

Half Yearly Report
2020

Our Ladder of Growth



First Tree
Manufacturing Modaraba

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BOARD OF DIRECTORS:	Syed Shahid Ali Syed Sheharyar Ali Muhammad Shafique Anjum Mr. Imran Azim Dr. Salman Faridi Ms. Sidra Fatima Sheikh Mr. Munir K. Bana	Chief Executive Officer Non-Executive Director Non-Executive Director Non-Executive Director/Chairman Independent Director Independent Director Non-Executive Director
AUDIT COMMITTEE:	Dr. Salman Faridi Mr. Imran Azim Mr. Munir K. Bana	Chairman/Member Member Member
CHIEF ACCOUNTANTS:	Mr. Sajjad Haider Khan Mr. Muhammad Zubair	Modaraba Modaraba Company
COMPANY SECRETARY:	Zunaira Dar	
EXTERNAL AUDITORS: MODARABA COMPANY:	Kreston Hyder Bhimji & Co	Chartered Accountants
EXTERNAL AUDITORS OF MODARABA'S MANAGEMENT COMPANY:	KPMG Taseer Hadi & Co.	Chartered Accountants
LEGAL ADVISORS:	Syed Ali Rizvi	Advocates
CORPORATE ADVISORS:	Cornelius, Lane & Mufti – Advocates	
SHARIAH ADVISOR:	Mufti Muhammad Javed Hassan	
BANKERS:	Allied Bank Limited Askari Bank Limited Bank Alfalah Limited BankIslami Pakistan Limited Bank Al Habib Limited Dubai Islamic Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited Faysal Bank Limited	JS Bank Limited MCB Bank Limited MCB Islamic Bank Limited Meezan Bank Limited National Bank of Pakistan Soneri Bank Limited United Bank Limited
REGISTERED OFFICE/ PLACE OF BUSINESS:	72-B, Industrial Area, Kot Lakhpat, Lahore. Tel: 042-35830881, 35156567 & 35122296 Fax: 042-35114127 & 35215825 E-mail: info@treetonline.com Website: www.ftmm.com.pk	
SHARES REGISTRAR:	Corplink (Private) Limited Winges Arcade, 1-K, Commercial Model Town, Lahore	
PACKAGING SOLUTIONS - CORRUGATION:	Kacha Tiba Rohi Nala, 22-KM Ferozpur Road, Lahore	
SOAP PLANT:	Ghakkar 80 KM, G.T. Road, Ghakkar Mandi, Gujranwala	
BATTERY PROJECT:	Faisalabad Industrial City, (FIEDMC) M-3, Motorway, Faisalabad	

Directors' Review

Board of Directors of Treet Holdings Limited (THL), the Management Company of First Treet Manufacturing Modaraba (FTMM), is pleased to present financial statements (limited reviewed by the statutory auditors) for the six months ending December 31, 2020.

SUMMARY OF COMPARATIVE FINANCIAL RESULTS

(Rupees in millions)

	Half Year December 31, 2020	Half Year December 31, 2019
Sales (net)	2,961	2,698
Gross Profit / (Loss)	(61)	(432)
Net Profit / (Loss)	(724)	(1,477)
Profit / (Loss) per Certificate	(3.70)	(7.55)
Transfer to Statutory Reserve	Nil	Nil
Book Value per Certificate	(8.85)	2.89

BUSINESS REVIEW – GROUP RESULTS

For the six-month period, the turnover was Rs. 2,961 million, registering an increase of Rs. 263 million (9.75%) over the same period of previous year. The increase in turnover is mainly attributable to increase in sales of battery and soap, partially offset by decreased sales of corrugation segment. Segment wise sales is as follows:

(Rupees in millions)

Segment	Sales		
	Half Year December 31, 2020	Half Year December 31, 2019	+/- %
Soap	500	454	10.13%
Corrugation	758	918	-17.43%
Battery	1,703	1,326	28.43%
Total	2,961	2,698	9.75%

For the six months period under review, Net Loss is Rs. 724 million which shows significant improvement over the last year corresponding period (December 2109: Net Loss Rs. 1,477 million). The improvement is attributable to increased sales volumes which resulted in better absorption of fixed overheads, local sourcing of Lead for battery, rationalization of costs through rigorous cost controlling measures, saving in fuel and power due to grid installation at battery site and decrease in financial charges due to lower policy rate. The reduction in Net Loss is also attributable to management fee (Rs. 101 million) not being charged now by the parent company, subsequent to members' approval in the annual general meeting of the company dated 31 October 2020 to convert the loan into equity. This level of loss has delivered a Loss per Certificate of Rs. 3.70 compared to Rs. 7.55 per Certificate last year same period.

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

- The current payable to parent company upto PKR 7.4 billion will be converted into equity after approval from the regulator.

Following operational 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) **Raw Material Sourcing:**
After extensive testings' local sources have been approved for supply of lead for our batteries. This has resulted in cost savings and better payment terms compared to imported lead sources.
- 2) **Improvement in Plant Efficiency:**
Various plant efficiency projects have been initiated which are expected to improve efficiency and reduce operational wastage. This will result in improvement in profitability.

Directors' Review

3) **Reduction in Administrative Costs:**

Daewoo battery plant is state of the art plant specializing in maintenance free and deep cycle batteries. Since no local resources were available to operate and manage such a facility, a team of Korean expats was hired to train local staff and manage the battery plant. Now, after two years of training, the local team has started to take on more responsibilities at the plant. Accordingly, the Korean staff has been relieved which has resulted in reduction in payroll cost of battery division. Accordingly, the management company of the Modaraba is fully justified to prepare the condensed interim financial statements by using going concern assumption.

FINANCIAL PLAN

As already communicated, spin off the Battery segment from its subsidiary (First Treet Manufacturing Modaraba) to separate Company (Treet Battery Limited) is in progress. Execution of demerger plan is underway. Currently, regulatory and legal approvals are being sought from Financial Institutions and Regulators. Efforts are being made to improve the cost structure of the Battery project for better absorption of fixed cost along with plans to reduce the leveraging of the project.

ACKNOWLEDGEMENTS

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

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

For and on behalf of the Board.



Syed Shahid Ali
Chief Executive Officer

February 25, 2021
LAHORE

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of FIRST TREET MANUFACTURING MODARABA (the "Modaraba") as at December 31, 2020 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (herein after referred to as the "condensed interim financial statements").

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

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2020 and December 31, 2019 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended December 31, 2020.

Scope of Review

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

Conclusion

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


EMPHASIS MATTER

We draw attention to note 1.2 of the condensed interim financial statements, which discloses that the condensed interim financial statements have been prepared on the going concern basis for the stated reasons that the management has successfully embarked a mitigation plan and adopted remedial measures during the period under review to address the adverse situations, as were disclosed in the Annual report of the Modaraba for the year ended June 30, 2020. Due to these measures and corrective actions, the management has earned gross profit for the quarter ended December 31, 2020 as against huge gross loss for the comparable corresponding period. In addition to this, the Members of the parent company of the Modaraba have already decided and approved the conversion of loan provided by the parent company to the Modaraba into equity after seeking regulatory approvals to provide a strong equity base of the Modaraba.

At the reporting date, the Modaraba, however, incurred loss after taxation amounting to Rs. 724.279 million during the period, which increased to Rs. 6,535.837 million thereby eroded its equity by Rs. 1,730.656 million with adverse current ratio at that date. These events and conditions, alongwith other matters as set forth in note 1.2 indicate that a material uncertainty exists that may cast significant doubt on the Modaraba's ability to continue as a going concern and the Modaraba may be unable to realize its assets and discharge its liabilities in the normal course of business.

Our conclusion is not modified in respect of this matter.

LAHORE:
FEBRUARY 25, 2021


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


Condensed Interim Balance Sheet (Un-Audited)

As at December 31, 2020

		Un-audited December 31, 2020	Audited June 30, 2020
	Note	(Rupees in thousand)	
Assets			
<u>Non-current assets</u>			
Property, plant and equipment	4	8,194,946	8,418,377
Right of use asset (ROU)	5	70,433	78,259
Long term deposits		45,112	43,251
		8,310,491	8,539,887
<u>Current assets</u>			
Stores and spares		92,490	105,671
Stock in trade	6	890,222	1,216,573
Trade debts - considered good		534,822	543,371
Advances, deposits, prepayments and other receivables	7	143,081	132,638
Tax refunds due from the Government		793,490	844,149
Cash and bank balances		102,194	169,137
		2,556,299	3,011,539
Total assets		10,866,790	11,551,426
<u>Equity and liabilities</u>			
<u>Certificate capital and reserves:</u>			
Authorized certificate capital		4,500,000	4,500,000
Issued, subscribed and paid up certificate capital		1,956,000	1,956,000
Statutory reserve		511,941	511,941
Certificate premium		1,952,870	1,952,870
Surplus on revaluation of property, plant & equipment		384,370	385,359
Accumulated loss		(6,535,837)	(5,812,547)
Certificate holders' equity		(1,730,656)	(1,006,377)
<u>Non-current liabilities</u>			
Lease liability		47,148	54,511
Deferred taxation		9,272	9,272
		56,420	63,783
<u>Current liabilities</u>			
Retention money payable		12,137	14,562
Current portion of lease liability		15,159	15,980
Short term borrowings	9	11,315,435	11,602,841
Trade and other payables	10	1,006,931	595,111
Accrued profit on secured borrowings		147,038	265,165
Provision for taxation		44,326	361
		12,541,026	12,494,020
Contingencies and commitments	12		
Total equity and liabilities		10,866,790	11,551,426

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

LAHORE
February 25, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Imran Azim
Director


Muhammad Shafique Anjum
Director

Condensed Interim Profit And Loss Account (Un-Audited)

For the half year ended December 31, 2020

	Note	For the half year ended		For the quarter ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
----- (Rupees in thousand) -----					
Revenue - net		2,961,412	2,697,964	1,395,663	1,120,607
Cost of goods sold	13	(3,022,748)	(3,129,585)	(1,341,969)	(1,410,973)
Gross (loss) / profit		(61,336)	(431,621)	53,694	(290,366)
Operating expenses					
Administrative and general		(194,196)	(429,075)	(18,263)	(415,946)
Selling and distribution		(221,307)	(345,016)	(103,863)	(242,763)
Other expenses		(5,994)	(4,175)	(5,994)	(4,175)
		(421,497)	(778,266)	(128,120)	(662,884)
Operating loss		(482,833)	(1,209,887)	(74,426)	(953,250)
Finance cost	14	(203,598)	(275,013)	(114,574)	(242,293)
Other income		6,478	8,231	(28,238)	106,771
Loss before taxation		(679,953)	(1,476,669)	(217,238)	(1,088,772)
Taxation	15	(44,326)	(361)	(27,518)	-
Loss after taxation		(724,279)	(1,477,030)	(244,756)	(1,088,772)
Loss per modaraba certificate - basic and diluted	Rupees	(3.70)	(7.55)	(1.25)	(5.57)

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

LAHORE
February 25, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Imran Azim
Director


Muhammad Shafique Anjum
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended December 31, 2020

	For the half year ended		For the quarter ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	----- (Rupees in thousand) -----			
Loss for the period	(724,279)	(1,477,030)	(244,756)	(1,088,772)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	<u>(724,279)</u>	<u>(1,477,030)</u>	<u>(244,756)</u>	<u>(1,088,772)</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

LAHORE
February 25, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Imran Azim
Director


Muhammad Shafique Anjum
Director

Condensed Interim Cash Flow Statement (Un-Audited)

For the half year ended December 31, 2020

Note	December 31, 2020	December 31, 2019
	(Rupees in thousand)	
<u>Cash flow from operating activities</u>		
Loss before taxation	(679,953)	(1,476,669)
<i>Adjustment for non-cash items:</i>		
Depreciation on operating fixed assets	222,107	213,886
Depreciation on ROU asset	7,826	-
Capital work in progress expensed during the period	3,359	-
Allowance for expected credit losses	5,994	4,175
Write down in the value of stock in trade	6,454	-
Provision for warranty	21,516	16,265
Exchange Loss	102	753
Loss on disposal of operating fixed assets	23	-
Finance cost	203,496	274,260
	<u>470,877</u>	<u>509,339</u>
Operating loss before working capital changes	(209,076)	(967,330)
<i>(Increase) / decrease in current assets:</i>		
Stores and spares	13,181	(14,022)
Stock in trade	319,897	101,178
Trade debtors	2,555	69,509
Advances, deposits, prepayments and other receivables	(10,443)	385,295
Tax refunds due from the government - sales tax adjustable	34,754	(517)
	<u>359,944</u>	<u>541,443</u>
<i>Increase / (decrease) in current liabilities:</i>		
Retention money payable	(2,425)	(8,534)
Trade and other payables	(59,330)	(149,774)
Cash generated from / (used in) operations	89,113	(584,195)
Finance cost paid	(321,725)	(185,282)
Income tax paid - net of refund	15,544	(20,733)
Long term deposits - net	(1,861)	(34,237)
Net cash used in operating activities	(218,929)	(824,447)
<u>Cash flow from investing activities</u>		
Capital work in progress incurred	(2,113)	(172,617)
Proceeds from disposal of operating fixed assets	55	-
Net cash used in investing activities	(2,058)	(172,617)
<u>Cash flow from financing activities</u>		
Short term borrowings acquired from banking companies	(113,026)	263,778
Payment of lease liability including prepayments	(8,184)	-
Borrowings from related party - Holding Company	(174,380)	709,333
Net cash (used in) / generated from financing activities	(295,590)	973,111
Net decrease in cash and cash equivalents	(516,577)	(23,953)
Cash and cash equivalents at beginning of the period	11 136,968	21,666
Cash and cash equivalents at end of the period	11 (379,609)	(2,287)

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

LAHORE
February 25, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Imran Azim
Director


Muhammad Shafique Anjum
Director

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

For the half year ended December 31, 2020

	Certificate capital	Capital Reserve			Revenue	Total
		Certificate premium	Statutory reserve	Revaluation reserve	Accumulated loss	
----- (Rupees in thousand) -----						
Balance as at 01 July 2019	1,956,000	1,952,870	511,941	387,476	(2,765,445)	2,042,842
Total comprehensive loss for the period	-	-	-	-	(1,477,030)	(1,477,030)
<i>Surplus transferred to accumulated loss on account of incremental depreciation charged during the period net of deferred tax</i>	-	-	-	(1,059)	1,059	-
Balance as at 31 December 2019	1,956,000	1,952,870	511,941	386,417	(4,241,416)	565,812
Total comprehensive loss for the period	-	-	-	-	(1,572,189)	(1,572,189)
<i>Surplus transferred to accumulated loss on account of incremental depreciation charged during the period - net of deferred tax</i>	-	-	-	(1,058)	1,058	-
Balance as at 30 June 2020	1,956,000	1,952,870	511,941	385,359	(5,812,547)	(1,006,377)
Total comprehensive loss for the period	-	-	-	-	(724,279)	(724,279)
<i>Surplus transferred to accumulated loss on account of incremental depreciation charged during the period - net of deferred tax</i>	-	-	-	(989)	989	-
Balance as at 31 December 2020	<u>1,956,000</u>	<u>1,952,870</u>	<u>511,941</u>	<u>384,370</u>	<u>(6,535,837)</u>	<u>(1,730,656)</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

LAHORE
February 25, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Imran Azim
Director


Muhammad Shafique Anjum
Director

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

For the period ended December 31, 2020

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 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 As previously reported in the annual report of the Modaraba for the year ended June 30, 2020 that the Modaraba is incurring gross losses and has again suffered a gross loss during the half year ended December 31, 2020 of Rs. 61.336 million (December 31 2019: Rs. 431.621 million) and net loss after tax of Rs. 724.279 million (December 31, 2019: Rs. 1,477.030 million) during the half year, whereas its accumulated loss of Rs. 6,535.837 million (June 30, 2020: Rs. 5,812.547 million) with negative equity of Rs. 1,730.656 million (June 30, 2020: Rs. 1,006.377 million) stood at December 31, 2020. The Modaraba has also shown adverse current ratio at the terminal dates. These conditions indicate the existence of material uncertainty about the conditions and events regarding the future operations of the Modaraba which may cast significant doubt about the Modaraba's ability to continue as a going concern and, therefore, the Modaraba may be unable to realize its assets and discharge its liabilities in the normal course of business.

As was disclosed in the annual audited financial statements for the year ended June 30, 2020, the management prepared mitigation plans and strategies to address the above mentioned issues and most of the action plans have been implemented and remedial measures have been taken into account during the half year ended. As a result of implementation of these plans the management has successfully reduced gross loss by 85.79% as compared to the corresponding period.

In addition to this, the members of the parent company in its annual general meeting held on October 31, 2020, decided and approved the conversion of loan provided by the parent company to the Modaraba being classified as short term borrowings and grouped under current liabilities into equity of the Modaraba after seeking prior regulatory approvals. The management is in the process of making necessary arrangements including regulatory compliances in this regard. Further, the proposals / option for the introduction of new equity partner is also under way as at the terminal date.

In view of the above mitigation plans, the management believes that Modaraba will continue to operate as a profitable venture in foreseeable future, and in fact has shown a gross profit of Rs. 53.694 million for the quarter ended December 31, 2020. Accordingly, the going concern assumption used by the management in the preparation of these financial statements is appropriate.

2 Basis of preparation

These condensed interim financial statements is un-audited and has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). In cases where the requirements differ, the provisions of or directives issued under the Ordinance or Regulations shall prevail. The disclosures in these condensed interim financial statements do not include all the information reported in audited annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2020.

3 Significant accounting policies and estimates

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2020.

3.2 Standards and amendments to published accounting and reporting standards which were effective during the half year ended December 31, 2020

There are other new standards which are effective from 01 July, 2020 but they do not have a material effect on the Modaraba's condensed interim financial statements.

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

There are other new standards and certain amendments & interpretations to the accounting and reporting standards that will be mandatory for the Modaraba's annual accounting periods beginning on or after July 1, 2021. However, these standards, amendments and interpretations will not have any significant impact on the financial reporting of the Modaraba and, therefore, have not been disclosed in these condensed interim financial statements.

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

For the period ended December 31, 2020

		Un-audited December 31, 2020	Audited June 30, 2020
4 Property, plant and equipment	Note	----- (Rupees in thousand) -----	
Operating fixed assets	4.1	8,147,140	8,251,962
Capital work-in-progress	4.2	47,806	166,415
		<u>8,194,946</u>	<u>8,418,377</u>
4.1 Operating fixed assets			
Opening balance - net book value		8,251,962	7,282,780
Transfer from capital work in progress		117,363	1,458,134
Assets disposed off		(147)	-
Depreciation charged during the period / year	4.1.2	(222,107)	(488,952)
Depreciation on assets disposed off		69	-
Closing balance - net book value		<u>8,147,140</u>	<u>8,251,962</u>
4.1.1	The operating fixed assets include a freehold land measuring 40 acres having value of Rs. 265.524 million (June 30, 2020: Rs. 265.524 million) situated at Sahianwala Faisalabad. This land is in possession and use of Modaraba since acquisition and all the obligations had been duly paid there-against. However, legal title of the land is in the process of being transferred in the name of Modaraba.		
4.1.2	The depreciation charge for the period / year has been allocated as under:		
Cost of Sales			
Packaging solutions - corrugated boxes	13.1	13,325	23,731
Soaps	13.2	2,614	3,752
Batteries	13.3	202,818	454,822
Administration and general expenses		3,273	6,495
Selling and distribution cost		77	152
		<u>222,107</u>	<u>488,952</u>
4.2 Capital work in progress			
The breakup of this head of account is as under:			
Civil works		979	97,202
Plant and machinery		29,454	46,803
Advances for capital expenditure		17,373	22,410
		<u>47,806</u>	<u>166,415</u>
5 Right of use asset (ROU)		2020	2020
		(Rupees in thousand)	
Cost as at December 31, / June 30, 2020			
Effect of initial application of IFRS 16 - as at July 1, 2019		78,259	93,911
Less: Depreciation			
Charge for the period / year	5.1	(7,826)	(15,652)
Closing balance - net book value		<u>70,433</u>	<u>78,259</u>
Useful life / Lease term		<u>6 years</u>	<u>6 years</u>
5.1	The depreciation charge for the period on the right of use asset has been allocated as under:		
Cost of sales - Soap Segment	13.2	5,267	10,534
Selling and distribution cost - battery segment		2,559	5,118
		<u>7,826</u>	<u>15,652</u>

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

For the period ended December 31, 2020

	2020	2020
Note	(Rupees in thousand)	
6 Stock in trade		
Raw material and chemicals	6.1 333,964	621,149
Packing material	29,648	20,507
Work-in-process	413,767	429,180
Finished goods	112,843	145,737
	<u>890,222</u>	<u>1,216,573</u>
6.1	Raw material and chemicals include stock in transit amounting to Rs.35.683 million (June 30, 2020: Rs. 37.554 million).	
6.2	The stock in trade of corrugation and battery segments has been written down to net realizable value by Rs. 1.694 (June 30, 2020: Rs. 5.073) million and by Rs 3.654 (June 30, 2020: Rs. 15.018) million respectively, which is duly recognized in the cost of sales in accordance with the requirements of IAS - 2.	
7 Advances, deposits, prepayments and other receivables - considered good	7.1 143,081	132,638
7.1	These include Rs. 7.520 (June 30, 2020: Rs. 7.520) million as balance receivable from Messrs Loads Limited, an associated company of the Modaraba.	
8 Deferred Taxation		
Deferred tax liabilities in respect of taxable temporary differences:		
Accelerated tax depreciation and allowance of assets	785,367	761,403
Deferred tax assets in respect of deductible temporary differences:		
Provision for slow moving/obsolete stores	(1,592)	(1,584)
Provision for doubtful debts	(16,749)	(14,960)
Provision for warranty	(6,198)	(31,609)
Lease liability	(17,949)	(20,222)
Unused losses	(1,879,325)	(1,658,403)
	<u>(1,921,813)</u>	<u>(1,726,778)</u>
Net deferred tax asset	(1,136,446)	(965,375)
Less: deferred tax liability attributable to revaluation surplus	287	865
Net deferred tax asset	<u>(1,136,159)</u>	<u>(964,510)</u>
Deferred tax asset not recognized in the profit and loss account	1,136,159	964,510
Deferred tax income recognized in the profit and loss account	<u>-</u>	<u>-</u>
8.1	The deferred tax assets amounting to Rs. 1,136,159 million (June 30, 2020: Rs. 964,510 million) are not recognized in these financial statements as the certainty of the taxable profits / taxable differences in the foreseeable future is not assured.	
9 Short term borrowings - unsecured		
From banking companies - secured and profit bearing		
Running finances - Islamic mode of financing	9.1 4,114,710	4,227,736
From related parties - unsecured		
Treet Corporation Limited - Holding Company	9.3 7,200,725	7,375,105
	<u>11,315,435</u>	<u>11,602,841</u>

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

For the period ended December 31, 2020

9.1 Running finances - Islamic mode of financing

These represent Istisna and Musharaka finance facilities obtained from various financial institutions under shariah arrangements for the manufacturing of corrugated boxes, soaps and batteries out of the total sanctioned limits of Rs. 4,257.50 million (June 30, 2020 Rs. 4,587.50 million).

9.2 All the short term borrowings from the various financial institutions / banking companies as disclosed in note 9.1 of these condensed interim financial statements carry profit rates ranging from 6.63% to 16.01% (June 30, 2020: 9.72% to 16.40%) per annum, payable quarterly. Further, these are secured against the ownership of goods and 1st Joint Pari Passu charge over all the present and future current assets and plant & machinery of the Modaraba amounting to Rs. 6,703 million (including 25% safety margin).

9.3 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 and stated to be payable on demand, particularly when the project will have profitable operations and generate sufficient cash flows. However, during the period under review, the parent company in its annual general meeting held on October 31, 2020 decided to convert this loan into equity fund of the Modaraba and sought approval from its members in this regard subject to prior regulatory approvals. Accordingly, this loan will be converted into equity after complying with all the necessary legal formalities in this regard.

	Un-audited December 31, 2020	Audited June 30, 2020
Note	----- (Rupees in thousand) -----	

10 Trade and other payables

	10.1	<u>1,006,931</u>	<u>595,111</u>
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10.1 These include balances on account of the following:

Payable to related parties:

Associated undertakings

Packages Limited	-	11,484
Treet HR Management (Private) Limited	-	1,088
IGI Insurance Payable	1	-
Renacon Pharma Limited	-	24
Elite Brands Limited	209	-
Gulab Devi Chest Hospital	7	-
	<u>217</u>	<u>12,596</u>

Holding company

Treet Corporation Limited	<u>17,500</u>	<u>35,000</u>
	<u>17,717</u>	<u>47,596</u>

Temporary book overdraft - unsecured

	<u>481,803</u>	<u>32,169</u>
	<u>499,520</u>	<u>79,765</u>

11 Cash and cash equivalents

Cash and bank balances	102,194	169,137
Temporary book overdraft - unsecured	(481,803)	(32,169)
	<u>(379,609)</u>	<u>136,968</u>

Cash and cash equivalents at end of the period

12 Contingencies and commitments

12.1 Contingencies

There are no material changes in contingencies from the preceding annual published financial statements of the Modaraba for the year ended June 30, 2020.

12.2 Commitments

Commitments other than capital arrangements were in the sum of Rs. 21.991 million (June 30, 2020: Rs. 27.052 million) as at that date.

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

For the period ended December 31, 2020

	Note	Un-audited		Un-audited	
		For the half year ended		For the quarter ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
----- (Rupees in thousand) -----					
13 Cost of goods sold					
Packaging Solutions - Corrugated boxes	13.1	777,470	972,300	423,892	471,223
Soap	13.2	477,484	393,399	199,322	165,952
Batteries	13.3	1,767,794	1,763,886	718,755	773,798
		<u>3,022,748</u>	<u>3,129,585</u>	<u>1,341,969</u>	<u>1,410,973</u>
13.1 Cost of goods sold - Packaging Solutions					
Raw material consumed					
Opening stock		178,624	134,982	96,102	156,416
Add : Purchases		475,152	754,519	331,145	345,609
		<u>653,776</u>	<u>889,501</u>	<u>427,247</u>	<u>502,025</u>
Less : Closing stock		(104,562)	(178,624)	(104,562)	(178,624)
		<u>549,214</u>	<u>710,877</u>	<u>322,685</u>	<u>323,401</u>
Stores and spares consumed		32,724	26,054	17,015	13,913
Salaries, wages and other benefits		82,196	103,372	43,891	56,876
Fuel and power		40,630	41,935	21,244	20,036
Freight and forwarding		29,704	40,164	14,329	16,972
Depreciation on operating fixed assets	4.1.2	13,325	12,142	7,081	7,125
Other expenses		21,763	23,642	9,648	17,085
		<u>769,556</u>	<u>958,186</u>	<u>435,893</u>	<u>455,408</u>
Work-in-process					
Add: Opening stock		10,596	6,319	-	8,183
Less: Closing stock		(9,845)	(10,767)	(9,845)	(10,767)
		<u>751</u>	<u>(4,448)</u>	<u>(9,845)</u>	<u>(2,584)</u>
Cost of goods manufactured		<u>770,307</u>	<u>953,738</u>	<u>426,048</u>	<u>452,824</u>
Finished goods					
Add: Opening stock		23,615	42,148	14,296	41,985
Less: Closing stock		(16,452)	(23,586)	(16,452)	(23,586)
		<u>7,163</u>	<u>18,562</u>	<u>(2,156)</u>	<u>18,399</u>
		<u>777,470</u>	<u>972,300</u>	<u>423,892</u>	<u>471,223</u>
13.2 Cost of goods sold - Soaps					
Raw material consumed					
Opening stock		30,245	58,711	33,086	25,445
Add : Purchases		445,202	299,787	203,394	168,909
		<u>475,447</u>	<u>358,498</u>	<u>236,480</u>	<u>194,354</u>
Less : Closing stock		(40,027)	(30,245)	(40,027)	(30,245)
		<u>435,420</u>	<u>328,253</u>	<u>196,453</u>	<u>164,109</u>
Stores and spares consumed		1,872	1,281	966	555
Salaries, wages and other benefits		24,094	23,286	11,840	12,217
Fuel and power		8,263	6,353	6,529	5,536
Freight and forwarding		9,173	8,152	4,596	4,825
Depreciation	4.1.2	2,614	2,156	1,307	1,441
Depreciation on ROU asset	5.1	5,267	-	5,267	-
Other expenses		3,753	11,973	1,950	6,554
		<u>490,456</u>	<u>381,454</u>	<u>228,908</u>	<u>195,237</u>
Work-in-process					
Add: Opening stock		223	-	-	-
Less: Closing stock		(537)	(23)	(537)	(23)
		<u>(314)</u>	<u>(23)</u>	<u>(537)</u>	<u>(23)</u>
Cost of goods manufactured		<u>490,142</u>	<u>381,431</u>	<u>228,371</u>	<u>195,214</u>
Finished goods					
Add: Opening stock		23,613	53,097	7,222	11,867
Less: Closing stock		(36,271)	(41,129)	(36,271)	(41,129)
		<u>(12,658)</u>	<u>11,968</u>	<u>(29,049)</u>	<u>(29,262)</u>
		<u>477,484</u>	<u>393,399</u>	<u>199,322</u>	<u>165,952</u>

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

For the period ended December 31, 2020

	<i>Note</i>	Un-audited		Un-audited	
		For the half year ended		For the quarter ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
----- (Rupees in thousand) -----					
13.3 Cost of goods sold - Batteries					
Raw material consumed					
Opening stock		514,329	874,418	254,410	756,098
Add : Purchases		849,402	971,047	562,207	760,857
		<u>1,363,731</u>	<u>1,845,465</u>	<u>816,617</u>	<u>1,516,955</u>
Less : Closing stock		(219,023)	(929,212)	(219,023)	(929,212)
		<u>1,144,708</u>	<u>916,253</u>	<u>597,594</u>	<u>587,743</u>
Stores and spares consumed		20,104	18,153	15,497	13,151
Salaries, wages and other benefits		149,805	207,745	77,832	102,306
Fuel and power		119,885	189,254	52,120	82,934
Freight and forwarding		37,110	31,613	17,780	15,972
Depreciation	4.1.2	202,818	196,247	66,955	71,591
Other expenses		39,999	59,532	20,430	30,465
		<u>1,714,429</u>	<u>1,618,797</u>	<u>848,208</u>	<u>904,162</u>
Work-in-process					
Add: Opening stock		418,361	587,427	202,882	273,569
Less: Closing stock		(403,385)	(427,174)	(403,385)	(427,174)
		<u>14,976</u>	<u>160,253</u>	<u>(200,503)</u>	<u>(153,605)</u>
Cost of goods manufactured		<u>1,729,405</u>	<u>1,779,050</u>	<u>647,705</u>	<u>750,557</u>
Finished goods					
Add: Opening stock		98,509	100,975	131,170	139,380
Less: Closing stock		(60,120)	(116,139)	(60,120)	(116,139)
		<u>38,389</u>	<u>(15,164)</u>	<u>71,050</u>	<u>23,241</u>
		<u>1,767,794</u>	<u>1,763,886</u>	<u>718,755</u>	<u>773,798</u>
14 Finance cost					
Istisna finance charges		168,191	176,553	94,928	156,197
Musharaka finance charges		-	56,859	-	50,303
Murabaha finance charges		3,596	-	2,030	33,369
Musawamah finance		-	37,718	-	-
Karobar finance		27,519	-	15,532	-
Lease liability		1,550	-	788	-
Exchange loss		102	753	50	753
Bank charges		2,640	3,130	1,246	1,671
		<u>203,598</u>	<u>275,013</u>	<u>114,574</u>	<u>242,293</u>
15 Taxation					
Current					
Minimum tax regime		44,129	-	27,321	-
Presumptive tax - exports	15.1	197	361	197	-
Deferred					
For the year	8	-	-	-	-
		<u>44,326</u>	<u>361</u>	<u>27,518</u>	<u>-</u>

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

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

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

For the period ended December 31, 2020

16 Business segments

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

- Manufacture and sale of corrugated boxes
- Manufacture and sale of soaps
- Manufacture and sale of batteries

	Business Segments							
	Corrugated Boxes		Soaps		Batteries		Total	
	----- Un-audited -----							
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	----- (Rupees in thousand) -----							
Revenue: Inter-segment	11,136	7,651	-	-	-	-	11,136	7,651
Others	827,418	1,010,496	601,106	547,020	2,310,700	1,770,035	3,739,224	3,327,551
Sale of (waste paper and lead)	51,575	51,742	-	-	105,969	91,193	157,544	142,935
	890,129	1,069,889	601,106	547,020	2,416,669	1,861,228	3,907,904	3,478,137
Less: Sales tax	(120,279)	(144,106)	(101,151)	(92,391)	(332,829)	(252,162)	(554,259)	(488,659)
Trade discount	(892)	(476)	(325)	(300)	(379,880)	(283,087)	(381,097)	(283,863)
Elimination of inter segment sales	(11,136)	(7,651)	-	-	-	-	(11,136)	(7,651)
Net revenue	757,822	917,656	499,630	454,329	1,703,960	1,325,979	2,961,412	2,697,964
Cost of sales: Inter-segment	-	-	11,136	7,651	-	-	11,136	7,651
Others	777,470	972,300	477,484	393,399	1,767,794	1,763,866	3,022,748	3,129,585
Elimination of inter segment purchases	-	-	(11,136)	(7,651)	-	-	(11,136)	(7,651)
	777,470	972,300	477,484	393,399	1,767,794	1,763,866	3,022,748	3,129,585
Gross (loss) / profit	(19,648)	(54,644)	22,146	60,930	(63,834)	(437,907)	(61,336)	(431,621)
Operating expenses								
Administrative and general	(15,971)	(39,243)	(8,905)	(7,202)	(169,320)	(382,630)	(194,196)	(429,075)
Selling and distribution	(17,415)	(15,825)	-	-	(203,892)	(329,191)	(221,307)	(345,016)
Other expenses	(5,994)	(4,175)	-	-	-	-	(5,994)	(4,175)
	(39,380)	(59,243)	(8,905)	(7,202)	(373,212)	(711,821)	(421,497)	(778,266)
Operating (loss) / profit	(59,028)	(113,887)	13,241	53,728	(437,046)	(1,149,728)	(482,833)	(1,209,887)
Finance cost							(203,598)	(275,013)
Other income							6,478	8,231
Net loss for the period before taxation							(679,953)	(1,476,669)
Taxation							(44,326)	(361)
Net loss for the period after taxation							(724,279)	(1,477,030)

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

	Corrugated Boxes		Soaps		Batteries		Unallocated		Total	
	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited
	December 31, 2020	June 30, 2020	December 31, 2020	June 30, 2020	December 31, 2020	June 30, 2020	December 31, 2020	June 30, 2020	December 31, 2020	June 30, 2020
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
Segment assets	2,427,424	2,353,681	59,808	101,612	8,379,558	9,096,133	-	-	10,866,790	11,551,426
Segment liabilities	4,410,690	4,258,420	3,948,740	4,033,897	4,228,744	4,256,214	9,272	9,272	12,597,446	12,557,803
Depreciation on property, plant and equipment	14,312	25,690	2,614	3,752	205,181	459,510	-	-	222,107	488,952

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

For the period ended December 31, 2020

17 Transactions with related parties

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

Name of parties	Nature of relationship	Nature and description of related party transaction	For the half year ended	
			December 31, 2020	December 31, 2019
----- (Rupees in thousand) -----				
Treet Corporation Limited	Holding company	Sale of corrugated boxes	13,427	9,782
		Expenses for operational activities of battery project	149,659	366,153
		Service charges charged by the party	17,500	17,500
Treet HR Management (Private) Limited	Associated undertaking	Services obtained	6,525	5,625
Packages Limited	Associated undertaking	Purchase of goods	7,709	30,634
IGI Insurance Limited	Associated undertaking	Services obtained	37,975	43,717
Renacon Pharma Limited	Associated undertaking	Sale of corrugated boxes	8,140	7,758
		Sale of batteries	68	-
Ghulab Devi Chest Hospital	Associated undertaking	Donation given to the charitable institution	2	-

18 Date of authorization for issue

These un-audited condensed interim financial statements was authorized for issue by the Board of Directors of the Management Company on February 25, 2021.

19 General

19.1 The substantial decrease in administrative and general expenses for the half year and quarter ended December 31, 2020 when compared with the corresponding figures of the comparative period, is mainly for not charging management fee by the parent company for the funds provided by it to the Modaraba w.e.f. October 31, 2020 as a result of special resolution passed by the parent company in its annual general meeting held at that date for the conversion of its loan into equity of the Modaraba.

19.2 "World Health Organization declared the Novel strain of Corona virus (Covid-19) a global pandemic and recommended containment and mitigation measures worldwide. The federal and provincial governments of Pakistan also took various measures, including imposition of lockdown to contain the spread of Covid-19. This caused an overall economic slowdown and varying degree of disruption to the Company including the suspension of production, sales and operations. However, the Government's initiative to subsequently relax the lockdown along with various other incentives to businesses helped in reviving the demand of their products from June 2020 onwards. The management of the Company has been regularly conducting in depth analysis and has assessed that there is no material impact of COVID - 19 on the carrying amounts of assets and liabilities as at December 31, 2020. Going forward, the management is taking all the required actions and will continue to monitor the potential impact and take all steps possible to mitigate any effects."

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

19.4 Corresponding figures have been rearranged / regrouped where necessary to facilitate comparison and better understanding. Material rearrangement and reclassification of the corresponding figures was made during the year are as follows:

	December 31, 2019 (Rupees in thousand)	Reclassification	
		From	To
Rental charged by the parent company	17,500	Cost of Sales	Administration and general expenses
Freight and forwarding	79,929	Selling and distribution cost	Cost of sales
Reimbursement of utility expenses from Khatoon Industries Limited	3,841	Other income	Cost of sales
Scrap Sales - battery	91,193	Other income	Revenue

19.5 All figures, except for June 30, 2020 figures, appearing in these condensed interim financial statements are unaudited.

LAHORE
February 25, 2021



Syed Shahid Ali
Chief Executive Officer



Mohtashim Aftab
Group Chief Financial Officer



Imran Azim
Director



Muhammad Shafique Anjum
Director



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