to get the desired results;
- Other factors that has resulted in decline of net profits are financial charges on borrowings and transportation costs;

Authorized Capital

Your Modaraba is increasing authorized capital of the Modaraba to Rs. 4,500,000,000 (Rupees Four Billion and Five Hundred Million only) divided into 450,000,000 (Four Hundred and Fifty Million) Modaraba Certificates of Rs. 10/- each. Application to increase the authorized capital has already been submitted to the office of Registrar of Modaraba, Securities and Exchange Commission of Pakistan (SECP).

Acknowledgement

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

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

For and on behalf of the Board



Syed Shahid Ali
 Chief Executive Officer

February 27, 2018
 LAHORE

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **FIRST TREET MANUFACTURING MODARABA ("the Modaraba")** as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the half year then ended (herein after referred to as the "condensed interim financial information").

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

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and December 31, 2016 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended December 31, 2017.

Scope of Review

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

Conclusion

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

LAHORE:
FEBRUARY 27, 2018



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

Financial Statements

For the period ended December 31, 2017

Condensed Interim Balance Sheet (Un-Audited)

As at December 31, 2017

	Note	(Un-audited) 31 December 2017	(Audited) 30 June 2017
Rupees in '000'			
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,985,282	6,827,550
Long term loans and advances - secured	6	10,001	11,447
Long term deposits		15,119	12,795
		8,010,402	6,851,792
Current assets			
Stores and spares		75,764	65,543
Stock in trade	7	815,028	455,117
Trade debts - unsecured, considered good		600,665	615,611
Advances, deposits, prepayments and other receivables		96,404	117,460
Tax refunds due from the Government		733,823	569,913
Cash and bank balances		168,747	147,628
		2,490,431	1,971,272
Non current assets held for sale		44,240	44,240
Total assets		10,545,073	8,867,304
Equity and liabilities			
Certificate capital and reserves			
Authorized certificate capital 250,000,000 (June 30, 2017: 250,000,000) Modaraba certificates of Rs. 10 each		2,500,000	2,500,000
Issued, subscribed and paid-up certificate capital		1,956,000	1,956,000
Certificate premium		1,952,870	1,952,870
Statutory reserve		511,941	511,941
Unappropriated profit		54,427	93,571
Certificate holders' equity		4,475,238	4,514,382
Surplus on the revaluation of property, plant & equipment		27,680	28,371
Non-current liabilities			
Long term liability against purchase of land	5	28,212	56,426
Current liabilities			
		-	-
Current maturity of liability against purchase of land	5	56,423	56,423
Retention money		40,069	38,128
Short term borrowings	8	5,678,735	3,829,585
Trade and other payables	9	227,157	341,769
Accrued profit on secured borrowings		11,559	2,220
		6,013,943	4,268,125
Contingencies and commitments			
	11		
Total equity & liabilities		10,545,073	8,867,304

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

LAHORE
February 27, 2018


Syed Shahid Ali
Chief Executive Officer


Muhammad Shafique Anjum
Director

Condensed Interim Profit And Loss Account (Un-Audited)

For the period ended December 31, 2017

	Note	Half year ended		Quarter ended	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
		Rupees in '000'		Rupees in '000'	
Sales - net		1,282,299	1,322,545	593,373	643,304
Cost of goods sold	12	(1,087,407)	(1,137,314)	(515,018)	(565,564)
Gross profit		194,892	185,231	78,355	77,740
Operating expenses					
Administrative and general		(11,520)	(11,289)	(4,866)	(7,317)
Distribution		(86,584)	(57,555)	(35,308)	(34,610)
		(98,104)	(68,844)	(40,174)	(41,927)
Operating Profit		96,788	116,387	38,181	35,813
Finance cost	13	(24,529)	(445)	(20,903)	(163)
Other income		4,948	5,179	3,907	2,641
Net profit for the period		77,207	121,121	21,185	38,291
Earnings per modaraba certificate - basic and diluted (Rupees)		0.39	0.62	0.11	0.20

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

LAHORE
 February 27, 2018


 Syed Shahid Ali
 Chief Executive Officer


 Muhammad Shafique Anjum
 Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the period ended December 31, 2017

	Half year ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Rupees in '000'		Rupees in '000'	
Profit for the period	77,207	121,121	21,185	38,291
Other comprehensive income				
Total comprehensive income for the period	77,207	121,121	21,185	38,291

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

LAHORE
February 27, 2018


Syed Shahid Ali
Chief Executive Officer


Muhammad Shafique Anjum
Director

Condensed Interim Cash Flow Statement (Un-Audited)

For the period ended December 31, 2017

	Note	31 December 2017	31 December 2016
		Rupees in '000'	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		77,207	121,121
Adjustments for non-cash & other items:			
Depreciation on operating fixed assets		13,846	16,345
Finance cost		24,529	445
Gain on disposal of operating fixed assets		-	(7)
		38,375	16,783
Operating profit before working capital changes		115,582	137,904
(Increase)/decrease in current assets:			
Stores and spares		(10,221)	(1,854)
Stock in trade		(359,911)	(35,777)
Trade debts		14,946	(31,299)
Advances, deposits, prepayments and other receivables		21,056	(3,924)
Tax refunds due from the Government - sales tax		(173,352)	(106,415)
		(507,482)	(179,269)
Increase / (decrease) in current liabilities			
Trade and other payables		(87,891)	(35,149)
Retention money payable		1,941	17,414
Cash outflow from operations		(477,850)	(59,100)
Finance cost paid		(15,190)	(445)
Income tax refunded / (paid)		9,442	(4,232)
Net cash outflow from operating activities		(483,598)	(63,777)
CASH FLOW FROM INVESTING ACTIVITIES			
Operating fixed assets acquired		(2,433)	(6,266)
Capital work in progress incurred		(1,169,144)	(1,377,894)
Proceeds from disposal of operating fixed assets		-	14
Decrease in long term loans and advances		1,446	247
Increase in long term deposits		(2,324)	(136)
Net cash outflow from investing activities		(1,172,455)	(1,384,035)
CASH FLOW FROM FINANCING ACTIVITIES			
Profit distributed to certificate holders		(117,042)	(122,641)
Repayment of liability against purchase of land		(28,214)	(28,212)
Short term borrowings obtained from banking companies		1,000,000	200,000
Borrowings obtained from holding company		849,150	1,591,224
Net cash inflow from financing activities		1,703,894	1,640,371
Net increase in cash and cash equivalents		47,841	192,559
Cash and cash equivalents at beginning of the period		112,647	199,931
Cash and cash equivalents at end of the period	10	160,488	392,490

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

LAHORE
 February 27, 2018


 Syed Shahid Ali
 Chief Executive Officer


 Muhammad Shafique Anjum
 Director

Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)

For the period ended December 31, 2017

	Capital Reserve			Revenue Reserve	Total
	Certificate Capital	Certificate premium	Statutory Reserve	Un-appropriated Profit	
	Rupees in '000'				
Balance as at July 01, 2016	1,956,000	1,952,870	430,728	91,466	4,431,064
Total comprehensive income for the period	-	-	-	121,121	121,121
Surplus transferred to unappropriated profit on account of incremental depreciation charged during the period	-	-	-	691	691
Transactions with owners of the Modaraba, distributions					
Profit distribution @ 6.2% for the year ended June 30, 2016	-	-	-	(122,641)	(122,641)
Balance as at December 31, 2016	1,956,000	1,952,870	430,728	90,637	4,430,235
Total comprehensive income for the period	-	-	-	83,456	83,456
Surplus transferred to unappropriated profit on account of incremental depreciation charged during the period	-	-	-	691	691
Transfer to statutory reserve @ 39.70%	-	-	81,213	(81,213)	-
Balance as at June 30, 2017	1,956,000	1,952,870	511,941	93,571	4,514,382
Total comprehensive income for the period	-	-	-	77,207	77,207
Surplus transferred to unappropriated profit on account of incremental depreciation charged during the period	-	-	-	691	691
Transactions with owners of the Modaraba, distributions					
Profit distribution @ 5.98% for the year ended June 30, 2017	-	-	-	(117,042)	(117,042)
Balance as at December 31, 2017	1,956,000	1,952,870	511,941	54,427	4,475,238

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

LAHORE
February 27, 2018


Syed Shahid Ali
Chief Executive Officer


Muhammad Shafique Anjum
Director

Notes To The Condensed Interim Financial Information (Un-Audited)

For the period ended December 31, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

First Treet Manufacturing Modaraba ("the Modaraba") is a multipurpose, perpetual and multi dimensional Modaraba formed on July 27, 2005 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there-under and is managed by Treet Holdings Limited (a wholly owned subsidiary of Treet Corporation Limited), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 72 - B, Kot Lakhpat, Industrial Area, Lahore. The Modaraba is listed on Pakistan Stock Exchange. The Modaraba is engaged in the manufacture and sale of corrugated boxes and soap and is also in the process of setting up a battery project at Sahianwala, Faisalabad.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). In cases where the requirements differ, the provisions of or directives issued under the Ordinance or Regulations shall prevail. The disclosures in the condensed interim financial information do not include all the information reported in audited annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in preparation of the financial statements for the year ended June 30, 2017.

3.2 Change in accounting standards, interpretations and amendments to published approved accounting standards

a) **Amendments to published approved accounting standards which are effective during the half year ended December 31, 2017**

There are certain amendments to approved accounting standards which are mandatory for the Modaraba's annual accounting period which began on July 1, 2017. However, these do not have any significant impact on the Modaraba's financial reporting and, therefore, have not been detailed in this condensed interim financial information.

b) **Standards and amendments to published approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2018 and are not expected to have significant impact on this condensed interim financial information:

Notes To The Condensed Interim Financial Information (Un-Audited)

For the period ended December 31, 2017

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 - Share-based Payment	01 January 2018
IAS 40 - Investment Property	01 January 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle	01 January 2018
IFRS 15 - Revenue from contracts with customers	01 July 2018
IFRS 9 - Financial Instrument	01 July 2018
Amendment to IFRS 9 - Financial Instrument	01 January 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
Amendment to IAS 28 - Investments in Associates and Joint Ventures	01 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019

In addition, the Companies Act, 2017 applicable from January 01, 2018 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 – Property, plant and equipment. This would have resulted in reclassification of surplus on revaluation of land and building by restating the corresponding figures which would result in increase in equity by Rs. 29.753 million, Rs. 28.371 million and Rs. 27.680 million as at June 30, 2016, June 30, 2017 and December 31, 2017 respectively. Further set off of loss in one class with another class of assets is no longer allowed.

4. ESTIMATES

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed interim financial information, the significant judgments made by the management in applying accounting policies and the key sources of estimates are the same as those applied to the annual financial statements for the year ended June 30, 2017.

	Note	31 December 2017 (Rupees in thousand)	30 June 2017
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	739,206	710,613
Capital work-in-progress	5.2	7,246,076	6,116,937
		7,985,282	6,827,550
5.1 Operating fixed assets			
Opening balance - net book value		710,613	774,660
Additions during the period / year		2,433	5,304
Transfer to non current assets held for sale		-	(44,240)
Transfer from capital work in progress		40,006	4,661
Disposal during the period/year at net book value		-	(7)
Depreciation charged during the period / year	5.1.2	(13,846)	(29,765)
Closing balance - net book value		739,206	710,613

5.1.1 The operating fixed assets include a freehold land measuring 40 acres having value of Rs. 265.524 million (June 30, 2017: 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. The payable amount on this account is Rs. 84.635 million until the terminal date, payable in 6 (June 30, 2017: 8) equal quarterly installments.

5.1.2 The depreciation charge for the period / year has been allocated as under:

	Note	31 December 2017 (Rupees in thousand)	30 June 2017
Cost of Sales			
Packaging solutions - Corrugated boxes	12.1	9,463	25,495
Soaps	12.2	1,504	2,992
Batteries (capital work in progress)		2,084	558
Administrative and general expenses		795	720
		13,846	29,765

5.2 Capital work in progress

The breakup of this head of account is as under:

Civil works		1,570,377	1,308,743
Plant and machinery		4,351,754	3,730,096
Advances for capital expenditure		498,828	630,789
Others - unallocated expenditure	5.2.1	825,117	447,309
Rupees - 2017		7,246,076	6,116,937

5.2.1 The breakup of unallocated project related expenses is as follows:

Salaries and wages		341,483	202,158
Travelling and conveyance		72,683	56,102
Insurance		32,533	23,428
Rent Rates & Taxes		31,790	26,193
Others		346,628	139,428
		825,117	447,309

6 LONG TERM LOANS AND ADVANCES - SECURED

These represent outstanding advances receivable from Khatoon Industries Private Limited (KIL) and are secured against rentals payable to the said party for the use of soap manufacturing facility in equal monthly installments. Refer to note - 11.3.

7 STOCK IN TRADE

Raw material and chemicals			
Corrugation and Soap segment	7.1	226,093	191,034
Battery segment		476,494	145,445
Packing material		24,252	26,592
Work-in-process		11,430	36,791
Finished goods		76,759	55,255
		815,028	455,117

Notes To The Condensed Interim Financial Information (Un-Audited)

For the period ended December 31, 2017

7.1 Raw material and chemicals include stock in transit amounting to Rs. 9.221 million (June 30, 2017: Rs. 8.99 million).

	Note	31 December 2017 (Rupees in thousand)	30 June 2017
8	SHORT TERM BORROWINGS - UNSECURED		
	From banking companies - interest bearing		
	Bank Islami Pakistan Limited	500,000	300,000
	MCB Islamic Bank Limited	800,000	-
	From related parties - interest free		
	Treet Corporation Limited - holding company	4,378,735	3,529,585
		5,678,735	3,829,585
8.1	This represents Istisna finance facility obtained from Bank Islami for the manufacturing of soap and corrugated boxes out of the sanctioned limit of Rs. 500 million (June 30, 2017: Rs. 500 million). This facility carries markup @ respective Kibor + 0.5% (June 30, 2017: respective Kibor + 0.5%) per annum, payable quarterly and is secured against exclusive ownership of the Bank over goods, first charge over all the present and future current assets of the Modaraba amounting to Rs. 667 million (June 30, 2017: Rs. 667 million) including 25% margin registered with SECP.		
8.2	This represents running Musharakah finance facility obtained from MCB Islami Bank Limited for the working capital requirements of the modaraba out of the sanctioned limit of Rs. 800 million (June 30, 2017: Rs. Nil). This facility carries markup @ respective Kibor + 0.4% (June 30, 2017: Nil) per annum payable quarterly; and is secured against 1st JPP charge with 25% margin over current assets of the Modaraba, lien over import documents and corporate guarantee of Messrs Treet Corporation Limited, holding company of the Modaraba.		
8.3	This represents loan obtained from the above named related party to meet the initial project cost of Battery project of the Modaraba. It is unsecured, interest free and payable on demand, particularly when the project will commence its commercial operations and generate sufficient cash flows.		
9	TRADE AND OTHER PAYABLES	227,157	341,769
9.1	These include balances payable to the following related parties:		
	Holding company		
	Treet Corporation Limited	18,000	-
	Associated undertaking		
	Packages Limited	3,445	-
		21,445	-
10	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	168,747	200,209
	Temporary book overdraft - unsecured	(8,259)	(278)
	Cash and cash equivalents at end of the year	160,488	199,931

11 Contingencies and commitments

11.1 Contingencies

There are no material changes in contingencies from the preceding annual published financial statements of the Modaraba for the year ended June 30, 2017.

11.2 Commitments

Capital commitments in respect of letters of credit as at December 31, 2017 in the sum of Rs. 51.277 million (June 30, 2017: Rs. 409.151 million) and other than capital commitments in the sum of Rs. 4.348 million (June 30, 2017 Rs. Nil) were outstanding at the terminal date.

Commitments in respect of capital expenditure in the sum of Rs. Nil (30 June 2017: Rs. 752.859 million) were outstanding at the terminal date.

11.3 Operating leases

The Modaraba has acquired plant and machinery for its soap manufacturing facility from Khatoon Industries Private Limited on operating lease for a maximum period of 10 years ending on June 30, 2020, with an option to renew after that date. The future lease payments under the lease agreements are as under:

	31 December 2017	30 June 2017
	(Rupees in thousand)	
Not later than one year	12,833	9,796
Later than one year but not later than five years	21,056	19,591
	33,889	29,387

	Note	Half year ended		Quarter ended	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
		Rupees in '000'		Rupees in '000'	
12 COST OF GOODS SOLD					
Packaging Solutions - Corrugated boxes	12.1	778,212	754,386	379,644	381,377
Soap	12.2	309,195	382,928	135,374	184,187
		1,087,407	1,137,314	515,018	565,564
12.1 Cost of goods sold - Packaging Solutions					
Raw material consumed					
Opening stock		159,397	184,191	245,285	183,875
Add : Purchases		572,890	605,746	209,146	333,559
		732,287	789,937	454,431	517,434
Less : Closing stock		(184,883)	(235,921)	(184,883)	(235,921)
		547,404	554,016	269,548	281,513

Notes To The Condensed Interim Financial Information (Un-Audited)

For the period ended December 31, 2017

Note	Half year ended		Quarter ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	Rupees in '000'		Rupees in '000'	
	30,609	23,249	15,665	12,600
Stores and spares consumed	107,890	95,574	54,603	40,504
Salaries, wages and other benefits	29,847	27,491	15,988	16,042
Fuel and power	9,463	14,841	4,767	7,526
Depreciation	9,000	-	9,000	-
Rented premises - Treet Corporation Limited	10,910	15,475	8,992	8,325
Other expenses	745,123	730,646	378,563	366,510
Work-in-process				
Add: Opening stock	35,353	36,865	8,731	25,518
Less: Closing stock	(10,783)	(8,900)	(10,783)	(8,900)
	24,570	27,965	(2,052)	16,618
	769,693	758,611	376,511	383,128
Finished goods				
Add: Opening stock	32,711	27,758	27,325	30,232
Less: Closing stock	(24,192)	(31,983)	(24,192)	(31,983)
	8,519	(4,225)	3,133	(1,751)
	778,212	754,386	379,644	381,377
12.2 Cost of goods sold - Soaps				
Raw material consumed				
Opening stock	58,229	68,988	59,137	62,095
Add : Purchases	294,403	354,353	126,532	185,357
	352,632	423,341	185,669	247,452
Less : Closing stock	(65,462)	(52,285)	(65,462)	(52,285)
	287,170	371,056	120,207	195,167
Stores and spares consumed	2,137	2,421	1,303	1,202
Salaries, wages and other benefits	25,212	20,483	11,095	8,764
Fuel and power	2,580	2,566	1,679	1,327
Plant rental	5,609	4,899	3,085	2,449
Depreciation	1,504	1,504	752	752
Rented premises - Treet Corporation Limited	9,000	-	9,000	-
Other expenses	5,215	3,963	3,354	2,300
	338,427	406,892	150,475	211,961
Work-in-process				
Add: Opening stock	1,438	3,432	1,036	10,200
Less: Closing stock	(647)	(10,823)	(647)	(10,823)
	791	(7,391)	389	(623)
	339,218	399,501	150,864	211,338
Finished goods				
Add: Opening stock	22,544	37,611	37,077	27,033
Less: Closing stock	(52,567)	(54,184)	(52,567)	(54,184)
	(30,023)	(16,573)	(15,490)	(27,151)
	309,195	382,928	135,374	184,187
13 Finance cost				
Istisna finance charges	24,008	-	20,790	-
Exchange loss	115	136	(9)	149
Bank charges	406	309	122	14
	24,529	445	20,903	163

14 Business segments

The Modaraba is engaged into three main following business segments.

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

	Business Segments					
	Packing Solutions - Corrugated Boxes		Soaps		Total	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Rupees in '000'					
Sales: Inter-segment	7,405	10,083	-	-	7,405	10,083
Others	988,555	954,203	486,795	573,453	1,475,350	1,527,656
Sale of waste paper	38,326	38,814	-	-	38,326	38,814
Less: Sales tax	1,034,286	1,003,100	486,795	573,453	1,521,081	1,576,553
Trade discount	(145,410)	(140,938)	(85,961)	(100,063)	(231,371)	(241,001)
Elimination of inter segment sales	(7,405)	(10,083)	-	(2,916)	(6)	(2,924)
Net sales	881,465	852,071	400,834	470,474	1,282,299	1,322,545
Cost of sales: Inter-segment	-	-	7,405	10,083	7,405	10,083
Others	778,212	754,386	309,195	382,928	1,087,407	1,137,314
Elimination of inter segment purchases	-	-	(7,405)	(10,083)	(7,405)	(10,083)
Gross profit	778,212	754,386	309,195	382,928	1,087,407	1,137,314
	103,253	97,685	91,639	87,546	194,892	185,231
Operating expenses						
Administrative and general	10,670	9,707	850	1,582	11,520	11,289
Distribution	73,051	51,905	13,533	5,650	86,584	57,555
Operating profit	83,721	61,612	14,383	7,232	98,104	68,844
	19,532	36,073	77,256	80,314	96,788	116,387
Finance cost					(24,529)	(445)
Other income					4,948	5,179
Net profit for the period					77,207	121,121

Notes To The Condensed Interim Financial Information (Un-Audited)

For the period ended December 31, 2017

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

	Corrugated Boxes		Soaps		Batteries		Unallocated		Total	
	December 31, 2017	June 30, 2017								
Segment assets	1,790,944	1,739,513	245,710	320,890	8,273,095	6,571,577	235,324	235,324	10,545,073	8,867,304
Segment liabilities	1,386,861	464,127	47,505	116,903	4,607,789	3,743,521	-	-	6,042,155	4,324,551

15 Transactions with related parties

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

Name of parties	Nature of relationship	Nature and description of related party transaction	For the half year ended	
			December 31, 2017	December 31, 2016
Rupees in '000'				
Treet Corporation Limited	Holding company	Sale of corrugated boxes	11,308	12,201
		Funds transferred net	983,620	1,468,830
		Dividend paid	105,162	110,193
		Rental of facilities	18,000	-
Treet HR Management (Private) Limited	Associated undertaking	Services obtained	5,625	5,625
Packages Limited	Associated undertaking	Purchase of goods	42,128	44,069
IGI Insurance Limited	Associated undertaking	Services obtained	1,188	3,223
Renacon Pharma Limited	Associated undertaking	Sale of corrugated boxes	5,041	-
Treet Holdings Limited	Associated undertaking	Dividend paid	11,772	12,283
Ghulab Devi Chest Hospital	Associated undertaking	Donation given to the charitable institution	-	50

16 Date of authorization for issue

This un-audited condensed interim financial information was authorized for issue by the Board of Directors of the Management Company on February 27, 2018.

17 Non-adjusting events subsequent to the balance sheet date

The battery project of the Modaraba has commenced its commercial production with effect from February 02, 2018 at an installed capacity of 1,500,000 units (batteries) per annum.

18 General

- 18.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 18.2 Corresponding figures have been rearranged / regrouped where necessary to facilitate comparison and better understanding. However, no major reclassification has been made in this condensed interim financial information.
- 18.3 All figures, except for June 30, 2017 figures, appearing in this condensed interim financial information are unaudited.

LAHORE
 February 27, 2018


 Syed Shahid Ali
 Chief Executive Officer


 Muhammad Shafique Anjum
 Director



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