

TREET HOLDINGS LIMITED

Financial Statements

For the Year Ended June 30, 2024.

INDEPENDENT AUDITOR'S REPORT**To the members of Treet Holdings Limited****Report on the Audit of the Unconsolidated Financial Statements****Opinion**

We have audited the annexed unconsolidated financial statements of Treet Holdings Limited (the Company) which comprise the unconsolidated statement of financial position as at June 30, 2024, and unconsolidated the statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements including a material accounting policy information and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2024 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the unconsolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Unconsolidated financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the unconsolidated financial statements, consolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance opinion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated financial statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the





requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated financial statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deducted at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Sufyan.


Chartered Accountants

Lahore

Date: October 25, 2024

UDIN: AR202410180kfXlyd8Lw

Treet Holdings Limited
 Unconsolidated Statement of Financial Position
 As at 30 June 2024

ASSETS	Note	2024 (Rupees in thousand)	2023
<u>Non-current assets</u>			
Property, plant and equipment	6	37,285	29,220
Long term investments	7	<u>248,226</u>	<u>213,619</u>
		285,511	242,839
<u>Current assets</u>			
Stock in trade	9	8,860	19,525
Trade debts	10	948	1,447
Advance income tax - net	11	795	2,536
Advances and other receivables	12	197,323	142,180
Cash and bank balances	13	<u>24,027</u>	<u>24,768</u>
		231,953	190,456
LIABILITIES			
<u>Non-Current liability</u>			
Lease liability	15	3,871	3,888
<u>Current liabilities</u>			
Trade and other payables	14	182,183	137,953
Current portion of lease liability	15	17	15
Deferred taxation	8	-	-
		<u>182,200</u>	<u>137,968</u>
Net current assets		(182,200)	52,488
Net assets		331,393	291,439
<u>Represented by:</u>			
Authorized capital 470,000,000 (2023: 470,000,000) ordinary shares of Rs. 10 each		<u>4,700,000</u>	<u>4,700,000</u>
Issued, subscribed and paid-up capital	16	711,047	711,047
Accumulated loss		(401,869)	(435,642)
Surplus on revaluation of property, plant and equipment - net of tax	17	<u>22,215</u>	<u>16,034</u>
		331,393	291,439
Contingencies and commitments	18		

The annexed notes 1 to 35 form an integral part of these financial statements.

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Lahore

Chief Executive



Director

Treet Holdings Limited
 Unconsolidated Statement of Profit or Loss
 For the year ended 30 June 2024

	Note	2024 (Rupees in thousand)	2023
Revenue - net	19	17,383	52,809
Cost of goods sold	20	(21,923)	(63,461)
Gross loss		(4,540)	(10,652)
Modaraba management fee income		14,799	-
Administrative expenses	21	(3,639)	(3,170)
Selling and distribution expenses	22	(10,684)	(14,308)
Other operating expenses	23	(16,295)	(39,467)
Operating loss		(20,359)	(67,597)
Finance cost	24	(24,600)	(18,379)
Other income	25	75,141	29,262
Profit / (loss) before minimum tax and income taxes		30,182	(56,714)
Minimum tax differential	26	(226)	(514)
Profit / (loss) before income taxes		29,956	(57,228)
Income taxes	26	2,899	-
Profit / (loss) for the year		32,855	(57,228)

The annexed notes 1 to 35 form an integral part of these financial statements.

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Chief Executive



Director

Lahore

Treet Holdings Limited
Unconsolidated Statement of Comprehensive Income
For the year ended 30 June 2024

	2024	2023
	(Rupees in thousand)	
Profit / (loss) for the year	32,855	(57,228)
<u>Other comprehensive income</u>		
Items that may be reclassified to profit or loss :		
Surplus arised during the year due to revaluation	9,998	-
Related tax impact	(2,899)	-
	7,099	-
Total comprehensive income for the year	39,954	(57,228)

The annexed notes 1 to 35 form an integral part of these financial statements.

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Lahore



Chief Executive



Director

Treet Holdings Limited
 Unconsolidated Statement of Cash Flows
 For the year ended 30 June 2024

	Note	2024	2023
		(Rupees in thousand)	
<u>Cash flows from operating activities</u>			
Profit / (loss) before income taxes		29,956	(57,228)
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	6	1,933	2,337
Profit on bank deposits	25	(131)	(275)
Reversal of trade debts	25	(17,075)	(5,163)
(Reversal) / charge of impairment loss	23 & 25	(34,607)	35,326
Provision for obsolete and slow moving inventory	23	-	454
Liabilities no longer payable written back	25	(205)	(5,985)
Receivables written off	23	(16,295)	691
Markup on advance from related party	24	24,010	16,105
Markup on unwinding of lease liability	24	558	2,249
Minimum tax differential	26	226	514
Markup on advance to related parties	25	(23,122)	(16,023)
Operating loss before working capital changes		(34,752)	(26,998)
<i>Decrease / (increase) in current assets:</i>			
Stock in trade		10,665	(5,064)
Trade debts		17,574	7,416
Advances and other receivables		(13,199)	43,126
		15,040	45,478
<i>Decrease in current liabilities:</i>			
Trade and other payables		20,425	(18,734)
Net cash generated from / (used) in operations		713	(254)
Taxes paid		(1,012)	(3,196)
Net cash used in operating activities		(299)	(3,450)
<u>Cash flows from investing activities</u>			
Profit on bank deposits		131	275
Net cash generated from investing activities		131	275
<u>Cash flows from financing activities</u>			
Lease rentals paid		(573)	(2,292)
Net cash used in financing activities		(573)	(2,292)
Net decrease in cash and cash equivalents		(741)	(5,467)
Cash and cash equivalents at beginning of year		24,768	30,235
Cash and cash equivalents at end of year	13	24,027	24,768

The annexed notes 1 to 35 form an integral part of these financial statements.

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Lahore

Chief Executive



Director

Treet Holdings Limited
 Unconsolidated Statement of Changes in Equity
 For the year ended 30 June 2024

Share capital	Capital reserve	Revenue reserve	Total
	Surplus on revaluation of property, plant and equipment - net of tax	Accumulated loss	

----- (Rupees in thousand) -----

Balance as at 30 June 2022	711,047	16,957	(379,337)	348,667
Total comprehensive income for the year :				
Loss for the year	-	-	(57,228)	(57,228)
Other comprehensive income	-	-	-	-
	-	-	(57,228)	(57,228)
Incremental depreciation relating to surplus on revaluation of building and plant- net of tax	-	(923)	923	-
Balance as at 30 June 2023	711,047	16,034	(435,642)	291,439
Total comprehensive income for the year :				
Profit for the year	-	-	32,855	32,855
Other comprehensive income	-	7,099	-	7,099
	-	7,099	32,855	39,954
Incremental depreciation relating to surplus on revaluation of building and plant - net of tax	-	(918)	918	-
Balance as at 30 June 2024	711,047	22,215	(401,869)	331,393

The annexed notes 1 to 35 form an integral part of these financial statements.

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Chief Executive



Director

Treet Holdings Limited

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2024

1 Status and nature of the business

- 1.1 Treet Holdings Limited ("the Company") was incorporated in Pakistan on 21 October 2004 under the Companies Ordinance, 1984 (now Companies Act, 2017) and commenced commercial operations w.e.f. 01 January 2005. The principal activity of the Company is assembling and sale of motor bikes and rickshaws. The Company is the management Company of First Treet Manufacturing Modaraba and is a subsidiary of Treet Corporation Limited (the "Parent Company"), a listed company.

Geographical locations and addresses of business units:

Lahore

Purpose

72-B, Industrial Area, Kot lakh pat.

Head office and assembling plant

- 1.2 These financial statements are the separate financial statements of the Company in which investments in subsidiaries and associate are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared and presented separately.

- 1.3 During the year, the Company has incurred a net profit for the year of Rs. 32.86 million (2023: net loss of Rs. 57.23 million). The Company's management has made the strategic decision to discontinue the production of traditional bikes. Consequently, the Company has started clearing its remaining inventory of traditional bikes in the current year. In addition, the Company's management is presently engaged in negotiations with potential buyers to sell its plant and also intended to rent out its property to earn future rental income.

The Company being the "Modaraba Company" of First Treet Manufacturing Modaraba (FTMM) will continue to operate as Modaraba management Company and would be able to receive management fee at certain percentage of FTMM's profits. Further, the Company has been able to maintain a noticeable positive current ratio, positive equity and stable cash position during the year. The parent company has committed to provide financial and operational support as and when required.

Based on the factors stated above and support from parent company, the management has a reasonable expectation that the Company has and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements of the Company have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities on normal routine.

2 Basis of preparation

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017 and;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017 ; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment which are stated at revalued amounts.

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with 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 and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about 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. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are developed or where judgments were exercised in application of accounting policies are as follows:

2.4.1 Residual values and useful lives of depreciable assets

The Company reviews the useful lives and residual values of operating fixed assets annually by considering expected pattern of economic benefit that the Company expects to derive from the item and the maximum period up to which such benefits are expected to be available. Any change in estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation charge and impairment.

2.4.2 Expected credit loss (ECL) against financial assets

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Company has established a matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment on financial assets has been measured on 12 - months expected loss basis and reflects the short maturities of the exposure.

2.4.3 Recoverable amount of assets / cash generating unit and impairment

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

2.4.4 Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.4.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4.6 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.4.7 Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the reporting date.

2.4.8 Stock in trade

The Company reviews the carrying amount of stock-in-trade on a regular basis. Carrying amount of stock-in-

trade is adjusted where the net realizable value is below the cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

2.4.9 Revaluation of property, plant and equipment

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

3 Standards, interpretations and amendments adopted during the year

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2024

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 1 'Presentation of Financial Statements' and IFRS practice statement 2 - Disclosure of accounting policies

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates

Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.

Amendments to IAS 12 'Income taxes' - International Tax Reform — Pillar Two Model Rules

3.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from Accounting period
Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current along with Non-current liabilities with Covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements	January 01, 2024
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of Exchangeability	January 01, 2025
IFRS 17 – Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)	January 01, 2026
Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Classification and measurement of financial instruments	January 01, 2026

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 18 - Presentation and Disclosures in Financial Statements
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures

4 Adoption of New Accounting Policy

4.1 Accounting for minimum taxes and final taxes

During May 2024, The Institute of Chartered Accountants of Pakistan (ICAP) issued a guide 'IAS 12 Application Guidance on Accounting for Minimum taxes and Final taxes' (the Guide) to provide guidance on accounting of minimum tax and final tax, as mentioned in the Income Tax Ordinance, 2001, under the requirements of relevant IFRS Accounting Standards and provide appropriate approaches to account for minimum taxes and final taxes in compliance with the requirements of IFRS Accounting Standards. The guide was issued by Institute of Chartered Accountants of Pakistan (ICAP) in May 2024 'IAS 12 Application Guidance on Accounting for Minimum taxes and Final taxes' (the guide).

In view of the clarifications from ICAP, it has been established that minimum tax and final taxes do not meet the criteria of income tax expense as per IAS 12 (as these are not based on taxable profits), hence, it should be accounted for under IFRIC 21 'Levies' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'

The Guide issued by ICAP provides approaches to account for minimum and final regime taxes according to the facts and circumstances as applicable to the Company. Accordingly, the Company has adopted the following approach:

The Company first designates the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognise it as current income tax expense. Any excess over the amount designated as income tax, is then recognised as a levy falling under the scope of IFRIC 21 "Levies"/IAS 37" Provisions, Contingent Liabilities and Contingent Assets".

Therefore, the effective rate of income tax is equal to the enacted rate of income tax and the deferred tax will be calculated at such rate.

Similarly, any amount deducted as final taxes will be classified as a levy in the statement of profit or loss and there would be no deferred tax liability / (asset) recognised in case of final taxes.

Super tax charged to entities as per provisions of Income Tax Ordinance, 2001, will be classified as either 'Income Tax' or 'levy' in accordance with guidance provided in the guide [i.e. if super tax calculation is based on taxable profits as defined in IAS 12, then, such super tax shall be recognised as 'income tax' otherwise such super tax shall qualify for recognition as 'levy' as per IFRIC 21 / IAS 37].

Advance taxes paid under any section of the Income Tax Ordinance, 2001, except minimum taxes paid under section 113, which are termed as levy as per the above guide will be classified as prepaid levies.

The above changes have been accounted for in these financial statements as per the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The adoption of this policy did not result in re-statement of financial statements since deferred tax liability recognised in the year ended June 30, 2023 was already at enacted rate and the application of this guide did not result any material differences except for reclassifications which are presented as below:

	Current Classification	Previous Classification
	----- (Rupees in '000) -----	
Effect on statement of profit or loss:		
For the year ended June 30, 2023		
Taxation:		
- Current year	-	660
- prior year	-	(146)
Minimum tax differential		
Current year	660	-
Prior year	(146)	-

5 Material Accounting Policy Information

The material accounting policies adopted in preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements.

5.1 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is recognized using the balance sheet method, on all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax losses used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses and tax credits, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged in the statement of profit or loss, except in the case of items charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

5.2 **Investment in subsidiaries and associate**

Investment in subsidiary and associate are measured at cost as per the requirements of IAS 27 "Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense in statement of profit or loss account.

Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in statement of profit or loss account.

5.3 **Stores and spares**

These are valued at the moving average cost except for items in transit, which are valued at invoice price and related expenses incurred up to the statement of financial position date. The Company 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.

5.4 **Stock in trade**

Stock of raw materials and finished goods is 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 finished goods includes cost of raw material and appropriate proportion of production overheads.

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

5.5 **Trade debts**

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery.

5.6 **Assets held for sale**

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

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

5.7 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees which is the Company'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 statement of financial position 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 statement of profit or loss. 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.

5.8 Revenue recognition

Revenue from contracts with customers is recognized, when control of goods is transferred to the customers, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods excluding sales taxes and trade discounts. Specific revenue and other income recognition policies are as follows:

5.8.1 Sale of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer which on the basis of current agreement with majority of the customers, is when the goods are delivered to customers and in very few cases when goods are handed over to the customers i.e. ex-factory.

5.8.2 Dividends

Dividend income is recognized when the Company's right to receive the dividend is established.

5.8.3 Management fee

Management fee is recognized when the Company's right to receive has been established based on profit before tax of managed modaraba.

5.8.4 Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

5.9 Property plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment loss, if any, except for building and plant. Building is stated at revalued amount determined based on valuation 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 revalued assets, and the net amount is restated to the revalued amount.

Increase in the carrying amount arising on revaluation of building and plant are credited to surplus on revaluation of property, plant and equipment. Decrease that offset previous increase of the same assets are charged against this surplus and all other decreases are charged to the statement of profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss, and depreciation based on the asset's original cost is transferred from 'surplus on revaluation of property, plant and equipment' to 'equity'.

All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred income tax.

Depreciation is charged to statement of profit or loss, unless it is included in the carrying amount of another asset, on straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 6 to these financial statements.

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 fully depreciated or disposed off. Assets, which have been fully depreciated, are retained in the books at a nominal value of Rupee 1. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

Depreciation methods, residual value and the useful life of assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

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 Company and cost of the item can be measured reliably. All other repairs and maintenance costs are charged to statement of profit or loss as and when incurred.

On disposal or scrapping, the cost of the assets and the corresponding depreciation is adjusted and the resultant gain or loss is dealt with through the statement of profit or loss.

Capital work in progress

Capital work in progress is stated at cost, less any identified impairment loss. 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.

5.10 Impairment

Financial assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

Non-financial assets

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

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or 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.

5.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortized cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and current and deposit account balances with banks.

5.12 Markup bearing borrowings

Borrowings are recognized initially at the proceeds received. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest rate method.

Finance costs are accounted for on accrual basis and are reported under accrued markup to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

5.13 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in statement of profit or loss in the period in which they are incurred.

5.14 Trade and other payables

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 Company.

5.15 Contingent liabilities

A contingent liability is disclosed when:

- 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 Company; or
- 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.

5.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

5.17 Financial instruments

5.17.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

5.17.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Any gain or loss on derecognition is recognized in statement profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, trade debtors and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement profit or loss. However, the Company has no such instrument at the reporting date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in statement profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to statement of profit or loss. However, the Company has no such instrument at the reporting date.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of profit or loss. However, the Company has no such instrument at the reporting date.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument.

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on derecognition is also recognized in statement of profit or loss.

Financial liabilities comprise of trade and other payables.

5.17.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in statement of profit or loss.

5.18 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Operating fixed assets	33,998	3,419
Right of use asset	3,287	3,419
	29,220	29,220

2024
2023
---(Rupees in thousand)---

Useful life (Years)	Cost/ Revalued amount as at 01 July 2023	Elimination due to revaluation	Surplus on revaluation during the year	Additions / (Deductions)	Cost/ Revalued amount as at 30 June 2024	Accumulated depreciation as at 01 July 2023	Depreciation charge for the year	Elimination due to revaluation	Accumulated depreciation as at 30 June 2024	Book value as at 30 June 2024	Note	
											(Rupees in thousand)	(Rupees in thousand)
20	22,800	(3,421)	6,998	-	26,377	2,280	1,141	(3,421)	-	26,377	Building on lease hold land	6.1
10	6,601	(1,980)	3,000	-	7,621	1,320	660	(1,980)	-	7,621		
10	249	-	-	-	249	249	-	-	249	-	Furniture and equipment	
4	84	-	-	-	84	84	-	-	84	-	Computers	
30	3,946	-	-	-	3,946	527	132	-	659	3,287	Right of use asset	
30	33,680	(5,401)	9,998	-	38,277	4,460	1,933	(5,401)	992	37,285	Land	

Useful life (Years)	Cost/ Revalued amount as at 01 July 2022	Elimination due to revaluation	Surplus on revaluation during the year	Additions / (Deductions)	Cost/ Revalued amount as at 30 June 2023	Accumulated depreciation as at 01 July 2022	Depreciation charge for the year	Elimination due to revaluation	Accumulated depreciation as at 30 June 2023	Book value as at 30 June 2023	Operating fixed assets	
											(Rupees in thousand)	(Rupees in thousand)
20	22,800	-	-	-	22,800	1,140	1,140	-	2,280	20,520	Building	6.1
10	6,601	-	-	-	6,601	660	660	-	1,320	5,281		
10	249	-	-	-	249	239	10	-	249	-	Furniture and equipment	
4	84	-	-	-	84	84	-	-	84	-	Computers	
30	-	-	-	-	3,946	-	527	-	527	3,419	Right of use asset	
30	29,734	-	-	-	29,734	2,123	1,810	-	3,933	25,801	Land	

Useful life (Years)	Cost/ Revalued amount as at 01 July 2021	Elimination due to revaluation	Surplus on revaluation during the year	Additions / (Deductions)	Cost/ Revalued amount as at 30 June 2023	Accumulated depreciation as at 01 July 2021	Depreciation charge for the year	Elimination due to revaluation	Accumulated depreciation as at 30 June 2023	Book value as at 30 June 2023	Operating fixed assets	
											(Rupees in thousand)	(Rupees in thousand)
20	22,800	-	-	-	22,800	1,140	1,140	-	2,280	20,520	Building	6.1
10	6,601	-	-	-	6,601	660	660	-	1,320	5,281		
10	249	-	-	-	249	239	10	-	249	-	Furniture and equipment	
4	84	-	-	-	84	84	-	-	84	-	Computers	
30	-	-	-	-	3,946	-	527	-	527	3,419	Right of use asset	
30	29,734	-	-	-	29,734	2,123	1,810	-	3,933	25,801	Land	

6.1 Particulars of building in the name of Company are as follows:

Location	Usage of Immovable Property	Covered Area (Square Feet)	Total area (acres)	72-B Xiam Beero Road, Kot Lakhpat Lahore		Manufacturing facility		4 Kanal	
				21,780	4 Kanal				

6.2 Had there been no revaluation, the carrying value of building and plant as at 30 June 2024 would have been Rs 2.71 million (2023: Rs 3.21 million) and Nil (2023: Rs Nil) respectively.

6.3 The latest valuation of building and plant has been carried as at 30 June 2024 and the forced sale value of building and plant at the date of revaluation is Rs 27.42 million and Rs 6.09 million respectively.

6.4 The land has an area of 21,780 square feet located at 72-B Xiam Beero Road, Kot Lakhpat Lahore.

6.5 Depreciation expense has been fully charged to cost of sales.

		2024	2023
		(Rupees in thousand)	
7 Long term investments	<i>Note</i>		
In equity instruments of subsidiaries - at cost	7.1	10,000	10,000
In equity instruments of associated companies - at cost	7.2	238,226	203,619
		<u>248,226</u>	<u>213,619</u>
7.1 In equity instruments of subsidiaries - at cost			
<i>Treet HR Management (Private) Limited - Unquoted</i>			
1,000,000 (2023: 1,000,000) fully paid ordinary shares of Rs. 10 each	7.1.1	10,000	10,000
Equity held: 100 % (2023: 100 %)			
<i>Treet Power Limited - Unquoted</i>			
1,000,000 (2023: 1,000,000) fully paid ordinary shares of Rs. 10 each	7.1.2	-	-
Equity held: 100% (2023: 100%)			
		<u>10,000</u>	<u>10,000</u>
7.1.1	Treet HR Management (Private) Limited (the Company) was incorporated in Pakistan on 18 September 2006. The Company is engaged in the business of rendering professional and technical services and providing related workforce to the host companies/ customers under service agreements. The registered office of the Company is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore.		
7.1.2	<i>Treet Power Limited- Unquoted</i>		
Cost		10,000	10,000
Less: Accumulated impairment allowance	7.1.2	(10,000)	(10,000)
		<u>-</u>	<u>-</u>
7.1.2	Treet Power Limited was incorporated on 20 November 2007 to setup an Electric Power Generation Project for generating, distribution and selling of electric power, which was kept in abeyance and was considered a dormant entity. The principal office of the Company is situated at 72-B Industrial Area, Kot lakhpat, Lahore. Due to continuous losses, the management of the Company had fully recognized the impairment in prior years against cost of investment.		
7.2 In equity instruments of associated companies - at cost	<i>Note</i>	2024	2023
		(Rupees in thousand)	
<i>First Treet Manufacturing Modaraba (Quoted equity instruments)</i>			
4,336,754 (2023: 4,336,754) modaraba certificates of Rs. 10 each		86,734	86,734
Equity held: 2.20% (2023: 2.20%)			
Less: Accumulated impairment allowance	7.2.1	(34,780)	(69,387)
		51,954	17,347
<i>Treet Battery Limited (Quoted equity instruments)</i>			
19,659,217 (2023: 19,659,217) ordinary shares of Rs. 10 each	7.2.2		
Equity held: 2.23% (2023: Nil %)		186,272	186,272
		<u>238,226</u>	<u>203,619</u>
7.2.1 Accumulated impairment allowance			
Opening balance		69,387	153,866
(Reversal) / charge during the year	7.2.1.1	(34,607)	35,326
Impairment loss transferred due to demerger	7.2.2	-	(119,805)
Closing balance		<u>34,780</u>	<u>69,387</u>

7.2.1.1 During last year, the management assessed the recoverable amount of the Company's investment in FTMM as per the requirements of IAS 36 "Impairment of Assets". The recoverable amount was calculated based on fair value less cost of disposal of investment amounting which was Rs. 4 per share. Carrying amount of investment of the company was Rs. 12 per share which was higher than carrying amount.

Therefore, further impairment loss of 35 million has been recognized in previous period. In current period, management has reassessed the recoverable amount based on value in use in accordance with requirement of IAS 36 "Impairment of Assets" (which is substantially a Level 3 inputs of the fair value hierarchy in accordance with IFRS 13 "Fair Value Measurement").

The value in use calculation was based on cash flow projections derived from aforesaid business plan, which was extrapolated beyond five years, by using a growth rate of 5%. The cash flows were discounted using a discount rate of 26.05% which was sensitive to discount rate and local inflation rates. Based on this calculation, the recoverable amount of the Company was determined to be Rs 11.98 which was higher than carrying amount of Rs. 4 per share.

Based on this, an impairment reversal of Rs. 34.61 million has been recorded in statement of profit or loss.

7.2.2 The Scheme of Arrangement for demerger of Battery Segment of FTMM has been sanctioned by Honorable Lahore High Court (LHC) effective from April 1, 2023 and has successfully facilitated the transfer and vesting of the battery segment's business into TBL.

As sanctioned by the Honorable Lahore High Court (LHC), the certificate holders of FTMM were granted 0.9984 ordinary shares in TBL for each existing certificate in FTMM. These ordinary shares were provided as compensation for transferring and merging the battery segment and its operations into TBL.

The Associate relationship with TBL is now due to common ownership of THL and TBL by Treet Corporation Limited (TCL). However, FTMM has applied to the LHC for a reduction in certificates, which is pending approval as of the date of the Financial Statements. After this approval, 4,336,754 certificates shall be directly owned by the Company.

As a result, the Company directly owns 2.2% (2023: 2.2%) equity interest in First Treet Manufacturing Modaraba (FTMM) and 2.23% (2023: 100%) shareholding in Treet Battery Limited (TBL). The Company's investment in TBL is less than 20% but it is considered an associate in accordance with the requirements of IAS - 28 "Investments in Associates" since the Company has significant influence over its financial and operating policies through its representation on the Board of TBL.

During last year, the management assessed the recoverable amount of the Company's investment in TBL as per the requirements of IAS 36 "Impairment of Assets". The recoverable amount was calculated based on five years' business plan which included a comprehensive analysis of existing operational deployments of the Company along with strategic business plans and business growth.

The value in use calculation was based on cash flow projections derived from aforesaid business plan, which was extrapolated beyond five years, by using a growth rate of 5%. The cash flows were discounted using a discount rate of 20.91% which was sensitive to discount rate and local inflation rates. Based on this calculation, the recoverable amount of the Company was determined to be Rs 9.65 which was higher than fair value less cost of disposal. Hence, the recoverable amount surpassed the carrying amount leading to absence of impairment loss in previous period.

In current period, management has reassessed the recoverable amount and, in line with requirement of IAS 36 "Impairment of Assets", fair value less costs of disposal has been used, as it was higher than the value in use (which is substantially a Level 1 inputs of the fair value hierarchy in accordance with IFRS 13 "Fair Value Measurement"). The same has been accounted for as a change in accounting estimate. The recoverable amount based on fair value less cost of disposal amounting to Rs. 19.13 was higher than carrying amount, resulting in no impairment loss in current period. The change in accounting estimate has no impact on future periods.

	Note	2024 (Rupees in thousand)	2023
8 Deferred taxation			
The deferred tax asset comprises tax effect on temporary differences related to:		-	-
<i>Taxable Temporary differences:</i>			
Accelerated tax depreciation		315	567
Right of use asset		953	992
Revaluation surplus		9,073	6,549
		10,341	8,108
<i>Deductible temporary differences:</i>			
Expected credit loss on trade debts		(2,423)	(7,374)
Stock in trade		(132)	(132)
Unused tax losses	8.2	(53,372)	(87,036)
Lease liability		(1,128)	-
Minimum tax available for adjustment		(1,548)	(7,045)
		(58,603)	(101,587)
		(48,262)	(93,479)
Deferred tax asset unrecognized	8.3	48,262	93,479
Deferred tax asset		-	-
8.1 Movement in the deferred tax is shown below :			
Balance at beginning of the year		-	-
Profit and loss :			
Accelerated tax depreciation		252	148
Right of use asset		39	(992)
Surplus on revaluation of PPE		375	377
Trade debts		(4,951)	(1,498)
Stock in trade		-	51
Unused tax losses		(33,664)	(5,056)
Minimum tax available for adjustment		(5,497)	(3,514)
Lease liability		1,128	-
Change in un-recognized deferred tax asset		45,217	10,484
		2,899	-
Statement of comprehensive income / equity :			
- Surplus arising during the year on revaluation of Property, plant and equipment		(2,899)	-
Balance as at end of the year		-	-
8.2	This represents unrecognized deferred tax asset on unused tax losses amounting to Rs. 184.04 million (2023: Rs. 229.09 million). This includes business loss accounting to Rs. 178.80 million (2022: Rs. 224.07 million) which can be carried forward for six following tax years, from the tax year to which it relates, as per requirements of Income Tax Ordinance, 2001 out of which 41.51 million will lapse in tax year 2025. This also includes depreciation loss of Rs. 5.22 million (2023: Rs. 5.02 million) which is available for infinite period.		
8.3	Deferred tax asset has not been recognized in view of uncertainty of taxable profits in foreseeable future.		
9 Stock in trade		2024 (Rupees in thousand)	2023
Raw materials		6,482	15,814
Finished goods		2,576	3,905
		9,058	19,719
Stores, spare parts and loose tools		256	260
Provision for obsolete and slow moving inventory		(454)	(454)
		8,860	19,525

	<i>Note</i>	2024 (Rupees in thousand)	2023
10 Trade debts			
Trade debts	10.1	9,302	26,876
Expected credit loss on trade debts	10.2	(8,354)	(25,429)
		<u>948</u>	<u>1,447</u>
10.1 It includes receivable from following related parties:			
Treet Corporation Limited	10.1.1	472	273
First Treet Manufacturing Modaraba	10.1.2	476	241
Liaqat National Hospital	10.1.3	946	1,046
Loads Limited	10.1.4	23	23
		<u>1,917</u>	<u>1,583</u>

10.1.1 This represents receivable in the normal course of business and is past due by 0 -180 days. Maximum balance outstanding at any point during the year end is Rs. 7.9 million with respect to month end balances.

10.1.2 This represents receivable in the normal course of business and is past due by 90 - 360 days. Maximum balance outstanding at any point during the year end is Rs. 1.08 million with respect to month end balances.

10.1.3 This represents receivable in the normal course of business and is past due by more than 360 days. Maximum balance outstanding at any point during the year end is Rs. 0.95 million with respect to month end balances.

10.1.4 This represents receivable in the normal course of business and is past due by more than 360 days. Maximum balance outstanding at any point during the year end is Rs. 0.23 million with respect to month end balances.

	<i>Note</i>	2024 (Rupees in thousand)	2023
10.2 Expected credit losses on trade debts			
The movement in impairment loss on trade debts is as follows:			
Balance as at 01 July		25,429	30,592
Expected credit loss for the year		(17,075)	(5,163)
Balance as at 30 June		<u>8,354</u>	<u>25,429</u>

11 Advance income tax-net

Advance income tax paid		1,012	3,196
Provision for taxation		(217)	(660)
		<u>795</u>	<u>2,536</u>

12 Advances and other receivables

Advances to employees - secured and considered good		197	189
Advances to suppliers - unsecured and considered good		529	3,923
Prepaid insurance		66	-
<i>Other receivable</i>			
Sales tax receivable		16,940	19,216
Income tax refundable		7,667	17,647
Receivable from related parties - unsecured	12.1	171,884	101,163
Other receivable		40	42
		<u>197,323</u>	<u>142,180</u>

12.1 These represent receivable from following related parties on account of payments made on behalf of related parties, receivable on account of reimbursement of expenses, and advance given for working capital. These carry markup at an effective rate ranging from 21.46% to 22.90% during the year which represents the 3 months kibar rate. These balances are neither past due nor impaired. Aging of receivable from related parties is as follows:

Ageing of balances	2024		2023	
	Less than 3 months	3 to 6 months	Greater than 6 months	
Treet Corporation Limited	5,394	59,190	64,584	22,936
Treet Battery Limited	14,807	78,217	93,024	78,217
First Treet Manufacturing Modaraba	14,276	-	14,276	-
Treet Corporation Limited	33,140	64,584	97,724	33,140
First Treet Manufacturing Modaraba	-	14,276	14,276	-
Treet Battery Limited	93,024	78,217	171,241	78,217
	34,477	137,407	171,884	101,153

12.1.1 Maximum aggregate balance outstanding at any time during the year with reference to month end balances is as follows:

2024		2023	
Cash and bank balances	16,044	17,599	
Cash in hand			
Cash at bank			
Current accounts	6,892	6,331	
Savings accounts	1,091	838	
	7,983	7,169	
	24,027	24,768	

13.1 These include bank accounts of Rs. 1.05 million (2023: Rs. 0.76 million) maintained under Shariah compliant arrangements

13.2 These carry mark-up at the rates ranging from 18% to 20.5% per annum (2023: 12% to 19.5% per annum) and includes Rs. 1.05 million (2023: 0.76 million) under Shariah compliant arrangements, which carries profit ranging from 12% to 18% per annum (2023: 4.8% to 7.73% per annum).

2024		2023	
Trade and other payables	Note		
Due to related parties - unsecured	14.1	163,341	96,361
Trade creditors		7,578	13,069
Contract liability	14.2	8,655	25,589
Accrued liabilities		1,482	1,639
Other creditors		1,030	884
Withholding income tax payable		67	380
Withholding sales tax payable		30	31
		182,183	137,953
14.1 The balance due to related parties comprise of the following:			
Treet HR Management (Private) Limited	14.1.1	98,683	42,337
Renacon Pharma Limited	14.1.2	64,646	54,012
IGI General Insurance Limited		12	12
		163,341	96,361

14.1.1 This represents unsecured payable to Treet HR Management (Private) Limited, a related party, on account of payments made on behalf of the Company and advances given by the related party for working capital. It carries markup at an average rate of 22.25% during the year (2023: 17.52%).

14.1.2 This represents payable to Renacon Pharma Limited, a related party, on account of payments made on behalf of the Company. It carries markup at an average rate of 24.05% (2023: 20.52%) during the year.

14.2 This represents advance received from customers for future sale of goods. During the year, Company has recognized revenue amounting to Rs. 0.4 million, out of the contract liability as at June 30, 2023.

	2024	2023
	(Rupees in thousand)	
15 Lease liability		
Liability against right of use asset	3,888	3,903
Current portion of liability against right of use asset	(17)	(15)
	<u>3,871</u>	<u>3,888</u>
Movement of liability against right of use liability is as follows:		
Opening balance	3,903	3,946
Interest on unwinding of liability against right of use assets	558	2,249
Payments during the year	(573)	(2,292)
Closing balance	<u>3,888</u>	<u>3,903</u>
Maturity analysis of liability against right of use asset is as follows:		
Less than one year	573	573
One to five years	2,865	2,865
More than five years	10,888	11,461
Total undiscounted liability against right of use asset as at 30 June	14,326	14,899
Impact of discounting on liability against right of use asset	(10,438)	(10,996)
	<u>3,888</u>	<u>3,903</u>

	2024	2023	2024	2023
	(Number of shares)		(Rupees in thousand)	
16 Issued, subscribed and paid-up capital				
Ordinary shares of Rs. 10 each fully paid up in cash	<u>71,104,740</u>	<u>71,104,740</u>	<u>711,047</u>	<u>711,047</u>

16.1 The paid up capital is fully subscribed by the following:

	2024	2023	2024	2023
	(Number of shares)		(Rupees in thousand)	
Treet Corporation Limited - Parent Company Equity held 100% (2023: 100%)	<u>71,104,740</u>	<u>71,104,740</u>	<u>711,047</u>	<u>711,047</u>

17 Surplus on revaluation of property, plant and equipment - net of tax

Balance as at 01 July	22,583	23,883
Surplus arisen during the year- net of tax	7,099	-
Related deferred tax liability on surplus arisen during the year	2,899	-
Transferred to unappropriated profit as a result of incremental depreciation charged net of tax	(918)	(923)
Related deferred tax liability	(375)	(377)
	<u>8,705</u>	<u>(1,300)</u>
Revaluation surplus as at 30 June	<u>31,288</u>	<u>22,583</u>
Less: Related deferred tax liability on revaluation surplus		
As at 01 July	(6,549)	(6,926)
On account of surplus arisen during the year	(2,899)	-
On account of incremental depreciation charged during the year	375	377
	<u>(9,073)</u>	<u>(6,549)</u>
	<u>22,215</u>	<u>16,034</u>

18 Contingencies and commitments

18.1 Contingencies

18.1.1 During previous years, with respect to tax year 2012, the Additional Commissioner Inland Revenue (ACIR) passed an order u/s 122(5A) on different issues i.e. allocation of expenses between normal income and presumptive income, u/s 34(3), bad debts, exchange loss, payment of WWF and dividend income and created an income tax demand of Rs. 1.29 million. Being aggrieved, the Company filed an appeal, dated 09 August 2018, before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore and the learned CIR -Appeals has remanded the case back for re-adjudication. Against this order, the Company filed second appeal before the ATIR on January 21, 2022 on the issue of remand back which is still pending adjudication. The tax advisor of the Company are confident of favorable outcome.

18.1.2 During previous years, with respect to tax year 2013, the Additional Commissioner Inland Revenue (ACIR), passed an order u/s 122(5A) on different issues i.e. u/s 29, bad debts, capital gains on securities, exchange loss and sale / transfer of stock and created an income tax demand of Rs. 17.28 million. Being aggrieved, the Company filed an appeal, dated 9 August 2018, before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore. Furthermore, the company filed an Appeal before the commissioner Inland Revenue (Appeals), Zone-1, Lahore and the learned CIR-Appeals has remanded the case back for re-adjudication.

Against this order, the company filed second appeal before the ATIR on January 21, 2022 and is still pending at the year end. The tax advisor of the company are confident of favorable outcome.

18.2 Commitments

There are no reportable commitments at the balance sheet date (2023: Nil).

	Note	2024 (Rupees in thousand)	2023
19 Revenue - net			
Gross local sales	19.1	20,434	57,587
Less:			
Sales tax		(3,051)	(4,096)
Discount		-	(682)
		(3,051)	(4,778)
		17,383	52,809
		<u>17,383</u>	<u>52,809</u>
19.1 Disaggregation of revenue - net			
<i>By timing of revenue recognition</i>			
At point in time		20,434	57,587
<i>By product type</i>			
Bikes		20,434	57,401
Spare parts		-	186
		<u>20,434</u>	<u>57,587</u>
19.2 All revenue earned by the Company is Shariah Compliant.			
20 Cost of goods sold			
Raw material consumed		11,495	50,576
Salaries, wages and other benefits	20.1	6,376	10,017
Depreciation on property, plant and equipment	6	1,933	2,338
Printing and stationery		28	75
Repairs and maintenance		158	104
Carriage inward		10	38
Traveling and conveyance		176	133
Other expenses		403	1,677
Cost of goods manufactured		<u>20,579</u>	<u>64,958</u>
Opening stock of finished goods		3,905	1,465
Closing stock of finished goods	9	(2,576)	(3,905)
		1,329	(2,440)
Freight and handling		15	943
		<u>21,923</u>	<u>63,461</u>
20.1 Salaries, wages and other benefits includes Rs. 0.27 million (2023: Rs. 0.13 million), Rs. 0.09 million(2023: Rs.0.04 million) and Rs. 0.16 million (2023: Rs. 0.09 million) in respect of contribution to gratuity fund, super annuation fund and provident fund respectively.			
21 Administrative expenses			
Salaries, wages and other benefits		427	-
Legal and professional charges	21.1	2,523	2,813
Director fee		360	340
Computer expense		11	5
Insurance		119	-
Others		199	12
		<u>3,639</u>	<u>3,170</u>

21.1 Legal and professional charges include the following in respect of auditors' remuneration:

	Note	2024 (Rupees in thousand)	2023
Statutory audit		1,519	1,519
Out of pocket expenses		145	145
		<u>1,664</u>	<u>1,664</u>
22 Selling and distribution expenses			
Salaries and other benefits	22.1	6,307	8,368
Traveling and conveyance		2,869	3,210
Insurance		167	139
Repairs and maintenance		678	662
Postage and telephone		436	433
Rent, rates and taxes		7	40
Warranty expense		-	10
Electricity and gas		-	460
Others		220	986
		<u>10,684</u>	<u>14,308</u>
22.1 Salaries, wages and other benefits includes Rs. 0.23 million (2023: Rs. 0.06 million), Rs. 0.08 million (2023: Rs.0.02 million) and Rs. 0.13 million (2023: Rs. 0.10 million) in respect of contribution to gratuity fund, super annuation fund and provident fund respectively.			
	Note	2024 (Rupees in thousand)	2023
23 Other operating expenses			
Provision for obsolete and slow moving inventory	9	-	454
Advances written off		16,295	691
Exchange loss		-	658
Impairment loss on long term investment	7.2.1	-	35,326
Research and development cost		-	2,338
		<u>16,295</u>	<u>39,467</u>
24 Finance cost			
Unwinding of lease		558	2,249
Markup on advance from related parties		24,010	16,105
Bank charges		32	25
		<u>24,600</u>	<u>18,379</u>
25 Other income			
Profit on bank deposits		131	275
Reversal of provision for doubtful debts		17,075	5,163
Liabilities no longer payable		205	5,985
Markup on advance to related parties		23,122	16,023
Reversal of impairment loss on investment in FTMM	7.2.1	34,607	-
Service charges		-	1,719
Other		1	97
		<u>75,141</u>	<u>29,262</u>
26 Taxation			
Levy			
- Minimum tax differential		217	660
- For prior years		9	(146)
		<u>226</u>	<u>514</u>
Income taxes			
<i>Current</i>			
- For the year		-	-
<i>Deferred</i>			
- For the year		(2,899)	-
		<u>(2,899)</u>	<u>-</u>
	26.1	<u>(2,673)</u>	<u>514</u>
26.1 Tax charge reconciliation			
Accounting profit / (loss)		30,182	(56,714)
Tax expense at the rate of 29%		8,753	(16,447)
Impact of un-recognized deferred tax asset		(11,426)	16,961
		<u>(2,673)</u>	<u>514</u>

27	Plant capacity and production	Production capacity		Actual production	
		2024	2023	2024	2023
		(No of units)		(No of units)	
	Motorbikes	18,000	18,000	175	470

The production capacity is worked out based on 300 days and two shifts per day of 8 hours each. The reason for shortfall in actual production as compared to production capacity is primarily attributable to lesser demand of the Company's products. Furthermore, the Company's management has made the strategic decision to discontinue the production of traditional bikes and to enter into the electric bike market.

28 Transactions with related parties

The related parties include subsidiaries, associated companies, other related group companies, directors of the Company, key management personnel and post employment benefit plans. Balances with related parties are disclosed in respective notes to these unconsolidated financial statements. The remuneration of directors is disclosed in note 31 to these unconsolidated financial statements. Significant transactions with related parties other than those disclosed elsewhere in these unconsolidated financial statements are as follows:

Name of parties	Relationship	Transactions	2024	2023
			(Rupees in thousand)	
a) Treet Corporation Limited	Parent Company (100% Equity held)	Sale of goods to related party	14,343	7,403
		Funds transferred to related party net of receipts	46,333	1,193
		Expenses paid by related party on behalf of the Company	11,763	15,182
		Lease rentals charged by related party	573	573
		Markup charged to related party	8,316	4,358
b) Treet HR Management (Private) Limited	Subsidiary company (100% equity held)	Purchase of HR Services	496	427
		Funds transferred by related party net of payments	43,000	-
		Markup charged by related party	13,346	6,313
c) First Treet Manufacturing Modaraba	Associated company (2.22% equity held)	Sale of goods to related party	1,208	614
		Funds transferred by related party - net of payments	500	-
		Expenses incurred on behalf of related party	7	-
		Modaraba Management fee income	12,395	-
		Markup charged to related party	30	-
d) Treet Battery Limited	Associated company (2.23% equity held)	Markup charged to related party	14,807	11,664
		Sale of goods to related party	996	-
e) Renacon Pharma Limited	Common directorship	Markup charged by related party	10,634	9,791
		Sale of goods to related party	110	-
f) IGI Insurance Limited	Common directorship	Services received by the Company	172	172

Name of parties	Relationship	Transactions	2024 (Rupees in thousand)	2023
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Employee benefits

Below mentioned funds are being managed on behalf of the Group by ultimate Parent Company (Treet Corporation Limited):

			2024 (Rupees in Thousand)	2023
a) Superannuation fund	Other related party	Contribution expense for the year	165	311
b) Gratuity fund	Other related party	Contribution expense for the year	499	828
c) Provident fund	Other related party	Contribution expense for the year	287	544
d) Service fund	Other related party	Contribution expense for the year	179	335

Key management personnel

Mr. Hamad Mahmood	Key management personnel	Salaries and other benefits	3,468	3,294
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Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The salaries and other benefits of directors are disclosed in note 31 to these unconsolidated financial statements. The Company considers all members of their management team, including Chief Executive Officer and Directors to be its key management personnel and these are disclosed below:

Name	Relationship	% of shareholding in the Company
Mr. Syed Shahid Ali	Director / Key management personnel	0.000018%
Mr. Syed Sheharyar Ali	Director / Key management personnel	0.000013%
Mr. Haroon Latif Khan	Director / Key management personnel	0.000010%
Mr. Munir K. Bana	Director / Key management personnel	0.0000010%
Mr. Dr. Salman Faridi	Director / Key management personnel	0.000001%
Mr. Imran Azim	Director / Key management personnel	0.000001%
Mr. Ahmad Shahid Hussain	Director / Key management personnel	N/A
Ms. Sidra Sheikh	Director / Key management personnel	N/A
Mr. Muhammad Zubair	CFO / Key management personnel	N/A
Mr. Hamad Mahmood	GM Sales / Key management personnel	N/A

29 Financial risk management

29.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Company's Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Company's exposure to financial risk, the way these risks affect the financial position and performance and the manner in which such risks are managed is as follows:

29.2 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company 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.

29.2.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the end of the reporting period was as follows:

	<i>Note</i>	2024 (Rupees in thousand)	2023
Trade debts	10	948	1,447
Bank balances	13	7,983	7,169
Receivable from related parties	12	171,884	101,163
		<u>180,815</u>	<u>109,779</u>

29.2.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2024 (Rupees in thousand)	2023
Customers	948	1,447
Banking companies	7,983	7,169
Related parties	171,884	101,163
	<u>180,815</u>	<u>109,779</u>

29.2.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers and related parties, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical default rates and present ages.

29.2.3.1 Counterparties without external credit ratings

These mainly include customers which are counter parties to local trade debts against sale of Company's products. As explained in note 2.4.2, the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. On adoption of IFRS 9,

management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Company has used four years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro economic factors. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2024 was determined as follows:

	2024		2023	
	Gross	ECL	Gross	ECL
----- (Rupees in thousand) -----				
Current	-	-	-	-
1 - 90 Days	445	-	155	-
91 - 180 Days	206	-	2,312	1,155
181 - 270 Days	-	-	676	511
366 - Above Days	8,651	8,354	23,733	23,733
	9,302	8,354	26,876	25,429

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored.

These also include receivable from related parties. As explained in note 2.4.2 ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the assets original effective interest rate. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The management of the Company believes that receivable from related parties holds negligible credit risk, therefore no provisioning is required. Aging of receivable from related parties is disclosed in note 12.1 to these financial statements.

29.2.3.2 Counterparties with external credit ratings

These include banking companies, which are counterparties to bank balances. Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

Following are the credit ratings of counterparties with external credit ratings:

Banks	Rating		Rating Agency	2024 (Rupees in thousand)	2023
	Short term	Long term			
Bank Alfalah Limited	A1+	AA+	PACRA	7	6
Dubai Islamic Bank (Pakistan) Limited	A1+	AA	JCR VIS	420	761
Faysal Bank Limited	A1+	AA	PACRA	627	39
Habib Bank Limited	A1+	AAA	PACRA	105	30
National Bank of Pakistan	A1+	AAA	PACRA	3,022	3,024
MCB Bank Limited	A1+	AAA	PACRA	34	29
United Bank Limited	A1+	AAA	JCR VIS	3,768	3,280
				7,983	7,169

29.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with the financial liabilities. An entity is exposed to liquidity risk if its financial obligations out number its cash generations due to losses and higher costs. The liquidity risk is managed through effective and efficient cash flow forecasting. The Company is mitigating this risk through effective cash flow planning and cost control techniques. The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2024				
	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
<i>Financial liabilities</i>	----- (Rupees in thousand) -----				
Trade and other payables	173,448	173,448	173,448	-	-
Lease liability	3,871	14,326	573	2,865	10,888
	<u>177,319</u>	<u>187,774</u>	<u>174,021</u>	<u>2,865</u>	<u>10,888</u>
	2023				
	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
<i>Financial liabilities</i>	----- (Rupees in thousand) -----				
Trade and other payables	99,148	99,148	99,148	-	-
Lease liability	3,888	14,899	3,438	11,011	-

29.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

29.4.1 Currency risk

The Company has no exposure to foreign currency risk at statement of financial position date as the company has no receivable / payable balances denominated in foreign currency at the terminal date.

29.4.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

29.4.2.1 Fixed rate financial instruments

The Company does not have any fixed interest / mark-up bearing financial instruments as at reporting date.

29.4.2.2 Variable rate financial instruments

	2024		2023	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
	-----Rupees in thousands-----			
Due from related party	171,884	171,884	101,163	-
Due to related party	-	163,341	-	96,361
Bank balances at saving accounts	1,091	-	838	-
	<u>172,975</u>	<u>335,225</u>	<u>102,001</u>	<u>96,361</u>

The related mark-up / interest rates are indicated in the related notes to these financial statements.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit before tax by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. This analysis is performed on the same basis for the year 2024.

	Profit / (Loss)	
	2024	2023
	(Rupees in thousands)	
Increase of 100 basis points		
Variable rate instruments	<u>(1,623)</u>	<u>56</u>
Decrease of 100 basis points		
Variable rate instruments	<u>1,623</u>	<u>(56)</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and the outstanding liabilities of the Company at the year end.

29.5 Capital risk management

The Company's objective when managing its capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and, to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust capital structure, the Company may adjust the amount of dividends, return to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with the industry and, the requirement of the lenders, the Company monitors the capital structure on the basis of a gearing ratio.

30 **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.

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 company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value			
	Current assets				Level 1	Level 2	Level 3	Total
	Fair value through profit or loss	Financial assets at amortized cost	Other financial liabilities at amortized cost	Total				
30 June 2024	----- (Rupees in thousand) -----							
<u>Financial assets - not measured at fair value</u>								
Trade debts	10	-	948	-	948	-	-	-
Receivable from related parties	12	-	171,884	-	171,884	-	-	-
Cash and bank balances	13	-	24,027	-	24,027	-	-	-
30.1		-	196,859	-	196,859	-	-	-
Financial liabilities - measured at fair value								
<u>Financial liabilities - not measured at fair value</u>								
Trade and other payables	14	-	-	173,448	-	-	-	-
Lease liability	15	-	-	3,871	-	-	-	-
30.1		-	-	177,319	-	-	-	-

		Carrying amount				Fair value			
		Current assets							
		Fair value through profit or loss	Financial assets at amortized cost	Other financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
<u>30 June 2023</u>	<i>Note</i>	----- (Rupees in thousand) -----							
<i>Financial assets - not measured at fair value</i>									
Trade debts	10	-	1,447	-	1,447	-	-	-	-
Receivable from related parties	12	-	101,163	-	101,163	-	-	-	-
Cash and bank balances	13	-	24,768	-	24,768	-	-	-	-
	30.1	-	127,378	-	127,378	-	-	-	-
<i>Financial liabilities - measured at fair value</i>									
		-	-	-	-	-	-	-	-
<i>Financial liabilities - not measured at fair value</i>									
Trade and other payables	14	-	-	111,968	-	-	-	-	-
Lease liability	15	-	-	3,888	-	-	-	-	-
	30.1	-	-	115,856	-	-	-	-	-

30.1 The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

30.2 Building and plant have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 18 to these financial statements. The valuations were conducted by the valuation experts appointed by the Company. The valuation experts used a market based approach to arrive at the fair value of the Company's building. Fair market value of buildings was assessed according to the observations made by valuer on the basis of existing outlook, appearance, face value, individual merits, class and type of construction, quality and standard of material used for construction and by applying suitable price adjustments. With respect to plant, suppliers and different machinery consultants in Pakistan and abroad were contacted to collect information regarding current prices of comparable items of plant to determine current replacement value. Fair depreciation factor for each item is applied according to their physical condition, usage and maintenance. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

31 Remuneration of Chief Executive, Directors and Executives

Aggregate amount charged in these financial statements with respect to remuneration to chief executive, executive director, non-executive and executive is as follows:

	Chief Executive		Executive Director		Non Executive		Executive	
	2024	2023	2024	2023	2024	2023	2024	2023
----- (Rupees in thousand) -----								
Managerial remuneration	-	-	-	-	-	-	-	2,881
Provident fund	-	-	-	-	-	-	-	129
Service fund	-	-	-	-	-	-	-	129
Gratuity fund	-	-	-	-	-	-	-	155
Fees	-	-	-	-	340	340	-	-
	-	-	-	-	340	340	-	3,294
No. of Persons	1	1	1	1	6	5	-	1

32 Number of employees

Number of employees as at 30 June
Average number of employees during the year

	2024	2023
Number of employees as at 30 June	9	25
Average number of employees during the year	17	25

33 Corresponding figures

Reclassification has been made to the corresponding figures to enhance comparability with the current year's financial statements. Further, other operating expenses as referred in note 23 have been presented as part of profit from operations.

34 Events after reporting date

Subsequent to the year end, management has devised a plan to sell the plant and machinery and initiated an active program to find a buyer. The management is currently negotiating with potential buyer. This plan was made with an intention to discontinue the traditional bike assembly business.

35 Date of authorization for issue

These financial statements were authorized for issue on 27-09-2024 by the Board of Directors of the Company.

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Chief Executive



Director