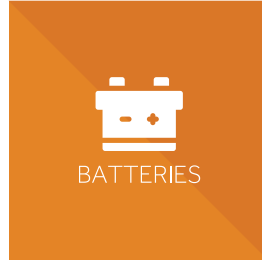


HALF YEARLY REPORT
2021



OUR BRANDS



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COMPANY INFORMATION

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

DIRECTORS' REVIEW

Board of Directors of Treet Holdings Limited (THL), the Management Company of First Treet Manufacturing Modaraba (FTMM), is pleased to present financial statements (limited reviewed by the statutory auditors) for the six months ending December 31, 2021.

SUMMARY OF COMPARATIVE FINANCIAL RESULTS

(Rupees in million)		
	Half Year 31 December 2021	Half Year 31 December 2020
Sales (net)	3,550	2,961
Gross Profit/(Loss)	205	(61)
Net Profit/(Loss)	(65)	(724)
Profit/(Loss) per Certificate	(0.08)	(3.70)
Transfer to Statutory Reserve	Nil	Nil
Book Value per Certificate	5.49	(8.85)

BUSINESS REVIEW – GROUP RESULTS

For the six-month period, the turnover was Rs. 3,550 million, registering an increase of Rs. 589 million (19.89%) over the same period of 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.

Segment wise sales is as follows:

(Rupees in million)			
Sales			
Segment	Half Year 31 December 2021	Half Year 31 December 2020	+/- %
Soap	255	500	-48.80%
Corrugation	1,082	758	42.74%
Battery	2,213	1,703	29.95%
Total	3,550	2,961	19.89%

For the six months period under review, Net Loss is Rs. 65 million which shows significant improvement over the last year corresponding period (December 2020: Net Loss Rs. 724 million). The improvement is primarily due to increased sales volumes which resulted in better absorption of fixed overheads resulted in gross profit of Rs. 205 million (December 2020 Loss Rs. 61 million), improvement in battery plant efficiency and rationalization of costs through rigorous cost controlling measures. Other Income includes recognition of gain on sales of Fixed Asset. This level of loss has delivered a Loss per Certificate of Rs. 0.08 compared to Rs. 3.70 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 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:

1. Working Capital Improvement:

A major review of inventories was conducted at all levels to free up cash. With improved plant reliability and sourcing efficiency, a considerable reduction in WIP has been achieved and optimized in line with seasonal demand for different product variant.

2. Battery Prices Rationalization:

Battery pricing was continually reviewed in line with competitors and market dynamics. In line with the pricing strategy Since July 2021, four (4) price increases have been made which were absorbed by the market.

3. Improvement in Plant Efficiency:

A completely new approach has been adopted in manufacturing to holistically address all efficiency improvement areas. Some key highlights include:

DIRECTORS' REVIEW

- Implementation of OEE (Overall Equipment Efficiency) based Continuous Improvement program
- Conversion project from LPG to Natural Gas initiated
- Process wastage reduction and capturing in-house recycling opportunities
- Marked improvement in plant reliability and service level

4. 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.

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. Currently demerging process is underway which is subject to the applicable statutory and regulatory approvals. Subsequent to the period end The Honorable Lahore High Court has passed an order on scheme of arrangement for merger/ amalgamation (the Scheme) dated 25 January 2022 along with requirements for conducting extra ordinary general meeting scheduled on 02 March 2022 for the approval of above Scheme.

ACKNOWLEDGEMENTS

The Board would like to take this opportunity to express gratitude and thanks to our valuable customers and stakeholders 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

LAHORE
February 24, 2022

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **First Treet Manufacturing Modaraba** (the Modaraba) as at 31 December 2021 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of review

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

Conclusion

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

Emphasis of matter

- a) We draw attention to note '1.2' to the interim financial statements which indicates that the Modaraba had incurred a net loss after tax of Rs. 65.327 million due to which accumulated loss amounts to Rs. 7,710.25 million. The current liabilities of the Modaraba exceed its current assets by Rs. 3,296.773 million and liquid assets by Rs. 2,033.637 million. These conditions along with other matters set forth in the said note indicate the existence of material uncertainty which may cast significant doubt about the Modaraba's ability to continue as a going concern due to which it may be unable to realize its assets and discharge its liabilities in the normal course of business. Note '1.2' also gives management's reasoning for preparing these financial statements on going concern basis.
- b) We draw attention to note '19' of the interim financial statements, which describes that the Modaraba is in process of demerging, transferring and vesting of the battery undertaking and business into Treet Battery Limited (TBL).

Our conclusion is not modified in respect of these matters.

Other matters

- a) The annual financial statements of the Modaraba for the year ended 30 June 2021 were audited by another firm of Chartered Accountants who expressed an unmodified opinion on those financial statements on 29 October 2021.
- b) The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended 31 December 2021 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2021.

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



Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

Lahore:

February 24, 2022

Unique Document Identification Number (UDIN): RR202110146bhTnyNvkK

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As At December 31, 2021

	Note	(Un-audited) 31 December 2021	(Audited) 30 June 2021
Rupees in '000'			
ASSETS			
Non-current assets			
Property, plant and equipment	4	8,459,747	8,600,603
Right-of-use asset (ROU)	5	20,771	62,607
Long term deposits		44,750	44,955
		8,525,268	8,708,165
Current assets			
Stores and spares		112,795	86,952
Stock-in-trade	6	1,150,341	1,136,376
Short term investment		-	60,000
Trade debtors		812,763	702,920
Advances, deposits, prepayments and other receivables	7	108,174	87,168
Tax refunds due from Government		789,377	726,765
Cash and bank balances		212,620	111,200
		3,186,070	2,911,381
Non-current assets held for sale		-	380,275
Total assets		11,711,338	11,999,821
Equity and liabilities			
Certificate capital and reserves			
Authorized certificate capital			
		9,000,000	7,000,000
Issued, subscribed and paid up certificate capital			
Deposits for purchase of certificates		8,835,904	7,000,000
		-	1,835,904
Capital reserves			
Statutory reserve		511,941	511,941
Certificate premium		1,952,870	1,952,870
Surplus on revaluation of property, plant and equipment		1,257,603	1,423,472
		3,722,414	3,888,283
Revenue reserves			
Accumulated loss		(7,710,245)	(7,810,787)
Certificate holders' equity		4,848,073	4,913,400
Non-current liabilities			
Lease liability		12,584	40,126
Deferred taxation	8	367,838	386,279
		380,422	426,405
Current liabilities			
Retention money payable		10,646	12,953
Current portion of lease liability		4,876	14,385
Short term borrowings	9	5,207,101	5,193,594
Trade and other payables	10	1,021,664	1,285,287
Accrued profit on secured borrowings		93,130	61,623
Provision for taxation		145,426	92,174
		6,482,843	6,660,016
Contingencies and commitments	12		
Total equity & liabilities		11,711,338	11,999,821

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

LAHORE
February 24, 2022


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Sheharyar Ali
Director


Muhammad Shafique Anjum
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the half year ended December 31, 2021

Note	For the half year ended		For the quarter ended	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	(Rupees in thousand)			
Revenue - net	3,550,067	2,961,412	1,586,490	1,395,663
Cost of goods sold	13 (3,344,869)	(3,022,748)	(1,460,355)	(1,341,969)
Gross profit/ (loss)	205,198	(61,336)	126,135	53,694
Operating expenses				
Administrative and general	(45,624)	(194,196)	(14,672)	(18,263)
Selling and distribution	(200,125)	(221,307)	(76,228)	(103,863)
Other expenses	(4,735)	(5,994)	(4,735)	(5,994)
	(250,484)	(421,497)	(95,635)	(128,120)
Operating (loss)/ profit	(45,286)	(482,833)	30,500	(74,426)
Finance cost	14 (198,880)	(203,598)	(107,210)	(114,574)
Other income	213,649	6,478	(134,761)	(28,238)
Loss before taxation	(30,517)	(679,953)	(211,471)	(217,238)
Taxation	15 (34,810)	(44,326)	(5,336)	(27,518)
Loss after taxation	(65,327)	(724,279)	(216,807)	(244,756)
Loss per modaraba certificate - basic and diluted	Rupees (0.08)	(3.70)	(0.25)	(1.25)


The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

LAHORE
February 24, 2022


Syed Shahid Ali
 Chief Executive Officer


Mohtashim Aftab
 Group Chief Financial Officer


Syed Sheharyar Ali
 Director


Muhammad Shafique Anjum
 Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
For the half year ended December 31, 2021

	For the half year ended		For the quarter ended	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	(Rupees in thousand)			
Loss for the period	(65,327)	(724,279)	(216,807)	(244,756)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(65,327)	(724,279)	(216,807)	(244,756)

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

LAHORE
February 24, 2022


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Sheharyar Ali
Director


Muhammad Shafique Anjum
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the half year ended December 31, 2021

	31 December 2021	31 December 2020
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(30,517)	(679,953)
Adjustments for non-cash items:		
Depreciation on operating fixed assets	156,463	222,107
Depreciation on ROU asset	2,559	7,826
Capital work in progress expensed during the period	-	3,359
Allowance for expected credit losses	10,617	5,994
Write down in the value of stock in trade	-	6,454
Exchange Loss	6,511	102
(Gain)/ Loss on disposal of operating fixed assets	(201,746)	23
Finance cost	192,369	203,496
Gain on sale of scrap	(805)	-
Loss on lease cancellation	4,735	-
	170,703	449,361
Operating profit/ (loss) before working capital changes	140,186	(230,592)
(Increase) / decrease in operating assets :		
Stores and spares	(25,843)	13,181
Stock in trade	(13,965)	319,897
Short term investment	60,000	-
Trade debtors	(120,460)	2,555
Advances, deposits, prepayments and other receivables	(21,006)	(10,443)
Tax refunds due from government	(62,612)	34,754
	(183,886)	359,944
Increase / (decrease) in operating liabilities		
Retention money payable	(2,307)	(2,425)
Trade and other payables	(232,749)	(37,814)
	(235,056)	(40,239)
Cash (used)/ generated from operations	(278,756)	89,113
Finance cost paid	(166,467)	(321,725)
Income tax paid - net of refund	-	15,544
Long term deposits - net	205	(1,861)
Net cash used in operating activities	(445,018)	(218,929)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital work in progress incurred	(15,608)	(2,113)
Proceeds from disposal of operating fixed assets	582,021	55
Net cash generated from/ (used) in investing activities	566,413	(2,058)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings acquired from banking companies	(728,422)	(113,026)
Payment of lease liability including prepayments	(3,415)	(8,184)
Borrowings from related party - Holding Company	741,929	(174,380)
Net cash generated from/ (used) in financing activities	10,092	(295,590)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	131,487	(516,577)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	11	72,574
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	204,061

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

LAHORE
February 24, 2022


Syed Shahid Ali
 Chief Executive Officer


Mohtashim Aftab
 Group Chief Financial Officer


Syed Sheharyar Ali
 Director


Muhammad Shafique Anjum
 Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
For the half year ended December 31, 2021

	Certificate Capital	Deposit for purchase of certificates	Capital reserve			Revenue reserve	Total
			Certificate premium	Statutory Reserve	Surplus on revaluation of property, plant and equipment	" Accumulated loss "	
(Rupees in thousand)							
Balance as at 01 July 2020	1,956,000	-	1,952,870	511,941	407,835	(7,195,434)	(2,366,788)
Total comprehensive loss for the period							
Loss after taxation	-	-	-	-	-	(724,279)	(724,279)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(724,279)	(724,279)
Surplus transferred to accumulated loss on account of incremental depreciation charged during the period net of deferred tax	-	-	-	-	(989)	989	-
Balance as at 31 December 2020	1,956,000	-	1,952,870	511,941	406,846	(7,918,724)	(3,091,067)
Total comprehensive loss for the period							
Loss after taxation	-	-	-	-	-	106,809	106,809
Other comprehensive income	-	-	-	-	1,017,754	-	1,017,754
	-	-	-	-	1,017,754	106,809	1,124,563
Transactions with the entity's owners							
Surplus transferred to accumulated loss on account of incremental depreciation charged during the period - net of deferred tax	-	-	-	-	(1,128)	1,128	-
Conversion of borrowings from Treet Corporation Limited (TCL) into certificate capital	5,044,000	-	-	-	-	-	5,044,000
Transferred from short terms borrowings-TCL	-	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
Issuance of certificates against deposit for purchase of certificates	1,835,904	(1,835,904)	-	-	-	-	-
Total comprehensive loss for the period							
Loss after taxation	-	-	-	-	-	(65,327)	(65,327)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(65,327)	(65,327)
Revaluation surplus transferred of non-current assets held for sale	-	-	-	-	(144,950)	144,950	-
Surplus transferred to accumulated loss on account of incremental depreciation charged during the period - net of deferred tax	-	-	-	-	(20,919)	20,919	-
Balance as at December 31, 2021	8,835,904	-	1,952,870	511,941	1,257,603	(7,710,245)	4,848,073

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

LAHORE
February 24, 2022


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Sheharyar Ali
Director


Muhammad Shafique Anjum
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) For the half year ended December 31, 2021

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 (now Companies Act, 2017) 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, 2021 that the Modaraba is incurring gross losses in the previous years and net loss after tax of Rs. 65.327 million (December 31, 2020: Rs. 724.279 million) during the half year, whereas its accumulated loss of Rs. 7,710.245 million (June 30, 2021: Rs. 7,810.787 million). The Modaraba has also shown adverse current ratio at the terminal dates. These conditions indicate the existence of material uncertainty about the conditions and events regarding the future operations of the Modaraba which may cast significant doubt about the Modaraba's ability to continue as a going concern and, therefore, the Modaraba may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, these financial statements have been prepared using going concern assumption based on following mitigating factors.

1) Working capital improvement:

A major review of inventories was conducted at all levels to free up cash. With improved plant reliability and sourcing efficiency, a considerable reduction in average WIP has been achieved and optimized in line with seasonal demand for different product variant.

2) Prices rationalization:

Battery pricing was continually reviewed in line with competitors and market dynamics. In line with the pricing strategy since July 2021, four (4) price increases have been made which were absorbed by the market. These price increases range between 10-26% (on selected SKUs).

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. 205.198 million for the half year ended December 31, 2021. Accordingly, the going concern assumption used by the management in the preparation of these financial statements is appropriate.

3) Improvement in plant efficiency:

A completely new approach has been adopted in manufacturing to holistically address all efficiency improvement areas. Some key highlights include:

- Implementation of OEE (Overall Equipment Efficiency) based continuous improvement program.
- Conversion of project from LPG to Natural Gas initiated.
- Process wastage reduction and capturing in-house recycling opportunities.
- Marked improvement in plant reliability and service levels.

4) 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 CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the half year ended December 31, 2021

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

5) Loan/ Support from Holding Company

TCL is committed to provide support to the modaraba with regard to its operational, administrative and financial needs whenever it requires. It is evident from the financials that during the period under review, TCL has lent a net loan amounting to Rs. 745.673 million to ensure smooth operations of the Modaraba. Apart from this, the involvement of TCL's senior management in decision making and effective planning has brought about significant improvements in cost rationalization and material to sales ratio particularly in battery segment. This is evident from the volume growth in battery segment of 24.06%.

6) Sale of land

During the period, the Modaraba has sold an excessive land measuring 18 Kanal and 11 Marla situated at Mauza Bhoo Battian, Tehsil Raiwind, District Lahore against the sale consideration of Rs. 600 million resulting in net profit on disposal amounting to Rs. 201.725 million.

2. BASIS OF PREPARATION

These condensed interim financial statements are un-audited and has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting (IAS-34) and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). In case above requirements of applicable accounting standards differ, the provisions of or directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and The Modaraba Companies and Modaraba Rules, 1981 and declaration issued by Securities and Exchange Commission of Pakistan shall prevail. The disclosures in these condensed interim financial statements do not include all the information reported in audited annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2021.

3.2 Standards and amendments to published accounting and reporting standards which were effective during the half year ended December 31, 2021

There are other new standards which are effective from 01 July, 2021 but they do not have a material effect on the Modaraba's condensed interim financial statements.

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

There are other new standards and certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Modaraba's annual accounting periods beginning on or after July 1, 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 half year ended December 31, 2021

	Note	Un-audited 31 December 2021 (Rupees in thousand)	Audited 30 June 2021
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	8,445,486	8,600,603
Capital work-in-progress	4.2	14,261	-
		8,459,747	8,600,603
4.1 Operating fixed assets			
Opening balance - net book value		8,600,603	6,891,552
Addition during the period / year		-	243
Impact of revaluation surplus		-	2,321,168
Transfer from capital work in progress		1,347	162,612
Assets disposed off / transferred to held for sale		-	(380,275)
Depreciation charged during the period / year	4.1.2	(156,464)	(394,697)
Closing balance - net book value		8,445,486	8,600,603
4.1.1	The operating fixed assets include a freehold land measuring 40 acres having value of Rs. 328 million (June 30, 2021: Rs. 328 million) situated at Sahianwala Faisalabad. This land is in possession and in use of the Modaraba since acquisition and all the obligations had been duly paid there-against. However, legal title of the land is in the process of being transferred in the name of the Modaraba.		
4.1.2	The depreciation charge for the period / year has been allocated as under:		
Cost of Sales			
Packaging solutions - corrugated boxes	13.1	14,305	28,020
Soaps	13.2	1,796	3,225
Batteries	13.3	135,467	356,818
Administration and general expenses		4,820	6,474
Selling and distribution expenses		76	160
		156,464	394,697
4.2 Capital work in progress			
The breakup of this head of account is as under:			
Civil works		2,791	-
Plant and machinery		11,391	-
Furniture and fittings		79	-
		14,261	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the half year ended December 31, 2021

	Notes	Un-audited 31 December 2021 (Rupees in thousand)	Audited 30 June 2021
5	RIGHT-OF-USE ASSET (ROU)		
	Cost as at December 31, / June 30, 2021		
	Opening balance	62,607	78,259
	Less:		
	Depreciation charge for the period / year	5.1 (2,559)	(15,652)
	Disposal of right-of-use asset	(39,277)	-
	Closing balance - net book value	20,771	62,607
	Useful life/ Lease term	6 years	6 years
5.1	The depreciation charge for the period/ year on the right-of-use asset has been allocated as:		
	Cost of sales - Soap segment	13.2 -	10,534
	Selling and distribution expenses - battery segment	2,559	5,118
	Closing balance - net book value	2,559	15,652
6	STOCK IN TRADE		
	Raw material and chemicals	6.1 555,959	632,031
	Packing material	41,961	37,093
	Work-in-process	381,362	355,989
	Finished goods	171,059	111,263
		1,150,341	1,136,376
6.1	Raw material and chemicals include stock in transit amounting to Rs. 1.20 million (June 30, 2021: Rs. Nil).		
6.2	The stock-in-trade of battery segments has been written down to net realizable value by Rs. Nil (June 30, 2021: Rs. 2.434 million), 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	7.1 108,174	87,168
7.1	This includes Rs. 4.324 million (June 30, 2021: Rs. 2.898 million) as advances to suppliers and Rs. nil (June 30, 2021: Rs. 6 million) as insurance claim receivable from IGI Insurance Limited, an associated company of the Modaraba.		

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
For the half year ended December 31, 2021

	Note	Un-audited 31 December 2021 (Rupees in thousand)	Audited 30 June 2021	
8	Deferred Taxation			
	Deferred tax liabilities in respect of taxable temporary differences:			
	Accelerated tax depreciation and allowance of assets	1,057,830	1,036,710	
	Deferred tax assets in respect of deductible temporary differences:			
	Provision for slow moving/obsolete stores	-	(1,597)	
	Provision for doubtful debts	(12,376)	(9,267)	
	Provision for warranty	(30,875)	(46,405)	
	Lease liability	960	(15,757)	
	Unused tax depreciation loss	(647,701)	(577,405)	
		(689,992)	(650,431)	
	Net deferred tax liability	367,838	386,279	
	Deferred tax asset not recognized in the profit and loss account	-	-	
	Deferred tax liability	(367,838)	(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	15	(10,442)	
9	SHORT TERM BORROWINGS			
	From banking companies - secured and profit bearing			
	Running finances - Islamic mode of financing	9.1	3,356,591	4,085,013
	From related parties - unsecured			
	Treet Corporation Limited - Holding company	9.2	1,850,510	1,104,837
	Treet Holdings Limited - Management company		-	3,744
			1,850,510	1,108,581
			5,207,101	5,193,594

9.1 Running finances - Islamic mode of financing

These represent Istisna, Murabaha and Karobar Finance facilities obtained from various financial institutions under shariah compliant arrangements to meet working capital requirements, for procurement of raw materials, stocks, chemicals, stores, tools and spare parts and the manufacturing of corrugated boxes, soaps and batteries out of the total sanctioned limits of Rs. 3,457.50 million (June 30, 2021: Rs. 4,257.50 million).

All the short term borrowings from the various financial institutions as disclosed in note 9.1 of these condensed interim financial statements carry profit rates ranging from 3 to 9 Month KIBOR + 0.75% to 2.5% (June 30, 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 TCL.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the half year ended December 31, 2021

9.2 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	Un-audited 31 December 2021	Audited 30 June 2021
		Rupees in '000'	
10 TRADE AND OTHER PAYABLES	10.1	1,021,664	1,285,287
10.1 These include balances on account of the following:			
Associated undertakings			
IGI Insurance		16,050	-
Elite Brands Limited		155	61
Liaqat National Hoospital		146	-
Auto Technical Services Private Limited		44	-
		16,395	61
11 CASH AND CASH EQUIVALENTS			
Cash and bank balances		212,620	111,200
Temporary bank overdraft - unsecured		(8,559)	(38,626)
Cash and cash equivalents at end of the period		204,061	72,574
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, 2021.			
12.2 Commitments			
Guarantees		44,350	67,245
Outstanding letters of credit		75,037	98,990

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
For the half year ended December 31, 2021

	Note	Un-audited		Un-audited		
		For the half year ended		For the quarter ended		
		31 December 2021 (Rupees in thousand)	31 December 2021 (Rupees in thousand)	31 December 2021 (Rupees in thousand)	31 December 2021 (Rupees in thousand)	
13	COST OF GOODS SOLD					
	Packaging Solutions - Corrugated boxes	13.1	1,005,912	777,470	494,207	423,892
	Soap	13.2	232,919	477,484	106,205	199,322
	Batteries	13.3	2,106,038	1,767,794	859,943	718,755
			3,344,869	3,022,748	1,460,355	1,341,969
13.1	Cost of goods sold - Packaging Solutions					
	Raw material					
	Opening stock		117,651	178,624	128,321	96,102
	Add : Purchases		852,534	475,152	429,679	331,145
			970,185	653,776	558,000	427,247
	Less : Closing stock		(176,132)	(104,562)	(176,132)	(104,562)
	Raw material consumed		794,053	549,214	381,868	322,685
	Stores and spares consumed		12,318	32,724	7,000	17,015
	Salaries, wages and other benefits		91,515	82,196	49,121	43,891
	Fuel and power		51,615	40,630	23,653	21,244
	Freight and forwarding		26,495	29,704	14,083	14,329
	Depreciation on operating fixed assets	4.1.2	14,305	13,325	7,152	7,081
	Other expenses		19,848	21,763	16,985	9,648
			1,010,149	769,556	499,862	435,893
	Work-in-process					
	Add: Opening stock		7,629	10,596	6,350	-
	Less: Closing stock		(8,572)	(9,845)	(8,572)	(9,845)
			(943)	751	(2,222)	(9,845)
	Cost of goods manufactured		1,009,206	770,307	497,640	426,048
	Finished goods					
	Add: Opening stock		8,333	23,615	8,194	14,296
	Less: Closing stock		(11,627)	(16,452)	(11,627)	(16,452)
			(3,294)	7,163	(3,433)	(2,156)
			1,005,912	777,470	494,207	423,892

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the half year ended December 31, 2021

	Note	Un-audited		Un-audited	
		For the half year ended		For the quarter ended	
		31 December 2021 (Rupees in thousand)	31 December 2020 (Rupees in thousand)	31 December 2021 (Rupees in thousand)	31 December 2020 (Rupees in thousand)
13.2 Cost of goods sold - Soaps					
Raw material					
Opening stock		33,993	30,245	34,350	33,086
Add : Purchases		218,757	445,202	99,782	203,394
		252,750	475,447	134,132	236,480
Less : Closing stock		(43,144)	(40,027)	(43,144)	(40,027)
Raw material consumed		209,606	435,420	90,988	196,453
Stores and spares consumed		661	1,872	657	966
Salaries, wages and other benefits		15,747	24,094	7,805	11,840
Fuel and power		6,981	8,263	3,216	6,529
Freight and forwarding		4,964	9,173	2,466	4,596
Depreciation	4.1.2	1,796	2,614	898	1,307
Depreciation on ROU asset	5.1	-	5,267	-	5,267
Other expenses		1,894	3,753	925	1,950
		241,649	490,456	106,955	228,908
Work-in-process					
Add: Opening stock		-	223	-	-
Less: Closing stock		-	(537)	-	(537)
		-	(314)	-	(537)
Cost of goods manufactured		241,649	490,142	106,955	228,371
Finished goods					
Add: Opening stock		26,373	23,613	34,353	7,222
Less: Closing stock		(35,103)	(36,271)	(35,103)	(36,271)
		(8,730)	(12,658)	(750)	(29,049)
		232,919	477,484	106,205	199,322
13.3 Cost of goods sold - Batteries					
Raw material					
Opening stock		517,480	514,329	358,792	254,410
Add : Purchases		1,494,391	849,402	807,430	562,207
		2,011,871	1,363,731	1,166,222	816,617
Less : Closing stock		(378,645)	(219,023)	(378,645)	(219,023)
Raw material consumed		1,633,226	1,144,708	787,577	597,594
Stores and spares consumed		7,755	20,104	7,755	15,497
Salaries, wages and other benefits		147,681	149,805	70,873	77,832
Fuel and power		160,521	119,885	74,933	52,120
Freight and forwarding		51,950	37,110	27,598	17,780
Depreciation	4.1.2	135,467	202,818	67,734	66,955
Other expenses		41,639	39,999	25,485	20,430
		2,178,239	1,714,429	1,061,955	848,208

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
For the half year ended December 31, 2021

	Note	Un-audited		Un-audited	
		For the half year ended		For the quarter ended	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
		(Rupees in thousand)		(Rupees in thousand)	
Work-in-process			-		
Add: Opening stock		348,360	418,361	262,637	202,882
Less: Closing stock		(372,789)	(403,385)	(372,789)	(403,385)
		(24,429)	14,976	(110,152)	(200,503)
		2,153,810	1,729,405	951,803	647,705
Finished goods			-		
Add: Opening stock		76,557	98,509	32,469	131,170
Less: Closing stock		(124,329)	(60,120)	(124,329)	(60,120)
		(47,772)	38,389	(91,860)	71,050
		2,106,038	1,767,794	859,943	718,755
14 Finance cost					
Istisna finance		155,628	168,191	88,745	94,928
Murabaha finance		12,118	3,596	5,152	2,030
Karobar finance		20,968	27,519	11,512	15,532
Lease liability		906	1,550	453	788
Exchange loss		6,511	102	-	50
Bank charges		2,749	2,640	1,348	1,246
		198,880	203,598	107,210	114,574
15 Taxation					
Normal tax	15.1	-	-	-	-
Minimum tax		53,251	44,129	27,321	27,321
Presumptive tax - exports		-	197	-	197
Deferred					
For the period	8	(18,441)	-	(21,985)	-
		34,810	44,326	(5,336)	27,518

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 half year ended December 31, 2021

16 Business segments

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

	Business Segments						Total
	Corrugated Boxes		Soaps		Batteries		
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021
	(Rupees in thousand)						
Revenue: Inter-segment	1,286	11,136	-	-	-	-	1,286
Others	1,181,315	827,418	-	601,106	2,708,042	2,310,700	4,197,017
Sale of (waste paper and lead)	78,873	51,575	-	-	98,685	105,969	177,558
Less: Sales tax	1,261,474	890,129	307,660	601,106	2,806,727	2,416,669	4,375,861
Trade discount	(178,523)	(120,279)	(51,818)	(101,151)	(464,046)	(332,829)	(694,387)
Elimination of inter segment sales	(91)	(892)	(221)	(325)	(129,809)	(379,880)	(130,121)
	(1,286)	(11,136)	-	-	-	-	(1,286)
Net revenue	1,081,574	757,822	255,621	499,630	2,212,872	1,703,960	3,550,067
Cost of sales: Inter-segment	-	-	1,286	11,136	-	-	1,286
Others	1,005,912	777,470	232,919	477,484	2,106,038	1,767,794	3,344,869
Elimination of inter segment sales	-	-	(1,286)	(11,136)	-	-	(1,286)
	1,005,912	777,470	232,919	477,484	2,106,038	1,767,794	3,344,869
Gross profit/ (loss)	75,662	(19,648)	22,702	22,146	106,834	(63,834)	205,198
Operating expenses							
Administrative and general	(13,057)	(15,971)	(2,227)	(8,905)	(30,340)	(169,320)	(45,624)
Selling and distribution	(25,894)	(17,415)	(600)	-	(173,631)	(203,892)	(200,125)
Other expenses	-	(5,994)	(4,735)	-	-	-	(4,735)
	(38,951)	(39,380)	(7,562)	(8,905)	(203,971)	(373,212)	(250,484)
Operating profit/ (loss)	36,711	(59,028)	15,140	13,241	(97,137)	(437,046)	(45,286)
Finance cost							
Other income							
Net loss for the period before taxation							
Taxation							
Net loss for the period after taxation							

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
For the half year ended December 31, 2021

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
	31 December 2021	30 June 2021	31 December 2021	30 June 2021	31 December 2021	30 June 2021	31 December 2021	30 June 2021	31 December 2021	30 June 2021
Segment assets	2,742,010	2,842,388	2,291	12,487	8,967,037	9,144,955	-	-	11,711,338	11,999,821
Segment liabilities	813,519	2,047,007	692,301	1,830,411	4,989,606	2,822,724	367,839	386,280	6,863,265	7,086,422
Depreciation on property, plant and equipment	16,939	29,982	1,796	3,225	137,729	361,490	-	-	156,464	394,697

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the half year ended December 31, 2021

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	
			31 December 2021	31 December 2020
			(Rupees in thousand)	
Treet Corporation Limited	Holding company	Sale of corrugated boxes	21,018	13,427
		Expenses for operational activities of battery project	-	149,659
		Service charges charged by the party	1,198	17,500
Treet HR Management (Private) Limited	Associated undertaking	Services obtained	5,775	6,525
Packages Limited	Associated undertaking	Purchase of goods	18,802	7,709
IGI Insurance Limited	Associated undertaking	Services obtained	32,451	37,975
Renacon Pharma Limited	Associated undertaking	Sale of corrugated boxes	12,588	8,140
		Sale of batteries	26	68
Ghulab Devi Chest Hospital	Associated undertaking	Donation given to the charitable institution	-	2
Liaqat National Hospital	Associated undertaking	Services obtained	270	-
Elite Brands Limited	Associated undertaking	Sale of soap products	27,724	-
		Services obtained	404	-
Specialized Auto Parts Industries	Associated undertaking	Sale of batteries	96	-
Loads Limited	Associated undertaking	Sale of batteries	130	-

18 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

A novel strain of corona virus (COVID-19) that was classified as a pandemic by the World Health Organization in March 2020, impacting countries globally. This pandemic has significantly affected all segments of economy. The fair value determination at the measurement date has become more challenging due to the uncertainty of the economic impact of COVID-19. The Modaraba expects that going forward these uncertainties would reduce as the impact of COVID-19 on overall economy subsides and management have evaluated and concluded that there is no going concern uncertainty and there are no material implications of COVID-19 impacts that requires disclosures/ adjustments in these financial statements.

19 DEMERGER OF BATTERY BUSINESS

The Modaraba is in process of demerging, transferring and vesting of the battery undertaking and business into Treet Battery Limited (TBL) which is subject to the applicable statutory and regulatory approvals. Subsequent to the period end The Honorable Lahore High Court has passed an order on scheme of arrangement for merger/ amalgamation (the Scheme) dated 25 January 2022 along with requirements for conducting extra ordinary general meeting scheduled on 02 March 2022. The financial effect of such scheme cannot presently be estimated.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the half year ended December 31, 2021

20 DATE OF AUTHORIZATION FOR ISSUE


These un-audited condensed interim financial statements were authorized for issue by the Board of Directors of the Management Company on February 24, 2022.

21 General

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

21.2 All figures, except for June 30, 2021 figures, appearing in these condensed interim financial statements are un-audited.

LAHORE
February 24, 2022


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Sheharyar Ali
Director


Muhammad Shafique Anjum
Director



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