

CONTENTS

02

Company
Information

03

Directors'
Review

05

Independent Auditors' Review
Report

06

Condensed Interim Balance
Sheet

07

Condensed Interim
Statement of Profit or Loss

08

Condensed Interim Statement
of Comprehensive Income

09

Condensed Interim Statement
of Changes in Equity

10

Condensed Interim Statement
of Cash Flows

11

Notes to the Condensed Interim
Financial Statements

COMPANY INFORMATION

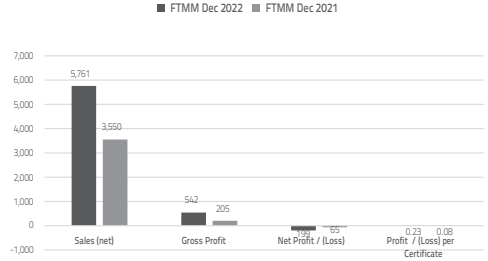
BOARD OF DIRECTORS:	Mr. Imran Azim Syed Shahid Ali Syed Sheharyar Ali Dr. Haroon Latif Khan Dr. Salman Faridi Ms. Sidra Fatima Sheikh Mr. Munir K. Bana	Non-Executive Director/Chairman Chief Executive Officer Non-Executive Director Independent Director Independent Director Independent Director Non-Executive Director
AUDIT COMMITTEE:	Dr. Salman Faridi Mr. Imran Azim Mr. Munir K. Bana	Chairman/Member Member Member
CHIEF ACCOUNTANTS:	Mr. Muhammad Zubair Mr. Moazzam Hussain Hashmi	Modaraba Modaraba Management Company
COMPANY SECRETARY:	Ms. Zunaira Dar	
EXTERNAL AUDITORS:	M/s Rahman Sarfaraz Rahim Iqbal Rafiq	Chartered Accountants
EXTERNAL AUDITORS OF MODARABA MANAGEMENT COMPANY:	M/s Yousuf Adil	Chartered Accountants
LEGAL ADVISORS:	Chima & Ibrahim	Advocates
CORPORATE ADVISORS:	Cornelius, Lane & Mufti	Advocates
SHARIAH ADVISOR:	Mufti Muhammad Javed Hassan	
BANKERS:	Allied Bank Limited Habib Metropolitan Bank Limited Askari Bank Limited MCB Bank Limited National Bank Limited Faysal Bank Limited Al-Baraka Bank Limited United Bank Limited	Habib Bank Limited Meezan Bank Limited Bankislami Pakistan Limited Bank-Al Habib Limited MCB Islamic Bank Limited Dubai Islamic Bank Limited Bank Al-Falah Limited Soneri Bank Limited
REGISTERED OFFICE/ PLACE OF BUSINESS:	72-B, Industrial Area, Kot Lakhpat, Lahore. Tel: 042-35830881, 35156567 & 35122296 Fax: 042-35114127 & 35215825 E-mail: info@treecorp.com Home Page: www.ftmm.com.pk	
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:	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 six months ending December 31, 2022.

SUMMARY OF COMPARATIVE FINANCIAL RESULTS

(Rupees in million)		
FTMM Financials Half Year	Dec-2022	Dec-2021
Sales (net)	5,761	3,550
Gross Profit	542	205
Net Profit/(Loss)	-199	-65
Loss per Certificate	-0.23	-0.08
Book Value per Certificate	4.72	5.49



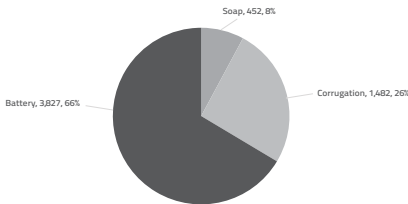
BUSINESS REVIEW – GROUP RESULTS

For the six-month period, the turnover was Rs. 5,761 million, registering an increase of Rs. 2,211 million (62%) over the same period of previous year. The increase in turnover is mainly attributable to increase in sales both in terms of value and volume.

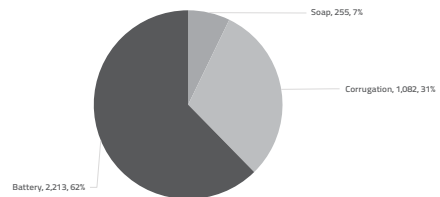
Segment wise sales is as follows:

Segment	(Rupees in million)		
	Sales		
	Half Year December 31, 2022	Half Year December 31, 2021	+/- %
Soap	452	255	77%
Corrugation	1,482	1,082	37%
Battery	3,827	2,213	73%
Total	5,761	3,550	

SEGMENT WISE SALES HALF YEAR DEC (RS IN MILLIONS)



SEGMENT WISE SALES HALF YEAR DEC -21 (RS IN MILLIONS)



For the six months' period under review, cost of sales at Rs. 5,219 million is 56% higher compared to same period last year (December 2021: Rs. 3,345 million). The Gross profit at Rs. 541 million shows significant increase over the same period last year (December 2021: Gross Profit Rs. 205 million). The improvement is primarily due to increased sales volumes and price rationalization specially in battery segment and more focus on high margin customers. In battery segment, local sourcing of Lead and rationalization of costs through rigorous cost controlling measures have also played its part in generating an operating profit of Rs. 177 million compared to an operating loss of Rs. 44 million in the corresponding period. However, due to increase in interest rate in monetary policies resulted in a Net Loss of Rs. 199 million (December 2021: Net Loss is Rs. 65 million). The increase in loss is due to increase in financial charges during the period and decrease in other income. During the corresponding period last year there was a gain on disposal of land amounting to Rs. 201 million. This level of loss has delivered a Loss per Certificate of Rs. 0.23 compared to Rs. 0.08 per Certificate last year same period.

DIRECTORS' REVIEW

The auditor in the Review report has drawn attention to Note 1.2 regarding the financial health of the Modaraba. The management has provided the mitigation plan to improve the operation of Modaraba. Following plan has been approved by the Board of Directors and will be implemented once statutory and regulatory approvals are in place:

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

1) Working Capital improvement:

Battery business has shown a promising growth in 1st half of the financial year 2022-23 and is all poised to achieve volume growth upwards of 25% against last year, on the back of aggressive trade engagement by newly organized management team including accelerated trade network expansion. Demand has often exceeded the supply rate which is a core signal of share gain as well as user acceptance of quality product. Despite increasing volumes and considerable reduction in work-in-process, improved plant reliability and sourcing efficiency has been achieved, which resulted in higher output as compared to last year. Just-in-time inventory management model is intact specifically with lead and alloys which are high cost materials.

2) Improvement in Plant Efficiency:

In continuation to the last year's approach, several new initiatives have been successfully implemented in terms of cost saving (localization of raw materials as well as plant engineering spares), reduction of wastages, total productive maintenance (TPM) initiatives, overall equipment efficiency (OEE) improvement (increased productivity), unlocking capacities on existing machines and enhancing utilities systems. This has allowed us to achieve 75% of the actual plant capacity. Plant's OEE is poised to be increase up to 70 % which is a major improvement against last year. This will help cutdown the input energy cost per unit produced as well as better variable and fixed cost absorption.

3) Price rationalization:

Since July 2022, three (3) price increases have been made which were absorbed by the market. These price increases range between 6-27% (on selected products). An average of 23% increase on maintenance free and 9% on other batteries. Positive gross margin and operating margin during 1st half of the financial year 2022-23 are a testament to the progress in right direction. Users are willing to pay premium for the cutting edge quality which Daewoo battery enjoys over competitors.

4) Reduction in Administrative cost:

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

Demerger of Battery Segment

As already communicated, the Modaraba is in the process of demerging, transferring and vesting of the battery segment and business into Treet Battery Limited (TBL). Subsequent to the period end the Honorable Lahore High Court (LHC) has approved the scheme of arrangement for demerger of battery segment and consequent transfer of all assets and liabilities of the battery segment from the Modaraba to TBL. However, the certified copy of the order of the LHC is still awaited. The sanctioning, in this regard from the Securities and Exchange Commission of Pakistan (SECP) is also pending upon receiving of certified copy of the court order.

ACKNOWLEDGEMENTS

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

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

For and on behalf of the Board.

LAHORE
February 14, 2023



Syed Shahid Ali
Chief Executive Officer

Independent Auditors' Review Report To the Certificate Holders of First Treet Manufacturing Modaraba Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim balance sheet of **First Treet Manufacturing Modaraba** (the Modaraba) as at 31 December 2022 and the related condensed interim profit and loss account, condensed interim statement of other comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

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 interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of matter

We draw attention to note '1.2' to the interim financial statements which indicates that the Modaraba has incurred a net loss after tax of Rs. 199.276 million due to which accumulated loss amounts to Rs. 8,310.517 million. The current liabilities of the Modaraba exceed its current assets by Rs. 3,902.960 million and liquid assets by Rs. 5,104.004 million. These conditions along with other matters set forth in the said note indicate the existence of material uncertainty which may cast significant doubt about the Modaraba's ability to continue as a going concern due to which it may be unable to realize its assets and discharge its liabilities in the normal course of business. Note '1.2' also gives management's reasoning for preparing these financial statements on going concern basis.

Our conclusion is not modified in respect of these matters.

Other matters

The figures of the condensed interim profit and loss account and condensed interim statement of other comprehensive income for the quarters ended 31 December have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December.

The engagement partner on the review resulting in this independent auditors' report is Mr. Adnan Rashid.



Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

Lahore:

UDIN: RR202210701gQI2Zu8Nr


CONDENSED INTERIM BALANCE SHEET (Unaudited)


As at December 31, 2022

	Note	Unaudited December 31, 2022	Audited June 30, 2022
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	8,260,823	8,368,276
Right-of-use (ROU) asset	5	21,795	25,641
Long term deposits		59,567	59,013
		8,342,185	8,452,930
Current assets			
Stores and spares		128,087	117,501
Stock-in-trade	6	1,072,957	1,164,970
Trade debtors		931,890	765,525
Advances, deposits, prepayments and other receivables	7	127,103	156,382
Tax refunds due from Government		624,606	684,804
Cash and bank balances		219,351	237,036
		3,103,994	3,126,218
Total assets		11,446,179	11,579,148
EQUITY AND LIABILITIES			
Certificate capital and reserves			
Authorized certificate capital		9,000,000	9,000,000
Issued, subscribed and paid up certificate capital		8,835,904	8,835,904
Capital reserves			
Statutory reserve		511,941	511,941
Certificate premium		1,952,870	1,952,870
Surplus on revaluation of property, plant and equipment		1,182,187	1,212,893
		3,646,998	3,677,704
Revenue reserves			
Accumulated loss		(8,310,517)	(8,141,947)
Certificate holders' equity		4,172,385	4,371,661
Non-current liabilities			
Lease liability		15,677	18,962
Deferred taxation	8	251,163	314,347
		266,840	333,309
Current liabilities			
Retention money payable		10,983	11,590
Current portion of lease liability		6,282	5,604
Short term borrowings	9	5,712,564	5,569,103
Trade and other payables	10	1,074,708	1,090,167
Accrued profit on secured borrowings		130,395	101,734
Provision for taxation		72,022	95,980
		7,006,954	6,874,178
Contingencies and commitments	12	-	-
Total equity and liabilities		11,446,179	11,579,148

The attached notes 1 to 20 form an integral part of these condensed interim financial statements.

LAHORE
February 14, 2023


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shehryar Ali
Director


Sidra Fatima Sheikh
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Unaudited)

For the half year ended December 31, 2022

	Note	For the half year ended		For the quarter ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
----- (Rupees in 000) -----					
Revenue - net		5,761,106	3,550,067	2,590,583	1,586,490
Cost of goods sold	13	(5,219,363)	(3,344,869)	(2,324,758)	(1,460,355)
Gross profit		541,743	205,198	265,825	126,135
Operating expenses					
Administrative and general		(36,364)	(44,426)	(12,051)	(14,672)
Selling and distribution		(325,121)	(200,125)	(110,553)	(76,228)
Other expenses		(2,260)	(4,735)	(2,260)	(4,735)
		(363,745)	(249,286)	(124,864)	(95,635)
Operating profit/ (loss)		177,998	(44,088)	140,961	30,500
Finance cost	14	(376,492)	(200,078)	(203,299)	(107,210)
Other income/ charges		8,442	213,649	5,971	(134,761)
Loss before taxation		(190,052)	(30,517)	(56,367)	(211,471)
Taxation	15	(9,224)	(34,810)	(30,428)	(5,336)
Loss after taxation		(199,276)	(65,327)	(86,795)	(216,807)
Loss per modaraba certificate - basic and diluted Rupees		(0.23)	(0.08)	(0.10)	(0.25)

The attached notes 1 to 20 form an integral part of these condensed interim financial statements.

LAHORE
February 14, 2023


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Sheharyar Ali
Director


Sidra Fatima Sheikh
Director

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (Unaudited)
 For the half year ended December 31, 2022

	For the half year ended		For the quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	----- (Rupees in 000) -----			
Loss for the period	(199,276)	(65,327)	(86,795)	(216,807)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(199,276)	(65,327)	(86,795)	(216,807)

The attached notes 1 to 20 form an integral part of these condensed interim financial statements.

LAHORE
 February 14, 2023


Syed Shahid Ali
 Chief Executive Officer


Mohtashim Aftab
 Group Chief Financial Officer


Syed Sheharyar Ali
 Director


Sidra Fatima Sheikh
 Director


CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)

For the half year ended December 31, 2022

	Capital Reserve			Revenue Reserve			Total
	Certificate Capital	Deposit for purchase of certificates	Certificate premium	Statutory Reserve	Surplus on revaluation of property, plant and equipment	Accumulated loss	
----- (Rupees in 000) -----							
Balance as at 01 July 2021	7,000,000	1,835,904	1,952,870	511,941	1,423,472	(7,810,787)	4,913,400
Issuance of certificates against deposits for purchase of certificates	1,835,904	(1,835,904)	-	-	-	-	-
Total comprehensive loss for the period							
Loss after taxation	-	-	-	-	-	(65,327)	(65,327)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(65,327)	(65,327)
Revaluation surplus transferred of non-current assets held for sale	-	-	-	-	(144,950)	144,950	-
Surplus transferred to accumulated loss on account of incremental depreciation charged during the period - net of deferred tax	-	-	-	-	(20,919)	20,919	-
Balance as at 31 December 2021	8,835,904	-	1,952,870	511,941	1,257,603	(7,710,245)	4,848,073
Total comprehensive loss for the period							
Loss after taxation	-	-	-	-	-	(476,411)	(476,411)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(476,411)	(476,411)
Surplus transferred to accumulated loss on account of incremental depreciation charged during the period - net of deferred tax	-	-	-	-	(44,710)	44,710	-
Balance as at 30 June 2022	8,835,904	-	1,952,870	511,941	1,212,893	(8,141,947)	4,371,661
Total comprehensive loss for the period							
Loss after taxation	-	-	-	-	-	(199,276)	(199,276)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(199,276)	(199,276)
Surplus transferred to accumulated loss on account of incremental depreciation charged during the period - net of deferred tax	-	-	-	-	(30,706)	30,706	-
Balance as at 31 December 2022	8,835,904	-	1,952,870	511,941	1,182,187	(8,310,517)	4,172,385

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

LAHORE
February 14, 2023


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Sheharyar Ali
Director


Sidra Fatima Sheikh
Director


CONDENSED INTERIM CASH FLOW STATEMENT (Unaudited)


For the half year ended December 31, 2022

Note	December 31, 2022	December 31, 2021
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(190,052)	(30,517)
Adjustment for non-cash and other items:		
Depreciation on operating fixed assets	157,918	156,463
Depreciation on ROU asset	3,846	2,559
Allowance for expected credit losses	8,783	10,617
Exchange loss	4,952	6,511
Gain on disposal of operating fixed assets	(33)	(201,746)
Finance cost	376,492	193,567
Gain on sale of scrap	-	(805)
Loss on lease cancellation	-	4,735
	551,958	171,901
Operating profit before working capital changes	361,906	141,384
(Increase) / decrease in current assets :		
Stores and spares	(10,586)	(25,843)
Stock-in-trade	92,013	(13,965)
Short term investments	-	60,000
Trade debtors	(175,148)	(120,460)
Advances, deposits, prepayments and other receivables	29,279	(21,006)
Tax refunds due from Government	56,831	(62,612)
	(7,611)	(183,886)
Increase / (decrease) in current liabilities		
Retention money payable	(607)	(2,307)
Trade and other payables	62,140	(232,749)
	61,533	(235,056)
Cash generated from/ (used in) operations	415,828	(277,558)
Finance cost paid	(217,898)	(167,665)
Income tax paid - net of refund	(92,999)	-
Long term deposits - net	(554)	205
Net cash generated from / (used in) from operating activities	104,377	(445,018)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in capital work in progress	(49,310)	(15,608)
Addition in operating fixed assets	(1,375)	-
Proceeds from disposal of operating fixed assets	254	582,021
Net cash (used in)/ generated from investing activities	(50,431)	566,413
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings obtained from banking companies-net	(309,602)	(728,422)
Payment of lease liability including prepayments	(3,800)	(3,415)
Borrowings from related parties-net	324,332	741,929
Net cash generated from financing activities	10,930	10,092
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,876	131,487
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	153,801	72,574
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	218,677	204,061

The attached notes 1 to 20 form an integral part of these condensed interim financial statements.

LAHORE
February 14, 2023


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shehryar Ali
Director


Sidra Fatima Sheikh
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the half year ended December 31, 2022

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 First Treet Manufacturing Modaraba (the Modaraba) is a multipurpose, perpetual and multi dimensional modaraba formed on 27 July 2005 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed thereunder and is managed by Treet Holdings Limited (a wholly owned subsidiary of Treet Corporation Limited (TCL), the 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 and its management company is situated at 72 - B, Kot Lakhpat, Industrial Area, Lahore. The Modaraba is listed on Pakistan Stock Exchange Limited and is engaged in the manufacturing and sale of corrugated boxes, soaps and batteries.
- 1.2 As previously reported in the annual report of the Modaraba for the year ended June 30, 2022 that the Modaraba has been incurring gross losses in the previous years however since last year it has started earning gross profit. This half year it has made gross profit of Rs. 541.743 million (2021: 205.198 million) and net loss after tax of Rs. 199.276 million (December 31, 2021: Rs. 65.327 million) during the half year, whereas its accumulated loss of Rs. 8,310.517 million (June 30, 2022: Rs. 8,141.947 million). The Modaraba has also shown adverse current ratio at the terminal dates. These conditions indicate the existence of material uncertainty about the conditions and events regarding the future operations of the Modaraba which may cast significant doubt about the Modaraba's ability to continue as a going concern and, therefore, the Modaraba may be unable to realize its assets and discharge its liabilities in the normal course of business. However, these financial statements have been prepared using going concern assumption based on following mitigating factors:

1) Working capital improvement:

Battery business has shown a promising growth in 1st half of the financial year 2022-23 and is all poised to achieve volume growth upwards of 25% against last year, on the back of aggressive trade engagement by newly organized management team including accelerated trade network expansion. Demand has often exceeded the supply rate which is a core signal of share gain as well as user acceptance of quality product. Despite increasing volumes and considerable reduction in work-in-process, improved plant reliability and sourcing efficiency has been achieved, which resulted in higher output as compared to last year. Just-in-time inventory management model is intact specifically with lead and alloys which are high cost materials.

2) Prices rationalization:

Since July 2022, three (3) price increases have been made which were absorbed by the market. These price increases range between 6-27% (on selected products). An average of 23% increase on maintenance free and 9% on other batteries. Management is committed to introduce further price increases to absorb increasing cost of doing business as well as improving margins at the same time. Positive gross margin and operating margin during 1st half of the financial year 2022-23 are a testament to the progress in right direction. Users are willing to pay premium for the cutting edge quality which Daewoo battery enjoys over competitors.

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

3) Improvement in plant efficiency:

In continuation to the last year's approach, several new initiatives have been successfully implemented in terms of cost saving (localization of raw materials as well as plant engineering spares), reduction of wastages, total productive maintenance (TPM) initiatives, overall equipment efficiency (OEE) improvement (increased productivity), unlocking capacities on existing machines and enhancing utilities systems. This has allowed us to achieve 75% of the actual plant capacity. Plant's OEE is poised to be increase up to 70 % which is a major improvement against last year. This will help cutdown the input energy cost per unit produced as well as better variable and fixed cost absorption.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the half year ended December 31, 2022

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

4) Loan/ support from related parties:

TCL is committed to provide support to the Modaraba with regard to its operational, administrative and financial needs whenever it requires. It is evident from the financials that during the period under review, TCL has lent a loan to ensure smooth operations of the Modaraba. Apart from this, the involvement of TCL's senior management in decision making and effective planning has brought about significant improvements in cost rationalization and material to sales ratio particularly in battery segment.

In view of the above mitigation plans, the management believes that the Modaraba will continue to operate as a profitable venture in foreseeable future, and in fact has shown a gross profit of Rs. 541.743 million for the half year ended December 31, 2022. Accordingly, the going concern assumption used by the management in the preparation of these financial statements is appropriate.

5) Reduction in administrative costs:

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

6) Organizational restructuring:

Following organizational restructurings have been made during the year:

- A new COO-battery division was appointed effective August 2022. He has been leading remarkable transformation in both domains through improving plant reliability, enhancing production output, implementing lean inventory model and enabling record volumes. He reports to the Executive Director.
- A new Head Sales & Marketing – battery division was appointed effective August 2022. The incumbent has extensive experience in battery sales in local market nationwide.
- A new position has been created to look into the export opportunities of the battery. Head Battery Exports and OEM (Original Equipment Manufacturer) has been appointed. He will use his experience and expertise to develop exports and enhance OEM business channels.

2. BASIS OF PREPARATION

These condensed interim financial statements are unaudited and have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting (IAS-34) 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 case above requirements of applicable accounting standards differ, the provisions of or directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and The Modaraba Companies and Modaraba Rules, 1981 and directives issued by Securities and Exchange Commission of Pakistan shall prevail. The disclosures in these condensed interim financial statements do not include all the information reported in audited annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

- 3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2022.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the half year ended December 31, 2022

3.2 Standards and amendments to published accounting and reporting standards which were effective during the half year ended December 31, 2022

There are other new standards which are effective from 01 July, 2022 but they do not have a material effect on the Modaraba's condensed interim financial statements.

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

There are other new standards and certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Modaraba's annual accounting periods beginning on or after July 1, 2022. However, these standards, amendments and interpretations will not have any significant impact on the financial reporting of the Modaraba and, therefore, have not been disclosed in these condensed interim financial statements.

	Note	Unaudited December 31, 2022	Audited 30 June, 2022
		Rupees in '000'	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	8,153,705	8,303,376
Capital work-in-progress	4.2	107,118	64,900
		8,260,823	8,368,276
4.1 Operating fixed assets			
Opening balance - net book value		8,303,376	8,600,602
Transfer from capital work in progress		8,468	13,415
Assets disposed off during the period / year		(221)	-
Depreciation charged during the period / year	4.1.2	(157,918)	(310,641)
Closing balance - net book value		8,153,705	8,303,376
4.1.1	The operating fixed assets include a freehold land measuring 40 acres having value of Rs. 328 million (June 30, 2022: Rs. 328 million) situated at Sahianwala Faisalabad. This land is in possession and in use of the Modaraba since acquisition and all the obligations had been duly paid thereagainst. However, legal title of the land is in the process of being transferred in the name of the Modaraba.		
4.1.2	The depreciation charge for the period / year has been allocated as under:		
Cost of goods sold			
Packaging solutions - corrugated boxes	13.1	16,497	28,612
Soaps	13.2	212	3,588
Batteries	13.3	139,767	274,432
Administration and general expenses		335	3,861
Selling and distribution cost		1,107	148
		157,918	310,641

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the half year ended December 31, 2022

	Note	Unaudited December 31, 2022	Audited 30 June, 2022
		Rupees in '000'	
4.2 Capital work in progress			
The breakup of this head of account is as under:			
Civil works		19,376	15,268
Plant and machinery		69,161	49,632
Furniture and fittings		3,044	-
Vehicles		15,537	-
		107,118	64,900
5 RIGHT-OF-USE (ROU) ASSET			
Cost as at December 31, / June 30, 2022			
Opening balance		25,641	62,607
Less:			
Cancellation of lease		-	(39,277)
Modification		-	9,056
Depreciation charged for the period / year	5.1	(3,846)	(6,745)
Closing balance - net book value		21,795	25,641
Useful life/ Lease term		6 years	6 years
5.1 The depreciation charge for the period/ year on the ROU asset has been allocated as:			
Selling and distribution expenses - battery segment		3,846	6,745
		3,846	6,745
6 STOCK IN TRADE			
Raw material and chemicals	6.1	792,756	674,196
Packing material		40,746	26,281
Work-in-process		57,390	340,673
Finished goods		182,065	123,820
		1,072,957	1,164,970

6.1 Raw material and chemicals include stock in transit amounting to Rs. Nil (June 30, 2022: Rs. 25.088 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the half year ended December 31, 2022

	Note	Unaudited 31 December, 2022	Audited 30 June, 2022
		Rupees in '000'	
7	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	- considered good	127,103	156,382
7.1	This includes Rs. 85.394 million (June 30, 2022: Rs. 90.483 million) as advances to suppliers.		
8	DEFERRED TAXATION		
	Deferred tax liabilities in respect of taxable temporary differences:		
	Accelerated tax depreciation and allowance of assets	1,109,100	1,100,660
	Deferred tax assets in respect of deductible temporary differences:		
	Provision for slow moving/obsolete stores	(1,602)	(1,602)
	Provision for doubtful debts	(18,107)	(15,560)
	Provision for warranty	(44,066)	(37,032)
	Lease liability	(48)	(7,124)
	Unused tax depreciation loss	(794,114)	(724,995)
		(857,937)	(786,313)
	Net deferred tax liability	251,163	314,347
	Deferred tax asset not recognized in the profit and loss account	-	-
	Deferred tax liability	251,163	314,347
	Less:		
	Opening deferred tax liability	(314,347)	(386,279)
	Deferred tax liability attributable to other comprehensive income	-	-
		(314,347)	(386,279)
	Deferred tax income recognized in the profit and loss account	15	(71,932)
9	SHORT TERM BORROWINGS		
	From banking companies - secured and profit bearing		
	Running finances - Islamic mode of financing	2,631,890	2,941,492
	From related parties - unsecured		
	Treet Corporation Limited - parent company	3,008,859	2,560,990
	Treet Holdings Limited - management company	71,815	66,621
		3,080,674	2,627,611
		5,712,564	5,569,103

9.1 Running finances - Islamic mode of financing

These represent Istisna, Murabaha and Karobar Finance facilities obtained from various financial institutions under shariah compliant arrangements to meet working capital requirements, for procurement of raw materials, stocks, chemicals, stores, tools and spare parts and the manufacturing of corrugated boxes, soaps and batteries out of the total sanctioned limits of Rs. 3,767 million (June 30, 2022: Rs. 3,854.50 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the half year ended December 31, 2022

All the short term borrowings from the various financial institutions as disclosed in note 9.1 of these condensed interim financial statements carry profit rates ranging from 3 to 9 Month KIBOR + 1% to 2.5% (June 30, 2022: 3 to 9 Month KIBOR + 0.75% to 2.5%) per annum, payable quarterly. Further, these are secured against the first/ Joint Pari Passu charge over all present and future current assets, plant and machinery of the Modaraba (including 25% safety margin) and corporate guarantee of the parent company.

9.2 Treet Corporation Limited - parent company

This represents loan obtained from the above named related party towards the development project, cost of the battery project and working capital requirements of the Modaraba. It is unsecured, carries profit at the weighted average cost of capital of the parent company and was stated to be payable on demand, particularly when the project will have profitable operations and generate sufficient cash flows.

	Note	Unaudited December 31, 2022	Audited 30 June, 2022	
		Rupees in '000'		
10	TRADE AND OTHER PAYABLES	10.1	1,074,708	1,090,167
10.1	These include balances on account of the following:			
	Associated undertakings			
	IGI Insurance Limited		15,807	-
	Elite Brands Limited		-	3,352
	Treet Corporation Limited		344	-
	Packages Convertors Limited		7,965	-
	Renacon Pharma Limited		2,279	-
			26,395	3,352
11	CASH AND CASH EQUIVALENTS			
	Cash and bank balances		219,351	237,036
	Temporary bank overdraft - unsecured		(674)	(83,235)
	Cash and cash equivalents at the end of the period/ year		218,677	153,801
12	Contingencies and commitments			
12.1	Contingencies			
	There are no material changes in contingencies from the preceding annual published financial statements of the Modaraba for the year ended June 30, 2022.			
12.2	Commitments			
	Guarantees		16,049	16,049
	Outstanding letters of credit		183,798	71,328

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the half year ended December 31, 2022

	Note	Unaudited		Unaudited		
		For the half year ended		For the quarter ended		
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	
		Rupees in '000'				
13	COST OF GOODS SOLD					
	Packaging solutions - Corrugated boxes	13.1	1,392,343	1,005,912	705,049	494,207
	Soaps	13.2	387,230	232,919	231,040	106,205
	Batteries	13.3	3,439,790	2,106,038	1,388,669	859,943
			5,219,363	3,344,869	2,324,758	1,460,355
13.1	Cost of goods sold - Packaging solutions					
	Raw material					
	Opening stock		199,788	117,651	173,560	128,321
	Add : Purchases		1,119,031	852,534	604,300	429,679
			1,318,819	970,185	777,860	558,000
	Less : Closing stock		(273,097)	(176,132)	(227,554)	(176,132)
	Raw material consumed		1,045,722	794,053	550,306	381,868
	Stores and spares consumed		72,322	12,318	30,437	7,000
	Salaries, wages and other benefits		98,118	91,515	49,817	49,121
	Fuel and power		78,594	51,615	37,407	23,653
	Freight and forwarding		45,660	26,495	24,349	14,083
	Depreciation on operating fixed assets	4.1.2	16,497	14,305	8,388	7,152
	Other expenses		33,795	19,848	19,051	16,985
			1,390,708	1,010,149	719,755	499,862
	Work-in-process					
	Add: Opening stock		7,975	7,629	3,975	6,350
	Less: Closing stock		(2,228)	(8,572)	(8,769)	(8,572)
			5,747	(943)	(4,794)	(2,222)
	Cost of goods manufactured		1,396,455	1,009,206	714,961	497,640
	Finished goods					
	Add: Opening stock		22,941	8,333	12,711	8,194
	Less: Closing stock		(27,053)	(11,627)	(22,623)	(11,627)
			(4,112)	(3,294)	(9,912)	(3,433)
			1,392,343	1,005,912	705,049	494,207

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the half year ended December 31, 2022

	Note	Unaudited For the half year ended		Unaudited For the quarter ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		Rupees in '000'			
13.2 Cost of goods sold - Soaps					
Raw material					
Opening stock		35,893	33,993	15,282	34,350
Add : Purchases		428,225	218,757	260,311	99,782
		464,118	252,750	275,593	134,132
Less : Closing stock		(70,240)	(43,144)	(41,602)	(43,144)
Raw material consumed		393,878	209,606	233,991	90,988
Stores and spares consumed		1,205	661	903	657
Salaries, wages and other benefits		6,113	15,747	3,026	7,805
Fuel and power		-	6,981	-	3,216
Freight and forwarding		10,547	4,964	7,078	2,466
Depreciation	4.1.2	212	1,796	106	898
Other expenses		17,332	1,894	12,066	925
		429,287	241,649	257,170	106,955
Work-in-process					
Add: Opening stock		-	-	-	-
Less: Closing stock		-	-	-	-
		-	-	-	-
Cost of goods manufactured		429,287	241,649	257,170	106,955
Finished goods					
Add: Opening stock		28,198	26,373	15,838	34,353
Less: Closing stock		(70,255)	(35,103)	(41,968)	(35,103)
		(42,057)	(8,730)	(26,130)	(750)
		387,230	232,919	231,040	106,205
13.3 Cost of goods sold - Batteries					
Raw material					
Opening stock		464,796	517,480	415,814	358,792
Add : Purchases		2,432,125	1,494,391	1,214,004	807,430
		2,896,921	2,011,871	1,629,818	1,166,222
Less : Closing stock		(490,165)	(378,645)	(432,676)	(378,645)
Raw material consumed		2,406,756	1,633,226	1,197,142	787,577
Stores and spares consumed		31,780	7,755	20,190	7,755
Salaries, wages and other benefits		170,792	147,681	80,703	70,873
Fuel and power		283,095	160,521	92,603	74,933
Freight and forwarding		94,991	51,950	38,194	27,598
Depreciation	4.1.2	139,767	135,467	65,658	67,734
Other expenses		57,149	41,639	29,485	25,485
		3,184,330	2,178,239	1,523,975	1,061,955
Work-in-process			-		
Add: Opening stock		322,698	348,360	218,087	262,637
Less: Closing stock		(55,163)	(372,789)	(313,658)	(372,789)
		267,535	(24,429)	(95,571)	(110,152)
		3,451,865	2,153,810	1,428,404	951,803
Cost of goods manufactured					
Finished goods					
Add: Opening stock		72,681	76,557	39,621	32,469
Less: Closing stock		(84,756)	(124,329)	(79,356)	(124,329)
		(12,075)	(47,772)	(39,735)	(91,860)
		3,439,790	2,106,038	1,388,669	859,943

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the half year ended December 31, 2022

	Note	Unaudited For the half year ended		Unaudited For the quarter ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		Rupees in '000'			
14	FINANCE COST				
	Borrowings from financial institutions				
	Istisna finance	183,801	155,628	109,319	88,745
	Murabaha finance	13,121	12,118	6,561	5,152
	Karobar finance	41,346	20,968	20,673	11,512
	Borrowings from non-financial institutions				
	Treet Corporation Limited - parent company	123,547	1,198	61,774	-
	Treet Holdings Limited -management company	5,194	-	2,597	-
	Lease liability	1,192	906	1,381	453
	Exchange loss	4,952	6,511	479	-
	Bank charges	3,339	2,749	515	1,348
		376,492	200,078	203,299	107,210
15	Taxation				
	Normal tax	15.1	-	-	-
	Minimum tax		72,022	53,251	41,228
	Prior year tax		386	-	-
	Deferred				
	For the period	8	(63,184)	(18,441)	(10,800)
			9,224	34,810	30,428
					5,336

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
For the half year ended December 31, 2022

16 Business segments

The Modaraba is engaged into three main business segments; which are as follows.

- (i) Manufacturing and sale of corrugated boxes
- (ii) Manufacturing and sale of soaps
- (iii) Manufacturing and sale of batteries

	Business Segments						Total
	Corrugated Boxes		Soaps		Batteries		
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	
	Rupees in '000'						
Revenue: Inter-segment	4,361	1,286	-	-	-	4,361	1,286
Others	1,645,101	1,181,315	544,761	307,660	4,713,787	2,708,042	4,197,017
Sale of waste paper and lead	89,139	78,873	-	-	200,553	289,692	177,558
Less: Sales tax	1,738,601	1,261,474	544,761	307,660	4,914,340	2,806,727	4,375,861
Trade discount	(251,424)	(178,523)	(93,022)	(51,818)	(812,479)	(464,046)	(694,387)
Elimination of inter segment sales	(130)	(91)	(90)	(221)	(275,090)	(129,809)	(130,121)
	(4,361)	(1,286)	-	-	-	(4,361)	(1,286)
Net revenue	1,482,686	1,081,574	451,649	255,621	3,826,771	5,761,107	3,550,067
Cost of sales: Inter-segment	-	-	4,361	1,286	-	4,361	1,286
Others	1,392,343	1,005,912	387,230	232,919	3,439,790	2,106,038	3,344,869
Elimination of inter segment	-	-	(4,361)	(1,286)	-	-	(1,286)
	1,392,343	1,005,912	387,230	232,919	3,439,790	2,106,038	3,344,869
Gross profit	90,343	75,662	64,419	22,702	386,981	541,744	205,198
Operating expenses							
Administrative and general	(15,148)	(13,057)	(3,077)	(2,227)	(18,139)	(36,364)	(44,426)
Selling and distribution	(32,649)	(25,894)	(1,908)	(600)	(290,564)	(325,121)	(200,125)
Other expenses	876	-	(12)	(4,735)	(3,124)	(2,260)	(4,735)
	(46,921)	(38,951)	(4,997)	(7,562)	(311,827)	(363,745)	(249,286)
Operating profit/ (loss)	43,422	36,711	59,422	15,140	75,154	177,999	(44,088)
Finance cost							
Other income							
						(376,492)	(200,078)
Net loss for the period before taxation						8,442	213,649
Taxation							
						(190,051)	(31,715)
Net loss for the period after taxation						(9,224)	(34,810)
						(199,275)	(65,327)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
For the half year ended December 31, 2022

16.1 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	
	Unaudited December 31, 2022	Audited June 30, 2022	Unaudited December 31, 2022	Audited June 30, 2022	Unaudited December 31, 2022	Audited June 30, 2022	Unaudited December 31, 2022	Audited June 30, 2022	Unaudited December 31, 2022	Audited June 30, 2022
Segment assets	3,241,367	2,184,895	13,376	231,139	8,191,436	9,163,114	-	-	11,446,179	11,579,148
Segment liabilities	1,343,488	202,527	1,115,843	63,437	4,563,300	6,627,176	251,163	314,347	7,273,794	7,207,487
Depreciation on property, plant and equipment	17,807	29,358	212	3,667	143,745	277,616	-	-	161,764	310,641

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the half year ended December 31, 2022

17 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, 2022	December 31, 2021
			Rupees in '000'	
Treet Corporation Limited	Parent company	Sale of corrugated boxes	29,742	21,018
		Finance cost charged by parent company	123,547	1,198
		Rent charged by the parent company	2,260	-
Treet Holdings Limited	Management company	Finance cost charged by holding company	5,194	-
Treet HR Management (Private) Limited	Associated undertaking	Services obtained	5,775	5,775
Packages Limited	Associated undertaking	Purchase of goods	-	18,802
IGI Insurance Limited	Associated undertaking	Services obtained	28,987	32,451
Packages Convertor Limited	Associated undertaking	Purchase of goods	28,579	-
Renacon Pharma Limited	Associated undertaking	Sale of corrugated boxes	19,222	12,588
		Sale of batteries	-	26
Ghulab Devi Chest Hospital	Associated undertaking	Services obtained	2	-
Liaquat National Hospital	Associated undertaking	Services obtained	1,661	270
Elite Brands Limited	Associated undertaking	Sale of soap products	26,953	27,724
		Services obtained	1,132	404
Specialized Auto Parts Industries	Associated undertaking	Sale of batteries	13	96
Loads Limited	Associated undertaking	Sale of batteries	74	130
Multiple Auto Parts	Associated undertaking	Sale of batteries	111	-

18 DEMERGER OF BATTERY BUSINESS

The Modaraba is in the process of demerging, transferring and vesting of the battery segment and business into Treet Battery Limited (TBL). Subsequent to the period end the Honorable Lahore High Court (LHC) has approved the scheme of arrangement for demerger of battery segment and consequent transfer of all assets and liabilities of the battery segment from the Modaraba to TBL. However the certified copy of the order of the LHC is still awaited. The sanctioning, in this regard from the Securities and Exchange Commission of Pakistan (SECP) is also pending upon receiving of certified copy of the court order.

For the purpose of clarity the sanction date as per the scheme of arrangement approved by LHC, shall be the date on which a certified copy of the order is filed with SECP.

The battery segment and business shall transfer and vest in TBL in the following manner:

The battery segment and its business immediately preceding the sanction date shall, without further act or deed, matter or thing, process or procedure, be separated from the Modaraba and shall be transferred to and vested in TBL on the sanction date. The transfer and vesting of the battery segment and its business shall be free from all mortgages, charges or other encumbrances.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the half year ended December 31, 2022

According to the scheme of arrangement, as approved by the LHC, TBL shall allot ordinary shares in TBL to the certificate holders of the Modaraba as consideration for transfer to and vesting of the battery segment and its business into TBL.

19 DATE OF AUTHORIZATION FOR ISSUE

These unaudited condensed interim financial statements were authorized for issue by the Board of Directors of the management company on February 14, 2023.

20 GENERAL

20.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

20.2 All figures, except for June 30, 2022 figures, appearing in these condensed interim financial statements are unaudited.

LAHORE
February 14, 2023



Syed Shahid Ali
Chief Executive Officer



Mohtashim Aftab
Group Chief Financial Officer



Syed Sheharyar Ali
Director



Sidra Fatima Sheikh
Director



treetonline.com

Treetgroup.com



HEAD OFFICE
72-B, Industrial Area Kot Lakhpat,
Lahore - 54770, Pakistan
Phone: (+92-42) 111 187 338

