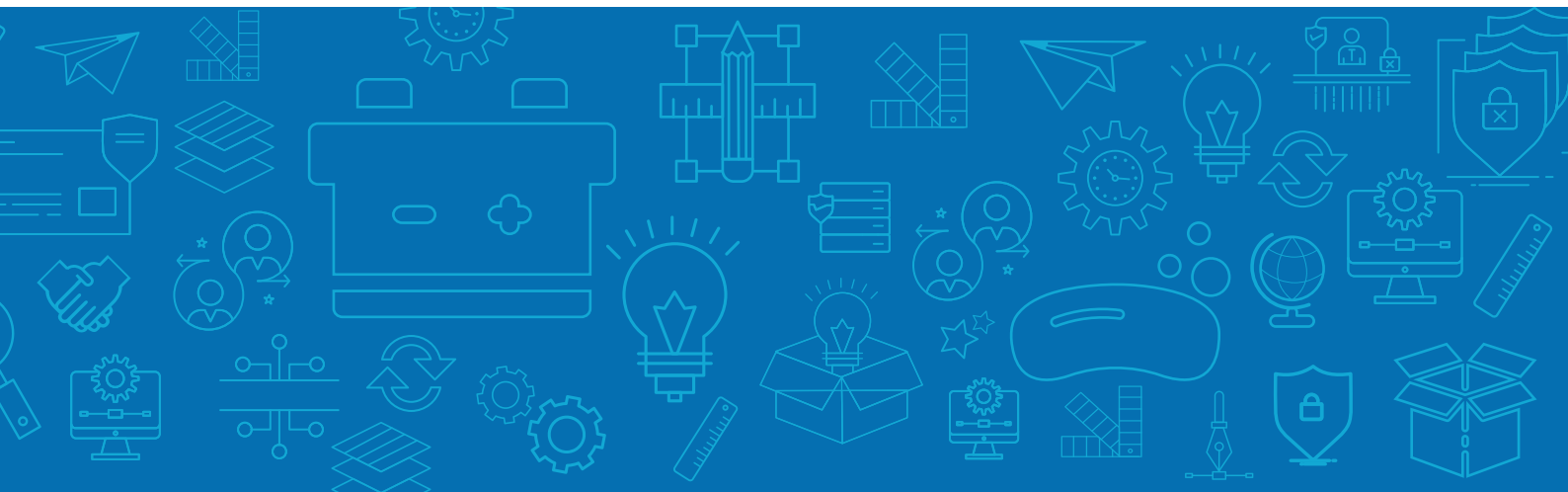




Annual Report | **2022**



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Company Information

BOARD OF DIRECTORS:	<p>Mr. Imran Azim Syed Shahid Ali Syed Sheharyar Ali Muhammad Shafique Anjum Dr. Salman Faridi Ms. Sidra Fatima Sheikh Mr. Munir K. Bana</p>	<p>Non-Executive Director/Chairman Chief Executive Officer Non-Executive Director Non-Executive Director Independent Director Independent Director Non-Executive Director</p>
AUDIT COMMITTEE:	<p>Dr. Salman Faridi Mr. Imran Azim Mr. Munir K. Bana</p>	<p>Chairman/Member Member Member</p>
CHIEF ACCOUNTANTS:	<p>Mr. Moazzam Hussain Hashmi Mr. Muhammad Zubair</p>	<p>Modaraba Management Company Modaraba</p>
COMPANY SECRETARY:	<p>Ms. Zunaira Dar</p>	
EXTERNAL AUDITORS:	<p>M/s Rahman Sarfaraz Rahim Iqbal Rafiq</p>	<p>Chartered Accountants</p>
EXTERNAL AUDITORS OF MODARABA MANAGEMENT COMPANY:	<p>M/s Yousuf Adil</p>	<p>Chartered Accountants</p>
LEGAL ADVISORS:	<p>Chima & Ibrahim</p>	<p>Advocates</p>
CORPORATE ADVISORS:	<p>Cornelius, Lane & Mufti</p>	<p>Advocates</p>
SHARIAH ADVISOR:	<p>Mufti Muhammad Javed Hassan</p>	
BANKERS:	<p>Al-Baraka Bank Pakistan Limited Allied Bank Limited Bank Al Habib Limited BankIslami Pakistan Limited Faysal Bank Limited Habib Metropolitan Bank Limited MCB Islamic Bank Ltd. Bank Alfalah Limited The Soneri Bank Limited</p>	<p>Habib Bank Limited Meezan Bank Limited Askari Bank Limited MCB Bank Limited National Bank of Pakistan The Bank of Punjab Dubai Islamic Bank Pakistan Limited JS Bank Limited United Bank Limited</p>
REGISTERED OFFICE / PLACE OF BUSINESS:	<p>72-B, Industrial Area, Kot Lakhpat, Lahore. Tel: 042-35830881, 35156567 & 35122296 Fax: 042-35114127 & 35215825 E-mail: info@treetonline.com Home Page: www.ftmm.com.pk</p>	
SHARES REGISTRAR:	<p>Corplink (Private) Limited Winges Arcade, 1-K, Commercial Model Town, Lahore</p>	
PACKAGING SOLUTIONS	<p>Kacha Tiba Rohi Nala, 22-KM</p>	
CORRUGATION:	<p>Ferozpur Road, Lahore</p>	
SOAP PLANT:	<p>Ghakkar 80 KM, G.T. Road, Ghakkar Mandi, Gujranwala</p>	
BATTERY PROJECT:	<p>Faisalabad Industrial City, M-3, Motorway Faisalabad</p>	

Directors' Profile



Mr. Imran Azim
Chairman

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

He is presently on Board of following Companies:

- Habib Asset Management Limited
- Fecto Sugar Mills Limited
- Treet Holdings Limited
- Treet Corporation Limited
- Global Arts Limited



Mr. Syed Shahid Ali
Chief Executive Officer

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

His portfolio includes:

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



Mr. Syed Sheharyar Ali
Non-Executive Director

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

His portfolio includes:

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



Mr. M. Shafique Anjum
Non-Executive Director

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

His portfolio includes:

- Treet Power Limited
- Global Assets (Pvt) Limited
- Treet Corporation Limited
- Treet HR Management (Pvt Limited)
- Treet Holdings Limited and
- Global Arts Limited

Directors' Profile



Mr. Dr. Salman Faridi
Independent Director

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

His portfolio includes:

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



Mr. Munir K. Bana
Non-Executive Director

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

His portfolio includes:

- Multiple Autoparts Industries (Pvt.) Limited
- Specialized Autoparts Industries (Pvt.) Limited
- Specialized Motorcycles (Pvt.) Limited
- Loads Limited
- Treet Holdings Limited
- Treet Corporation Limited
- Global Arts Limited



Ms. Sidra Fatima Sheikh
(Independent Director)

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

Mission, Vision Statements

MISSION STATEMENT

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

VISION STATEMENT

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

PRINCIPLE

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

EMPHASIS

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

SOCIAL RESPONSIBILITY

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

CORPORATE VALUES

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

Chairman's Review Report

Dear Certificate Holders,

I am pleased to present the Modaraba's annual report for the year ended June 30, 2022 and to comment on the Board's effectiveness in guiding the Modaraba towards achievement of its strategic goals.

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

The current members of the Board are fully abreast in the areas of business management, strategy, finance, corporate governance, legal and administration. Further, all members of the Board are cognizant of their fiduciary duty to the Modaraba and its Certificate Holders. As Chairperson of the Board, I ensure that all directors are encouraged to contribute and deliberate on strategic and governance-related topics, and that inputs from the independent directors, the director representing minority Certificate Holders, and the directors having relevant experience on such topics are consulted and given due consideration before taking any decision.

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

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

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

Furthermore, I would like to thank Mr. Shafique Anjum (Non-Executive Director), who has retired as a valuable member of the Board of Directors of the Modaraba, for all his contributions and valuable input regarding Board Matters. In his stead, Mr. Haroon Latif has joined the Board, as an Independent Director and on behalf of the Board of Directors, I welcome him and wish him the best of luck for his new role.



Mr. Imran Azim
Chairman

September 27, 2022
Lahore

Directors' Report

We are pleased to present the Directors' Report together with the Financial Statements (audited) for the year ended June 30, 2022. These accounts have been audited by statutory auditors of the Modaraba and are accompanied by their audit report.

ECONOMIC UNCERTAINTY IMPACT

The business environment during FY 2022 was generally unfavorable due to political and economic challenges faced by Pakistan adding more fuel to the miseries of our economy which has adversely effected businesses across the industries. The staggering increase in the prices of raw material, currency depreciation in the past 12 months, unprecedented increase in the policy rates, for the economy that is majorly "Import Dependent" for all basic to specialized raw material along with the uncertain political situation has made very hard for the businesses to survive.

Our business is no exception to these challenges, however, the dedication and hard work of our teams has somewhat restricted the above adverse economic impact. The operating and financial profile of the company has posted notable improvement across all key parameters including, sales liquidity, cost controlling and plant operations. Key reasons for the improved performance during FY 2022 are the growth in sales volume, improvement in plant efficiency, better cost management, price rationalization and reduction in financial cost. Despite the turbulent economic conditions, the company managed to perform much better than the previous year which helped to yield better results. Going forward, due to continuous improvements in our sale and marketing strategy, operational planning and cost management, we expect further improvement in sales volume, profitability and liquidity management.

FINANCIAL HIGHLIGHTS

Revenue for the year on consolidated basis increased to Rs. 7,678 million from Rs. 6,095 million, registering a significant growth of 25.98%. The company is currently operating in three segments; corrugated boxes, soaps and batteries. Sales volumes of corrugated and battery divisions increased by 29% and 37% respectively, whereas soap segment volume declined by 34.29%. The reason for shortfall in sales volume of Soap is on account of demand and supply in the market and the product mix.

The company was able to achieve gross profit for FY 2022 amounting to Rs. 284.72 million as against gross loss of Rs. 90.14 million of last corresponding period shows a significant improvement as a result of better & efficient cost management and price rationalization by the company. Sales volume of the battery segment reported an increase of 37% over previous years, which indicates that our product has made significant inroads in the market, which is primarily due to reliability and performance of our product that has enhanced the customer's confidence.

The company was able to improve operating loss in FY 2022 to Rs. 279.67 million from Rs. 692.20 million in FY 21 which is an above par achievement that was managed due to better cost management price rationalization and improved plant operations. Furthermore, in battery segment, reduction in advertisement and warranty claims proves that the company's brand has now made its strong presence in the market and our products are becoming popular among

customers as sales volumes are on increasing trend even with significant reduction in advertisement expenses and also the quality of our products has improved, which is evident from the decrease in warranty claims.

The financial cost has posted a significant decrease of 39.19%, from Rs. 789.99 million to Rs. 480.39 million due to conversion of loan from the parent company into equity. The continuous improvement in our battery segment is evident from the fact that its losses has reduced significantly as the company registered the net loss at Rs. 541.74 million in FY2022 as compared to net loss of Rs. 617.47 million of last corresponding period. Efforts are being made to bring the company in profit in the FY 2023.

FINANCIAL RESULTS :

	Rs. in 000	2021-2022	2020-2021	% Change
Sales (net)		7,678,361	6,094,863	25.98%
Gross Profit/(Loss)		284,719	(90,144)	415.85%
Operating Profit/(loss)		(279,673)	(692,196)	59.60%
Net Profit/(Loss)		(541,738)	(617,470)	12.26%
Earnings/(Loss) per Certificate		(0.63)	(2.42)	73.97%
Transfer to Statutory Reserve		Nil	Nil	
Book Value per Certificate		4.95	7.02	-30%

Auditors in the Audit report has drawn attention to Note 1.1 regarding the financial health of the Modaraba. The management has provided the mitigation plan to improve the operation of Modaraba.

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

1. Battery Prices Rationalization:

Battery pricing was continually reviewed in line with competitors and market dynamics. In line with the pricing strategy since July 2021, eight (8) price increases have been made which were absorbed by the market.

2. Improvement in Plant Efficiency:

Continuous improvement in manufacturing strategy that has resulted in better plant utilization and resultantly delivered enhanced production. Our overall plant utilization has been 56.05% compared to 47.91% in the previous year.

3. Reduction in Administrative Costs:

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

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

Directors' Report

4. Organizational Restructuring:

Following organizational restructurings have been made during the year.

A new COO battery division has been appointed effective August 2022. He has led a remarkable transformation in both domains through improving Plant reliability, enhancing Production Output, implementing lean inventory model and enabling record volumes. He will report to the Executive Director.

A new Head Sales & Marketing – Battery Davison has been appointed effective August 2022. The incumbent has extensive experience in battery sales in local market nationwide. A new position has been created to look into the export opportunities of the battery. Head Battery Exports and OEM (Original Equipment Manufacturer) has been appointed. It is expected that through his experience and expertise we will be able to tap the Exports market also our OEM business channel will improve.

5. Financial Plan:

In addition to the remedial measures for the continued and sustainable operational performance of the Modaraba, the sponsoring directors of the parent company in order to provide financial support to the Modaraba, safeguarding its capital base and improving its financial ratios, had approved the decision for the conversion of loan provided by parent company into equity fund of the Modaraba which had also been approved by the regulators during the year. Following this approval, 183,590,293 Modaraba certificate of Rs. 10 each have been issued to the parent company against its loan as shown under the current liabilities. Towards the endeavor of providing continued financial assistance, after reporting date the parent company and its sponsoring directors have also committed to lend Rs. 2 billion, to the Modaraba for the repayment of its debt from financial institutions. This loan will eventually be converted into Modaraba equity through "Issue other than right". This financial plan has been approved by the board of directors of the company. In view of the above stated facts, the management believes that Modaraba will continue to operate as a viable venture in foreseeable future.

Spin off Battery segment to separate a Company (Treet Battery Limited) is in progress. Execution of demerger plan is underway. Currently, the demerger case is pending adjudication at Lahore High court. It is expected that the Honourable Lahore High Court will approve the scheme in FY 2022/23.

Accordingly, the going concern assumption used by the management in the preparation of these financial statements is appropriate.

SEGMENT-WISE ANALYSIS

Rs. in 000	Corrugated Packaging		Soap		Battery	
	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021
Gross Sales	2,699,311	2,062,293	590,169	897,646	6,153,927	5,098,162
Inter-Segment Sales	2,833	12,632				
Less: Sales Tax & Excise & Discounts	(395,415)	(287,278)	100,409	(152,284)	(1,272,055)	(1,536,308)
Total Sales	2,306,729	1,787,647	489,760	745,362	4,881,872	3,561,854
Gross Profit/(Loss)	103,439	18,806	26,109	25,834	155,170	(134,784)
Gross Profit /(Loss) %	4.48%	1.05%	5.33%	3.47%	3.18%	-3.78%
Operating Profit/(Loss)	35,886	(45,985)	(18,956)	13,917	(296,605)	(660,796)
Operating Profit/(Loss) %	1.56%	-2.57%	-3.87%	1.87%	-6.08%	-18.53%

CORRUGATED PACKAGING

The net revenue for the year 2021-22 is Rs. 2,307 million which has increased by 29% as compared to last financial year. The business has posted a gross profit of Rs. 103 million compared to a gross profit of Rs. 18.8 million. The improvement is primarily due to better sales managements by focusing on high margin customers, cost controlling and improving plant operational efficiency.

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

SOAPS

The net revenue for the year 2021-22 is Rs.489.76 million which has decreased by 34.29% as compared to last financial year. Soaps sales volumes and margins have decreased due to increased cost of raw material (because of depreciation of the currency) and reduction in selling price. Prices are being rationalized to increase the margins in the coming months.

BATTERY PLANT

The battery segment has shown healthy increase in the volume which is approximately 37% higher compared to last year. The net revenue for the financial year 2021-22 is Rs. 4,882 million, which is 37% higher compared to last financial year. At this sale volume, the business has posted gross profit of Rs. 155.17 million which has improved by 215% compared to last financial year.

Furthermore, due to better management and control the administration & general and selling expenses has reduced by 14.25% compared to last year, which resultantly helped in reducing the operating loss to Rs. 296.6 million, which is 55% lower compared to last year.

DIVIDEND

Cash dividend is Nil % (2021: Nil) due to loss in Modaraba.

APPROPRIATIONS

	Rs. in '000
(Loss) for the Year	(541,738)
Un-appropriated loss brought forward	(7,810,787)
Transferred to Statutory Reserves (0.0%) for the year ended June 30, 2022	-
Incremental depreciation charged during the year	65,629
Transfer of revaluation surplus on disposal of asset	144,950
Un-appropriated loss carried forward	(8,141,947)
Final Dividend for the year ended June 30, 2022 @ Rs. Nil	Nil

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- The financial statements, prepared by the management of Modaraba, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.

Directors' Report

- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies are consistently applied by your Modaraba in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of these financial statements and any departure therefrom, if any, has been adequately disclosed.
- The system of Internal Controls, being implemented in your Modaraba is sound and has been effectively persisted throughout the year.
- Keeping in view the financial position of your Modaraba, we do not have any significant doubt upon its continuance as a going concern.
- There has not been any material departure from the best practices of corporate governance, as detailed in the listing regulations, during the year under review.

MEETINGS OF THE BOARD OF DIRECTORS

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

Name	Designation	26/ Oct/21	27/ Oct/21	24/ Feb/22	26/ Apr/22	2021- 2022
Imran Azim	Chairman/Non-Executive Director	P	P	P	P	4/4
Munir Karim Bana	Non-Executive Director	P	P	P	P	4/4
Dr. Salman Faridi	Independent Director	P	P	P	P	4/4
Sidra Fatima Sheikh	Independent Director	P	P	P	P	4/4
Syed Shahid Ali	Chief Executive Officer	A	P	A	A	1/4
Syed Sheharyar Ali	Executive Director	P	P	P	P	4/4
Muhammad Shafique Anjum	Non-Executive Director	P	P	A	P	3/4

P	Present
A	Absent

AUDIT COMMITTEE

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

Name	Designation	26/ Oct/21	27/ Oct/21	24/ Feb/22	26/ Apr/22	2021- 2022
Dr. Salman Faridi	Chairman/Independent Director	P	P	P	P	4/4
Munir Karim Bana	Non-Executive Director	P	P	P	P	4/4
Imran Azim	Non-Executive Director	P	P	P	P	4/4

P	Present
A	Absent

SHARI’AH ADVISOR:

Mufti Muhammad Javed Hassan is the Shari’ah advisor to the Modaraba. Annual Shari’ah Advisor’s Report is attached with this report.

PATTERN OF CERTIFICATE-HOLDING:

The pattern of certificate-holding of your Modaraba as on June 30, 2022 is annexed with this report. This statement is in accordance with the amendments made through the Code.

HR & ADMINISTRATION:

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

ACKNOWLEDGEMENT:

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

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

For and on behalf of the Board



Syed Shahid Ali
Chief Executive Officer

Dated: September 27, 2022
Lahore

شریعی مشیر

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

سرٹیفکیٹ ہولڈنگ کی وضع

30 جون 2022ء کو آپ کے مضاربہ کی سرٹیفکیٹ ہولڈنگ کی وضع رپورٹ کے ساتھ منسلک ہے۔ یہ بیان ضابطہ میں ترامیم کے عین مطابق ہے۔

HR اور ایڈمنسٹریشن

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

اظہار تشکر

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

منجانب/ برائے بورڈ



مؤرخہ: 27 ستمبر 2022ء

لاہور

سید شاہد علی

چیف ایگزیکٹو آفیسر

ڈائریکٹرز کی رپورٹ

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

بورڈ آف ڈائریکٹرز کے اجلاس

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

نام	عہدہ	26 اکتوبر 2021ء	27 اکتوبر 2021ء	24 فروری 2022ء	26 فروری 2022ء	2021-22
عمران عظیم	چیئر مین / نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
منیر کریم بانا	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
ڈاکٹر سلمان فریدی	خود مختار ڈائریکٹر	P	P	P	P	4/4
سدرہ فاطمہ شیخ	خود مختار ڈائریکٹر	P	P	P	P	4/4
سید شاہد علی	چیف ایگزیکٹو آفیسر	A	P	A	A	1/4
سید شہریار علی	ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
محمد شفیق انجم	نان ایگزیکٹو ڈائریکٹر	P	P	A	P	3/4

P اجلاس میں حاضر

A اجلاس سے غیر حاضر

آڈٹ کمیٹی

سال بھر میں بورڈ آڈٹ کمیٹی کے 04 اجلاس منعقد ہوئے۔ ان اجلاسوں میں ہر رکن کی حاضری حسب ذیل ہے:

نام	عہدہ	26 اکتوبر 2021ء	27 اکتوبر 2021ء	24 فروری 2022ء	26 فروری 2022ء	2021-22
ڈاکٹر سلمان فریدی	چیئر مین / خود مختار ڈائریکٹر	P	P	P	P	4/4
منیر کریم بانا	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
عمران عظیم	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4

P اجلاس میں حاضر

A اجلاس سے غیر حاضر

مقابلے میں 18.8 ملین روپے کا مجموعی منافع درج ہوا۔ زیادہ مارجن والے صارفین پر بھرپور توجہ، لاگت پر کنٹرول اور پلانٹ آپریشن کی کارکردگی میں بہتری لاکریٹل کے حجم میں بہتری کے باعث یہ مثبت پیش رفت سامنے آئی۔

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

صابن

گذشتہ برس کی نسبت سال 2021-22 کے لئے خالص آمدنی 34.29 فی صد کمی کے ساتھ 489.76 ملین روپے رہی۔ (روپے کی قدر میں کمی کی وجہ سے) خام مال کی قیمت میں اضافہ اور قیمت فروخت میں کمی کے باعث صابن کی فروخت کے حجم اور اہداف میں کمی واقع ہوئی۔ آئندہ مہینوں میں منافع کا مارجن بڑھانے کے لئے قیمتوں میں ردوبدل کیا جا رہا ہے۔

بیٹری پلانٹ

بیٹری کے شعبہ نے حجم میں بھرپور اضافہ کیا ہے جو گذشتہ برس کی نسبت تقریباً 37 فی صد زیادہ ہے۔

مالیاتی سال 2021-22 کے دوران خالص آمدنی 4,882 ملین روپے رہی جو گذشتہ مالیاتی سال کے مقابلے میں 37 فی صد زیادہ ہے۔ فروخت کے اس حجم پر کاروبار نے گذشتہ مالیاتی سال کی نسبت 215 فی صد بہتری کے ساتھ 155.17 ملین روپے کا کل منافع حاصل کیا۔

مزید برآں، بہتر انتظام اور کنٹرول کے باعث انتظامی اور عمومی اور سیلنگ اخراجات میں گذشتہ برس کی نسبت 14.25 فی صد کمی واقع ہوئی جس کے باعث آپریٹنگ خسارہ میں 296.6 ملین روپے کمی میں مدد ملی جو گذشتہ برس کی نسبت 55 فی صد کم ہے۔

منافع منقسمہ

مضاربہ میں نقصان کے باعث نقد منافع منقسمہ صفر فی صد رہا (2021: صفر)

تخصیصات

000 روپوں میں	
(541,738)	سال بھر میں (خسارہ)
(7,810,787)	غیر تخصیص شدہ خسارہ جو آگے لایا گیا
-	30 جون 2021ء کو اختتام پذیر سال کے لئے لازمی ذخائر میں منتقلی (0.0%)
65,629	سال بھر میں عائد تخفیف
144,950	اثاثہ جات کی فروخت پر سرپلس کی منتقلی
(8,141,947)	غیر تخصیص شدہ خسارہ جو آگے لایا گیا
صفر	حتمی منافع منقسمہ برائے سال ختم 30 جون 2022 بشرح صفر روپے

کاروباری و مالیاتی رپورٹنگ فریم ورک

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

- مضاربہ کی انتظامیہ کی تیار کردہ مالیاتی اسٹیٹمنٹس کمپنی کے کاروباری امور، آپریشنز کے نتائج، کیش فلوا اور ایکویٹی میں تبدیلی کی درست عکاسی کرتی ہیں۔
- مضاربہ کے کھاتوں کی باقاعدہ کتابیں تیار کی گئی ہیں۔

ڈائریکٹرز کی رپورٹ

بیٹری ڈیویژن میں اگست 2022ء میں نیا ہیڈ سٹیلز اینڈ مارکیٹنگ مقرر کیا گیا ہے۔ نئے ہیڈ کو ملکی سطح پر بیٹری کی فروخت کا مقامی سطح پر وسیع تجربہ حاصل ہے۔ بیٹری کے برآمدی مواقع کو بڑھانے کے لئے نئے تقرری کی گئی ہے۔ بیٹری ایکسپورٹس اور OEM (اور جنرل ایکو پمنٹ مینوفیکچرر) کی بھی تقرری کی گئی ہے۔ توقع کی جاتی ہے کہ ان کے تجربہ اور استعداد کے ذریعے ہم برآمدی منڈیوں میں دوبارہ سے قدم جمالیں گے اور ہمارا OEM بزنس چینل بھی بہتر ہوگا۔

مالیاتی منصوبہ

5.

مضاربہ کی مسلسل اور مستحکم آپریشنل کارکردگی کے لئے اٹھائے گئے تادیبی اقدامات کے علاوہ مضاربہ کو مالیاتی امداد فراہم کرنے، سرمایہ کو محفوظ بنانے اور مالیاتی تناسب کو بہتر بنانے کے لئے مرکزی کمپنی کے سپانسرنگ ڈائریکٹرز نے مرکزی کمپنی کے فراہم کردہ قرضہ کو مضاربہ کے ایکویٹی فنڈ میں تبدیل کرنے کے فیصلہ کی منظوری دی ہے اور ریگولیشنز نے بھی مذکورہ سال کے دوران اس کی منظوری دی ہے۔ اس منظوری کے بعد قرضے کی بابت مرکزی کمپنی کو 10 روپے فی سٹیکھولڈ مالیت کے 183,590,293 مضاربہ سٹیکھولڈ جاری کئے گئے جسے حالیہ واجبات میں درج کیا گیا ہے۔ مسلسل مالیاتی معاونت فراہم کرنے کے لئے رپورٹنگ تاریخ کے بعد مرکزی کمپنی اور اس کے سپانسرنگ ڈائریکٹرز نے مالیاتی اداروں کو قرضوں کی ادائیگی کے لئے مضاربہ کو 2 ارب روپے ادھار دینے کا ارادہ ظاہر کیا ہے۔ اس قرض کو بعد میں ’رائٹ کے علاوہ اجراء‘ کے ذریعے مضاربہ ایکویٹی میں تبدیل کیا جائے گا۔ کمپنی کے بورڈ آف ڈائریکٹرز نے اس مالیاتی منصوبہ کی منظوری دی ہے۔ مذکورہ بالا حقائق کی روشنی میں، انتظامیہ پر امید ہے کہ مضاربہ مستقبل میں قابل ستائش و پیچھے کے طور پر کام جاری رکھے گا۔

بیٹری شعبہ کی ایک علیحدہ کمپنی (ٹریٹ کمپنی لمیٹڈ) میں تبدیلی ایک کامیابی ہے۔ انضمام کا منصوبہ بھی جاری ہے۔ فی الوقت لاہور ہائی کورٹ میں انضمام کا مقدمہ زیر التوا ہے۔ امید کی جاتی ہے کہ ضل لاہور ہائی کورٹ مالیاتی سال 2022/23 میں مذکور سکیم کو منظور کر لے گی۔

اسی طرح سے انتظامیہ کی جانب سے ان مالیاتی اسٹیمٹس میں انتظامیہ کی کاروبار جاری رکھنے کی توقعات معقول ہیں۔

شعبہ کے لحاظ سے تجزیہ

(’000 روپوں میں)

بیٹری		صابن		کارو گیلڈ پیکیجنگ		
2020-21	2021-2022	2020-21	2021-2022	2020-21	2021-2022	
5,098,162	6,153,927	897,646	590,169	2,062,293	2,699,311	مجموعی فروخت
-	-	-	-	12,632	2,833	شعبوں کے مابین فروخت
(1,536,308)	(1,272,055)	(152,284)	100,409	(287,278)	(395,415)	منفی: سیلر ٹیکس، تجارتی رعایت اور شعبوں کے مابین فروخت
3,561,854	4,881,872	745,362	489,760	1,787,647	2,306,729	کل سیلز
(134,784)	155,170	25,834	26,109	18,806	103,439	مجموعی نفع / (نقصان)
-3.78%	3.18%	3.47%	5.33%	1.05%	4.48%	مجموعی نفع / (نقصان) %
(660,796)	(296,605)	13,917	(18,956)	(45,985)	35,886	آپریٹنگ نفع / (نقصان)
-18.53%	-6.08%	1.87%	-3.87%	-2.57%	1.56%	آپریٹنگ نفع / (نقصان) %

کارو گیلڈ پیکیجنگ

2021-22 کے لئے خالص آمدنی 2,307 ملین روپے رہی جس میں گزشتہ برس کی نسبت 29 فی صد اضافہ ہوا۔ کاروبار میں گزشتہ برس کے دوران 103 ملین روپے کے

000 روپوں میں

فی صد تبدیلی	2020-2021	2021-2022	
25.98%	6,094,863	7,678,361	فروخت (خالص)
415.85%	(90,144)	284,719	مجموعی نفع / (نقصان)
59.60%	(692,196)	(279,673)	آپریٹنگ نفع / (نقصان)
12.26%	(617,470)	(541,738)	خالص نفع / (نقصان)
73.97%	(2.42)	(0.63)	فی سرٹیفکیٹ آمدنی / (خسارہ)
	صفر	صفر	ذخائر میں منتقلی
-30%	7.02	4.95	فی سرٹیفکیٹ قیمت

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

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

1. بیٹری کی قیمتوں میں ردوبدل

منڈی کے اتار چڑھاؤ اور حریفوں کو مد نظر رکھتے ہوئے بیٹری کی قیمتوں پر مسلسل نظر ثانی کی گئی۔ پرائسنگ حکمت عملی کی روشنی میں جولائی 2021ء سے قیمتوں میں آٹھ (8) مرتبہ اضافہ کیا گیا ہے جسے مارکیٹ نے تسلیم کیا ہے۔

2. پلانٹ کی کارکردگی میں بہتری

مینوفیکچرنگ حکمت عملی میں مسلسل بہتری کے باعث پلانٹ کا بہتر استعمال ممکن ہوا جس کی وجہ سے پیداوار میں نمایاں اضافہ ہوا۔ پلانٹ کا مجموعی استعمال گزشتہ برس 47.91 فی صد کی نسبت 56.05 فی صد رہا۔

3. انتظامی اخراجات میں کمی

مقامی وسائل کو استعمال کرنے کی حکمت عملی پر عمل درآمد کے ذریعے بیٹری پلانٹ آپریشنز اب کئی طور پر تربیت یافتہ مقامی ٹیم کے زیر انتظام ہیں۔ اس طرح اضافی اخراجات میں نمایاں کمی واقع ہوئی۔ مقامی ٹیم کو صرف ایک غیر ملکی کورپوریشن معاونت حاصل ہے۔ جس کا دائرہ کار R&D اور کوالٹی کے شعبہ تک محدود ہے۔ کاروبار میں شعبہ میں مصنوعات کی قیمتوں میں نمایاں بہتری آئی ہے اور اس دورانہ میں قیمتوں میں ردوبدل بھی کیا گیا ہے اور مضاربہ نے لاگت میں اضافہ کے اثرات کو صارفین تک کامیابی سے منتقل کیا ہے۔ علاوہ ازیں، زیادہ منافع دینے والے صارفین پر توجہ دے کر بہتر سبیلز مینجمنٹ، پلانٹ آپریشنز میں بہتری اور کاسٹ کنٹرول نے کمپنی کو منافع بخش بنایا ہے۔

4. ادارہ جاتی ری سٹرکچرنگ

سال بھر میں مندرجہ ذیل ادارہ جاتی ری سٹرکچرنگ کی گئی:

اگست 2022ء میں بیٹری ڈیویژن میں ایک COO مقرر کیا گیا۔ انہوں نے پلانٹ کی استعداد میں بہتری اور اضافی پیداوار جیسے دونوں شعبوں کے علاوہ انویسٹری ماڈل کی ترتیب میں نمایاں اصلاحات کیں اور ریکارڈ جمع حاصل کیا۔ وہ ایگزیکٹو ڈائریکٹر کو رپورٹ کرتے ہیں۔

ڈائریکٹرز کی رپورٹ

ڈائریکٹرز کی رپورٹ

30 جون 2022ء کو اختتام پذیر سال کے لئے ہم کمپنی کی مالیاتی اسٹیٹمنٹس (پڑتال شدہ) کے ہمراہ ڈائریکٹرز کی رپورٹ ازراہ مسرت پیش کرتے ہیں۔ ان کھاتوں کی مضاربہ کے قانونی آڈیٹرز نے پڑتال کی ہے اور ان کی آڈٹ رپورٹ لف ہذا ہے۔

معاشی بے یقینی صورت حال کے اثرات

مالیاتی سال 2022ء کے دوران پاکستان کی معیشت کو درپیش سیاسی و معاشی چیلنجز کے باعث کاروباری ماحول عموماً ناسازگار رہا۔ جس نے ہماری معیشت کی بد حالی میں اہم کردار ادا کیا اور ہماری صنعت کے کاروبار کو بُری طرح متاثر کیا۔ خام مال کی تیزی سے بڑھتی ہوئی قیمتیں، گزشتہ 12 ماہ کے دوران روپے کی قدر میں کمی اور شرح سود میں تاریخی اضافے اور سیاسی بے یقینی کی صورت حال نے زیادہ تر ”درآمدات“ پر انحصار کرنے والی اس صنعت کے کاروبار کی بقا کو مشکل بنا دیا ہے۔

ہمارا کاروبار ان چیلنجز سے بالکل آزاد نہیں ہے البتہ ہماری ٹیم کی لگن اور ان تھک محنت نے کسی حد تک مذکورہ بالا بدترین معاشی اثرات کو کم کیا ہے۔ غیر مستحکم معاشی حالات کے باوجود کمپنی بہتر نتائج کے حصول کے لئے بہتر کارکردگی دکھانے میں کامیاب ہوئی ہے۔ مزید برآں، ہماری سیلز اور مارکیٹنگ حکمت عملی، آپریشنل پلاننگ اور لاگت پر کنٹرول جیسے عوامل میں لگا تار بہتری کے باعث ہم فروخت کے حجم، منافع اور لیویڈٹی مینجمنٹ میں مزید بہتری کی توقع رکھتے ہیں۔ سیاسی و معاشی بے یقینی کے باوجود ہمارا عزم گروپ کو بہتر سے بہترین منافع دلانے کے لئے برقرار ہے۔

مالیاتی خلاصہ

مجموعی طور پر سالانہ آمدنی میں 6,095 ملین روپے کی نسبت 7,678 ملین روپے اضافہ ہوا جو 5.98 فی صد کی نمایاں نمو عکاسی کرتا ہے۔ کمپنی فی الوقت تین شعبوں: کارو گیٹڈ باکسز، صابن اور بیٹری میں کام کر رہی ہے۔ کارو گیٹڈ اور بیٹری ڈیویژن کی فروخت کے حجم میں بالترتیب 29 فی صد اور 37 فی صد اضافہ ہوا جب کہ صابن کے شعبہ کے حجم میں 34.29 فی صد کمی واقع ہوئی۔ صابن کی فروخت میں کمی منڈی کی طلب و رسد میں اتار چڑھاؤ اور پڑکٹ کس میں کمی کے باعث سامنے آئی۔

کمپنی مالیاتی سال 2022ء میں گزشتہ برس کی اسی مدت میں 90.14 ملین روپے خسارے کی نسبت 284.72 ملین روپے کل منافع حاصل کرنے میں کامیاب ہوئی جو بہتر اور مربوط کاسٹ مینجمنٹ اور قیمتوں میں ردوبدل کے باعث ممکن ہوئی۔ شعبہ بیٹری کے سیلز حجم میں گزشتہ برس میں 37% اضافہ ہوا جس سے ظاہر ہوتا ہے کہ ہماری مصنوعات نے منڈی میں بہترین کارکردگی دکھائی ہے جو بنیادی طور پر ہماری پروڈکٹ کی بہترین کارکردگی اور پائیداری کے باعث ممکن ہوا جس کے باعث صارف کے اعتماد میں اضافہ ہوا۔

کمپنی آپریٹنگ خسارے میں بھی مالیاتی سال 2021ء میں 692.20 ملین روپے سے مالیاتی سال 2022ء کے دوران 279.67 ملین روپے تک کمی لانے کے قابل ہوئی جو لاگت پر بہتر کنٹرول اور مربوط پلانٹ آپریشنز کے باعث ایک فقید المثال کامیابی ہے۔ مزید برآں، شعبہ بیٹری میں اشتہارات اور وائرٹی کے دعووں میں کمی ثابت کرتی ہے کہ کمپنی نے منڈی میں اپنی برینڈ کو استحکام دیا ہے اور ہماری مصنوعات صارفین میں پذیرائی حاصل کر رہی ہیں کیونکہ تشہیری اخراجات میں نمایاں کمی اور ہماری مصنوعات کے معیار میں بہتری کے باعث فروخت کے حجم کاروبار بڑھتا جا رہا ہے جس کی وائرٹی و دعووں میں کمی سے بھرپور عکاسی ہوتی ہے۔

مرکزی کمپنی سے قرضوں کی ایکویٹی میں تبدیلی کے باعث مالیاتی لاگت میں 789.99 ملین روپے سے 480.39 ملین روپے یعنی 39.19 فی صد کمی نمایاں کی درج ہوئی۔ شعبہ بیٹری میں مسلسل بہتری اس حقیقت سے عیاں ہے کہ اس کے نقصانات میں کمی واقع ہوئی ہے کیونکہ کمپنی نے گزشتہ برس 617.47 ملین روپے خالص خسارے کے مقابلے میں مالیاتی سال 2022ء میں 541.74 ملین روپے خالص خسارہ درج کیا۔ مالیاتی سال 2023ء میں کمپنی کو منافع بخش بنانے کے لئے کوششیں جاری ہیں۔

Statement of Ethics and Business Practices

Guidelines to Business Conduct

EMPLOYEES

- No one should ask any employee to break the law, or go against Treet Group policies and values.
- We treat all employees equally and fairly.
- We do not tolerate any form of harassment.
- Information and necessary facilities are provided to perform jobs in a safe manner.
- Employees must not use, bring, or transfer illegal drugs or weapons on Treet Group property.
- Employees should report suspicious people and activities.

BUSINESS PARTNERS

- Avoid conflicts of interest and identify situations where they may occur.
- Do not accept or give gifts, favors, or entertainment if it will appear to obligate the person who receives it.
- Use and supply only safe, reliable products and services.
- Respect our competitors and do not use unfair business practices to hurt our competition.
- Do not have formal or informal discussions with our competitors on prices, markets or products, or production or inventory levels.
- Manufacture and produce products according to contract specifications.
- Market our products and services in an honest and fair manner.
- Do not compromise our values to make a profit.

BUSINESS RESOURCES

- Do not use inside information about the Treet Group for personal profit. Do not give such information to others.
- Do not use Treet Group resources for personal gain or any non-business purpose.
- Protect confidential and proprietary information.
- Do not use Treet Group resources to send, receive, access or save electronic information that is sexually explicit, promotes hate, violence, gambling, illegal drugs, or the illegal purchase or use of weapons.
- Do not make false or misleading entries into the companies' books or records (within a Treet Group).

COMMUNITIES

- Follow all laws, regulations and Treet Group policies that apply to your work.
- Do not entice or give money or anything of value to government officials to influence their decisions.
- We measure and assess our performance, and are open and clear in our environmental communications.
- When Treet Group's standards are higher than what is required by local law, we meet the higher standards.

Corporate Social Responsibility

TREET GROUP believes that a responsible attitude toward society and the environment can make a business more competitive, more resilient to shocks, and more likely to attract and hold both consumers and the best employees.

TREET GROUP feels that social attitude is a significant part of its risk management and reputation strategy. In a world where brand value and reputation are increasingly seen as a Treet Group's most valuable assets, responsible social attitude can build the loyalty and trust that ensure a bright sustainable future.

Fundamental to success for Treet Group (and to our vision and corporate values) are based on following premises:

CUSTOMERS

Our future existence relies on understanding and satisfying our customers' present and future needs. Our goal is to be recognized by our customers as a high quality, innovative and cost effective supplier, and the most desirable to do business with. We recognize that, as a result, the next person in the process is our customer.

OUR PEOPLE

We value our family of employees as essential to the success of our Treet Group. We aim to develop a long term trusting relationship with each employee, encouraging their contributions and assisting in their personal development and education. In all dealings we will be fair and consistent.

PRODUCTS AND SERVICES

We are recognized at large by our end products and services. We will endeavor to produce technologically advanced products and services that offer superior quality and value. Continued innovation and improvement are critical to our survival and growth.

SUPPLIERS

We view suppliers of goods and services as an extension of our Treet Group, with whom we wish to develop long term trusting relationships. We expect our suppliers to embrace our quality improvement philosophy in their dealing with us.

CERTIFICATE HOLDERS

We aim to be a Group in whom our certificate holders have trust and pride. We will keep our certificate holders properly informed of our Treet Group's performance and prospects. We recognize the need to provide our certificate holders with an excellent return on investment, consistent with long term growth.

PLANNING

All short term decisions will be consistent with long term objectives that balance the needs of our people, customers, suppliers and certificate holders. Each year these objectives will be widely communicated within our Treet Group.

Investment / Funding and Dividend Policies

QUALITY IMPROVEMENT

We believe in step by step continual improvement of everything that we are engaged in, including our administration, marketing, sales, design, service, distribution and manufacturing. We will encourage crossfunctional communication and co-operation to aid this.

ENVIRONMENT

Reflecting our commitment to a cleaner world, we aim to develop products and manufacturing processes which are as friendly to the environment as practicable.

SOCIETY

We will conduct our business at all times in a fair, ethical, consistent and professional manner. We accept our responsibilities to be a responsible community neighbour, and will continue to support community affairs.

HEALTH, SAFETY AND ENVIRONMENT POLICY

It is Treet Group policy to;

- Minimize its environmental impact, as much as economically and practically possible
- Save raw material, water and energy and avoid wastage (and reprocess the waste to the maximum possible extent)
- Ensure that all its present and future activities are conducted safely without endangering the health of its employees, its customers and the public
- Develop plans and procedures and provide resources to successfully implement the policy and for dealing effectively with any emergency
- Provide environmental, health and safety training to all employees and other relevant persons to enable them to carry out their duties safely without causing harm to themselves, others and to the environment
- Ensure that all its activities comply with national environmental, health and safety regulations

DONATIONS , CHARITIES , CONTRIBUTIONS AND OTHER PAYMENTS OF A SIMILAR NATURE

Companies within Treet Group are, subject to Board's approval, encouraged to provide support to local communities through donations, charities etc. to fulfill its duty towards social cause. But companies in our Treet Group will not, in any case, contribute any amount;

- (a) to any political party; or
- (b) for any political purpose to any individual or body.

Moreover, companies in **Treet Group** shall not distribute gifts in any form to its members in its meeting.

Investment / Funding and Dividend Policies

INVESTMENT POLICY

- The Executive Committee of the Directors is responsible for seeking/evaluating and recommending either;
- Portfolio Investments (i.e. in Shares/ Securities etc. (Fresh Issues or Market Purchase) or Financial claims); or
- Investment in New Projects (either equity based or loan based); or
- Joint Ventures; or
- Investment in Intangibles (Goodwill/ Trade Marks/ Patents etc.)

Moreover, Executive Committee ensures that Proposed Investments are set out in Treet Group's vision and Strategic domain.

FUNDING POLICY

It is Treet Group's policy not only to utilize funds efficiently but also to seek funds from the cheapest source(s).

Treet Group advertently evaluates, from time to time, different funding options for;

- Working Capital Requirements (including import/export financing)
- Medium Term Rollovers/Capital Requirements
- Long Term Project Based Requirements

These funding options may include;

- Internally Generated Funds*
- Bank Borrowings (Short Term as well as Long Term)
- Trade & Sundry Credits
- Debt Instruments (Commercial Papers/ Bonds/ TFC etc.) issued to Institutions or Public in general
- Subordinate- Debts
- Leasing (Operating as well as Capital)
- Equity Financing etc.

*This includes Intra-Treet Group resource sharing. Corporate strategy (by the parent Company i.e. Treet Corporation Limited) will seek to develop synergies by sharing and coordinating staff and other resources across business units, investing financial resources across business units, and using business units to complement other corporate business activities.

Moreover, the above funding options may augment other ancillary financial products (i.e. derivatives like shares options etc.).

DIVIDEND POLICY

The companies in Treet Group in general meeting may declare dividends; but no dividend shall exceed the amount recommended by the directors; and

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

For the Year ended June 30, 2022

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

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

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

2. The composition of the Board is as follows:

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

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

- 3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Modaraba.
- 4. The Modaraba has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
- 5. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Modaraba. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Modaraba.
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / certificate holders as empowered by the relevant provisions of the Act and these Regulations.
- 7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
- 8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The board arranged training program for the following director during the year.

(i) Syed Sheharyar Ali.

CCG regulations encourages the director training program of all directors. Being a responsible and compliant, Modaraba has already arranged DTP for one director whereas three directors are exempt. The remaining three directors are expected to attain DTP certification in due course.

10. No new appointments have been made during the year for the Chief Financial Officer (CFO), the Modaraba Secretary and the Head of Internal Audit. However, all such appointments including their remuneration and terms and conditions of employment were duly approved by the Board and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committee comprising of members given below:

Audit Committee

Dr. Salman Faridi	(Chairman)
Mr. Imran Azim	(Member)
Mr. Munir Karim Bana	(Member)

Human Resource Committee

Human Resource committee has not been formed as all the work force is outsourced.

13. The terms of reference of the aforesaid committee have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the committees were as per following:

a) Audit Committee (4 Quarterly)

15. The Board has outsourced the internal audit function to M/s Ernst & Young Ford Rhodes, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, Modaraba secretary or director of the Modaraba.

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

For the Year ended June 30, 2022

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of Regulations 3,6,7,8,27,32,33 and 36 of the Regulations have been complied with.

For and Behalf of the Board of Directors



Syed Shahid Ali
Chief Executive Officer

Lahore
27th September 2022

Shari'ah Advisor's Report

First Treet Manufacturing Modaraba (June 30, 2022)

I have conducted the Shari'ah review of First Treet Manufacturing Modaraba managed by Treet Holdings Limited Modaraba Management Company for the financial year ended June 30, 2022 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles.
- ii. The major developments took place during the period included ancillary Shari'ah Compliant Products, arrangements for the Equity of Treet Corporation under guidelines issued by the Regulator and staff trainings during the period.
- iii. The agreement(s) entered by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board of SECP and all the related conditions have been met.
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba, and overall business operations are in conformity with the Shari'ah requirements.
- v. History of certain cases reviewed and approved them according to Shari'ah guidelines
- vi. Shari'ah compliance review has been conducted and some cases which were required to be consulted in accordance with Shari'ah principles has been discussed with concerned staff and dully resolved.
- vii. Charity amount has been credited to Charity Account.

Observation(s):

Modaraba has an account in conventional bank which is not in compliance with Shari'ah principles. Modaraba shall transfer this account to an Islamic bank.

May Allah make us successful in this world and hereafter and forgive our mistakes.



MUFTI MUHAMMAD JAVED HASSAN
SHARI'AH ADVISOR

Lahore:
27th September 2022

Independent Auditor's Review Report

To the Certificate holders of First Treet Manufacturing Modaraba
Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **First Treet Manufacturing Modaraba** for the year ended 30 June, 2022 in accordance with the requirements of Regulation No. 36 of the Regulations.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2022.



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Rashid Rahman Mir

Lahore
6th October 2022

UDIN: CR202210146uW5fdwqPY

Auditors' Report to The Certificate-Holders

We have audited the annexed balance sheet of First Treet Manufacturing Modaraba (the Modaraba) as at 30 June 2022 and the related profit and loss account and the statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) In our opinion, proper books of accounts have been kept by the modaraba management company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) In our opinion:
 - i. the balance sheet and profit and loss account and the statement of other comprehensive income together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2022 and of the loss and other comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Emphasis of Matter

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

The Modaraba has earned a gross profit of Rs. 284.720 million (2021: gross loss of Rs. 90.144 million), due to increase in turnover of Rs. 1,583 million over the previous year which is attributable to increase in sales of battery and corrugation segments and a slight decrease in sales of soap segment. The Modaraba has incurred a net loss after tax of Rs. 541.737 million (2021: Rs. 617.470 million) during the year, which increased its accumulated loss to Rs. 8,141.945 million (2021: Rs. 7,810.787 million) as at 30 June 2022. The Modaraba has also shown adverse current ratio at the reporting date. These

Auditors' Report to The Certificate-Holders

situations indicate the existence of material uncertainty about the conditions and events regarding the future operations of the Modaraba which may cast significant doubt about the Modaraba's ability to continue as a going concern and, therefore, the Modaraba may be unable to realize its assets and discharge its liabilities in the normal course of business.

Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Modaraba for the year ended 30 June 2021, were audited by another auditor who issued an unmodified report on the financial statements on 29 October 2021 with Emphasis of Matter paragraphs.



Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
(Engagement Partner: Rashid Rahman Mir)

Lahore
6th October 2022

UDIN: AR2022101463tCo78XE9

Balance Sheet

As at 30 June 2022

	Note	2022 (Rupees in thousand)	2021
Assets			
Non-current assets			
Property, plant and equipment	4	8,368,276	8,600,603
Right of use asset (ROU)	5	25,641	62,607
Long term deposits	6	59,013	44,955
		8,452,930	8,708,165
Current assets			
Stores and spares	7	117,501	86,952
Stock in trade	8	1,164,970	1,136,376
Short term investment	9	-	60,000
Trade debtors	10	765,525	702,920
Advances, deposits, prepayments and other receivables	11	156,382	87,168
Tax refunds due from the Government	12	684,804	726,765
Cash and bank balances	13	237,036	111,200
		3,126,218	2,911,381
Non current assets held for sale	14	-	380,275
Total current assets		3,126,218	3,291,656
Total assets		11,579,148	11,999,821
Equity and liabilities			
Certificate capital and reserves:			
Certificate capital	15	8,835,903	7,000,000
Deposits for purchase of certificates	16	1	1,835,904
Capital reserves			
Statutory reserve	17	511,941	511,941
Certificate premium	18	1,952,870	1,952,870
Surplus on revaluation of property, plant and equipment	19	1,212,893	1,423,472
		3,677,704	3,888,283
Revenue reserves			
Accumulated loss		(8,141,947)	(7,810,787)
Certificate holders' equity		4,371,661	4,913,400
Non-current liabilities			
Lease liability	20	18,962	40,126
Deferred taxation	21	314,347	386,279
		333,309	426,405
Current liabilities			
Retention money payable		11,590	12,953
Current portion of lease liability	20	5,604	14,385
Short term borrowings	22	5,569,103	5,242,113
Trade and other payables	23	1,090,167	1,236,768
Accrued profit on secured borrowings		101,734	61,623
Provision for taxation		95,980	92,174
		6,874,178	6,660,016
Contingencies and commitments	24	-	-
Total equity and liabilities		11,579,148	11,999,821

The annexed notes 1 to 41 form an integral part of these financial statements.

LAHORE
27th September 2022



Syed Shahid Ali
Chief Executive Officer



Mohtashim Aftab
Group Chief Financial Officer



Syed Sheharyar Ali
Director



Imran Azim
Director

Profit and Loss Account & the Statement of Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021
Revenue - net	25	7,678,361	6,094,863
Cost of sales	26	(7,393,642)	(6,185,007)
Gross profit/ (loss)		284,719	(90,144)
Operating expenses			
Administration and general expenses	27	(78,296)	(123,736)
Selling and distribution expenses	28	(421,628)	(448,128)
Other expenses	29	(64,468)	(30,188)
		(564,392)	(602,052)
Operating loss		(279,673)	(692,196)
Finance cost	30	(480,392)	(789,992)
Other income	31	241,256	946,450
Loss before taxation		(518,809)	(535,738)
Taxation	32	(22,929)	(81,732)
Loss after taxation		(541,738)	(617,470)
Other comprehensive income -			
<i>Items that may not be reclassified to profit and loss account</i>			
Surplus on revaluation of property, plant and equipment		-	1,405,203
Less: Deferred tax attributable to revaluation surplus		-	(387,449)
		-	1,017,754
<i>Items that may be reclassified to profit and loss account</i>		-	-
Total comprehensive (loss)/ income for the year		(541,738)	400,284
Loss per Modaraba certificate -basic and diluted	33	(0.63)	(2.42)

The annexed notes 1 to 41 form an integral part of these financial statements.

LAHORE
27th September 2022


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Sheharyar Ali
Director


Imran Azim
Director

Statement of Changes in Equity

For the year ended 30 June 2022

	Capital Reserves				Revenue Reserve	Total	
	Certificate capital	Deposit for purchase of Certificates	Certificate premium	Statutory reserve	Surplus on revaluation of Property, plant & equipment - net of tax		Accumulated loss
------(Rupees in thousand)-----							
Balance as at 1 July 2020	1,956,000	-	1,952,870	511,941	407,835	(7,195,434)	(2,366,788)
Total comprehensive income for the year							
Loss after taxation	-	-	-	-	-	(617,470)	(617,470)
Other comprehensive income	-	-	-	-	1,017,754	-	1,017,754
	-	-	-	-	1,017,754	(617,470)	400,284
Transactions with the entity's owners							
Surplus transferred to accumulated loss on account of - Incremental depreciation charged during the year - net of deferred tax	-	-	-	-	(2,117)	2,117	-
Conversion of borrowings from Treet Corporation Limited into certificate capital	5,044,000	-	-	-	-	-	5,044,000
Transferred from short term borrowings - Treet Corporation Limited	-	1,835,904	-	-	-	-	1,835,904
Balance as at 30 June 2021	7,000,000	1,835,904	1,952,870	511,941	1,423,472	(7,810,787)	4,913,400
Total comprehensive income for the year							
Loss after taxation	-	-	-	-	-	(541,738)	(541,738)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(541,738)	(541,738)
Transactions with the entity's owners							
Surplus transferred to accumulated loss on account of - Incremental depreciation charged during the year - net of deferred tax	-	-	-	-	(65,629)	65,629	-
Disposal of assets held for sale	-	-	-	-	(144,950)	144,950	-
Issuance of certificate capital to Treet Corporation Limited from deposit for purchase of certificates	1,835,903	(1,835,903)	-	-	-	-	-
Balance as at 30 June 2022	8,835,903	1	1,952,870	511,941	1,212,893	(8,141,947)	4,371,661

The annexed notes 1 to 41 form an integral part of these financial statements.

LAHORE
27th September 2022



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Chief Executive Officer



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Group Chief Financial Officer



Syed Sheharyar Ali
Director



Imran Azim
Director

Cash Flow Statement

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021
Cash flow from operating activities			
Loss before taxation		(518,809)	(535,738)
Adjustment for non-cash items:			
Depreciation on operating fixed assets		310,641	394,697
Depreciation on ROU asset		6,745	15,652
(Gain)/ loss on disposal of fixed assets		(201,776)	82
Allowance for expected credit losses		24,534	-
CWIP expensed out		-	16,183
Impairment of other receivables - Loads Limited, related party		-	7,520
Write down in the value of stock in trade		-	2,434
Provision for warranty		127,696	160,532
Reversal of impairment under expected credit loss		-	(20,091)
Exchange loss/ (gain)		17,342	(2,143)
Fair value gain on operating fixed assets		-	(915,965)
Loss on lease cancellation		4,735	-
Finance cost		480,392	789,992
		770,309	448,893
Operating profit/ (loss) before working capital changes		251,500	(86,845)
(Increase)/ decrease in current assets:			
Stores and spares		(30,549)	18,719
Stock in trade		(28,594)	77,763
Short term investment		60,000	(60,000)
Trade debtors		(62,605)	(137,315)
Advances, deposits, prepayments and other receivables		(69,213)	37,868
Tax refunds due from the Government		25,038	133,162
		(105,923)	70,197
Increase / (decrease) in current liabilities:			
Retention money payable		(1,363)	(1,610)
Trade and other payables		(318,781)	523,188
Cash (used in)/ generated from operations		(174,567)	504,930
Finance cost paid		(794,216)	(993,534)
Income tax paid - net		(74,133)	(16,139)
Long term deposits		(14,058)	(1,704)
Net cash used in operating activities		(1,056,974)	(506,447)
Cash flow from investing activities			
Additions in capital work in progress		(78,315)	(12,752)
Proceeds from sale of operating fixed assets		540,051	126
Net cash generated from/ (used in) investing activities		461,736	(12,626)
Cash flow from financing activities			
Short term borrowings acquired from banking companies - net		(1,143,521)	(138,980)
Payment of lease liability including prepayments		(7,114)	(15,980)
Borrowings from related party - parent company - net		1,827,101	609,637
Net cash generated from financing activities		676,466	454,677
Net increase/ (decrease) in cash and cash equivalents		81,228	(64,395)
Cash and cash equivalents at the beginning of the year		72,573	136,968
Cash and cash equivalents at the end of the year		153,801	72,573
The reconciliation in cash and cash equivalents is as follows:			
Cash and bank balances	13	237,036	111,200
Temporary book overdraft - unsecured	23	(83,235)	(38,626)
Cash and cash equivalents at the end of the year		153,801	72,574

The annexed notes 1 to 41 form an integral part of these financial statements.

LAHORE
27th September 2022


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Sheharyar Ali
Director


Imran Azim
Director

Notes to the Financial Statements

For the year ended 30 June 2022

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 First Treet Manufacturing Modaraba (the Modaraba) is a multipurpose, perpetual and multi dimensional Modaraba formed on 27 July 2005 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there under and is managed by Treet Holdings Limited (a wholly owned subsidiary of Treet Corporation Limited, a parent Company of the Modaraba), incorporated in Pakistan under the (repealed) Companies Ordinance, 1984 and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba and its management company is situated at 72 - B, Kot Lakhpat, Industrial Area, Lahore. The Modaraba is listed on Pakistan Stock Exchange Limited (Formerly Lahore Stock Exchange (Guarantee) Limited). The Modaraba is engaged in the manufacture and sale of corrugated boxes, soaps and batteries.

1.2 The Modaraba has earned a gross profit of Rs. 284.719 million (2021: gross loss of Rs. 90.144 million) and net loss after tax of Rs. 541.738 million (2021: Rs. 617.470 million) during the year, whereas its accumulated loss of Rs. 8,141.947 million (2021: Rs. 7,810.787 million) stated at 30 June 2022. The Modaraba has also shown adverse current ratio at the reporting dates. These situations indicate the existence of material uncertainty about the conditions and events regarding the future operations of the Modaraba which may cast significant doubt about the Modaraba's ability to continue as a going concern and, therefore, the Modaraba may be unable to realize its assets and discharge its liabilities in the normal course of business.

For the year turnover is Rs. 7,678.361 million, registering an increase of Rs. 1,583.499 million (26%) over the previous year. The increase in turnover is mainly attributable to increase in sales of battery and corrugation, partially offset by decreased sales of soap segment.

For the year, net loss is Rs. 541.738 million which shows significant improvement over the last year (2021: net loss Rs. 617.470 million). The improvement is primarily due to increased sales volumes and increase in sales price, resulted in better absorption of fixed overheads hence improvement in gross profit to Rs. 284.719 million (2021: Gross loss Rs. 90.144 million) and improvement in battery plant efficiency and rationalization of costs through rigorous cost controlling measures has helped in reducing the losses.

To continually improve the operation of the Modaraba the management has following plan that has been approved by the Board of Directors (BOD) and is at different stages of implementation:

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

i) Battery Prices Rationalization:

Battery pricing was continually reviewed in line with competitors and market dynamics. In line with the pricing strategy since July 2021, eight (8) price increases have been made which were absorbed by the market.

ii) Improvement in plant efficiency:

Continuous improvement in manufacturing strategy that has resulted in better plant utilization and resultantly delivered enhanced production.

iii) Reduction in administrative costs:

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

Notes to the Financial Statements

For the year ended 30 June 2022

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

iv) Organizational restructuring:

Following organizational restructurings have been made during the year:

A new COO-battery division has been appointed effective August 2022. He is expected to lead remarkable transformation in both domains through improving plant reliability, enhancing production output, implementing lean inventory model and enabling record volumes. He will report to the Executive Director.

- A new Head Sales & Marketing – battery division has been appointed effective August 2022. The incumbent has extensive experience in battery sales in local market nationwide.
- A new position has been created to look into the export opportunities of the battery. Head Battery Exports and OEM (Original Equipment Manufacturer) has been appointed. He will use his experience and expertise to enhance Exports and OEM business channels.

v) Financial plan:

In addition to the remedial measures for the continued and sustainable operational performance of the Modaraba, the sponsoring directors of the parent company in order to provide financial support to the Modaraba, safeguarding its capital base and improving its financial ratios, had approved the decision for the conversion of loan provided by parent company into equity fund of the Modaraba which had also been approved by the regulators in previous year. Following this approval, 183,590,293 Modaraba certificate of Rs. 10 each have been issued to the parent company during the current year from the amount transferred to deposit for purchase of certificates during last year. Towards the endeavor of providing continued financial assistance, after reporting date the parent company and its sponsoring directors have also committed to lend Rs. 2 billion, to the Modaraba for the repayment of its debt from financial institutions. This loan will eventually be converted into Modaraba equity through "Issue other than right". This financial plan has been approved by the BOD of the company. In view of the above stated facts, the management believes that the Modaraba will continue to operate as a viable venture in foreseeable future.

Accordingly, the going concern assumption used by the management in the preparation of these financial statements is appropriate.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan, provisions of and directives issued under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by Securities and Exchange Commission of Pakistan (SECP). In case requirements of IFRS differ, the provisions of or directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP shall prevail.

Notes to the Financial Statements

For the year ended 30 June 2022

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for land, buildings and plant and machinery which are carried at revalued amount and stock in trade which is carried at the lower of cost and net realizable value.

2.3 Presentation

The financial statements have been presented in Pak Rupees, which is also the Company's presentation and functional currency. Figures have been rounded off to the nearest Rupee in thousands. The corresponding figures are regrouped/ rearranged for the purpose of comparison. Appropriate disclosure is given in relevant note in case of material rearrangement.

2.4 Significant accounting estimates, judgements and assumptions

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2022

2.4.3 Revaluation of property, plant and equipment

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

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

2.4.4 Recoverable amount of non financial assets and impairment

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

2.4.5 Stock in trade and stores and spare parts

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

2.4.6 Allowance for expected credit losses

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

2.4.7 Provision for warranty

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

2.4.8 Employees' retirement benefits

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

Notes to the Financial Statements

For the year ended 30 June 2022

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

2.4.9 Contingencies

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

2.4.10 Provision for income taxes

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

2.5 INITIAL APPLICATION OF A STANDARD, AMENDMENT OR AN INTERPRETATION TO AN EXISTING STANDARD AND FORTHCOMING REQUIREMENTS

a) Standards and interpretations that became effective but are not relevant to the Modaraba:

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Modaraba other than increased disclosures in certain cases:

- IFRS 9 - Financial Instruments (Amendment regarding interest rate benchmark reform-Phase-2).
- IAS 39 - Financial Instruments: Recognition and Measurement - (Amendment regarding interest rate benchmark reform-Phase-2).
- IFRS 7 - Financial Instruments: Disclosures - (Amendment regarding interest rate benchmark reform-Phase-2).
- IFRS 16 Leases- (Amendment regarding interest rate benchmark reform-Phase-2).
- IFRS-16 Leases- (Amendment to Covid-19 related rent concession beyond 30 June 2021).

b) Forthcoming requirements not effective in current year and not considered relevant:

The following standards (revised or amended) and interpretations became effective for annual periods beginning on or after the mentioned dates but are either not relevant or do not have any material effect on the financial statements of the Modaraba other than increased disclosures in certain cases:

- IFRS 3 - Business Combinations - (Amendments updating a reference to the Conceptual Framework)- (applicable for annual periods beginning on or after 1 January 2022).
- IFRS 9 - Financial Instruments - (Amendments to 10 percent test for derecognition of financial liabilities in fee)-(applicable for annual periods beginning on or after 1 January 2022).

Notes to the Financial Statements

For the year ended 30 June 2022

- IFRS 10/ IAS 28 - Consolidated Financial Statements and Investment in Associates - (Amendment regarding the sale or contribution of assets between an investor and its associate or joint venture) - (Application date not yet finalized).
- IAS 16- Property, Plant and Equipment - (Amendments regarding proceeds before intended use) - (applicable for annual periods beginning on or after 1 January 2022).
- IAS 1- Presentation of Financial Statements - (Amendment regarding classification of liabilities as current and non-current)- (Effective for annual periods beginning on or after 1 January 2023).
- IAS 1- Presentation of Financial Statements - (Amendments regarding the disclosure of accounting policies)- (Effective for annual periods beginning on or after 1 January 2023).
- IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors - (Amendments regarding the definition of accounting estimates)- (Effective for annual periods beginning on or after 1 January 2023).
- IAS 12- Income Taxes - (Amendments regarding deferred tax related to assets and liabilities arising from single transaction)- (effective for annual periods beginning on or after 1 January 2023).
- IAS 16- Property, Plant and Equipment - (Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use)- (effective for annual periods beginning on or after 1 January 2022).
- IAS 37- Provisions, Contingent Liabilities and Contingent Assets - (Amendments regarding the costs to include when assessing whether a contract is onerous)- (effective for annual periods beginning on or after 1 January 2022).
- IAS 41 - Agriculture - (Amendment regarding taxation in fair value measurement) - (effective for annual periods beginning on or after 1 January 2023).

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (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 17 – Insurance Contracts

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Taxation

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

Current

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

Notes to the Financial Statements

For the year ended 30 June 2022

Deferred

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

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

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

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

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

3.2 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any except for freehold land, buildings, leasehold improvements and plant and machinery. Freehold land is stated at revalued amount carried out by independent valuers by reference to its current market price less impairment loss, if any (refer to note - 4.1.5). Buildings, leasehold improvements and plant and machinery are stated at revalued amounts carried out by independent valuers by reference to its current market price less accumulated depreciation and impairment loss, if any (refer to note - 4.1.5). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the buildings, and the net amount is restated to the revalued amount of the plant and machinery. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs. The cost of self constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the assets to a working condition for their use as intended by the management.

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

Residual value and the useful life of assets are reviewed at each financial year end, and adjusted if expectations differ significantly from previous estimates and impact on depreciation is significant.

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

Notes to the Financial Statements

For the year ended 30 June 2022

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized as income or expense in the profit and loss account.

Capital work in progress

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

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

3.3 Right-of-use asset

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

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

3.4 Non-current assets held for sale

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2022

3.5 Lease liability

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

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

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

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

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

3.6 Stores and spares

These are valued at the lower of cost and net realizable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost plus directly attributable expenses incidental thereto accumulated up to the date of balance sheet. The Modaraba reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools.

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

3.7 Stock in trade

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

3.8 Trade and other receivables

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

Notes to the Financial Statements

For the year ended 30 June 2022

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

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

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, current and deposit account balances with banks net of overdrawn book balances, if any.

3.10 Trade and other payables

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

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

3.11 Financial instruments

Recognition and measurement

Financial assets and liabilities are recognized, when the Modaraba becomes a party to the contractual provisions of the instrument and derecognized when the Modaraba loses control of the contractual rights to receive cash flows from the assets that comprise the financial asset or the rights have been transferred and the Modaraba has transferred substantially all the risks and rewards of ownership or the enterprise loses control of the contractual rights that comprise financial assets or a portion of financial assets. In case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

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

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

Financial assets

(a) Financial Asset at Amortized Cost

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

Notes to the Financial Statements

For the year ended 30 June 2022

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

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

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

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

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

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

Recognition and measurement

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

Financial liabilities

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

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

Offsetting of financial assets and financial liabilities

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

Notes to the Financial Statements

For the year ended 30 June 2022

3.12 *Impairment*

Financial assets

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

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

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

Non-financial assets

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

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.13 *Equity, reserves and profit distribution*

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

Retained earnings/ accumulated loss include all current and prior period retained profits/ losses.

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

Notes to the Financial Statements

For the year ended 30 June 2022

3.14 Surplus on revaluation of property, plant and equipment

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

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

3.15 Borrowings and borrowing costs

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

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

3.16 Employees retirement benefits - related party

Defined contribution scheme

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

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

A recognized contributory fund scheme namely "Treet Corporation Limited - Group Employees Benevolent Fund" in operation for the benefit of employees if the employee opts for the scheme. The contributions to the fund are made @ 10% of employees basic salary on monthly basis by both employee and the Group. Periodic bonuses by the Modaraba to all the employees in any year, not exceeding one month's basic salary of an employee, is credited to his personal account in the Fund at the sole discretion of the Modaraba. The BOD of the parent company of the Modaraba has frozen this fund w.e.f. 04 February 2020 and no contribution is being credited to the fund since that date.

Notes to the Financial Statements

For the year ended 30 June 2022

An unrecognized contributory fund scheme namely, "Treet Corporation Limited - Group Employees Housing Fund Scheme" is in operation covering permanent management employees with minimum five years of service with the Modaraba. Equal contributions are made monthly both by the Group and employees in accordance with the rules of the Scheme at 20% of the basic pay. The BOD of the parent company of the Modaraba has freezed this fund w.e.f. 04 February 2020 and no contribution is being credited to the fund since that date.

Defined benefit scheme

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

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

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

3.17 Provisions

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

3.18 Contingencies and commitments

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

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

The assessment of contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Modaraba, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence/ non occurrence of the uncertain future events.

Notes to the Financial Statements

For the year ended 30 June 2022

3.19 Related party transactions

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

3.20 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees which is the Modaraba's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date.

Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account. All non monetary assets and liabilities are translated in Pak Rupees using the exchange rates prevailing on the date of transaction or at the date when the fair value was determined.

3.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the BOD of the Modaraba that makes strategic decisions. Segments reported are corrugated boxes, soaps and batteries which also reflects the management structure of the Modaraba.

3.22 Warranty costs

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

3.23 Revenue recognition

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

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

Notes to the Financial Statements

For the year ended 30 June 2022

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

Income from the following sources is recognized as under:

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

3.24 Earning per Modaraba certificate (EPC)

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

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

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2022 (Rupees in thousand)	2021
Operating fixed assets - tangible	4.1	8,303,376	8,600,603
Capital work in progress	4.2	64,900	-
		8,368,276	8,600,603

Notes to the Financial Statements

For the year ended 30 June 2022

4.1 Operating fixed assets - tangible

PARTICULARS	2022					2021					
	COST / REVALUED AMOUNT			DEPRECIATION		COST / REVALUED AMOUNT			DEPRECIATION		
	As at 01 July 2021	Revaluation impact	Transfers from CWIP / (Deletions)	Elimination due to revaluation	As at 30 June 2022	RATE %	As at 01 July 2021	Charge for the year/ (disposal)	Elimination due to revaluation	As at 30 June 2022	Net book value as at 30 June 2022
	----- (Rupees in thousand) -----										
Owned											
Freehold land	580,850	-	-	-	580,850		-	-	-	-	580,850
Building on freehold land	3,721,898	-	-	-	3,721,898	2.44 - 5	-	-	96,383	-	3,625,515
Leasehold improvements	21,432	-	-	-	21,432	10	-	-	2,143	-	19,289
Plant and machinery	4,161,850	-	-	-	4,161,850	4.35 - 10	-	-	193,450	-	3,968,400
Furniture, fittings and equipment	162,663	-	831	-	163,494	10	50,315	-	16,324	-	96,855
Computer equipment	12,656	-	1,639 (189)	-	14,106	25	10,432	-	2,150 (189)	-	1,713
Vehicle	-	-	10,945	-	10,945	20	-	-	191	-	10,754
	8,661,349	-	13,415 (189)	-	8,674,575		60,747	-	310,641 (189)	-	8,303,376
	----- (Rupees in thousand) -----										
Owned											
Freehold land	891,950	69,175	(380,275)	-	580,850		-	-	-	-	580,850
Building on freehold land	3,071,130	1,012,416	111,747	(473,395)	3,721,898	3.33 - 5	369,065	(473,395)	104,330	-	3,721,898
Leasehold improvements	23,299	3,818	-	(5,685)	21,432	10	4,520	(5,685)	1,165	-	21,432
Plant and machinery	3,886,748	1,235,759	50,336	(1,010,993)	4,161,850	6.75 - 10	740,748	(1,010,993)	270,245	-	4,161,850
Furniture, fittings and equipment	162,376	-	287	-	162,663	10	34,084	-	16,231	-	112,348
Computer equipment	12,171	-	485	-	12,656	25	7,705	-	2,726	-	2,225
	8,047,674	2,321,168	(217,420)	(1,490,073)	8,661,349		1,156,122	(1,490,073)	394,697	60,746	8,600,603

4.1.1 The carrying amount of the assets other than freehold land and building as at 30 June 2022 includes fully depreciated assets amounting to Rs. 11,150 million (2021: Rs. 126,261 million) but are still in use of the Modaraba.

4.1.2 The Modaraba got its freehold land, building, leasehold improvement, plant and machinery revalued, details of which are given in note 19. The forced sale value of the revalued assets is Rs. 7,008,273,873/- as at 30 June 2021.

4.1.3 The freehold land includes:

- land measuring 40 acres having value of Rs. 328 million situated at Sahianwala Faisalabad, purchased from Faisalabad Industrial Estate Development and Management Company in the year 2015 for the Battery project. This land is in possession and use of the Modaraba since acquisition. However, legal title of the land is in the process of being transferred in its name at the balance sheet date.

Notes to the Financial Statements

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021
4.1.4	The depreciation charge for the year has been allocated as under:		
Cost of sales			
- Corrugated boxes	26	28,612	28,020
- Soap	26	3,588	3,225
- Battery	26	274,432	356,818
Administration and general expenses	27	3,861	6,474
Selling and distribution cost	28	148	160
		310,641	394,697
4.1.5	Had the assets not revalued, the net book value of freehold land, buildings and plant and machinery would have amounted to:		
Freehold land		290,524	290,524
Buildings on freehold land		2,735,512	2,810,553
Plant and machinery		2,794,977	2,926,089
		5,821,013	6,027,166

4.1.6 Freehold land, buildings on freehold land and plant and machinery of corrugation , soap and battery projects of the Modaraba were revalued on 30 June 2021 by Messrs. Medallion Services (Pvt.) Ltd (PBA approved independent valuers) resulting in fresh surplus of Rs. 2,321.168 million. Previously, freehold land and buildings were revalued on 30 June 2019 by Messrs. Medallion Services (Pvt.) Ltd which resulted in surplus of Rs. 375.315 million. In the previous year, the Modaraba had undergone the revaluation exercise of its plant and machinery of all the segments for the first time as approved by the BOD of the parent company in their meeting held on 29 June 2021 The basis used for revaluation were as follows:

Freehold land

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

Buildings

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

Plant and Machinery

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

Notes to the Financial Statements

For the year ended 30 June 2022

4.2 Capital work in progress

The movement under this head of account is as follows:

Description	Opening balance	Additions during the year	Adjustments	Transferred to operating fixed assets	Amount expensed out	Closing balance
	------(Rupees in thousand)-----					
Civil work	-	15,268	-	-	-	15,268
Plant, machinery and equipment	-	63,047	-	(13,415)	-	49,632
2022 - Rs. in 000's	-	78,315	-	(13,415)	-	64,900
2021 - Rs. in 000's	166,415	34,065	(21,685)	(162,612)	(16,183)	-

	Note	2022 (Rupees in thousand)	2021
5 RIGHT-OF-USE ASSET			
Opening balance		62,607	78,259
Cancellation of lease		(39,277)	-
Modification		9,056	-
Less: Depreciation charge for the year	5.1	(6,745)	(15,652)
Net book value as at 30 June		25,641	62,607
Useful life / Lease term		6 years	6 years
5.1	The depreciation charge for the year on the right-of-use assets has been allocated as under:		
Cost of sales - Soap	26	-	10,534
Selling and distribution expense	28	6,745	5,118
		6,745	15,652
6 LONG TERM DEPOSITS			
Against:			
Rented premises		4,685	861
Utility deposits		8,096	6,790
Deposit - FESCO	6.1	35,550	37,264
Deposit - PSO		10,642	-
Others		40	40
		59,013	44,955

6.1 This represents security deposit kept with Faysal Bank Limited for the issuance of guarantee in favor of FESCO and bears profit @ 11.2% (2021: 5.7%) per annum.

Notes to the Financial Statements

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021
7 STORES AND SPARES			
Stores			
Corrugation boxes		85,279	73,813
Soap		5,243	7,337
Battery		28,558	2,867
		119,080	84,017
Spares			
Corrugation boxes		2,720	8,458
Battery		1,224	-
		123,024	92,475
Less: Provision for slow moving/obsolete stores		(5,523)	(5,523)
		117,501	86,952
8 STOCK IN TRADE			
Raw material	8.1		
Corrugation boxes		198,600	116,566
Soap		25,782	15,792
Battery		449,814	499,673
		674,196	632,031
Packing material			
Corrugation boxes		1,188	1,085
Soap		10,111	18,201
Battery		14,982	17,807
		26,281	37,093
Work in process			
Corrugation boxes		7,975	7,629
Soap		-	-
Battery		332,698	348,360
		340,673	355,989
Finished goods			
Corrugation boxes		22,941	8,333
Soap		28,198	26,373
Battery	8.2	72,681	76,557
		123,820	111,263
		1,164,970	1,136,376

8.1 This includes raw material in transit amounting to Rs. 25.088 million (2021: Rs. Nil).

Notes to the Financial Statements

For the year ended 30 June 2022

- 8.2 The stock in battery segment has been written down to net realizable value by Rs. Nil (2021: Rs. 2.434 million) respectively, which is duly recognized in the cost of sales in accordance with the requirements of IAS - 2.

	Note	2022 (Rupees in thousand)	2021	
9	SHORT TERM INVESTMENT			
	Term Deposit Receipts - at amortized cost	9.1	-	60,000

- 9.1 This represented the term deposit receipts, having face value of Rs. 60,000,000 as investment in MCB Islamic Bank Limited with a 1 month maturity and carried a markup of 6.75% (2021: 6.75%). The investment was matured on 31 August 2021.

10	TRADE DEBTORS			
	Trade debtors - unsecured:	10.1	819,179	734,977
	Less: Impairment of trade debtors under expected credit loss	10.2	(53,654)	(32,057)
			765,525	702,920

- 10.1 **These include balances receivable from the following related parties:**

	Renacon Pharma Limited		789	942
	Multiple Autoparts Industries (Pvt.) Limited		5	4
	Specialized Autoparts Industries (Pvt.) Limited		5	30
	Loads Limited		74	21
	Elite Brands Limited		3,353	7,838
			4,226	8,835

- 10.1.1 **The maximum aggregate of amount due from related parties at the end of any month during the year was as follows:**

	Renacon Pharma Limited		942	942
	Multiple AutoParts Industries (Pvt) Limited		5	4
	Specialized AutoParts Industries (Pvt) Limited		81	30
	Loads Limited		75	21
	Elite Brands Limited		7,838	7,838

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

	Not past due			
	Past due but not impaired			
	Past due 1 - 90 days		4,226	8,835
	Past due 90 - 180 days		-	-
	Past due 180 days		-	-
			4,226	8,835

Notes to the Financial Statements

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021	
10.2	The reconciliation in this head of account is as follows:			
	Opening balance	32,057	52,148	
	Allowance for expected credit loss made during the year	24,535	-	
	Provision reversed on recovery	-	(20,091)	
	Bad debts written off during the year	(2,938)	-	
	Balance as at 30 June	53,654	32,057	
11	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Advances to:			
	Employees against expenses - secured, considered good	11.1	55,509	14,620
	Renacon Pharma Limited - associated undertaking	11.2	860	-
	Suppliers - unsecured, considered good - local			
	IGI General Insurance Limited - associated undertaking	11.3	22	2,898
	Others		91,890	48,781
			148,281	66,299
	Trade deposits		7,451	7,451
	Other receivables - unsecured and considered good			
	Balance with statutory authorities	11.4	650	7,418
	Insurance claim receivable- IGI General Insurance Limited, associated undertaking	11.5	-	6,000
			650	13,418
			156,382	87,168

11.1 These advances are given to employees for routine nature expenses at site. These are recovered/ adjusted subsequent to the balance sheet date.

11.2 The maximum aggregate balance due from Renacon Pharma Limited at the end of any month during the year was Rs. 0.860 million (2021: Nil).

11.2.1 The aging of Renacon Pharma Limited at the reporting date is:

Not past due	-	-
Past due 1 - 90 days	860	-
Past due 90 - 180 days	-	-
Past due 180 days	-	-
	860	-

11.3 The maximum aggregate balance due from IGI General Insurance Limited at the end of any month during the year was Rs. 0.022 million (2021: 2.898 million).

Notes to the Financial Statements

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021
11.3.1	The aging of IGI General Insurance Limited at the reporting date is:		
	Not past due	-	-
	Past due 1 - 90 days	22	2,898
	Past due 90 - 180 days	-	-
	Past due 180 days	-	-
		22	2,898
11.4	This represents amounts given to Collector of Customs which will be adjusted against the letters of credit. This is unsecured, interest free and adjusted subsequent to the balance sheet date.		
11.5	The maximum aggregate balance due from IGI General Insurance Limited at the end of any month during the year was Rs. 6.00 million (2021: Rs. 6.00 million).		
11.5.1	The aging of IGI General Insurance Limited at the reporting date is:		
	Not past due	-	-
	Past due 1 - 90 days	-	6,000
	Past due 90 - 180 days	-	-
	Past due 180 days	-	-
		-	6,000
12	TAX REFUNDS DUE FROM THE GOVERNMENT		
	Sales tax adjustable	552,631	577,669
	Income tax refundable	132,173	149,096
		684,804	726,765
13	CASH AND BANK BALANCES		
	Cash in hand	4,597	12,543
	Cash at banks in:		
	Current accounts	110,873	69,887
	Saving accounts	121,566	28,770
		232,439	98,657
		237,036	111,200

13.1 These carry profit rates ranging between 6% to 8.63% (2021: 3.8% to 5.5%) per annum.

Notes to the Financial Statements

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021
14 NON-CURRENT ASSETS HELD FOR SALE			
Piece of land classified as held for sale	14.1	-	380,275

14.1 In previous year, the BOD of the management company of the Modaraba in their meeting held on 31 May 2021 decided to sell a piece of land measuring 18 kanals and 11 marlas situated at Mauza Bhoo Battian, Tehsil Raiwind, District Lahore and accordingly a sale deed between the Modaraba and party - Chimera Education (Pvt.) Limited was duly executed against the sale consideration of Rs. 600 million.

15 CERTIFICATE CAPITAL

	2022 (Number of Certificates)	2021		2022	2021
Authorized certificate capital					
	900,000,000	700,000,000	Modaraba Certificates of Rs. 10 each	9,000,000	7,000,000

Issued, subscribed and paid-up certificate capital

	883,590,287	699,999,994	Modaraba Certificates of Rs. 10 each fully paidup in cash	8,835,903	7,000,000
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15.1 In previous year, the BOD of the management company of the Modaraba in their meeting held on 19 May 2021 decided and approved the increase in the authorized capital of the Modaraba from Rs. 7,000 million to Rs. 9,000 million subject to regulatory approvals, which have been granted in current year on 08 July 2021.

15.2 In the previous year, the BOD of the management company of the Modaraba in their meeting held on 09 April 2021 decided and approved the conversion of loan provided by the parent company to the Modaraba to the extent of Rs.6,879 million (subject to regulatory approvals) into certificate capital in two tranches. Accordingly, 504,400,000 modararba certificates of Rs. 10 each amounting to Rs. 5,044 million were issued in favour of parent company against its loan on 18 May 2021 after necessary regulatory approvals. During the current year after necessary regulatory approvals the second trench of 1,835,903 certificates was issued on 16 August 2021 to the parent company from the deposit for purchase of certificates (transferred from loan last year).

		(Number of Certificates)	
15.2.1 Reconciliation of number of certificates			
Number of certificates at the beginning of the year		699,999,994	195,599,994
Conversion of parent company loan into modaraba certificates		183,590,293	504,400,000
Number of certificates as at 30 June		883,590,287	699,999,994

15.2.2 As at 30 June 2022, Treet Corporation Limited, the holding company holds 97.20% (2021: 96.38%) of the entire capital comprising of Rs. 10 each i.e. 858,841,993 (2021:674,670,600) certificates of the Modaraba. In addition 2.22% (2021: 2.79%) of the certificate capital comprising 19,590,562 (2021: 19,590,562) certificates of Rs. 10 each are held by the management company of the Modaraba i.e. Treet Holdings Limited.

Notes to the Financial Statements

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021
16 DEPOSIT FOR PURCHASE OF CERTIFICATES	16.1	1	1,835,904
16.1	In previous year, the BOD of the management company of the Modaraba in their meeting held on 19 May 2021 decided and approved the 2nd trench of the loan provided by the parent company to the Modaraba for conversion into the equity fund to the extent of Rs.1,835.903 million subject to regulatory approvals. During the current year after necessary regulatory approvals the second trench of 1,835,903 certificates was issued on 16 August 2021 to the parent company from the deposit for purchase of certificates (transferred from loan last year).		
17 STATUTORY RESERVES		511,941	511,941
	This represents profit set aside in compliance with the requirements of Prudential Regulations for Modaraba's along with circular 11 of 2006 issued by the Securities and Exchange Commission of Pakistan and can be utilized only for the purpose specified in regulation 2 of part III of the Prudential Regulations. Since the Modaraba is in loss- es, therefore no transfer to the fund is applicable in the instant case.		
18 CERTIFICATE PREMIUM		1,952,870	1,952,870
	This represents certificate premium at the rate of Rs. 30 per certificate net of transaction costs amounting to Rs. 3.130 million, against the issuance of right modaraba certificates. This reserve can be utilized by the Modaraba only for the purposes specified in section 81(2) of the Companies Act, 2017.		
19 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		1,212,893	1,423,472
19.1	The reconciliation of this head of account is as follows:		
	Opening balance	1,423,472	407,835
	Add: Fresh surplus arose during the year	-	1,405,203
	Less: Transferred to retained earnings on account of:		
	Incremental depreciation - net	(65,629)	(2,117)
	Revaluation surplus related to disposal of non-current asset held for sale	(144,950)	-
		1,212,893	1,810,921
	Less: Deferred tax attributable to fresh revaluation surplus	-	(387,449)
		1,212,893	1,423,472
	Surplus attributed to:		
	Land, buildings plant and machinery	1,212,893	1,423,472

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

Notes to the Financial Statements

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021
20 LEASE LIABILITY		18,962	40,126
The movement in this head of account is as follows:			
Opening Liability		54,511	70,491
Payments made during the year		(7,114)	(19,648)
Interest on unwinding of liability against right-of-use assets	30	2,655	3,668
Cancelation of lease liability		(34,542)	-
Modification of lease liability		9,056	-
Balance as at 30 June		24,566	54,511
Less: Current portion shown under current liabilities		(5,604)	(14,385)
		18,962	40,126

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

	Minimum lease payments (MLP)		Present value of MLP	
	2022 (Rupees in thousand)	2021	2022 (Rupees in thousand)	2021
Not later than one year	7,845	20,229	5,604	14,385
Later than one year but not later than five years	21,460	74,515	18,962	40,126
Less: finance cost allocated to future periods	(4,739)	(40,233)	-	-
	24,566	54,511	24,566	54,511
Less: current portion shown under current liabilities	(5,604)	(14,385)	(5,604)	(14,385)
	18,962	40,126	18,962	40,126

Notes to the Financial Statements

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021
21 DEFERRED TAXATION			
Deferred tax	21.1	314,347	386,279
21.1 Taxable temporary differences:			
Property, plant and equipment		1,093,224	1,018,605
Right-of-use assets		312	2,348
Deductible temporary differences:			
Provision for slow moving/obsolete stores		(1,602)	(1,597)
Provision for doubtful debts		(15,560)	(9,267)
Provision for warranty		(37,032)	(46,405)
Unused tax depreciation loss		(724,995)	(577,405)
		314,347	386,279
Deferred tax asset not recognized in the profit and loss account		-	-
Deferred tax liability as at June 30, recognized in the balance sheet		314,347	386,279
Less:			
Opening deferred tax liability		(386,279)	(9,272)
Deferred tax liability attributable to other comprehensive income		-	(387,449)
		(386,279)	(396,721)
Deferred tax income recognized in the profit and loss account	32	(71,932)	(10,442)

21.2 The deferred tax assets on unused business tax losses and tax credits have not been recognized in these financial statements in view of uncertainty regarding availability of the taxable profits / taxable differences in the foreseeable future.

22 SHORT TERM BORROWINGS - UNSECURED

From banking companies - secured and profit bearing			
Running finances - Islamic mode of financing	22.1	2,941,492	4,085,013
From related parties - unsecured			
Treet Corporation Limited - holding company	22.2	2,560,990	1,127,424
Treet Holdings Limited - management company		66,621	29,676
		5,569,103	5,242,113

22.1 Running finances - Islamic mode of financing

These represent Istisna, Murabaha and Karobar Finance facilities obtained from various financial institutions under shariah compliant arrangements to meet working capital requirements, for procurement of raw materials, stocks, chemicals, stores, tools and spare parts and the manufacturing of corrugated boxes, soaps and batteries out of the total sanctioned limits of Rs. 3,854.50 million (2021: Rs. 4,257.50 million).

Notes to the Financial Statements

For the year ended 30 June 2022

All the short term borrowings from the various financial institutions as disclosed carry profit rates ranging from 3 to 9 Month KIBOR +0.75% to 2.5% (2021: 3 to 9 Month KIBOR +0.75% to 2.5%) per annum, payable quarterly. Further, these are secured against the 1st/ Joint Pari Passu charge over all present and future current assets, plant and machinery of the Modaraba (including 25% safety margin) and corporate guarantee of Treet Corporation Limited. The limits will expire on various dates by 31 March 2023 but are renewable.

22.2 Treet Corporation Limited - holding company

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

	Note	2022 (Rupees in thousand)	2021
23 TRADE AND OTHER PAYABLES			
Creditors			
Foreign		178	1,035
Local	23.1	624,115	834,212
		624,293	835,247
Accrued liabilities		152,045	77,804
Provision for warranty		127,696	160,532
Withholding sales tax payable		3,493	1,471
Temporary book overdraft - unsecured	23.2	83,235	38,626
Contract liabilities	23.3	82,380	53,434
Income tax deducted at source payable		11,325	9,038
Unclaimed dividend		34	34
Advance against non-current assets held for sale	14	-	60,000
Payable to charity	23.4	4,606	-
Other payables		1,060	582
		1,090,167	1,236,768

23.1 These include balances payable to the following related parties:

Elite Brands Limited - 61

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

23.3 These represent advances received from customers against the onward sale of goods by the Modaraba. These include balances payable to the following related parties:

Elite Brands Limited 3,352 -

23.4 This represents amount payable to charitable organisations registered under Pakistan Law as charitable organisation under Rule V of Shariah Compliance and Shahriah Audit Mechanism (SCSAM) for Mudarbas as per circular no. 8 of 2012 on SCSAM for Modarbas.

Notes to the Financial Statements

For the year ended 30 June 2022

24 CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

- 24.1.1** For the tax years 2011 and 2012, the Deputy Commissioner Inland Revenue (DCIR) passed orders under sections 161 and 205 of the Income Tax Ordinance, 2001 creating tax demands of Rs. 1.520 million and Rs. 41.364 million respectively. The Modaraba filed appeals against the orders passed by DCIR before Commissioner Inland Revenue CIR (Appeals - II) who decided the matters in favor of the Modaraba by deleting the tax demands. Tax department filed appeals since 07-04-2014 and 15-04-2014 against the decision of CIR (Appeals - II) before Appellate Tribunal Inland Revenue (ATIR) which are pending adjudication. The management and tax advisor of the Modaraba are of the view that favorable outcome is expected in the instant case as the Modaraba is fully compliant of withholding tax provisions.
- 24.1.2** For the tax year 2017, the Inland Revenue Officer (IRO), E & C Unit-VII, Range-II, Zone-VI, CRTO, Lahore, passed orders under sections 161 and 205 of the Income Tax Ordinance, 2001 and arbitrarily created a tax demand of Rs. 1.807 million. The Modaraba filed appeals since 19-04-2018 against the order passed by IRO before Commissioner Inland Revenue (CIR) Appeals, Zone-II, Lahore which is pending adjudication. The management and tax advisor of the Modaraba are of the view that favorable outcome is expected in the instant case as the Modaraba is fully compliant of withholding tax provisions.
- 24.1.3** For the tax period April 2016 to July 2017, the Assistant Commissioner Inland Revenue (ACIR), E & C Unit - 07, Zone-VI, CRTO, Lahore passed order under section 25 of the Sales Tax Act, 1990 creating a sales tax demand of Rs. 26.067 million along with penalty of Rs. 1.303 million mainly on the issue of inadmissibility of input sales tax and adjustment thereof against illegal claim. The Modaraba filed appeals since 28-07-2020 against the order passed by ACIR before Commissioner Inland Revenue CIR (Appeals), Zone-I, Lahore which is pending adjudication. The management and tax advisor of the Modaraba are of the view that the tax demand will be deleted by appellate authorities based a decision in favor of Registered Person (RP) on this issue by the Lahore High Court, Lahore.
- 24.1.4** For the tax period July 2011 to June 2013 a sale tax demand of Rs. 9,526,018 along with default surcharge of Rs. 35,463 and penalty amounting to Rs. 508,485 was created by ACIR, Audit Unit-03, Zone-VI, CRTO, Lahore after conducting audit u/s 25 of the Sales Tax Act, 1990 mainly on the issue of inadmissibility of input sales tax. Against this order, the Modaraba filed appeal before the Commissioner Inland Revenue (Appeals), Zone-II, Lahore and the learned CIR-Appeals has decided the case in favor of the Modaraba. Against this order, the department went into an appeal before ATIR, pending adjudication until the year end.
- 24.1.5** For the tax period July 2017 to June 2018 a sale tax demand of Rs. 14,753,014 along with penalty of Rs. 855,726 (aggregating to Rs. 15,608,740) was created by Deputy Commissioner Inland Revenue, Unit-08, Audit-01, LTO, Lahore after conducting audit u/s 25 of the Sales Tax Act, 1990 mainly on the issue of inadmissible claim of input tax Rs. 13,574,483, non-compliance of 73 etc. Against this order the Modaraba filed appeal before the CIR (Appeals), Zone-1, Lahore on 26-05-2022 and the appeal was heard on 01-08-2022 but decision awaited. As per the opinion of legal advisor of the Modaraba, a favourable outcome is expected.

		2022	2021
		(Rupees in thousand)	
24.2	Commitments		
24.2.1	Guarantees	16,049	67,245
24.2.2	Letters of credit		
	Outstanding letters of credit	71,328	98,990

Notes to the Financial Statements

For the year ended 30 June 2022

	Corrugated Boxes		Soaps		Battery		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
------(Rupees in thousand)-----								
25 REVENUE - NET								
External customers								
Local	2,440,773	1,893,751	590,169	897,646	5,997,743	4,942,897	9,028,685	7,734,294
Export	-	-	-	-	-	19,741	-	19,741
Treet Corporation Limited - Associated undertaking	48,950	26,987	-	-	-	-	48,950	26,987
Renacon Pharma Limited - Associated undertaking	30,127	20,329	-	-	-	-	30,127	20,329
	2,519,850	1,941,067	590,169	897,646	5,997,743	4,962,638	9,107,762	7,801,351
Inter segment sales	2,833	12,632	-	-	-	-	2,833	12,632
Sale of scrap (waste paper and lead)	179,461	121,226	-	-	156,184	135,524	335,645	256,750
	2,702,144	2,074,925	590,169	897,646	6,153,927	5,098,162	9,446,240	8,070,733
Less:								
Sales tax	(392,340)	(272,857)	(100,017)	(150,921)	(1,017,756)	(718,113)	(1,510,113)	(1,141,891)
Trade discount	(242)	(1,789)	(392)	(1,363)	(254,299)	(818,195)	(254,933)	(821,347)
	(392,582)	(274,646)	(100,409)	(152,284)	(1,272,055)	(1,536,308)	(1,765,046)	(1,963,238)
Elimination of Inter segment sales	(2,833)	(12,632)	-	-	-	-	(2,833)	(12,632)
	2,306,729	1,787,647	489,760	745,362	4,881,872	3,561,854	7,678,361	6,094,863
26 COST OF SALES								
Opening stock- raw and packing material	117,651	91,662	33,993	35,665	517,480	514,329	669,124	641,656
Add: Purchases								
Inter-segment	-	-	2,833	12,632	-	-	2,833	12,632
Others	1,812,193	1,325,021	405,776	628,515	3,544,954	2,523,927	5,762,923	4,477,463
	1,812,193	1,325,021	408,609	641,147	3,544,954	2,523,927	5,765,756	4,490,095
Less: Closing stock	(199,788)	(117,651)	(35,893)	(33,993)	(464,796)	(517,480)	(700,477)	(669,124)
Elimination of Inter segment purchases	-	-	(2,833)	(12,632)	-	-	(2,833)	(12,632)
Raw and packing material consumed	1,730,056	1,299,032	403,876	630,187	3,597,638	2,520,776	5,731,570	4,449,995
Stores and spares consumed	37,680	60,170	3,396	4,229	10,380	37,532	51,456	101,931
Out sourcing of manpower	193,905	160,225	24,769	43,947	304,195	294,544	522,869	498,716
Fuel and power	115,156	85,957	15,875	11,243	335,482	255,524	466,513	352,724
Freight and forwarding	68,855	71,766	8,065	12,608	89,869	66,029	166,788	150,403
Depreciation on operating fixed assets	28,612	28,020	3,588	3,225	274,432	356,818	306,633	388,063
Depreciation on ROU asset	-	-	-	10,534	-	-	-	10,534
Repair and maintenance	28,164	31,144	1,051	515	35,636	21,011	64,851	52,670
Traveling and conveyance	3,967	2,803	579	488	10,851	10,327	15,396	13,618
Insurance	3,784	2,860	401	715	24,004	20,478	28,189	24,053
Rent, rates and taxes	766	725	-	-	872	1,238	1,638	1,963
Other manufacturing expenses	7,299	7,890	3,876	4,374	23,805	20,408	34,981	32,672
	2,218,244	1,750,592	465,476	722,065	4,707,164	3,604,685	7,390,884	6,077,342
Work in process								
Add: Opening stock	7,629	10,596	-	223	348,360	418,361	355,989	429,180
Less: Closing stock	(7,975)	(7,629)	-	-	(332,698)	(348,360)	(340,673)	(355,989)
Cost of goods manufactured	2,217,898	1,753,559	465,476	722,288	4,722,826	3,674,686	7,406,200	6,150,533
Finished goods								
Add: Opening stock	8,333	23,615	26,373	23,613	76,557	98,509	111,263	145,737
Less: Closing stock	(22,941)	(8,333)	(28,198)	(26,373)	(72,681)	(76,557)	(123,821)	(111,263)
	2,203,290	1,768,841	463,651	719,528	4,726,702	3,696,638	7,393,642	6,185,007

26.1 Outsourcing of manpower include Rs. 5.977 million (2021: Rs. 6.049 million) for corrugation boxes segment, Rs. 0.855 million (2021: Rs. 1.676 million) for soap segment and Rs. 4.201 million (2021: Rs. 3.590 million) for battery segment in respect of contribution to staff retirement benefit plans.

Notes to the Financial Statements

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021
27 Administration and general expenses			
Out sourcing of manpower	27.1	25,062	23,916
Auditors' remuneration	27.2	1,458	16,934
Legal and professional		31,986	68,871
Vehicle running and maintenance			
Printing and stationery		771	515
Travelling and conveyance		2,965	1,645
Postage and telephone		250	276
Depreciation on operating fixed assets	4.1.4	3,861	6,474
Intercompany Sale/Purchase - Services			
Others		11,943	5,105
		78,296	123,736
27.1	Outsourcing of manpower include Rs. 0.851 million (2021: Rs. 0.629 million) for corrugation segment, Rs. 0.169 million (2021: Rs. 0.124 million) for soap segment and Rs. 0.103 million (2021: 0.03 million) for battery segment in respect of contribution to staff retirement benefit plans.		
27.2 Auditors' remuneration			
Audit fee		1,000	825
Half year review		300	275
Tax services		-	15,834
Other Services		158	-
		1,458	16,934
28 SELLING AND DISTRIBUTION EXPENSES			
Outsourcing of manpower	28.1	84,703	84,244
Fuel and power		411	175
Rent, rates and taxes		1,946	911
Repair and maintenance		2,367	2,610
Advertisement		6,931	10,777
Travelling and conveyance		15,917	12,691
Postage and telephone		959	1,295
Printing and stationery		228	166
Royalty		52,692	31,843
Warranty claims and provisions		235,152	289,709
Depreciation on operating fixed assets		148	160
Depreciation on ROU asset	5.1	6,745	5,118
Others		13,429	8,429
		421,628	448,128

Notes to the Financial Statements

For the year ended 30 June 2022

28.1 Outsourcing of manpower include Rs. 1.153 million (2021: Rs. 0.762 million) for corrugation segment and Rs. 0.934 million (2021: Rs. 0.378 million) for battery segment in respect of contribution to staff retirement benefit plans.

	Note	2022 (Rupees in thousand)	2021
29 OTHER EXPENSES			
Loss on disposal of operating fixed assets		-	82
Intercompany Rental Income/(Expense)		4,240	22,586
Impairment of other receivables - Loads Limited, related party		-	7,520
Provision for doubtful debts	10.2	24,534	-
Exchange loss		17,342	-
Other		18,352	-
		64,468	30,188
30 FINANCE COST			
Financial charges on:			
Borrowings from financial institutions		393,239	347,263
Borrowings from related parties			
Treet Corporation Limited - parent company		73,630	433,289
Treet Holding Limited - management company		3,736	668
Lease liability	20	2,655	3,668
Bank charges		7,132	5,104
		480,392	789,992
31 OTHER INCOME			
<u>Income from financial assets</u>			
Profit on bank and other deposits	31.1	10,732	6,980
Reversal of impairment under expected credit loss		-	20,091
		10,732	27,071
<u>Income from non financial assets</u>			
Sale of scrap		3,363	1,271
Rebate		1,351	-
Exchange gain		-	2,143
Gain on sale of fixed asset		201,776	-
Fair value gain on operating fixed assets	31.2	-	915,965
Others		24,034	-
		230,524	919,379
		241,256	946,450

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31.1 These profits are earned on accounts and deposits maintained under Shariah permissible arrangement. These include profit amounting to Rs. 2,076,441 (2021: Rs. 2,012,500) on the deposit kept with Faysal Bank Limited in favor of FESCO.

31.2 This represented the gain on revaluation of buildings of the battery project through the profit and loss account against which an impairment loss was incorporated on its revaluation in the financial year 2019.

	Note	2022 (Rupees in thousand)	2021
32 TAXATION			
Current			
Normal tax	32.1	-	-
Minimum Tax		95,980	91,973
Presumptive tax		-	201
Prior year		(1,119)	-
Deferred		94,861	92,174
For the year	21	(71,932)	(10,442)
		22,929	81,732

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

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

33 Loss per Modaraba certificate - basic and diluted

Loss after taxation	Rupees in thousand	(541,738)	(617,470)
Weighted average number of certificates	Number in thousand	859,950	255,022
Earning per certificate :	(Rupees)	(0.63)	(2.42)

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

Notes to the Financial Statements

For the year ended 30 June 2022

34 Operating segment results

The Modaraba was engaged into three main business segments, these are as follows:

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

Note	Corrugated boxes		Soaps		Batteries		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	----- Rupees in thousands -----							
25								
Revenue		12,632						12,632
Inter-segment	2,833						2,833	
Others	2,699,311	2,062,293	590,169	897,646	6,153,927	5,098,162	9,444,340	8,058,101
	2,702,144	2,074,925	590,169	897,646	6,153,927	5,098,162	9,444,340	8,070,733
Less:								
Inter-segment sales	(2,833)	(12,632)					(2,833)	(12,632)
Sales tax	(392,340)	(272,857)	(100,017)	(150,921)	(1,017,756)	(718,113)	(1,510,113)	(1,141,891)
Trade discount	(242)	(1,789)	(392)	(1,363)	(254,299)	(818,195)	(254,933)	(821,347)
	(395,415)	(287,278)	(100,409)	(152,284)	(1,272,055)	(1,536,308)	(1,767,879)	(1,975,870)
Net revenue	2,306,729	1,787,647	489,760	745,362	4,881,872	3,561,854	7,678,361	6,094,863
Cost of sales excluding inter-segment purchases	(2,203,290)	(1,768,841)	(463,651)	(719,528)	(4,726,702)	(3,696,638)	(7,393,642)	(6,185,007)
Gross (loss) / profit	103,439	18,806	26,109	25,834	155,170	(134,784)	284,719	(90,144)
Administration and general expenses	(29,559)	(29,412)	(4,490)	(11,917)	(44,248)	(105,661)	(78,296)	(146,990)
Selling and distribution expenses	(1,673)	(35,379)	(35,356)		(384,599)	(412,749)	(421,628)	(448,128)
Other Expenses	(36,321)		(5,219)		(22,928)	(7,602)	(64,468)	(7,602)
	(67,553)	(64,791)	(45,065)	(11,917)	(451,775)	(526,012)	(564,392)	(602,720)
Segment results - Operating (loss) / profit	35,886	(45,985)	(18,956)	13,917	(296,605)	(660,796)	(279,673)	(692,864)
Finance cost							(480,392)	(789,992)
Other income							241,256	946,450
Loss before taxation							(518,809)	(536,406)
Taxation							(22,929)	(81,732)
Loss after taxation							(541,738)	(618,138)

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

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

Notes to the Financial Statements

For the year ended 30 June 2022

	Corrugated Boxes		Soaps		Batteries		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	----- Rupees in thousands -----									
34.3 Segment assets	2,184,895	2,842,388	231,139	12,487	9,163,114	9,144,955	-	-	11,579,149	11,999,820
34.4 Segment liabilities	202,527	2,047,007	63,437	1,830,411	6,627,176	2,822,724	314,347	386,280	7,207,487	7,086,422
34.5 Depreciation on property, plant and equipment	29,358	29,982	3,667	3,225	277,616	361,490	-	-	310,641	394,697

Notes to the Financial Statements

For the year ended 30 June 2022

35 Financial instruments

The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The BOD of the Modaraba management company has overall responsibility for the establishment and oversight of Modaraba's risk management framework. The BOD is also responsible for developing and monitoring the Modaraba's risk management policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Modaraba's activities.

This note presents information about the Modaraba's exposure to each of the above risks, the Modaraba's objectives, policies and processes for measuring and managing risk, and the Modaraba's management of capital.

All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. The Modaraba does not engage in the trading of financial assets for speculative purposes nor does it write options.

The Modaraba's risk management policies are established to identify and analyze the risks faced by the Modaraba, to set appropriate risk limits and controls, to monitor risks and adherence to limits and focuses on actively securing its short to medium term cash flows by minimizing the exposure to financial markets. The Modaraba through its training and management standards and procedures aims to maintain a disciplined and constructive control environment in which employees understand their roles and responsibilities.

The Audit Committee of the Modaraba management company oversees how management monitors compliance with the Modaraba's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Modaraba. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

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

Notes to the Financial Statements

For the year ended 30 June 2022

a) Credit risk

Credit risk is the risk of financial loss to the Modaraba if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Modaraba maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. The credit risk arises principally from the Modaraba's receivables from customers, refundable deposits and advances, other receivables and bank balances. Out of the total financial assets of Rs. 1,069.024 million (2021: Rs. 932.526 million) financial assets which are subject to credit risk amounted to Rs. 1,062.428 million (2021: Rs. 919.983 million).

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

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

	Note	2022 (Rupees in thousand)	2021
FINANCIAL ASSETS			
Long term deposits	6	59,013	44,955
Short term investment	9	-	60,000
Trade debtors	10	765,525	702,920
Advances, deposits and other receivables	11	7,451	13,451
Bank balances	13	232,439	98,657
		1,064,428	919,983

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

Customers are counterparties to local trade debts against sale of corrugated boxes, soaps and batteries. New customer is analyzed individually for creditworthiness before the Modaraba's standard payment and delivery terms and conditions are offered. Sales limits are established for each customer based on internal rating criteria and reviewed regularly. Any sales exceeding these limits require special approval. Outstanding customer receivables are regularly monitored. The analysis of ages of trade debts of the Modaraba as at the reporting date is as follows:

Notes to the Financial Statements

For the year ended 30 June 2022

Note	2022 (Rupees in thousand)	2021
Not past due	589,631	472,569
Past due but not impaired		
Less than 30 days	87,957	133,215
Past due 1 - 3 months	17,723	45,213
Past due 3 - 6 months	15,826	18,424
Past due 6 - 12 months	4,965	11,679
Above one year	49,423	21,820
	765,525	702,920

Management believes that the unimpaired amounts that are past due more than 30 days are still collectable in full based on historical payment behavior and extensive analysis of customer credit risk. Credit risk in case of customers is largely mitigated by the fact that majority of the sales of the Modaraba are on cash basis or on credit to corporate parties with reasonable financial standing and limited credit period. The Modaraba has also established dealerships and retail networks with strong relationship with customers. The Modaraba does not expect non performance by its customers. Hence, the credit risk in case of customers is minimal.

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

Banks	Rating		Rating Agency	2022 (Rupees in thousand)	2021
	Short term	Long term			
MCB Bank Limited	A-1+	AAA	PACRA	16,779	10,018
United Bank Limited	A-1+	AAA	JCR-VIS	10,156	1,360
Bank Islami Pakistan Limited	A-1	A+	PACRA	680	762
National Bank of Pakistan	A-1+	AAA	JCR-VIS	10,688	2,338
Habib Bank Limited	A-1+	AAA	JCR-VIS	101,429	11,007
Bank Alfalah Limited	A-1+	AA+	PACRA	2,363	2,220
Al Baraka Bank Limited	A-1	A+	JCR-VIS	1,818	1,050
Faysal Bank Limited	A-1+	AA	PACRA	981	28
Dubai Islamic Bank Limited	A-1+	AA	JCR-VIS	30,502	190
Soneri Bank Limited	A-1+	AA-	PACRA	7,003	6,622
JS Bank Limited	A-1+	AA-	PACRA	25	25
Askari Bank Limited	A-1+	AA+	PACRA	468	787
Meezan Bank Limited	AA+	AAA	JCR-VIS	36,855	32,164
Bank Al Habib Limited	A-1+	AAA	PACRA	491	-
Allied Bank Limited	A-1+	AAA	PACRA	9,634	8,674
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	2,007	16,086
MCB Islamic Bank Limited	A-1	A	PACRA	560	5,327
				232,439	98,658

Notes to the Financial Statements

For the year ended 30 June 2022

Exposure to credit risk

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

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

Corporate information and relationship with banks.

The Modaraba has relationship with both islamic and conventional banks. Profits earned through conventional banks are recognized as liability to approved charitable organizations according to shariah rules.

35.1 Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose, the Modaraba maintains a statutory reserve out of profits each year and has effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. Management closely monitors the Modaraba's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

The BOD has built an appropriate liquidity risk management framework for the management of the Modaraba's short, medium and long-term funding and liquidity management requirements. The Modaraba manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarizes the maturity profiles of Modaraba's financial liabilities as on 30 June 2022 based on contractual undiscounted payments date and present market interest rates:

	2022				
	Carrying Amount	Contractual cash flows	Six Months or less	Six to twelve years	More than one years
(Rupees in thousand)					
Lease liability	24,566	24,566	2,802	2,802	18,962
Retention money payable	11,590	11,590	-	11,590	-
Trade and other payables	865,274	865,274	776,338	88,936	-
Short term borrowings	5,569,103	5,569,103	-	5,569,103	-
Accrued profit on borrowings	101,734	101,734	101,734	-	-
	6,572,267	6,572,267	880,874	5,672,431	18,962

Notes to the Financial Statements

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

35.2 Market risk

Market risk is the risk that changes in market prices will affect the Modaraba's income or the value of its holdings of financial instruments. The objective of the Modaraba's market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

35.2.1 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the change in foreign exchange risk. The Modaraba is exposed to currency risk to the extent that there is a mismatch between the currencies in which receivables and purchases are denominated and the respective functional currency of the Modaraba i.e. Pakistan Rupee. The Modaraba is exposed to currency risk on import of raw materials and stores and spares mainly denominated in US dollars. Receivables and payables exposed to foreign currency are not covered through any forward foreign exchange contracts or through hedging. The Modaraba's exposure to foreign currency risk for US Dollars is as follows:

	2022	2021
	(\$ in thousand)	
Creditors in foreign currency	1	7

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2022	2021	2022	2021
USD to PKR	182.03	163.145	206.52	157.54

Cash flow sensitivity analysis for foreign currency instruments

At 30 June 2022, if the Rupee had (weakened)/ strengthened by 5% against the US dollar with all other variables held constant, loss for the year would have been (higher)/ lower by Rs. 0.0089 million (2021: Rs. 0.052 million), mainly as a result of foreign exchange gains/ losses on translation of US dollar denominated trade payables.

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For the year ended 30 June 2022

35.2.2 Profit rate risk

Profit rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in profit rates. The Modaraba's exposure to the profit rate risk arises from the borrowing it has obtained from various banks/ financial institutions at variable rates and any contractual obligation that carries any penal or mark up clauses on delayed payments. The profit rate risk is mitigated through managing borrowing at optimal levels that are essential to run the business. Short term borrowings shall be done to match the timing differences between fund receipt and disbursements. Any penal clauses or mark up on delayed payments shall be negotiated with the vendor at the time of placement of orders. Chief Financial Officer (CFO) of the Modaraba shall be responsible to ensure that profit rate from banks/ financial institutions is market based that commensurate with the financial standing of the Modaraba. CFO shall also ensure that all contracts/ purchase orders are well negotiated to reduce the exposure. Sensitivity to profit rate risk arises from mismatch of financial assets and financial liabilities that mature or reprice in a given period. The Modaraba manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing and cash at bank kept in saving accounts by the Modaraba has variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

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

	2022	2021
	(Rupees in thousand)	
Variable pricing rate financial assets		
Deposit - FESCO	35,550	37,264
Term Deposit Receipts - at amortized cost	-	60,000
Bank balances at PLS accounts	121,566	28,770
	157,116	126,034
Variable pricing rate financial liabilities		
Short term borrowings	5,569,103	5,242,113

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

Cash flow sensitivity analysis for variable rate instruments

Sensitivity analysis for variable rate assets

If profit rates at the year end date, fluctuates by 1% higher/ lower with all other variables held constant, loss after taxation would have been decreased/ (increased) by Rs. 3.232 million (2021: Rs. 1.260 million). This analysis is prepared without taking in account taxation effect and applying +/-1% discount factor on cash at banks in saving accounts reported in these financial statements.

Sensitivity analysis for variable rate liabilities

If profit rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation would have been (increased) / decreased by Rs. 55.691 million (2021:Rs. 52.421 million). This analysis is prepared without taking in account taxation effect and applying +/-1% discount factor on short term borrowings reported in these financial statements.

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35.2.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments trading in market.

Exposure to price risk

The Modaraba is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

	2022	2021
	(Rupees in thousand)	
	Loans and receivables	
35.3 Financial instruments by category		
Financial assets as per balance sheet		
At amortized cost		
Long term deposits	59,013	44,955
Term Deposit Receipts - at amortized cost	-	60,000
Trade debtors	765,525	702,920
Advances and other receivables	7,451	13,451
Cash and bank balances	237,036	111,200
	1,069,025	932,526
Financial liabilities as per balance sheet		
At amortized cost		
Lease liability	24,566	54,511
Retention money	11,590	12,953
Trade and other payables	865,274	1,000,812
Accrued profit on secured borrowings	101,734	61,623
Short term borrowings	5,569,103	5,193,594
	6,572,267	6,323,493

35.4 Operational risk

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

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

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

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For the year ended 30 June 2022

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

35.5 Investment risk

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

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

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

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

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

35.6 Regulatory risk

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

35.7 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.

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Underlying the definition of fair value is the presumption that the Modaraba is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Modaraba to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

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

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred. However, no transfers between levels of fair value during the year have occurred.

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

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

35.8 Capital management

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

The Modaraba's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for certificate holders and benefits for other stakeholders, and to provide an adequate return to certificate holders.

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

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2022
(Rupees in thousand)

2021

The gearing ratios as at June 30, 2022 are as follows:

Total debt - short term borrowings	5,569,103	5,242,113
Total equity	4,371,661	4,913,400
Gearing ratio	127%	107%

Neither there were any changes in the Modaraba's approach to capital management during the year nor the Modaraba is subject to externally imposed capital requirements, except those related to compliance of debt covenants including maintenance of adequate current and liquidity ratios for which the Modaraba has been granted relaxation from various institutions.

36 RELATED PARTIES DISCLOSURES

A. Related party relationships

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

Name of Related party	Nature of relationship	Basis of relationship	Percentage of shareholding
Treet Corporation Limited	Holding Company	Shareholding and common directorship	97.20%
Treet Holdings Limited	Management Company	Shareholding and common directorship	2.22%

Packages Limited
Treet HR Management (Private) Limited
Cutting Edge (Private) Limited
Liaquat National Hospital
Gulab Devi Chest Hospital
Ali Automobile (Private) Limited
Loads Limited
Hi-Tech Alloy Wheels Limited
Global Arts Limited
Treet Power Limited
Treet Battery Limited
Multiple Autoparts Industries (Pvt) Limited
Specialized Autoparts Industries (Pvt) Limited
Specialized Motorcycle (Pvt) Limited
Elite Brands Limited
IGI General Insurance Limited
PSV (Private) Limited
Renacon Pharma Limited
Global Assets (Private) Limited

Associated undertaking

Common Directorship

NIL

Notes to the Financial Statements

For the year ended 30 June 2022

B. Related party transactions

Amounts due from/ to related parties are disclosed in respective notes to these financial statements. Other significant transactions with related parties are as follows:

Name of the party	Nature of transactions	2022 (Rupees in thousand)	2021
<u>Holding Company</u>			
Treet Corporation Limited	Sale of corrugated boxes	48,950	31,644
	Rental charged by the parent company	4,582	22,586
	Finance cost charged by the parent company	73,630	433,289
	Expenses born by the parent company	472,192	292,384
	Funds paid to the parent company - net of receipts	932,110	151,037
	Purchase of goods from the parent company	17	-
	Conversion of parent company's borrowings into Modaraba certificate capital	-	5,044,000
	Issuance of modraba certificate capital	1,835,903	-
<u>Modaraba Management Company</u>			
Treet Holdings Limited	Purchase of goods	-	248
	Finance cost charged by Treet Holding Limited	3,736	668
	Funds received from the modarba management company - net of payments	33,000	-
	Expenses born by the management company	209	-
<u>Associated undertakings</u>			
Packages Limited	Purchase of goods	30,969	11,432
IGI General Insurance Limited	Services received Claims received against insurance	28,750 6,000	136,868 -
IGI Life Insurance Limited	Services received	5,199	-
Treet HR Management (Private) Limited	Services received	11,550	12,425
Liaquat National Hospital	Services received	479	-

Notes to the Financial Statements

For the year ended 30 June 2022

Name of the party	Nature of transactions	2022 (Rupees in thousand)	2021
Elite Brands Limited	Sale of goods	-	61,064
	Purchase of goods	-	1,056
Loads Limited	Sale of batteries	213	205
Multiple AutoParts Industries (Pvt) Limited	Sale of batteries	5	12
Specialized AutoParts Industries (Pvt) Limited	Sale of batteries	102	68
Renacon Pharma Limited	Purchase of goods	28	84
	Sale of corrugated boxes	30,127	20,329
	Sale of batteries	-	141
	Rental charged	281	-
	Expenses paid on behalf of associate	579	-

- 36.1** All the transactions with the related parties are executed in the normal course of business on the basis of mutually agreed terms and conditions.
- 36.2** All the executives, officers and other employees of the Modaraba have been outsourced from its related party namely Treet HR Management (Private) Limited.
- 36.3** One of the directors is working as CEO of the Modaraba Management Company. No remuneration has been paid to CEO or any director of the Modaraba. No fees for attending the meeting has been paid to directors during the year (2021: Rs. Nil).

		2022 (Rupees in thousand)	2021
36.4	Remuneration of Executives		
	The aggregated amounts charged in these financial statements for the remuneration, including all benefits, to the Executives of the Modaraba were as follows:		
	Managerial remuneration	65,076	55,826
	Bonus	1,376	-
	Medical allowance	6,508	5,583
	House rent allowance	18,171	15,891
	Utilities allowance	4,038	3,531
	Other perquisites	31,806	9,041
	Employees' funds		
	-Provident fund	3,648	3,207
	-Service fund	3,648	3,207
		7,296	6,414
		134,271	96,286
	Number of executives	15	18

Notes to the Financial Statements

For the year ended 30 June 2022

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

	Note	UOM	Annual rated capacity	
			2022	2021
37 PLANT CAPACITY AND PRODUCTION				
Corrugated boxes		Metric Tons	30,000	30,000
Soaps		Metric Tons	5,000	5,000
Batteries		Numbers	1,200,000	1,200,000
			Annual production	
			2022	2021
Corrugated boxes and sheets		Metric Tons	23,578	20,513
Soaps	37.1	Metric Tons	-	2,780
Batteries		Numbers	672,711	575,009

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

- 37.1** Soap actual production is disclosed as **NIL** in current year as the production has been shifted to toll manufacturing with effect from 1 July 2021.

38 ENTITY-WISE INFORMATION AND DISCLOSURE

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

38.1 Information about products

Sale of corrugation boxes and battery segments represent 30.04% (2021: 29.54%) and 63.58% (2021: 58.44%) respectively of the total revenue of the Modaraba.

38.2 Information about geographical areas

100% (2021: 99.68%) of the sales of Modaraba relate to customers in Pakistan.

0% (2021: 0.32%) of the sales of Modaraba relate to customers outside Pakistan of which 100% of the sales made to Afghanistan.

All non-current assets of the Modaraba as at June 30, 2022 and 2021 are also located in Pakistan.

38.3 Information about customers

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

Notes to the Financial Statements

For the year ended 30 June 2022

39 NUMBER OF EMPLOYEES

The total and average number of employees during the year as at 30 June 2022 and 2021 respectively are as follows:

	2022	2021
	Number	
Total number of employees at the year end	441	437
Average number of employees during the year	434	429

All the executives, officers and other employees of the company have been arranged through outsourcing from its related party namely "Treet HR Management (Private) Limited". The Modaraba has been making payments/ contributions of its outsourced employees on account of retirement benefits, which have been maintained by the ultimate parent company "Treet Corporation Limited". Accordingly, the related disclosures regarding employees banafits have been disclosed in the financial statements of the ultimate parent company.

40 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

First Treet Manufacturing Modaraba, is in the process of demerging its battery segment and its subsequent transfer to Treet Battery Limited. However, this demerger and transfer is subject to the applicable statutory and regulatory approvals. Petition has been filed in The Honorable Lahore High Court to sanction arrangement under the provisions of Companies Act, 2017 and the next hearing is fixed on 12 September 2022. The financial impact of such scheme cannot be reliably estimated at this stage.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 27th September 2022 by the Board of Directors of Treet Holdings Limited, the Modaraba Management Company.

LAHORE
27th September 2022



Syed Shahid Ali
Chief Executive Officer



Mohtashim Aftab
Group Chief Financial Officer



Syed Sheharyar Ali
Director



Imran Azim
Director

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

FORM 34

1.1 Name of the Company FIRST TREET MANUFACTURING MODARABA

2.1. Pattern of holding of the shares held by the shareholders as at 30-06-2022

2.2 No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
60	1	100	770
46	101	500	22,730
26	501	1,000	24,826
69	1,001	5,000	204,855
24	5,001	10,000	206,100
14	10,001	15,000	184,504
8	15,001	20,000	148,500
10	20,001	25,000	229,947
3	25,001	30,000	85,000
3	30,001	35,000	103,000
2	35,001	40,000	74,500
3	45,001	50,000	147,000
3	50,001	55,000	160,500
1	55,001	60,000	60,000
1	65,001	70,000	67,500
3	95,001	100,000	300,000
1	110,001	115,000	114,500
1	125,001	130,000	129,000
1	145,001	150,000	150,000
1	160,001	165,000	164,000
1	170,001	175,000	170,500
1	195,001	200,000	200,000
1	210,001	215,000	215,000
1	295,001	300,000	300,000
1	305,001	310,000	308,500
1	405,001	410,000	410,000
1	425,001	430,000	426,000
1	495,001	500,000	499,000
1	750,001	755,000	753,000
1	880,001	885,000	881,500
1	19,590,001	19,595,000	19,590,562
1	857,255,001	857,260,000	857,257,993
292			883,590,287

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

2.3 Categories of Shareholders	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children		
Syed Sheharyar Ali	21,447	0.0024%
	21,447	0.0024%
2.3.2 Associated Companies,		
Treet Corporation Limited (CDC)	858,010,993	97.1051%
Treet Holdings Limited (CDC)	19,590,562	2.2175%
	877,601,555	99.3226%
2.3.3 NIT and ICP	0	0.0000%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
2.3.5 Insurance Companies	0	0.0000%
2.3.6 Modarabas and Mutual Funds	500	0.0001%
2.3.7 Shareholders holding 10% or more		
Treet Corporation Limited	858,010,993	97.1051%
	858,010,993	97.1051%
2.3.8 General Public	5,315,285	0.6016%
	0	0.0000%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	651,500	0.0737%

Categories of Shareholding required under Code of Corporate Governance (CCG) As on June 30, 2022

Sr. No.	Name	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
1	TREET CORPORATION LIMITED (CDC)	858,010,993	97.1051
2	TREET HOLDINGS LIMITED (CDC)	19,590,562	2.2172
Mutual Funds (Name Wise Detail)			
		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	SYED SHAHID ALI	-	-
2	SYED SHEHARYAR ALI (CDC)	21,447	0.0024
3	MR. MUHAMMAD SHAFIQUE ANJUM	-	0.0000
4	MR. IMRAN AZIM	-	0.0000
5	DR. SALMAN FARIDI	-	0.0000
6	MS. SIDRA FATIMA SHEIKH	-	0.0000
7	MR. MUNIR K. BANA	-	0.0000
Executives:			
		-	-
Public Sector Companies & Corporations:			
		-	-
Banks, Development Finance Institutions, Non Banking Finance		500	-
Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:			
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)			

S. No.	Name	Holding	Percentage
1	TREET CORPORATION LIMITED (CDC)	858,010,993	97.1051

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	NAME	SALE	PURCHASE
	NIL		

Key Operating and Financial Results

Rs.(000)	2022	2021	2020	2019	2018	2017	2016
Sales	7,678,361	6,094,863	4,477,787	4,653,603	2,713,128	2,621,735	2,663,830
Gross Profit	284,719	-90,144	-772,495	-955,231	49,409	348,867	366,140
Profit before Taxation	-518,809	-535,738	-2,983,616	-2,391,792	-357,120	204,577	244,358
Profit after Taxation	-541,738	-617,470	-2,984,794	-2,391,792	-357,120	204,577	244,358
Certificateholders' Equity	4,371,661	4,913,400	-2,366,788	618,006	4,068,591	4,542,753	4,460,817
Fixed Assets - Net	8,393,918	8,600,603	7,057,967	7,258,050	8,480,844	6,871,790	3,780,937
Total Assets	11,579,148	11,999,821	10,191,016	11,750,858	12,219,365	8,867,304	5,191,000
Total Liabilities	7,207,487	7,086,421	12,557,804	11,132,852	8,150,774	4,324,551	730,183
Current Assets	3,126,218	3,291,655	3,011,539	4,481,876	3,723,048	1,971,272	1,382,380
Current Liabilities	6,874,178	6,660,017	12,494,021	11,123,580	8,150,774	4,268,125	617,334
Dividend Declared	0.00%	0.00%	0.00%	0.00%	0.00%	5.98%	6.27%
Certificates Outstanding	883,590,287	699,999,994	195,599,994	195,599,994	195,599,994	195,599,994	195,599,994

Important Ratios

	2022	2021	2020	2019	2018	2017	2016
Profitability							
Gross Profit / Loss	3.71%	-1.48%	-17.25%	-20.53%	1.82%	13.31%	13.74%
Profit / Loss before Tax	-6.76%	-8.79%	-66.63%	-51.40%	-13.16%	7.80%	9.17%
Profit / Loss after Tax	-7.06%	-10.13%	-66.66%	-51.40%	-13.16%	7.80%	9.17%
Return to Equity							
Return on Equity before Tax	-11.87%	-10.90%	126.06%	-387.02%	-8.78%	4.50%	5.48%
Return on Equity after Tax	-12.39%	-12.57%	126.11%	-387.02%	-8.78%	4.50%	5.48%
Earning / (Loss) per Certificate	-0.63	-2.42	-15.26	-12.23	-1.83	1.05	1.25
Liquidity/ Leverage							
Current Ratio	0.45	0.49	0.24	0.40	0.46	0.46	2.24
Break-up Value per Certificate	4.95	7.02	-12.10	3.16	20.80	23.22	22.81
Total Liabilities to Equity	1.65	1.44	-5.31	18.01	2.00	0.95	0.16

% Change	2022	2021	2020	2019	2018	2017	2016
Sales	25.98%	36.11%	-3.78%	71.52%	3.49%	-1.58%	0.54%
Gross Profit / Loss	-415.85%	-88.33%	-19.13%	-2033.31%	-85.84%	-4.72%	23.93%
Profit / Loss before Taxation	-3.16%	-82.04%	24.74%	569.74%	-274.57%	-16.28%	79.25%
Profit / Loss after Taxation	-12.26%	-79.31%	24.79%	569.74%	-274.57%	-16.28%	79.25%
Certificateholder's Equity + Revaluation Surplus	-11.03%	-307.60%	-482.97%	-84.81%	-10.44%	1.84%	163.57%
Fixed Assets - Net	-2.40%	21.86%	-2.76%	-14.42%	23.42%	81.75%	468.46%
Total Assets	-3.51%	17.75%	-13.27%	-3.83%	37.80%	70.82%	152.88%
Total Liabilities	1.71%	-43.57%	12.80%	36.59%	88.48%	492.26%	102.64%
Current Assets	-5.03%	9.30%	-32.81%	20.38%	88.87%	42.60%	1.83%
Current Liabilities	3.22%	-46.69%	12.32%	36.47%	90.97%	591.38%	222.80%
Dividend	-	-	-	-	-100.00%	-4.63%	1.13%
Certificates Outstanding	26.23%	257.87%	0.00%	0.00%	0.00%	0.00%	50.00%

Notice of 16th Annual Review Meeting

Notice is hereby given that 16th Annual Review Meeting of Certificate Holders of **First Treet Manufacturing Modaraba** will be held on Thursday, October 27, 2022 at 10:30 A.M at Ali Auditorium, Ferozepur Road Shahrah-e-Roomi, Lahore to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of last Annual Review Meeting held on November 23, 2021.
2. To receive, consider and adopt the Annual Audited Accounts of the Modaraba for the Year Ended June 30, 2022, together with the Directors' and Auditors' Reports thereon.
3. To appoint External Auditors of the Modaraba for the year ending June 30, 2023 and to fix their remuneration. M/S Rehman Sarfaraz Rahim Iqbal Rafiq & Co, Chartered Accountant have offered themselves for re-appointment.

The Certificate Transfer Books will remain closed from October 20, 2022 to October 27, 2022 (both days inclusive) for the purpose of determination of names of the certificate holders for attendance of Annual Review Meeting.

By order of the Board



(Zunaira Dar)

Company Secretary

LAHORE:

October 05, 2022

Notes:

1. In case of individuals, the account holder and/or person whose securities are in CDC sub account or investor account shall show their identity by showing original computerized national identity card (CNIC) or original passport at the time of attending the meeting, CDC sub account holders/investor account holders are also requested to bring their account numbers maintained with CDC.
2. In case of corporate entity, board of director's resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
3. Pursuant to the requirement of Section 242 of the Companies Act, 2022, Certificate Holders are Mandatory required to provide their bank account detail to receive their cash dividend directly in to their Bank Accounts instead of receiving it through dividend warrants. In this regards and in pursuance of the Directives of the SECP vide Circular No. 18, of 2022 dated August 01, 2022, Certificate Holders are requested to submit their written request (if not already provided) to the Modaraba's Registrar, giving particulars of their Bank Account Detail. In the absence of a member's valid Bank Account detail by October 31, 2022, the Modaraba will be constrained to withhold dispatch of dividend warrants to such members.

Notice of 16th Annual Review Meeting

4. The Financial Statements of the Modaraba for the year ended June 30, 2022 along with reports have been placed on the website of the Company: <https://www.ftmm.com.pk>

Annual Report 2022 and Notice of Annual Review Meeting (ARM) are being circulated electronically via email to all those shareholders whose email addresses are available with the CDC or the Share Registrar of the Modaraba.

Members who desire to receive annual financial statements and notice of the Modaraba through email in future (instead of receiving through CD/DVD) are requested to register their email address with CDC. Members holding physical shares shall provide their email to the Share Registrar of the Modaraba.

5. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its certificate holders only through electronic mode directly into bank account designated by the entitled shareholders.

In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to certificate holder's broker/participant/CDC account services. No further action is required if IBAN has already been incorporated/updated in the CDC account or physical folio of the certificate holder.


Certificate holders who by any reason, could not claim their dividend are advised to contact our Share Registrar to Collect/ enquire about their unclaimed dividends, if any. Please note any dividend unclaimed for more than three years may be deposited with the Federal Government under Section 244(2), of the Companies Act, 2017.

6. As per Section 72(2) of the Companies Act, 2017, every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four (4) years from the commencement of the Act, i.e., May 30, 2017. Those Shareholders having physical shareholding are encouraged to open a CDC Sub - Account with any Broker or Investor Account directly with CDC to place their physical shares into scrip less form. This will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange Limited.



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